CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
May 11, 2009

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

Or

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

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NO. 1-12494

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

DELAWARE	**62-1545718**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Yes o No x

As of April 30, 2009, there were 71,208,067 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)

	March 31, 2009	December 31, 2008
ASSETS		
Real estate assets:		
Land	$ 926,663	$ 902,504
Buildings and improvements	7,553,549	7,503,334
	8,480,212	8,405,838
Less accumulated depreciation	(1,371,814)	(1,310,173)
	7,108,398	7,095,665
Developments in progress	189,679	225,815
Net investment in real estate assets	7,298,077	7,321,480
Cash and cash equivalents	44,073	51,227
Cash held in escrow	2,490	2,700
Receivables:		
Tenant, net of allowance for doubtful accounts of $1,892 in 2009 and $1,910 in 2008	70,314	74,402
Other	11,104	12,145
Mortgage notes receivable	55,867	58,961
Investments in unconsolidated affiliates	197,498	207,618
Intangible lease assets and other assets	293,447	305,802
	$ 7,972,870	$ 8,034,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other notes payable	$ 6,094,897	$ 6,095,676
Accounts payable and accrued liabilities	308,468	329,991
Total liabilities	6,403,365	6,425,667
Commitments and contingencies		
Redeemable noncontrolling interests	439,016	439,675
Shareholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
7.75% Series C Cumulative Redeemable Preferred Stock, 460,000 shares outstanding	5	5
7.375% Series D Cumulative Redeemable Preferred Stock, 700,000 shares outstanding	7	7

Common stock, $.01 par value, 180,000,000 shares authorized, 66,453,651 and 66,394,844 issued and outstanding in 2009 and 2008, respectively		**664**		664
Additional paid-in capital		**997,794**		993,925
Accumulated other comprehensive loss		**(12,420)**		(12,773)
Accumulated deficit		**(216,171)**		(193,307)
Total shareholders' equity		**769,879**		788,521
Noncontrolling interests		**360,610**		380,472
Total equity		**1,130,489**		1,168,993
	$	**7,972,870**	$	8,034,335

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

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

	Three Months Ended March 31,	
	2009	2008
REVENUES:		
Minimum rents	$ **171,937**	$ 174,531
Percentage rents	**4,804**	4,996
Other rents	**4,280**	5,014
Tenant reimbursements	**81,484**	86,423
Management, development and leasing fees	**2,465**	2,938
Other	**6,090**	7,029
Total revenues	**271,060**	280,931
EXPENSES:		
Property operating	**44,017**	48,292
Depreciation and amortization	**78,311**	75,081
Real estate taxes	**24,154**	24,179
Maintenance and repairs	**15,994**	17,916
General and administrative	**11,479**	12,531
Other	**5,157**	6,999
Total expenses	**179,112**	184,998
Income from operations	**91,948**	95,933
Interest and other income	**1,581**	2,727
Interest expense	**(71,885)**	(80,224)
Impairment of investment	**(7,706)**	—
Gain (loss) on sales of real estate assets	**(139)**	3,076
Equity in earnings of unconsolidated affiliates	**1,534**	979
Income tax provision	**(603)**	(357)
Income from continuing operations	**14,730**	22,134
Operating income (loss) of discontinued operations	**(66)**	283
Loss on discontinued operations	**(60)**	—
Net income	**14,604**	22,417
Net income attributable to noncontrolling interests in:		
Operating partnership	**(1,306)**	(4,742)
Other consolidated subsidiaries	**(6,131)**	(6,049)
Net income attributable to the Company	**7,167**	11,626
Preferred dividends	**(5,455)**	(5,455)

Net income available to common shareholders	**$**	**1,712**	$	6,171

The accompanying notes are an integral part of these statements.

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

	Three Months Ended March 31,	
	2009	2008
Basic per share data attributable to common shareholders:		
Income from continuing operations, net of preferred dividends	**$ 0.03**	$ 0.08
Discontinued operations	**(0.01)**	0.01
Net income available to common shareholders	**$ 0.02**	$ 0.09
Weighted average common shares outstanding	**71,161**	70,994
Diluted per share data attributable to common shareholders:		
Income from continuing operations, net of preferred dividends	**$ 0.03**	$ 0.08
Discontinued operations	**(0.01)**	0.01
Net income available to common shareholders	**$ 0.02**	$ 0.09
Weighted average common and potential dilutive common shares outstanding	**71,196**	71,158
Amounts attributable to common shareholders:		
Income from continuing operations, net of preferred dividends	**$ 1,784**	$ 6,011
Discontinued operations	**(72)**	160
Net income available to common shareholders	**$ 1,712**	$ 6,171
Dividends declared per common share	**$ 0.3700**	$ 0.5450

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total	Comprehensive Income
Balance, January 1, 2008	$ 12	$ 662	$ 986,772	$ 2	$ (70,154)	$ 482,217	$ 1,399,511	$ —
Net income	—	—	—		11,626	4,677	16,303	16,303
Net unrealized loss on available-for-sale securities	—	—	—	(1,972)	—	(1,468)	(3,440)	(3,440)
Unrealized loss on hedging instruments	—	—	—	(5,102)	—	(3,799)	(8,901)	(8,901)
Unrealized gain on foreign currency translation adjustment	—	—	—	113	—	84	197	197
Dividends declared - common stock	—	—	—	—	(36,056)	—	(36,056)	—
Dividends declared - preferred stock	—	—	—	—	(5,455)	—	(5,455)	—
Issuance of common stock and restricted common stock	—	1	22	—	—	—	23	—
Exercise of stock options	—	—	250	—	—	—	250	—
Accelerated vesting of share-based compensation	—	—	35	—	—	—	35	—
Accrual under deferred compensation arrangements	—	—	27	—	—	—	27	—
Amortization of deferred compensation	—	—	1,591	—	—	—	1,591	—
Income tax benefit from share-based compensation	—	—	1,501	—	—	—	1,501	—
Distributions to noncontrolling interests	—	—	—	—	—	(27,092)	(27,092)	—
Contributions from noncontrolling interests	—	—	—	—	—	203	203	—
Adjustment for noncontrolling interest in Operating Partnership	—	—	603	—	—	(627)	(24)	—
Adjustment to record redeemable noncontrolling interest at redemption value	—	—	(73)	—	—	—	(73)	—
Reclassification of noncontrolling interests related to deconsolidation	—	—	—	—	—	(3,257)	(3,257)	—
Balance, March 31, 2008	$ 12	$ 663	$ 990,728	$ (6,959)	$ (100,039)	$ 450,938	$ 1,335,343	$ 4,159

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total	Comprehensive Income
Balance, January 1, 2009	$ 12	$ 664	$ 993,925	$ (12,773)	$ (193,307)	$ 380,472	$ 1,168,993	$ —
Net income	—	—	—	—	7,167	1,411	8,578	8,578
Net unrealized loss on available-for-sale securities	—	—	—	(1,191)	—	(884)	(2,075)	(2,075)
Net unrealized gain on hedging instruments	—	—	—	1,039	—	771	1,810	1,810
Realized loss on foreign currency translation adjustment	—	—	—	27	—	20	47	47
Unrealized gain on foreign currency translation adjustment	—	—	—	478	—	355	833	833
Dividends declared - common stock	—	—	—	—	(24,576)	—	(24,576)	—
Dividends declared - preferred stock	—	—	—	—	(5,455)	—	(5,455)	—
Issuance of common stock and restricted common stock	—	—	254	—	—	—	254	—
Cancellation of restricted common stock	—	—	(11)	—	—	—	(11)	—
Accrual under deferred compensation arrangements	—	—	19	—	—	—	19	—
Amortization of deferred compensation	—	—	774	—	—	—	774	—
Distributions to noncontrolling interests	—	—	—	—	—	(18,796)	(18,796)	—
Adjustment for noncontrolling interest in Operating Partnership	—	—	2,925	—	—	(2,739)	186	—
Adjustment to record redeemable noncontrolling interest at redemption value	—	—	(92)	—	—	—	(92)	—
Balance, March 31, 2009	$ 12	$ 664	$ 997,794	$ (12,420)	$ (216,171)	$ 360,610	$ 1,130,489	$ 9,193

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

	Three Months Ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 14,604**	$ 22,417
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**48,033**	44,472
Amortization	**32,608**	33,504
Net amortization of above and below market leases	**(1,557)**	(2,597)
Amortization of debt premiums	**(2,035)**	(1,975)
(Gain) loss on sales of real estate assets	**139**	(3,076)
Realized foreign currency loss	**48**	—
Loss on discontinued operations	**60**	—
Impairment of investment	**7,706**	—
Share-based compensation expense	**970**	1,588
Income tax benefit from stock-based compensation	**—**	1,501
Equity in earnings of unconsolidated affiliates	**(1,534)**	(979)
Distributions of earnings from unconsolidated affiliates	**3,727**	4,163
Write-off of development projects	**76**	1,713
Changes in:		
Tenant and other receivables	**5,129**	3,013
Other assets	**(2,288)**	(5,357)
Accounts payable and accrued liabilities	**(13,951)**	(5,434)
Net cash provided by operating activities	**91,735**	92,953
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	**(61,328)**	(126,998)
Proceeds from sales of real estate assets	**4,721**	6,187
Additions to mortgage notes receivable	**(4,437)**	(9,597)
Payments received on mortgage notes receivable	**3,083**	103,885
Distributions from restricted cash	**10,998**	—
Distributions from (additions to) cash held in escrow	**210**	(2,640)
Distributions in excess of equity in earnings of unconsolidated affiliates	**21,339**	13,370
Additional investments in and advances to unconsolidated affiliates	**(22,306)**	(33,447)
Changes in other assets	**2,256**	674
Net cash used in investing activities	**(45,464)**	(48,566)

The accompanying notes are an integral part of these statements.

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

	Three Months Ended March 31,			
		2009		2008
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from mortgage and other notes payable		**105,276**		217,381
Principal payments on mortgage and other notes payable		**(104,020)**		(185,412)
Additions to deferred financing costs		**(841)**		(489)
Proceeds from issuance of common stock		**66**		86
Proceeds from exercise of stock options		**—**		250
Income tax benefit from stock-based compensation		**—**		(1,501)
Contributions from noncontrolling interests		**—**		203
Distributions to noncontrolling interests		**(24,644)**		(33,465)
Dividends paid to holders of preferred stock		**(5,455)**		(5,455)
Dividends paid to common shareholders		**(24,568)**		(36,069)
Net cash used in financing activities		**(54,186)**		(44,471)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**761**		—
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(7,154)**		(84)
CASH AND CASH EQUIVALENTS, beginning of period		**51,227**		65,826
CASH AND CASH EQUIVALENTS, end of period	**$**	**44,073**	$	65,742
SUPPLEMENTAL INFORMATION:				
Cash paid for interest, net of amounts capitalized	**$**	**73,856**	$	83,499

The accompanying notes are an integral part of these statements.

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

Note 1 – Organization and Basis of Presentation

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the "Operating Partnership"). At March 31, 2009, the Operating Partnership owned controlling interests in 75 regional malls/open-air centers, 30 associated centers (each located adjacent to a regional mall), eight community centers, one mixed-use center and 13 office buildings, including CBL's corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in nine regional malls, three associated centers, four community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had four community centers (each of which is owned in a joint venture) under construction at March 31, 2009. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At March 31, 2009, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 55.2% limited partner interest for a combined interest held by CBL of 56.8%.

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 March 31, 2009, CBL's Predecessor owned a 14.9% limited partner interest, Jacobs owned a 19.6% limited partner interest and third parties owned an 8.7% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 7.2 million shares of CBL's common stock at March 31, 2009, for a total combined effective interest of 21.0% in the Operating Partnership.

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

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

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

Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Material intercompany transactions have been eliminated. The results for the interim period ended March 31, 2009 are not necessarily indicative of the results to be obtained for the full fiscal year.

Certain historical amounts have been reclassified to conform to the current year presentation. Certain properties for which the financial results were originally reported as discontinued operations in the condensed consolidated financial statements for the three months ended March 31, 2008 no longer meet the criteria to be classified as held for sale and are, thus, currently reflected in continuing operations for all periods presented. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations. See Note 6 for further discussion. Also see Notes 4 and 8 for discussion regarding the impact on the presentation of the condensed consolidated financial statements and share information related to the adoption of certain accounting pronouncements as of January 1, 2009.

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

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, 2008.

Note 2 – Recent Accounting Pronouncements

Accounting Pronouncements Adopted

Effective January 1, 2009, the Company adopted the previously deferred portion of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, which applies to fair value measurements of nonfinancial assets and liabilities. The adoption of these provisions did not have an impact on the Company's condensed consolidated financial statements. See Note 3 for further information.

Effective January 1, 2009, the Company adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, *an Amendment of ARB No. 51*. See *Noncontrolling Interests* in Note 4 for further information regarding the adoption of this standard, which did have an impact on the Company's condensed consolidated financial statements.

Effective January 1, 2009, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. The adoption of this standard did not have an impact on the Company's condensed consolidated financial statements, but did require additional disclosures regarding the Company's hedging activities. See *Interest Rate Hedge Instruments* in Note 5 for further information.

Effective January 1, 2009, the Company adopted Financial Accounting Standards Board ("FASB") Staff Position ("FSP") Emerging Issues Task Force ("EITF") 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* The adoption did not have a material impact on the Company's earnings per share. See Note 8 for further information.

Effective January 1, 2009, the Company adopted SFAS No. 141(R), *Business Combinations*, which changes certain aspects of current business combination accounting for business combinations entered into subsequent to December 31, 2008. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Shares issued as consideration for a business combination are to be measured at fair value on the acquisition date and contingent consideration arrangements are to be recognized at their fair values on the date of acquisition, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition gain and loss contingencies generally are to be recognized at their fair values on the acquisition date and any acquisition-related transaction costs are to be expensed as incurred. The adoption of SFAS No. 141(R) did not have an impact on the Company's condensed consolidated financial statements.

Effective January 1, 2009, the Company adopted FSP Financial Accounting Standard ("FAS") 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies.* FSP FAS 141(R)-1 amends the guidance of SFAS No. 141(R) related to accounting for pre-acquisition contingencies to more closely resemble the guidance originally issued under SFAS No. 141, *Business Combinations*. According to the provisions of FSP FAS 141(R)-1, an acquirer is required to recognize assets or liabilities arising from contingencies at fair value if fair value can be reasonably estimated. Otherwise, the asset or liability would generally be recognized in accordance with SFAS No. 5, *Accounting for Contingencies*. The provisions of FSP FAS 141(R)-1 are prospectively applied to business combinations completed subsequent to December 31, 2008. The adoption SFAS No. 141(R)-1 did not have an impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, which provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability has significantly decreased or when circumstances indicate that a transaction is not orderly. The provisions of this pronouncement are effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently assessing the potential impact of the adoption of FSP FAS 157-4 on its condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in an entity's financial statements. FSP FAS 115-2 and FAS 124-2 does not amend the existing recognition and measurement guidance on other-than-temporary impairments of debt and equity securities. The provisions of this pronouncement are effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently assessing the potential impact of the adoption of FSP FAS 115-2 and FAS 124-2 on its condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. The pronouncement amends existing fair value disclosure and interim reporting requirements to require disclosures about fair value of financial instruments for interim reporting periods and to require those disclosures in summarized financial information at interim reporting periods. The provisions of FSP FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. The Company is currently assessing the potential impact of the adoption on its condensed consolidated financial statements.

Note 3 – Fair Value Measurements

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

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

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

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

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

		Fair Value Measurements at Reporting Date Using		
	Fair Value at March 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$ 2,106	$ 2,106	$ —	$ —
Privately held debt and equity securities	2,475	—	—	2,475
Interest rate caps	31	—	31	—
Liabilities:				
Interest rate swaps	$ 13,619	$ —	$ 13,619	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$ 4,209	$ 4,209	$ —	$ —
Privately held debt and equity securities	4,875	—	—	4,875
Interest rate cap	30	—	30	—
Liabilities:				
Interest rate swaps	$ 15,570	$ —	$ 15,570	$ —

Other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities that are classified as available for sale. Net unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive loss in shareholders' equity. During the quarters ended March 31, 2009 and 2008, the Company did not recognize any realized gains and losses or write-downs related to sales or disposals of marketable securities or other-than-temporary impairments. The fair value of the Company's available-for-sale securities is based on quoted market prices and, thus, is classified under Level 1.

The Company holds a convertible note receivable from, and a warrant to acquire shares of, Jinsheng Group, in which the Company also holds a cost-method investment. The convertible note receivable is non-interest bearing and is secured by shares of the private entity. Since the convertible note receivable is non-interest bearing and there is no active market for the entity's debt, the Company performed an analysis on the note considering credit risk and discounting factors to determine the fair value. The warrant was initially valued using estimated share price and volatility variables in a Black Scholes model. Due to the significant estimates and assumptions used in the valuation of the note and warrant, the Company has classified these under Level 3. As part of its investment review as of March 31, 2009, the Company determined that its investment in Jinsheng was impaired on an other than temporary basis due to a decline in expected future cash flows as a result of declining occupancy and sales related to the downturn of the real estate market in China. An impairment charge of $2,400 was recorded in the Company's condensed consolidated statement of operations for the three month period ended March 31, 2009, resulting in a remaining value of the secured notes receivable and warrants, of $2,475. See Note 4 for further discussion.

The Company uses interest rate swaps and caps to mitigate the effect of interest rate movements on its variable-rate debt. The interest rate swaps and caps are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and related amendments. The Company currently has four interest rate swap agreements included in Accounts Payable and Accrued Liabilities and one cap in Other Assets that qualify as hedging instruments and are designated as cash flow hedges. The qualifying derivative instruments have met the effectiveness test criteria since inception and changes in the fair values of the instruments are, thus, reported in other comprehensive income (loss) and will be reclassified into earnings in the same period or periods during which the hedged item affects earnings. The Company has engaged a third party firm to calculate the valuations for its interest rate hedges. The fair values of the Company's interest rate swaps and caps, classified under Level 2,are determined using a proprietary model which is based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") and other rate information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions. See Note 5 for further information regarding the Company's interest rate hedging activity.

SFAS No. 157 requires separate disclosure of assets and liabilities measured at fair value on a recurring basis from those measured at fair value on a nonrecurring basis. As of March 31, 2009, no assets or liabilities were measured at fair value on a nonrecurring basis.

In February 2008, the FASB issued FSP 157-2 which delayed the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. Effective January 1, 2009, the Company adopted this portion of SFAS No. 157. The adoption had no impact on the Company's condensed consolidated financial statements. The provisions of SFAS No. 157 will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of SFAS No. 157.

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

Unconsolidated Affiliates

At March 31, 2009, the Company had investments in the following 22 entities, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest
CBL Brazil	Plaza Macae	60.0%
CBL Macapa	Macapa Shopping	60.0%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of six office buildings	50.0%
CBL-TRS Joint Venture II, LLC	Renaissance Center	50.0%
Governor's Square IB	Governor's Plaza	50.0%
Governor's Square Company	Governor's Square	47.5%
High Pointe Commons, LP	High Pointe Commons	50.0%
High Pointe Commons II-HAP, LP	High Pointe Commons - Christmas Tree Shop	50.0%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0%
JG Gulf Coast Town Center	Gulf Coast Town Center	50.0%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.0%
Mall of South Carolina L.P.	Coastal Grand—Myrtle Beach	50.0%
Mall of South Carolina Outparcel L.P.	Coastal Grand—Myrtle Beach (vacant land)	50.0%
Mall Shopping Center Company	Plaza del Sol	50.6%
Parkway Place L.P.	Parkway Place	50.0%
Port Orange I, LLC	The Pavilion at Port Orange Phase I	50.0%
Port Orange II, LLC	The Pavilion at Port Orange Phase II	50.0%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0%
West Melbourne I, LLC	Hammock Landing Phase I	50.0%
West Melbourne II, LLC	Hammock Landing Phase II	50.0%
York Town Center, LP	York Town Center	50.0%

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

	Total for the Three Months Ended March 31,		Company's Share for the Three Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
Revenues	**$ 41,832**	$ 38,286	**$ 24,868**	$ 19,799
Depreciation and amortization expense	**(12,636)**	(13,000)	**(7,509)**	(6,677)
Interest expense	**(12,688)**	(13,006)	**(7,865)**	(6,626)
Other operating expenses	**(13,876)**	(11,343)	**(8,524)**	(5,946)
Gain on sales of real estate assets	**988**	472	**564**	429
Net income	**$ 3,620**	$ 1,409	**$ 1,534**	$ 979

In September 2008, the Company entered into a condominium partnership agreement with several individual investors, to acquire a 60% interest in a new retail development in Macapa, Brazil. In February 2009, the Company negotiated a divestment agreement with its Macapa partners obligating the Company to fund an additional $592 to reimburse the other partners for previously incurred land acquisition costs in exchange for the termination of any future obligations on the part of the Company to fund development costs, and to provide the other partners the option to purchase the Company’s interest in this partnership for an amount equal to its investment balance. As of March 31, 2009, the Company had incurred total funding of $825, including the $592 of reimbursements noted above.

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

Noncontrolling Interests

Effective January 1, 2009, the Company adopted SFAS No. 160 which requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to a noncontrolling interest be presented separately, net of tax, below net income on the Company's condensed consolidated statements of operations. SFAS No. 160 also requires that after control of an investment or subsidiary is obtained, a change in ownership interest that does not result in a loss of control should be accounted for as an equity transaction. A change in ownership of a consolidated subsidiary that results in a loss of control and deconsolidation is a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests.

The adoption of SFAS No. 160 resulted in certain presentation reclassifications and adjustments in the Company's condensed consolidated financial statements for all periods presented. Any previous minority interests for which the related partnership agreements either do not include redemption provisions or may be redeemed with the Company's stock, at its election, were reclassified to noncontrolling interests in the equity section of the Company's condensed consolidated balance sheets at their carrying value. The presentation of net income attributable to noncontrolling interests was reclassified in the condensed consolidated statements of operations for all periods presented and is included as a reduction to net income to derive net income attributable to the Company. There were no changes in ownership interests during the periods presented.

The FASB has amended EITF Topic D-98 ("EITF D-98"), *Classification and Measurement of Redeemable Securities*, to reflect the issuance of SFAS No. 160. In connection with the Company's retrospective adoption of SFAS No. 160, a concurrent review of the measurement provisions of EITF D-98 was performed and retrospectively adopted. The Company has one limited partner in the Operating Partnership and partners in two other consolidated subsidiaries that can require the Company to redeem their interests in the future with cash or real property. Accordingly, pursuant to the provisions of EITF D-98, the Company's redeemable noncontrolling interests were recorded for all periods presented at their redemption values as of the end of the period, with any changes in value being reflected in retained earnings, or in the event of a deficit, in additional paid-in capital, and continue to be reported within temporary equity in the Company's condensed consolidated balance sheets. Subsequent adjustments to the carrying amounts of these redeemable noncontrolling interests to reflect the changes in their redemption values at the end of each reporting period are to be recorded in the same manner. Adoption of the standard resulted in a decrease to additional paid-in capital of $5,137 as of December 31, 2008.

Activity related to the Company's redeemable noncontrolling interests is as follows:

	Three Months Ended March 31,	
	2009	**2008**
Beginning Balance	**$ 439,675**	$ 441,334
Noncontrolling interest in earnings of Operating Partnership and other consolidated subsidiaries	**(6,026)**	6,114
Distributions to noncontrolling interest	**(6,599)**	(6,438)
Other comprehensive income (loss) allocable to noncontrolling interests:		
Net unrealized loss on available-for-sale securities	**(28)**	(46)
Net unrealized gain (loss) on hedging instruments	**24**	(122)
Realized loss on foreign currency translation adjustment	**1**	—
Unrealized gain on foreign currency translation adjustment	**11**	3
Adjustment for noncontrolling interest in Operating Partnership	**(186)**	(24)
Increase in redemption value	**92**	73
Ending Balance	**$ 439,016**	$ 440,942

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 March 31, 2009, Jinsheng owned controlling interests in four home decoration shopping centers ("deco malls"), two general retail shopping centers and four development sites.

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

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

The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. The Company 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 noncontrolling interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets. The Company recorded the warrant at its estimated fair value of $362, which is included in other assets in the accompanying condensed consolidated balance sheets.

As part of its investment review as of March 31, 2009, the Company determined that its investment in Jinsheng was impaired due to a decline in expected future cash flows. The decrease is a result of declining occupancy and sales due to the downturn of the real estate market in China. The Company performed a quantitative and qualitative analysis of its investment as of March 31, 2009 and determined that the impairment is other than temporary. An impairment charge of $7,706 was recorded for the three month period ended March 31, 2009, resulting in a remaining investment balance, including the carrying values of the secured notes receivable and warrants, of $7,800.

Note 5 – Mortgage and Other Notes Payable

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

	March 31, 2009		December 31, 2008	
	Amount	**Weighted Average Interest Rate(1)**	Amount	Weighted Average Interest Rate(1)
Fixed-rate debt:				
Non-recourse loans on operating properties	**$ 4,019,774**	**6.15%**	$ 4,046,653	6.14%
Recourse loans on operating properties (2)	**161,047**	**5.71%**	161,694	5.71%
Secured line of credit (3)	**400,000**	**4.45%**	400,000	4.45%
Total fixed-rate debt	**4,580,821**	**5.98%**	4,608,347	5.99%
Variable-rate debt:				
Recourse term loans on operating properties	**291,324**	**1.81%**	262,946	2.49%
Unsecured lines of credit	**522,500**	**1.58%**	522,500	1.92%
Secured lines of credit	**166,050**	**1.34%**	149,050	1.45%
Unsecured term facilities	**437,494**	**2.01%**	437,494	1.88%
Construction loans	**96,708**	**2.12%**	115,339	1.74%
Total variable-rate debt	**1,514,076**	**1.76%**	1,487,329	1.95%
Total	**$ 6,094,897**	**4.93%**	$ 6,095,676	5.01%

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

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

(3) The Company has entered into interest rate swaps on notional amounts totaling $400,000 as of March 31, 2009 and December 31, 2008 related to its largest secured credit facility to effectively fix the interest rate on that portion of the line of credit. Therefore, this amount is currently reflected in fixed-rate debt.

Unsecured Line of Credit

The Company has an unsecured credit facility with total availability of $560,000 that bears interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage ratio, as defined in the agreement to the facility. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2009 and has two one-year extension options, which are at the Company's election, for an outside maturity date of August 2011. At March 31, 2009, the outstanding borrowings of $522,500 under the unsecured credit facility had a weighted average interest rate of 1.58%.

Unsecured Term Facilities

In April 2008, the Company entered into a new unsecured term facility with total availability of $228,000 that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on the Company's leverage ratio, as defined in the agreement to the facility. At March 31, 2009, the outstanding borrowings of $228,000 under the unsecured term facility had a weighted average interest rate of 2.23%. The facility matures in April 2011 and has two one-year extension options, which are at the Company's election, for an outside maturity date of April 2013.

The Company has an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At March 31, 2009, the outstanding borrowings of $209,494 under this facility had a weighted average interest rate of 1.78%. The Company completed its acquisition of the properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured term facility bears interest at LIBOR plus a margin of 0.95% to 1.40% based on the Company's leverage ratio, as defined in the agreement to the facility. Net proceeds from a sale, or the Company's share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured term facility must be used to pay down any remaining outstanding balance. The facility matures in November 2010 and has two one-year extension options, which are at the Company's election, for an outside maturity date of November 2012.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit bear interest at LIBOR plus a margin ranging from 0.80% to 0.95% and had a weighted average interest rate of 3.54% at March 31, 2009. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of 0.125% of unused availability. The following summarizes certain information about the secured lines of credit as of March 31, 2009:

Total Available	Total Outstanding	Maturity Date
$ 105,000	$ 17,000	June 2010
524,850	524,850	February 2010
20,000	20,000	March 2010
17,200	4,200	April 2010
$ 667,050	$ 566,050	

The agreements to the Company's $560,000 unsecured line of credit, the $524,850 secured line of credit and the unsecured term facilities with balances of $209,494 and $228,000 as of March 31, 2009, each with the same lender, contain default provisions customary for transactions of this nature and also contain cross-default provisions.

Letters of Credit

At March 31, 2009, the Company had additional secured and unsecured lines of credit with a total commitment of $38,410 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $17,574 at March 31, 2009.

Covenants and Restrictions

The secured and unsecured line of credit agreements contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective properties. The Company was in compliance with all covenants and restrictions at March 31, 2009.

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. The real estate and other assets owned by these special purpose entities are restricted under the loan agreements in that they are not available to settle other debts of the Company. However, so long as the loans are not under an event of default, as defined in the loan agreements, the cash flows from these properties, after payments of debt service, operating expenses and reserves, are available for distribution to the Company.

Scheduled Principal Maturities

As of March 31, 2009, the scheduled principal maturities of the Company's consolidated debt, excluding extensions available at the Company's option, on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

2009	$	981,353
2010		1,335,414
2011		623,703
2012		599,065
2013		456,126
Thereafter		2,086,253
		6,081,914
Net unamortized premiums		12,983
	$	6,094,897

Of the $981,353 of scheduled principal maturities in 2009, excluding net unamortized premiums of $109, related to eleven operating properties and the Company's unsecured line of credit, maturities representing $757,300 have extensions available at the Company's option, leaving approximately $224,053 of maturities in 2009 that must be retired or refinanced. The $224,053 of maturities in 2009 represents non-recourse, property-specific mortgage loans. All of the mortgages are held by life insurance companies, with the exception of a $53,055 commercial mortgage-backed securities loan that matures in December 2009. The Company has three loans totaling $111,838 that are with the same lender and have maturity dates ranging from May 2009 to October 2009. The Company is currently in the process of completing its negotiations with the lender on the loans and, subsequent to the first quarter of 2009, paid a nonrefundable commitment fee for a ten-year extension relating to two of the three loans. The remaining loan will be repaid in full using excess proceeds from the refinancing and the Company's cash. Also subsequent to the first quarter of 2009, the Company completed its refinancing negotiations with the lender of a loan that matured in April 2009 totaling $59,160 to extend the maturity date for one year to April 2010.

Interest Rate Hedge Instruments

Effective January 1, 2009, the Company adopted SFAS No. 161. SFAS No. 161 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. In accordance with SFAS No. 133, the Company records its derivative instruments on its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

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

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in Accumulated Other Comprehensive Loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During

2009, such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

As of March 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

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

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

The Company has a $40,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company’s designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.175%. The swap was valued at $(840) and $(772) as of March 31, 2009 and December 31, 2008, respectively, and matures on November 7, 2010.

The Company has an $87,500 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company’s designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.85%. The swap was valued at $(3,682) and $(3,787) as of March 31, 2009 and December 31, 2008, respectively, and matures on September 23, 2010.

The Company has a $150,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company’s designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The swap was valued at $(3,303) and $(3,989) as of March 31, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The Company has a $250,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company’s designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%.

The swap was valued at $(5,794) and $(7,022) as of March 31, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The above interest rate swaps' total fair value of $(13,619) and $(15,570) as of March 31, 2009 and December 31, 2008, respectively, is included in Accounts Payable and Accrued Liabilities in the accompanying condensed consolidated balance sheets.

In January 2009, the Company entered into a $129,000 interest rate cap agreement to hedge the risk of changes in cash flows on the construction loan of one of its properties equal to the then-outstanding cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in 1-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.25%. The Company did not designate this cap as a hedge because it did not meet the hedge accounting requirements of SFAS No. 133. Changes in the fair value of this cap are recorded directly in earnings and totaled $71 for the three months ended March 31, 2009. The interest rate cap had a nominal value as of March 31, 2009 and matures on July 12, 2010.

Note 6 – Discontinued Operations

As of March 31, 2008, the Company determined that 19 of the community center and office properties originally acquired during the fourth quarter of 2007 from the Starmount Company met the criteria to be classified as held-for-sale. In conjunction with their classification as held-for-sale, the results of operations from the properties were reclassified to discontinued operations.

In April 2008, the Company completed the sale of five of the community centers located in Greensboro, NC to three separate buyers. In June 2008, the Company completed the sale of one of the office properties. The Company completed the sale of an additional community center located in Greensboro, NC in August 2008. In December 2008, we completed the sale of an additional office property and adjacent, vacant development land located in Greensboro, NC. The results of operations of these properties are included in discontinued operations for the three months ended March 31, 2008.

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

During June 2008, the Company sold Chicopee Marketplace III in Chicopee, MA. The results of operations of this property are included in discontinued operations for the three months ended March 31, 2008.

Total revenues of the centers described above that are included in discontinued operations were $1,903 during the three months ended March 31, 2008. Discontinued operations during the three months ended March 31, 2009 and 2008 include true ups of estimated expenses to actual amounts for properties sold during previous years.

Note 7 – Segment Information

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

Three Months Ended March 31, 2009	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$ 244,031	$ 10,454	$ 5,370	$ 11,205	$ 271,060
Property operating expenses (1)	(84,092)	(3,054)	(2,067)	5,048	(84,165)
Interest expense	(60,839)	(2,167)	(1,024)	(7,855)	(71,885)
Other expense	—	—	—	(5,157)	(5,157)
Gain (loss) on sales of real estate assets	(5)	—	89	(223)	(139)
Segment profit	$ 99,095	$ 5,233	$ 2,368	$ 3,018	109,714
Depreciation and amortization expense					(78,311)
General and administrative expense					(11,479)
Interest and other income					1,581
Impairment of investment					(7,706)
Equity in earnings of unconsolidated affiliates					1,534
Income tax provision					(603)
Income from continuing operations					$ 14,730
Total Assets	$ 6,867,725	$ 339,489	$ 71,266	$ 694,390	$ 7,972,870
Capital expenditures (3)	$ 47,192	$ 6,195	$ 22,740	$ 26,458	$ 102,585

Three Months Ended March 31, 2008	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$ 253,845	$ 10,950	$ 3,794	$ 12,342	$ 280,931
Property operating expenses (1)	(92,285)	(2,645)	(1,191)	5,734	(90,387)
Interest expense	(63,069)	(2,306)	(1,135)	(13,714)	(80,224)
Other expense	—	—	—	(6,999)	(6,999)
Gain on sales of real estate assets	1,398	—	2	1,676	3,076
Segment profit (loss)	$ 99,889	$ 5,999	$ 1,470	$ (961)	106,397
Depreciation and amortization expense					(75,081)
General and administrative expense					(12,531)
Interest and other income					2,727
Equity in earnings of unconsolidated affiliates					979
Income tax provision					(357)
Income from continuing operations					$ 22,134
Total Assets	$ 6,880,765	$ 348,057	$ 219,173	$ 580,953	$ 8,028,948
Capital expenditures (3)	$ 52,481	$ 267	$ 22,433	$ 101,183	$ 176,364

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

(2) The All Other category includes mortgage notes receivable, Office Buildings, the Management Company and the Company’s subsidiary that provides security and maintenance services.

(3)

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

Note 8 – Earnings Per Share

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

Effective January 1, 2009, the Company adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* FSP EITF 03-6-1 requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or their equivalent be treated as participating securities for purposes of inclusion in the computation of earnings per share (“EPS”) pursuant to the two-class method. Pursuant to the provisions of FSP EITF 03-6-1, all prior-period EPS data presented has been adjusted accordingly. The adoption of FSP EITF 03-6-1 did not have a material impact on the Company’s reported earnings per share.

Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners’ rights to convert their 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 March 31,	
	2009	2008
Weighted average shares outstanding	**66,407**	66,243
Effect of stock dividend	**4,754**	4,751
Denominator – basic earnings per share	**71,161**	70,994
Dilutive effect of:		
Stock options	**—**	134
Deemed shares related to deferred compensation arrangements	**35**	30
Denominator – diluted earnings per share	**71,196**	71,158

Note 9 – Contingencies

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

The Company consolidates its investment in a joint venture with the Westfield Group (“Westfield”), CW Joint Venture, LLC (“CWJV”). The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0% on the perpetual preferred joint venture units (“PJV units”) of CWJV that are held by Westfield. Subsequent to October 16, 2008, Westfield has the right to have all or a portion of the PJV units redeemed by CWJV for, at Westfield’s election, cash or property. The Company will have the right, but not the obligation, to purchase the PJV units after October 16, 2012 at their liquidation value, plus accrued and unpaid distributions. On the earliest to occur of June 30, 2013, immediately prior to the redemption of the PJV units, or immediately prior to the liquidation of CWJV or Westfield’s PJV units in CWJV, Westfield’s capital account may be increased by a capital contribution adjustment amount (“CCAA”). The CCAA represents the excess, if any, of the fair value of a share of the Company’s common stock on the above-specified date less $32.00 multiplied by 2.6 million shares. However, in no event shall the CCAA be greater than $26,000. The Company accounts for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should the CCAA provision result in additional consideration to Westfield, the Company will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

The Company has guaranteed 100% of the construction loan of West Melbourne I, LLC (“West Melbourne”), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $67,000. West Melbourne is currently developing Hammock Landing, an open-air shopping center in West Melbourne, FL. The total amount outstanding at March 31, 2009 on the loan was $39,144. The guaranty will expire upon repayment of the debt. The loan matures in August 2010, and has three one-year extension options, which are at the Company’s election, for an outside maturity date of August 2013. The Company has recorded an obligation of $670 in the accompanying condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed 100% of the construction loan of Port Orange I, LLC ("Port Orange"), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $112,000. Port Orange is currently developing The Pavilion at Port Orange, an open-air shopping center in Port Orange, FL. The total amount outstanding at March 31, 2009 on the loan was $45,605. The guaranty will expire upon repayment of the debt. The loan matures in June 2011, and has two one-year extension options, which are at the Company's election, for an outside maturity date of June 2013. The Company has recorded an obligation of $1,120 in the accompanying condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed the lease performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC's performance under this agreement up to a maximum of $22,000, which decreases by $800 annually until the guaranteed amount is reduced to $10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $20,400 as of March 31, 2009. The Company has entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts the Company is obligated to fund under the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company owns a parcel of land that it is ground leasing to a third party developer for the purpose of developing a shopping center. The Company has guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount is $31,554. The total amount outstanding at March 31, 2009 on the loans was $43,996 of which the Company has guaranteed $11,879. The Company has recorded an obligation of $315 in the accompanying condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 to reflect the estimated fair value of the guaranty.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At March 31, 2009, the total amount outstanding on these bonds was $47,705.

Note 10 – Share-Based Compensation

The share-based compensation cost that was charged against income was $962 and $1,300 for the three months ended March 31, 2009 and 2008, respectively. Share-based compensation cost capitalized as part of real estate assets was $71 and $277 for the three months ended March 31, 2009 and 2008.

The Company's stock option activity for the three months ended March 31, 2009 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2009	608,015	$ 15.89
Exercised	—	—
Outstanding at March 31, 2009	608,015	15.89
Vested at March 31, 2009	608,015	15.89
Exercisable at March 31, 2009	608,015	15.89

A summary of the status of the Company's stock awards as of March 31, 2009, and changes during the three months ended March 31, 2009, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2009	257,840	$ 33.60
Granted	50,678	2.71
Forfeited	(720)	32.69
Vested	(67,728)	3.36
Nonvested at March 31, 2009	240,070	34.23

As of March 31, 2009, there was $5,278 of total unrecognized compensation cost related to nonvested stock awards granted under the plan, which is expected to be recognized over a weighted average period of 2.2 years.

Note 11 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,	
	2009	2008
Accrued dividends and distributions	**$ 44,354**	$ 64,372
Additions to real estate assets accrued but not yet paid	**16,082**	22,738
Notes receivable from sale of interest in Tenco-CBL	**1,750**	—
Additions to real estate assets from forgiveness of mortgage note receivable	**6,502**	—

Note 12 – Income Taxes

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State tax expense was $1,656 and $1,380 during the three months ended March 31, 2009 and 2008, respectively.

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

The Company recorded an income tax provision of $603 and $357 for the three months ended March 31, 2009 and 2008, respectively. The income tax provision in 2009 consisted of a current income tax provision of $1,326 and a deferred income tax benefit of $723. The income tax provision in 2008 consisted of a current income tax provision of $1,501 and a deferred income tax benefit of $1,144.

The Company had a net deferred tax asset of $2,155 at March 31, 2009 and $2,464 at December 31, 2008. The net deferred tax asset at March 31, 2009 and December 31, 2008 is included in other assets and primarily consisted of operating expense accruals and differences between book and tax depreciation.

The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its statement of operations. In addition, any interest incurred on tax assessments is reported as interest expense. The Company reported nominal interest and penalty amounts for the three months ended March 31, 2009 and 2008, respectively.

Note 13 – Subsequent Events

In April 2009, the Company entered into a one-year extension on its loan of $59,160 that is secured by St. Clair Square in Fairview Heights, IL with the existing lender at a fixed interest rate of 7.50%, which is 50 basis points higher than the 7.00% fixed interest rate on the original loan. The extended loan matures in April 2010.

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

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

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

EXECUTIVE OVERVIEW

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

As of March 31, 2009, we owned controlling interests in 75 regional malls/open-air centers, 30 associated centers (each adjacent to a regional mall), eight community centers, one mixed-use center and 13 office buildings, including our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity. As of March 31, 2009, we owned noncontrolling interests in nine regional malls, three associated centers, four community centers and six office buildings. Because one or more of the other partners have substantive participating rights, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had four community centers (each of which is owned in a joint venture) under construction at March 31, 2009.

Given the challenging capital markets and economy in general over the past year, we have placed great emphasis on the need to preserve liquidity and maintain our earnings growth. We have implemented a number of measures to achieve these goals, and as such, we are pleased with the overall results for the three months ended March 31, 2009. We have made significant progress in addressing our remaining 2009 loan maturities and are working closely with lenders to obtain additional extensions beyond those already available to us on our lines of credit. In addition to working with lenders to meet our liquidity needs, we are also exploring other potential sources of capital including, among others, equity offerings, joint venture investments and asset sales.

During the fourth quarter of 2008, we announced a reduction in the quarterly dividend rate, effective with the fourth quarter 2008 declaration, on our common stock to $0.37 per share from $0.545 per share. The reduction is expected to generate approximately $80.0 million of additional free cash flow on an annual basis. During the first quarter of 2009, we announced that our dividend for the quarter of $0.37 per share would be paid in a combination of cash and shares of our common stock as part of our effort to continue to maximize liquidity. Our board of directors will evaluate the nature and amount of our dividends each quarter, but if we were to maintain quarterly dividends consistent with that for the first quarter of 2009, we estimate that it would generate additional available cash of approximately $70.0 million on an annual basis.

Our operating results for the first quarter of 2009 reflect the significant progress that we have made through our cost reduction initiatives that were implemented last year at the properties and our corporate office. We reported a reduction in our general and administrative expenses of 8.4% compared to the prior year period, helping to mitigate the anticipated pressure on our income from operations. We are also pleased with our Funds From Operations ("FFO") for the three months ended March 31, 2009 compared with the prior year period. FFO for the current quarter was positively impacted by higher lease termination fees and decreased interest expense. Offsetting these improvements were higher bad debt expense and a non-cash impairment charge related to our investment in Jinsheng, a Chinese real estate company. FFO is a key performance measure for real estate companies. Please see the more detailed discussion of this measure on page 45.

We are encouraged that the level of store closures and bankruptcies experienced to date in 2009 has been less than expected. The majority of our retailers continue to operate with strong financial fundamentals and have proven resilient in dealing with the economic challenges. In addition, the geographic markets in which our properties are located have withstood the difficult economic conditions better than most due to the diversification of major employers in the regions.

Our business is built on a strategy of financial discipline, proactive management and preservation of excellent relationships with our retail and financial partners, each of which contribute to the underlying strength and resiliency of our portfolio of properties. While we recognize that we continue to face challenging times, it is evident that the steps we have taken in the past year to preserve shareholder value have positioned our company to move forward effectively. We are encouraged by the results of the first quarter of 2009 and are confident that our strategy, experience and expertise will serve to help us successfully overcome the challenges that lie ahead.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2009 to the Three Months Ended March 31, 2008

We have acquired or opened three community centers, one mixed-use center and one office building since January 1, 2008 (collectively referred to as the “New Properties”). These transactions impact the comparison of the results of operations for the three months ended March 31, 2009 to the results of operations for the comparable period ended March 31, 2008. Properties that were in operation as of January 1, 2008 and March 31, 2009 are referred to as the “Comparable Properties.” We do not consider a property to be one of the Comparable Properties until it has been owned or open for one complete calendar year. Any reference to the New Properties in this section excludes those properties that are accounted for using the equity method of accounting. The New Properties are as follows:

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

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

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

Revenues

The $8.5 million decrease in rental revenues and tenant reimbursements was attributable to a decrease of $10.4 million from the Comparable Properties, partially offset by an increase of $1.9 million from the New Properties. The decrease in revenues of the Comparable Properties was driven by reductions of $4.6 million in base rents and $5.5 million in common area maintenance (“CAM”) reimbursements. Base rents declined due to decreased occupancy and leasing spreads in the current quarter compared to the prior year period. Tenant reimbursements decreased as a result of lower reimbursable property operating expenses, coupled with more tenant bankruptcies that resulted in a loss of tenant reimbursements. Our cost recovery ratio improved to 96.8% for the quarter ended March 31, 2009 from 95.6% for the prior-year period.

The decrease in management, development and leasing fees of $0.4 million was mainly attributable to lower development fee income due to the completion in the prior year of certain developments that were under construction during the prior year quarter.

Other revenues decreased by $0.9 million primarily due to a reduction in miscellaneous income. Miscellaneous income for the prior year quarter included $0.4 million of insurance proceeds related to a structure on one of the Company's outparcels and $0.4 million of sponsorship fees related to the Company's change in gift card providers.

Operating Expenses

Property operating expenses, including real estate taxes and maintenance and repairs, decreased $6.2 million due to a decrease of $7.8 million related to the Comparable Properties, partially offset by an increase of $1.6 million of expenses attributable to the New Properties. The decrease in property operating expenses of the Comparable Properties is primarily attributable to reductions of $4.5 million in payroll expenses, $1.1 million in advertising costs, $1.8 million in janitorial and security services and $0.7 million in snow removal costs, partially offset by increased bad debt expense of $1.0 million. Payroll expenses have declined due to our cost containment initiatives that were implemented during the latter half of the prior year which included staff reductions and eliminations of certain pay increases and bonuses. Janitorial and security services declined due to renegotiations of service contracts at reduced rates. Bad debt expense increased as a result of higher store closures and bankruptcies compared to the prior year quarter.

The increase in depreciation and amortization expense of $3.2 million resulted from increases of $1.1 million from the New Properties and $2.1 million from the Comparable Properties. The increase attributable to the Comparable Properties is due to capital expenditures for renovations, expansions, tenant allowances and deferred maintenance since the prior-year period.

General and administrative expenses decreased $1.1 million primarily as a result of declines of $3.9 million in payroll and related expenses and $0.7 million in travel expenses, partially offset by a reduction in capitalized overhead of $3.4 million. The prior year quarter general and administrative expenses included a charge of $1.3 million incurred in relation to the retirement of a senior officer. As a percentage of revenues, general and administrative expenses decreased to 4.2% for the first quarter of 2009 compared with 4.5% for the prior year period.

Other Income and Expenses

Interest expense decreased $8.3 million primarily due to the decrease in variable interest rates as compared to the first quarter of 2008. Our weighted average interest rate on variable-rate debt declined 205 basis points compared with the prior year period.

During the first quarter of 2009, we incurred an impairment loss of $7.7 million on our investment in Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, due to a decline in expected future cash flows. The decrease is a result of declining occupancy and sales due to the downturn of the real estate market in China. We performed a quantitative and qualitative analysis of our investment as of March 31, 2009 and determined that the impairment is other than temporary.

During the first quarter of 2009, we recognized a loss on sales of real estate assets of $0.1 million related to the disposition of one of our investments in Brazil. We recorded a gain on sales of real estate assets of $3.1 million in the first quarter of 2008 related to the sale of four parcels of land.

Equity in earnings of unconsolidated affiliates increased by $0.5 million during the first quarter of 2009, primarily due to a gain on an outparcel sale at one project.

The income tax provision of $0.6 million for the three months ended March 31, 2009 relates to the earnings of our taxable REIT subsidiary and consists of a provision for current income taxes of $1.3 million, partially offset by a deferred tax benefit of $0.7 million. During the three months ended March 31, 2008, we recorded an income tax provision of $0.4 million, consisting of a provision for current income taxes of $1.5 million, partially offset by a deferred tax benefit of $1.1 million.

We recognized a loss on discontinued operations of $0.1 million during the first quarter of 2009, compared to a gain of $0.3 million during the first quarter of 2008. Discontinued operations for the three months ended March 31, 2008 reflect the operating results of seven community centers and two office properties that were sold during 2008. Discontinued operations for the three months ended March 31, 2009 and 2008 include the true up of estimated expenses to actual amounts for properties sold during previous years.

Operational Review

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

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. Alamance Crossing in Burlington, NC, which opened in August 2007, and our mixed-use center, Pearland Town Center, which opened in July 2008, are our only non-stabilized malls as of March 31, 2009.

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

	Three Months Ended March 31,	
	2009	2008
Malls	**90.0**%	90.4%
Associated centers	**3.9**%	3.9%
Community centers	**2.0**%	1.3%
Mortgages, office buildings and other	**4.1**%	4.4%

We have continued to experience sales pressure in the first quarter of 2009. Mall store sales for the trailing twelve months ended March 31, 2009 on a comparable per square foot basis were $326 per square foot compared with $341 per square foot in the prior year period, a decline of 4.4%.

Occupancy

Our portfolio occupancy is summarized in the following table:

	At March 31,	
	2009	2008
Total portfolio occupancy	**88.6**%	91.6%
Total mall portfolio	**88.9**%	91.3%
Stabilized malls	**89.1**%	91.4%
Non-stabilized malls	**80.3**%	89.2%
Associated centers	**89.0**%	94.9%
Community centers	**86.5**%	90.0%

Occupancy levels in the first quarter of 2009 were impacted by the residual closures from the bankruptcy activity in 2008. Many retailers who filed for bankruptcy protection during 2008 did not close until the first quarter of 2009.

During the first quarter of 2009, three national retailers in our portfolio announced that they had filed for bankruptcy protection: Strasburg Children, Ritz Camera and S&K Menswear. We have seven Strasburg Children locations totaling 11,000 square feet and approximately $0.2 million in annual gross rents. We have 26 Ritz Camera locations totaling 48,000 square feet and approximately $1.6 million in annual gross rents. We have 16 S&K Menswear locations totaling 60,000 square feet and approximately $1.2 million in annual gross rents.

We have approximately 50 junior anchor locations totaling 1,800,000 square feet of available space as a result of bankruptcies that occurred during 2008. We have executed leases or letters of intent for thirteen of these locations totaling more than 400,000 square feet. Our leasing efforts have broadened to include non-retail tenants such as learning centers, community colleges and fitness centers. These types of tenants can deliver new sources of customers and complement the properties’ traffic flow patterns.

Leasing

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

	At March 31,	
	2009	2008
Stabilized malls	**$ 29.34**	$ 29.03
Non-stabilized malls	**26.68**	25.14
Associated centers	**12.08**	11.75
Community centers	**14.62**	13.51
Office Buildings	**19.05**	18.11

During the three months ended March 31, 2009, we experienced negative results overall from the leasing spreads of comparable small shop space for spaces that were previously occupied as summarized in the following table:

	Square Feet	Prior Gross Rent PSF	New Initial Gross Rent PSF	% Change Initial	New Average Gross Rent PSF	% Change Average
All Property Types (1)	**543,392**	**$ 37.17**	**$ 32.35**	**(13.0)%**	**$ 33.01**	**(11.2)%**
Stabilized malls	490,923	39.00	33.97	(12.9)%	34.67	(11.1)%
New leases	92,349	40.35	37.93	(6.0)%	40.55	0.5%
Renewal leases	398,574	38.68	33.05	(14.6)%	33.31	(13.9)%

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

During the first quarter of 2009, we executed certain leases on several spaces at negative lease spreads that had a disproportionate effect on the overall results. This was primarily due to the execution of a number of renewal deals on a one-year basis with certain retailers in order to maintain occupancy while we seek other tenants to backfill the locations.

LIQUIDITY AND CAPITAL RESOURCES

We derive a majority of our revenues from leases with retail tenants, which has historically been the primary source for funding short-term liquidity and capital needs such as operating expenses, debt service, tenant construction allowances, recurring capital expenditures and dividends and distributions. To the extent that cash flows from operating activities are not sufficient to fund longer-term liquidity needs such as acquisitions, new developments, renovations and expansions, we typically have financed, and expect to continue to finance, such activities with our revolving credit facilities, property specific mortgages (which are generally non-recourse), construction and term loans, equity offerings, joint venture investments and issuances of noncontrolling interests in our Operating Partnership. We also generate revenues from sales of peripheral land at the properties and from sales of real estate assets when it is determined that we can realize a maximized value for the assets. Proceeds from such sales are generally used to reduce borrowings on our credit facilities.

We expect that the current economic downturn will continue to create pressure on the fundamentals of our business, including our ability to collect rental revenues from tenants in a timely manner, maintain current occupancy levels, and achieve positive growth in rents from renewals of existing tenant leases or from leases with new tenants. These conditions could negatively impact our future cash flows and financial condition. Additionally, the deteriorating economic conditions have resulted in increased volatility and uncertainty in the financial markets. As a result, there has been a reduction in the availability of financing as lenders have become more conservative when granting credit, which generally results in lower loan-to-value ratios and higher interest rates.

Cash Flows From Operations

There was $44.1 million of unrestricted cash and cash equivalents as of March 31, 2009, a decrease of $7.2 million from December 31, 2008. Cash provided by operating activities during the three months ended March 31, 2009, decreased $1.3 million to $91.7 million from $93.0 million during the three months ended March 31, 2008. The decrease was primarily attributable to lower occupancy and higher bad debt expense, partially offset by lower operating, interest and general and administrative expenses.

Debt

We refinanced or obtained extensions on more than $700.0 million of debt during the quarter, including more than $180.0 million on maturing mortgages and approximately $525.0 million on our largest secured credit facility.

Of the $1,006.7 million of our pro rata share of consolidated and unconsolidated debt that is scheduled to mature during the remainder of 2009, including debt premiums of $0.1 million, we have extensions of $782.6 million available at our option that we intend to exercise, leaving approximately $224.1 million of maturities in 2009 that must be retired or refinanced. We completed a refinancing in April 2009 on one loan totaling $59.2 million with the same lender that extended the maturity for one year.

All of the remaining 2009 loans, totaling $164.9 million, are non-recourse and property-specific and are held by life insurance companies, with the exception of a $53.1 million commercial mortgage-backed securities loan that matures in December 2009. We have three loans totaling $111.8 million that are with the same lender and have maturity dates ranging from May 2009 to October 2009. We are in the process of completing our negotiations with the lender on the loans and, subsequent to the first quarter of 2009, we paid a nonrefundable commitment fee for a ten-year extension relating to two of the three loans. The remaining loan will be repaid in full using excess proceeds from the refinancing and our cash.

Our unsecured line of credit with a balance as of March 31, 2009 totaling $522.5 million has an original maturity date of August 2009. The unsecured line of credit, with a capacity of $560.0 million, has two one-year extension options for an outside maturity date of August 2011. This facility, along with our largest secured line of credit with a capacity and an outstanding balance of $524.9 million as of March 31, 2009 that matures in February 2010, are both led by Wells Fargo (“Wells”). We are already in discussions with Wells and the additional syndicate participants regarding the refinancings of these lines of credit.

Based on the status of our discussions with the lenders and the quality of the underlying properties, we believe that we will be successful in refinancing the loans maturing in 2009 and that the proceeds from those refinancings combined with cash flows generated from our operations, our reduced dividend, our equity and debt sources and the availability under our lines of credit will, for the foreseeable future, provide adequate liquidity to make distributions to our shareholders in accordance with the requirements applicable to real estate investment trusts. If we are not successful in achieving the anticipated level of proceeds from the refinancing of loans maturing in 2009, we have options available to us to generate additional liquidity, including but not limited to, equity offerings, joint venture investments, issuances of noncontrolling interests in our Operating Partnership, decreasing the amount of expenditures we make related to tenant construction allowances and other capital expenditures and implementing further cost containment initiatives. We also generate revenues from sales of peripheral land at the properties and from sales of real estate assets when it is determined that we can realize a maximized value for the assets.

The secured and unsecured lines of credit contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. As of March 31, 2009, we are in compliance with our debt covenants. Our debt to gross asset value at March 31, 2009 was 57.5%, well under the required maximum of 65%. Our interest coverage ratio was 2.34 compared to the required minimum of 1.75 and our debt service coverage ratio was 1.93 compared to the required minimum of 1.55. We have also performed stress tests on our covenant calculations assuming changes in cap rate assumptions and interest rates that would negatively impact our calculation results. Based on the results of these tests, we believe that we currently have adequate capacity to continue meeting the requirements of our debt covenants. However, if necessary, we may pay down a portion of the lines of credit.

The weighted average remaining term of our total share of consolidated and unconsolidated debt was 3.8 years at March 31, 2009 and 3.9 years at December 31, 2008. The weighted average remaining term of our pro rata share of fixed-rate debt was 4.5 years and 4.6 years at March 31, 2009 and December 31, 2008, respectively.

As of March 31, 2009 and December 31, 2008, our pro rata share of consolidated and unconsolidated variable-rate debt represented 25.3% and 24.6%, respectively, of our total pro rata share of debt. As of March 31, 2009, our share of consolidated and unconsolidated variable-rate debt represented 23.3% of our total market capitalization (see Equity below) as compared to 21.2% as of December 31, 2008.

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

	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate(1)
March 31, 2009:					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 4,019,774	$ (23,477)	$ 408,342	$ 4,404,639	6.15%
Recourse term loans on operating properties (2)	161,047	—	—	161,047	5.71%
Secured line of credit (3)	400,000	—	—	400,000	4.45%
Total fixed-rate debt	4,580,821	(23,477)	408,342	4,965,686	5.95%
Variable-rate debt:					
Recourse term loans on operating properties	291,324	(928)	46,625	337,021	1.78%
Construction loans	96,708	—	108,189	204,897	2.12%
Land loans	—	—	11,940	11,940	1.99%
Unsecured line of credit	522,500	—	—	522,500	1.58%
Secured lines of credit	166,050	—	—	166,050	1.34%
Unsecured term facilities	437,494	—	—	437,494	2.01%
Total variable-rate debt	1,514,076	(928)	166,754	1,679,902	1.78%
Total	$ 6,094,897	$ (24,405)	$ 575,096	$ 6,645,588	4.90%

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

Total	$	6,095,676	$	(24,576)	$	562,229	$	6,633,329	4.99%

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

(2) We have entered into interest rate swaps on notional amounts totaling $127,500 as of March 31, 2009 and December 31, 2008 related to two of our variable-rate loans on operating properties to effectively fix the interest rates on those loans. Therefore, these amounts are currently reflected in fixed-rate debt.

(3) We have interest rate swaps on notional amounts totaling $400,000 as of March 31, 2009 and December 31, 2008 related to our largest secured credit facility to effectively fix the interest rate on that portion of the line of credit. Therefore, this amount is currently reflected in fixed-rate debt.

Unsecured Lines of Credit

We have an unsecured line of credit with total availability of $560.0 million that bears interest at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.75% to 1.20% based on our leverage ratio, as defined in the agreement to the facility. Additionally, we pay an annual fee of 0.1% of the amount of total availability under the unsecured line of credit. The line of credit matures in August 2009 and has two one-year extension options, which are at our election, for an outside maturity date of August 2011. At March 31, 2009, the outstanding borrowings of $522.5 million under the unsecured line of credit had a weighted average interest rate of 1.58%.

Unsecured Term Facilities

In April 2008, we entered into a new unsecured term facility with total availability of $228.0 million that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on our leverage ratio, as defined in the agreement to the facility. At March 31, 2009, the outstanding borrowings of $228.0 million under the unsecured term facility had a weighted average interest rate of 2.23%. The facility matures in April 2011 and has two one-year extension options, which are at our election, for an outside maturity date of April 2013.

We have an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At March 31, 2009, the outstanding borrowings of $209.5 million under this facility had a weighted average interest rate of 1.78%. We completed our acquisition of the properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured term facility bears interest at LIBOR plus a margin of 0.95% to 1.40% based on our leverage ratio, as defined in the agreement to the facility. Net proceeds from a sale, or our share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured term facility must be used to pay down any remaining outstanding balance. The facility matures in November 2010 and has two one-year extension options, which are at our election, for an outside maturity date of November 2012.

Secured Lines of Credit

We have four secured lines of credit with total availability of $667.1 million, of which $566.1 million was outstanding as of March 31, 2009. The secured lines of credit bear interest at LIBOR plus a margin ranging from 0.80% to 0.95%. Borrowings under the secured lines of credit had a weighted average interest rate of 3.54% at March 31, 2009.

The agreements to our $560.0 million unsecured line of credit, our $524.9 million secured line of credit and our unsecured term facilities with balances of $209.5 million and $228.0 million as of March 31, 2009, each with the same lender, contain default provisions customary for transactions of this nature and also contain cross-default provisions.

We also have secured and unsecured lines of credit with total availability of $38.4 million that are used only to issue letters of credit. There was $17.6 million outstanding under these lines at March 31, 2009.

Interest Rate Hedging Instruments

In January 2009, we entered into a $129.0 million interest rate cap agreement to hedge the risk of changes in cash flows on the construction loan of one of our properties equal to the then-outstanding cap notional. The interest rate cap protects us from increases in the hedged cash flows attributable to overall changes in 1-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.25%. We did not designate this cap as a hedge for GAAP accounting purposes and, thus, record any unrealized gain or loss on the cap as interest expense in our condensed consolidated statement of operations. The interest rate cap had a nominal value as of March 31, 2009 and matures on July 12, 2010.

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

We have a $40.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of our operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.175%. The swap was valued at ($0.8) million as of March 31, 2009 and December 31, 2008 and matures on November 7, 2010.

We have an $87.5 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of our operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.85%. The swap was valued at $(3.7) million and $(3.8) million as of March 31, 2009 and December 31, 2008, respectively, and matures on September 23, 2010.

We have a $150.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured line of credit equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The swap was valued at $(3.3) million and $(4.0) million as of March 31, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

We have a $250.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured line of credit equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%. The swap was valued at $(5.8) million and $(7.0) million as of March 31, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

Equity

During the three months ended March 31, 2009, we received $0.1 million in proceeds from issuances of common stock related to our dividend reinvestment plan. In addition, we paid cash dividends of $30.0 million to holders of our common stock and our preferred stock, as well as $24.6 million in net distributions to the noncontrolling interest investors in our Operating Partnership and other consolidated subsidiaries. In April 2009, we issued 4,754,355 shares of our common stock in connection with the payment of our dividend for the first quarter of 2009, which resulted in an increase of 7.2% in the number of shares outstanding. Our Operating Partnership issued 1,338,079 additional common units in connection with its quarterly distribution to unitholders, which resulted in an increase of 2.6% in the number of common units and special common units outstanding. We have elected to treat the issuance of our common stock and common units in our Operating Partnership as a stock dividend for per share purposes. Therefore, all share and per share information related to earnings per share for the periods presented have been increased proportionately to reflect the additional common stock issued.

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 with an aggregate public offering price of up to $500.0 million.

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. However, the ratio had increased as of March 31, 2009 due to a decline in the market price of our common stock. 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 March 31, 2009 (in thousands, except stock prices):

	Shares Outstanding	Stock Price (1)	Value
Common stock and operating partnership units	117,064	$ 2.36	$ 276,271
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			566,271
Company's share of total debt			6,645,588
Total market capitalization			$ 7,211,859
Debt-to-total-market capitalization ratio			92.1%

(1) Stock price for common stock and operating partnership units equals the closing price of the common stock on March 31, 2009. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

Subsequent to March 31, 2009, our common stock price has increased. Based on the closing price of $7.99 per share for our common stock as of May 8, 2009, and assuming no other changes in the variables included in the table above, our debt-to-total market capitalization ration would be approximately 84.4%. Our bank covenants are based on our gross asset value compared to our debt levels and are not subject to market fluctuations in our stock price.

Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent $8.3 million during the three months ended March 31, 2009 for tenant allowances, which generally generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were $2.2 million for the three months ended March 31, 2009 and included $0.1 million for resurfacing and improved lighting of parking lots, $1.1 million for roof repairs and replacements and $1.0 million for various other capital expenditures. Renovation expenditures were $0.1 million for the three months ended March 31, 2009.

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.

As part of our strategy to strengthen our liquidity position, we are focused on reducing capital expenditures related to renovations. Currently, the vast majority of our properties have been renovated within the last ten years and, due to this, we have decided to delay any future renovation plans.

During the fourth quarter of 2008, we decided to suspend development on major new projects that were in predevelopment and the pursuit of certain other projects until the retail climate becomes more favorable. We will take a more conservative approach to development until we believe that the leasing environment has improved.

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.

Developments and Expansions

The following table summarizes our development projects as of March 31, 2009 (dollars in thousands):

Properties Opened Year-to-date

Property	Location	Total Project Square Feet	CBL's Share of Total Cost	CBL's Share of Cost To Date	Date Opened	Initial Yield(a)
Mall Expansions:						
Asheville Mall - Barnes & Noble	Asheville, NC	40,000	$ 11,684	$ 7,903	Spring-09	5.3%
Oak Park Mall - Barnes & Noble (b)	Kansas City, KS	34,000	9,619	11,504	Spring-09	7.9%
Redevelopments:						
West County - Former Lord & Taylor	St. Louis, MO	90,620	34,149	24,607	Spring-09	9.9%
		164,620	$ 55,452	$ 44,014		

Properties Under Development at March 31, 2009

Property	Location	Total Project Square Feet	CBL's Share of Total Cost	CBL's Share of Cost To Date	Opening Date	Initial Yield(a)
Community/Open-Air Centers:						
Hammock Landing (Phase I and Phase 1A) (c)	West Melbourne, FL	470,042	$ 39,673	$ 39,606	Spring-09/Fall-10	7.3% *
Settlers Ridge (Phase I) (d)	Robinson Township, PA	393,422	108,818	55,320	Fall-09	6.1% *
The Pavilion at Port Orange (Phase I and Phase 1A) (c)	Port Orange, FL	495,669	73,813	44,750	Fall-09/Summer-10	7.1% *
The Promenade (d)	D'Iberville, MS	681,317	88,127	46,928	Fall-09	8.0%
		2,040,450	$ 310,431	$ 186,604		

(a) Pro forma initial yields represented here may be lower than actual initial returns as they are reduced for management and development fees.
(b) Costs to date may be gross of applicable reimbursements that have not yet been received.
(c) 50/50 Joint Ventures. Costs to date may be gross of applicable reimbursements that have not yet been received.
(d) Settlers Ridge is a 60/40 Joint Venture. The Promenade is an 85/15 joint venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date. Costs to date may be gross of applicable reimbursements that have not yet been received.
* Pro Forma initial yields for phased projects reflect full land cost in Phase I. Combined pro forma yields are higher than Phase I project yields.

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

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

The Promenade in D'Iberville, MS, The Pavilion at Port Orange in Port Orange, FL and Settlers Ridge in Pittsburgh, PA will also celebrate grand openings later this year. While the new leasing environment remains challenging, we are continuing to achieve positive leasing results in all of our new developments. The first phases of these projects are between 70% and 80% leased and committed.

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

Future development and acquisition activities will be carefully considered and undertaken as suitable opportunities arise. We generally obtain construction loans for new developments and major expansions and renovations of our existing properties. We do not expect to pursue these activities unless adequate sources of funding are available and a satisfactory budget with targeted returns on investment has been internally approved.

We have entered into a number of option agreements for the development of future open-air centers, lifestyle centers and community centers. Except for the projects presented above, we do not have any other material capital commitments as of March 31, 2009.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 22 unconsolidated affiliates that are described in Note 4 to the consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the consolidated balance sheets as "Investments in Unconsolidated Affiliates." The following are circumstances when we may consider entering into a joint venture with a third party:

§ Third parties may approach us with opportunities in which they have obtained land and performed some pre-development activities, but they may not have sufficient access to the capital resources or the development and leasing expertise to bring the project to fruition. We enter into such arrangements when we determine such a project is viable and we can achieve a satisfactory return on our investment. We typically earn development fees from the joint venture and provide management and leasing services to the property for a fee once the property is placed in operation.

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

Guarantees

We may guarantee the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the joint venture on its investment, and a higher return on our investment in the joint venture. We may receive a fee from the joint venture for providing the guaranty. Additionally, when we issue a guaranty, the terms of the joint venture agreement typically provide that we may receive indemnification from the joint venture.

We own a parcel of land that we are ground leasing to a third party developer for the purpose of developing a shopping center. We have guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount is $31.6 million. The total amount outstanding at March 31, 2009 on the loans was $44.0 million of which we have guaranteed $11.9 million. We have recorded an obligation of $0.3 million in our condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 to reflect the estimated fair value of the guaranty.

We have guaranteed 100% of the construction loan of West Melbourne, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $67.0 million. West Melbourne is currently developing Hammock Landing, an open-air shopping center in West Melbourne, FL. The total amount outstanding at March 31, 2009 on the loan was $39.1 million. The guaranty will expire upon repayment of the debt. The loan matures in August 2010, and has three one-year extension options, which are at our election, for an outside maturity date of August 2013. We have recorded an obligation of $0.7 million in the accompanying condensed consolidated balance sheets as of

March 31, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

We have guaranteed 100% of the construction loan of Port Orange, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $112.0 million. Port Orange is currently developing The Pavilion at Port Orange, an open-air shopping center in Port Orange, FL. The total amount outstanding at March 31, 2009 on the loan was $45.6 million. The guaranty will expire upon repayment of debt. The loan matures in June 2011, and has two one-year extension options, which are at our election, for an outside maturity date of June 2013. We have recorded an obligation of $1.1 million in the accompanying condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

We have guaranteed the lease performance of York Town Center, LP (“YTC”), an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party’s obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord’s lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. We have guaranteed YTC’s performance under this agreement up to a maximum of $22.0 million, which decreases by $0.8 million annually until the guaranteed amount is reduced to $10.0 million. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $20.4 million as of March 31, 2009. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We did not record an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

Our guarantees and the related accounting are more fully described in Note 9 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

Revenue Recognition

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

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

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

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

Real Estate Assets

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

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

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

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations. No impairments were incurred during the three months ended March 31, 2009 and 2008.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

Effective January 1, 2009, we adopted the previously deferred portion of SFAS No. 157. The adoption had no impact on our condensed consolidated financial statements. The provisions of SFAS No. 157 will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of SFAS No. 157. See Note 3 to the condensed consolidated financial statements for further discussion.

Effective January 1, 2009, we adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, *an Amendment of ARB No. 51*, which requires that a noncontrolling interest in a consolidated subsidiary be displayed in the consolidated statement of financial position as a separate component of equity. After control is obtained, a change in ownership interests that does not result in a loss of control should be accounted for as an equity transaction. A change in ownership of a consolidated subsidiary that results in a loss of control and deconsolidation is a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests. The adoption of SFAS No. 160 resulted in certain presentation reclassifications and adjustments in our condensed consolidated financial statements for all periods presented. See Note 4 to the condensed consolidated financial statements for further discussion.

Effective January 1, 2009, we adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. SFAS No. 161 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. SFAS No. 161 requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format and provides more information about an entity’s liquidity by requiring disclosure of derivative features that are credit risk-related. It also requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. The adoption did not have an impact on our condensed consolidated financial statements. See Note 5 to the condensed consolidated financial statements for further discussion.

Effective January 1, 2009, we adopted FSP Emerging Issues Task Force (“EITF”) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* FSP EITF 03-6-1 requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or their equivalent be treated as participating securities for purposes of inclusion in the computation of earnings per share (“EPS”) pursuant to the two-class method. Pursuant to the provisions of FSP EITF 03-6-1, all prior-period EPS data presented has been adjusted accordingly. The adoption of FSP EITF 03-6-1 did not have a material impact on our reported EPS.

Effective January 1, 2009, we adopted SFAS No. 141(R), *Business Combinations*, which changes certain aspects of current business combination accounting for business combinations entered into subsequent to December 31, 2008. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Shares issued as consideration for a business combination are to be measured at fair value on the acquisition date and contingent consideration arrangements are to be recognized at their fair values on the date of acquisition, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition gain and loss contingencies generally are to be recognized at their fair values on the acquisition date and any acquisition-related transaction costs are to be expensed as incurred. The adoption of SFAS No. 141(R) did not have an impact on our condensed consolidated financial statements.

Effective January 1, 2009, we adopted FSP Financial Accounting Standard ("FAS") 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies.* FSP FAS 141(R)-1 amends the guidance of SFAS No. 141(R) related to accounting for pre-acquisition contingencies to more closely resemble the guidance originally issued under SFAS No. 141, *Business Combinations*. According to the provisions of FSP FAS 141(R)-1, an acquirer is required to recognize assets or liabilities arising from contingencies at fair value if fair value can be reasonably estimated. Otherwise, the asset or liability would generally be recognized in accordance with SFAS No. 5, *Accounting for Contingencies*. The provisions of FSP FAS 141(R)-1 are prospectively applied to business combinations completed subsequent to December 31, 2008. The adoption SFAS No. 141(R)-1 did not have an impact on our condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, which provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability has significantly decreased or when circumstances indicate that a transaction is not orderly. The provisions of this pronouncement are effective for interim and annual reporting periods ending after June 15, 2009. We are currently assessing the potential impact of the adoption of FSP FAS 157-4 on our condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in an entity's financial statements. FSP FAS 115-2 and FAS 124-2 does not amend the existing recognition and measurement guidance on other-than-temporary impairments of debt and equity securities. The provisions of this pronouncement are effective for interim and annual reporting periods ending after June 15, 2009. We are currently assessing the potential impact of the adoption of FSP FAS 115-2 and FAS 124-2 on our condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. The pronouncement amends existing fair value disclosure and interim reporting requirements to require disclosures about fair value of financial instruments for interim reporting periods and to require those disclosures in summarized financial information at interim reporting periods. The provisions of FSP FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. We are currently assessing the potential impact of the adoption on our condensed consolidated financial statements.

Impact of Inflation

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

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

Funds From Operations

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

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

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

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

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

FFO of the Operating Partnership decreased to $88.5 million during the three months ended March 31, 2009 compared to $92.9 million in the prior year period, representing a decrease of 4.7%. FFO of the Operating Partnership for the first quarter ended March 31, 2009 was primarily impacted by the non-cash impairment charge of $7.7 million related to our investment in a Chinese real estate company.

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

	Three Months Ended March 31,	
	2009	2008
Net income available to common shareholders	**$ 1,712**	$ 6,171
Noncontrolling interest in earnings of operating partnership	**1,306**	4,742
Depreciation and amortization expense of:		
Consolidated properties	**78,311**	73,616
Unconsolidated affiliates	**7,509**	6,677
Discontinued operations	**—**	2,240
Non-real estate assets	**(247)**	(243)
Noncontrolling interests' share of depreciation and amortization	**(201)**	(348)
Loss on discontinued operations	**60**	—
Funds from operations of the operating partnership	**88,450**	92,855
Percentage allocable to Company shareholders (1)	**57.80%**	57.73%
Funds from operations allocable to Company shareholders	**$ 51,124**	$ 53,605

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

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

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

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at March 31, 2009, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately $8.4 million and, after the effect of capitalized interest, annual earnings by approximately $7.9 million.

Based on our proportionate share of total consolidated and unconsolidated debt at March 31, 2009, a 0.5% increase in interest rates would decrease the fair value of debt by approximately $88.0 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately $90.3 million.

ITEM 4: Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

None

ITEM 1A. Risk Factors

The following information updates the information disclosed in “Item 1A – Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2008, by providing information that is current as of March 31, 2009:

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- National, regional and local economic climates, which may be negatively impacted by loss of jobs, production slowdowns, adverse weather conditions, natural disasters, acts of violence, war or terrorism, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods.

- Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.

- Increased operating costs, such as increases in repairs and maintenance, real property taxes, utility rates and insurance premiums.

- Delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control.

- Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.

- The willingness and ability of the shopping center's owner to provide capable management and maintenance services.

- The convenience and quality of competing retail properties and other retailing options, such as the Internet.

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

- Adverse changes in governmental regulations, such as local zoning and land use laws, environmental regulations or local tax structures that could inhibit our ability to proceed with development, expansion, or renovation activities that otherwise would be beneficial to our Properties.

- Potential environmental or other legal liabilities that reduce the amount of funds available to us for investment in our Properties.

- Any inability to obtain sufficient financing (including construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund repayment of maturing loans, new developments, acquisitions, and property expansions and renovations which otherwise would benefit our Properties.

- An environment of rising interest rates, which could negatively impact both the value of commercial real estate such as retail shopping centers and the overall retail climate.

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

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

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

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

We intend to pursue development and expansion activities as opportunities arise. In connection with any development or expansion, we will incur various risks, including the risk that development or expansion opportunities explored by us may be abandoned for various reasons including, but not limited to, credit disruptions that require the Company to conserve its cash until the capital markets stabilize or alternative credit or funding arrangements can be made. Developments or expansions also include the risk that construction costs of a project may exceed original estimates, possibly making the project unprofitable. Other risks include the risk that we may not be able to refinance construction loans which are generally with full recourse to us, the risk that occupancy rates and rents at a completed project will not meet projections and will be insufficient to make the project profitable, and the risk that we will not be able to obtain anchor, mortgage lender and property partner approvals for certain expansion activities.

When we elect not to proceed with a development opportunity, the development costs ordinarily are charged against income for the then-current period. Any such charge could have a material adverse effect on our results of operations for the period in which the charge is taken.

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

We own partial interests in 24 malls, eleven associated centers, six community centers and eight office buildings. We manage all but four of these properties. Governor’s Square, Governor’s Plaza, Kentucky Oaks and Plaza Macaé are all owned by joint ventures and are managed by either a third party managing general partner or a property manager that is affiliated with the third party managing general partner (the “managing partners”). The managing partners perform the property management and leasing services for these four Properties and receive fees for their services. The managing partners of the Properties control the cash flow distributions, although our approval is required for certain major decisions.

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

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

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

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

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

We believe that our Properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. We have recorded in our financial statements a liability of $2.6 million related to potential future asbestos abatement activities at our Properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former Properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties has not been or will not be affected by tenants and occupants of the Properties, by the condition of properties in the vicinity of the Properties or by third parties unrelated to us, the Operating Partnership or the relevant Property's partnership.

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

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

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable.

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

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

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

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

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

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

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

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

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

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

We are significantly dependent upon external financing to fund the growth of our business and ensure that we meet our debt servicing requirements. Our access to financing depends on the willingness of lending institutions to grant credit to us and conditions in the capital markets in general. The United States is in the midst of an economic recession with the capital and credit markets experiencing extreme volatility and disruption. If current levels of market volatility continue to worsen, access to capital and credit markets could be disrupted over an extended period of time, which may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. As of March 31, 2009, our total share of consolidated and unconsolidated debt maturing in 2009 and 2010, as though all extension options available have been exercised, is $224.2 million and $1,057.7 million, respectively. Although we have successfully obtained debt for refinancings of our maturing debt, acquisitions and the construction of new developments in the past, we cannot make any assurances as to whether we will be able to obtain debt in the future, or that the financing options available to us will be on favorable or acceptable terms.

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

We have a substantial amount of debt that could adversely impact our future operations.

Our total share of consolidated and unconsolidated debt as of December 31, 2008 was $6.6 billion. As a result of this substantial amount of indebtedness, we are subject to the risks normally associated with debt financing. We are required to use a material portion of our cash flow to service principal and interest on our debt, which limits the amount of cash flow available for other business uses. In addition, our cash flows from operations may be insufficient to meet required debt service levels in the event that we experience reductions in income or cash flows at our Properties contributed by, but not limited to, an economic recession, high unemployment levels, increased tenant bankruptcies, lack of consumer confidence, losses of major tenants or the entry of new competitors. The occurrence of these or similar factors may adversely affect our financial positions and results of operations. Many of our Properties are mortgaged to secure payments of indebtedness, and if income from the Properties is insufficient to pay that indebtedness, the Properties could be foreclosed upon by the mortgagees resulting in a loss of income and a decline in our total asset value.

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

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

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

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

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 50.8% of our total revenues from all Properties for the three months ended March 31, 2009 and currently include 45 malls, 20 associated centers, 6 community centers and 18 office buildings. Our Properties located in the midwestern United States accounted for approximately 30.0% of our total revenues from all Properties for the three months ended March 31, 2009 and currently include 27 malls and 4 associated centers. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

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

Our Properties located in the St. Louis, MO, Nashville, TN, Greensboro, NC, Kansas City (Overland Park), KS, and Chattanooga, TN metropolitan areas accounted for approximately 8.8%, 3.8%, 3.2%, 2.9% and 2.6%, respectively, of our total revenues for the three months ended March 31, 2009. No other market accounted for more than 2.6% of our total revenues for the three months ended March 31, 2009. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

RISKS RELATED TO INTERNATIONAL INVESTMENTS

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

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

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

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

RISKS RELATED TO DIVIDENDS

Our ability to pay dividends on our stock may be limited.

In the event that we are unable to refinance our debt on acceptable terms, we will be required to repay such debt or pay higher debt service costs in connection with, most likely, less attractive financing terms. In order to obtain the necessary cash for such payments, we may be compelled to take a number of actions, including the reduction of dividends to an amount equal to the minimum amount that is required to maintain our qualification as a REIT or paying dividends through the issuance of a combination of our common stock and cash.

RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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

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

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

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

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

To maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by vote, value or number of shares (other than Charles B. Lebovitz, our Chief Executive Officer, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). The affirmative vote of $66^2/_3$% of our outstanding voting stock is required to amend this provision.

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

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

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

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

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

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

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

- Vote Required to Amend Bylaws – A vote of $66^2/_3$% of 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. This plan expired on April 29, 2009.

- 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.

- <u>Tax Consequences of the Sale or Refinancing of Certain Properties</u> – 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.

- <u>Interests in Other Entities; Policies of the Board of Directors</u> – 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 March 31, 2009:

Period	Total Numbers 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
January 1–31, 2009	—	$ —	—	—
February 1–28, 2009	2,423	$ 4.59	—	—
March 1–31, 2009	—	$ —	—	—
Total	2,423	$ 4.59	—	—

(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

None

ITEM 5: Other Information

None

ITEM 6: Exhibits

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

SIGNATURE

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

CBL & ASSOCIATES PROPERTIES, INC.

/s/ John N. Foy

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

Date: May 11, 2009

INDEX TO EXHIBITS

Exhibit Number	Description
10.7.9	Separation and General Release Agreement, dated January 5, 2009, between the Company and Ronald L. Fullam.
10.7.10	Separation and General Release Agreement, dated January 5, 2009, between the Company and Robert S. Tingle.
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.