CBL & ASSOCIATES PROPERTIES INC
Form 10-K/A
March 03, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO.1)

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

For the fiscal year ended December 31, 2007

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 Number 1-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

Registrant's telephone number, including area code:**423.855.0001**

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

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

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

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

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer x	Accelerated filero
Non-accelerated filer o (Do not check if a 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 Act).

Yes o No x

The aggregate market value of the 60,200,515 shares of common stock held by non-affiliates of the registrant as of June 30, 2007 was $2,170,228,569, based on the closing price of $36.05 per share on the New York Stock Exchange on June 29, 2007. (For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.)

As of February 25, 2008, 66,340,515 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2008 Annual Shareholder's Meeting are incorporated by reference in Part III.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, initially filed on February 29, 2007, is being filed for the sole purpose of correcting an inadvertent typographical error that resulted in the omission of the conformed signatures of Deloitte & Touche LLP on the Report of Independent Registered Public Accounting Firm contained in Item 8, *Financial Statements and Supplementary Data* (through incorporation by reference to the consolidated financial statements included in Item 15, *Exhibits, Financial Statement Schedules*) and the Report of Independent Registered Public Accounting Firm contained in Item 9A, *Controls and Procedures*.

Except as described above, no other amendments are being made to the Annual Report. This Form 10-K/A does not reflect events occurring after the February 29, 2007 filing of our Annual Report or modify or update the disclosure contained in the Annual Report in any way other than as required to reflect the amendments discussed above and reflected below. In order to comply with certain technical requirements of the Securities and Exchange Commission's rules in connection with the filing of this amendment on Form 10-K/A, we are including in this amendment the complete text of Part II, Item 8, *Financial Statements and Supplementary Data*, Item 9A, *Controls and Procedures*, and Part IV, Item 15, *Exhibits, Financial Statements,* as well as a consent of our independent registered public accountants with respect to this filing (Exhibit 23). We are also including in this amendment updated certifications of our principal executive and principal financial officers (Exhibits 31.1, 31.2, 32.1 and 32.2).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index to Financial statements contained in Item 15 on page 72.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. We assessed the effectiveness of our internal control over financial reporting, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that, as of December 31, 2007, we maintained effective internal control over financial reporting, as stated in our report which is included herein.

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Management On Internal Control Over Financial Reporting

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

Management recognizes that there are inherent limitations in the effectiveness of internal control over financial reporting, including the potential for human error or the circumvention or overriding of internal controls. Accordingly, even effective internal control over financial reporting cannot provide absolute assurance with respect to financial statement preparation. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. In addition, any projection of the evaluation of effectiveness to future periods

is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the polices or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that, as of December 31, 2007, the Company maintained effective internal control over financial reporting.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued their attestation report, which is included below, on our internal control over financial reporting as of December 31, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.:

We have audited the internal control over financial reporting of CBL & Associates Properties, Inc. (the "Company") as of December 31, 2007, based oncriteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedulesas of and for the year ended December 31, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion on those financial statements and financial statement schedules and includes explanatory

paragraphs regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 1, 2006 and the adoption of SEC Staff Accounting Bulleting No. 108, *Considering the Effects of Prior-Years Misstatements when Quantifying Misstatements in the Current Year Financial Statements*, on December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 28, 2008

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) *Consolidated Financial Statements* *Page Number*

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(2) *Consolidated Financial Statement Schedules*

Schedule II Valuation and Qualifying Accounts	49
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Schedule IV Mortgage Loans on Real Estate	58

Financial statement schedules not listed herein are either not required or are not present in amounts sufficient to require submission of the schedule or the information required to be included therein is included in our consolidated financial statements in Item 15 or are reported elsewhere.

(3) *Exhibits*

The Exhibit Index filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which was filed on February 29, 2008, is incorporated by reference into this Item 15(a)(3). Also incorporated by reference into this Item 15(a)(3) is the Exhibit Index attached to this Amendment No. 1 on Form 10-K/A for those exhibits filed with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CBL & ASSOCIATES PROPERTIES, INC.
(Registrant)

By: /s/ John N. Foy
John N. Foy
Vice Chairman of the Board, Chief Financial Officer
and Treasurer

Dated: March 3, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles B. Lebovitz Charles B. Lebovitz	Chairman of the Board, and Chief Executive Officer (Principal Executive Officer)	March 3, 2008
/s/ John N. Foy John N. Foy	Vice Chairman of the Board, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 3, 2008
/s/ Stephen D. Lebovitz* Stephen D. Lebovitz	Director, President and Secretary	March 3, 2008
/s/ Claude M. Ballard* Claude M. Ballard	Director	March 3, 2008
/s/ Leo Fields* Leo Fields	Director	March 3, 2008
/s/ Matthew S. Dominski* Matthew S. Dominski	Director	March 3, 2008
/s/ Winston W. Walker* Winston W. Walker	Director	March 3, 2008
/s/ Gary L. Bryenton* Gary L. Bryenton	Director	March 3, 2008
/s/ Martin J. Cleary* Martin J. Cleary	Director	March 3, 2008

*By:/s/ John N. Foy John N. Foy	Attorney-in-Fact	March 3, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.:

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CBL & Associates Properties, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 17 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, effective January 1, 2006, utilizing the modified prospective application transition method.

As described in Note 19 to the consolidated financial statements, the Company adopted SEC Staff Accounting Bulletin 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, effective December 31, 2006, and recorded a cumulative effect adjustment as of January 1, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in*Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 28, 2008

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CBL & Associates Properties, Inc.

Consolidated Balance Sheets

(In thousands, except share data)

	December 31,	
ASSETS	**2007**	**2006**
Real estate assets:		
Land	**$917,578**	$779,727
Buildings and improvements	**7,263,907**	5,944,476
	8,181,485	6,724,203
Accumulated depreciation	**(1,102,767)**	(924,297)
	7,078,718	5,799,906
Developments in progress	**323,560**	294,345
Net investment in real estate assets	**7,402,278**	6,094,251
Cash and cash equivalents	**65,826**	28,700
Receivables:		
Tenant, net of allowance for doubtful accounts of $1,126 in 2007 and $1,128 in 2006	**72,570**	71,573
Other	**10,257**	9,656
Mortgage notes receivable	**135,137**	21,559
Investments in unconsolidated affiliates	**142,550**	78,826
Intangible lease assets and other assets	**276,429**	214,245
	$8,105,047	$6,518,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage and other notes payable	**$5,869,318**	$4,564,535
Accounts payable and accrued liabilities	**394,884**	309,969
Total liabilities	**6,264,202**	4,874,504
Commitments and contingencies (Notes 3, 5 and 15)		
Minority interests	**920,297**	559,450
Shareholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in 2006	**-**	20
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2007 and 2006	**5**	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2007 and 2006	**7**	7
Common stock, $.01 par value, 180,000,000 shares authorized, 66,179,747 and 65,421,311 shares issued and outstanding in 2007 and 2006 respectively	**662**	654
Additional paid-in capital	**990,048**	1,074,450
Accumulated other comprehensive income (loss)	**(20)**	19
Retained earnings (accumulated deficit)	**(70,154)**	9,701
Total shareholders' equity	**920,548**	1,084,856
	$8,105,047	$6,518,810

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

CBL & Associates Properties, Inc.

Consolidated Statements of Operations

(In thousands, except per share amounts)

	Year Ended December 31,		
	2007	**2006**	**2005**
REVENUES:			
Minimum rents	**$646,383**	$616,147	$544,321
Percentage rents	**22,472**	23,825	22,846
Other rents	**23,121**	20,061	17,387
Tenant reimbursements	**318,808**	307,037	275,868
Management, development and leasing fees	**7,983**	5,067	20,521
Other	**21,860**	23,365	19,476
Total revenues	**1,040,627**	995,502	900,419
EXPENSES:			
Property operating	**169,688**	159,827	149,507
Depreciation and amortization	**243,790**	228,531	178,163
Real estate taxes	**87,610**	80,316	67,341
Maintenance and repairs	**58,145**	54,153	49,952
General and administrative	**37,852**	39,522	39,197
Impairment of real estate assets	-	480	1,334
Other	**18,525**	18,623	15,444
Total expenses	**615,610**	581,452	500,938
Income from operations	**425,017**	414,050	399,481
Interest and other income	**10,923**	9,084	6,831
Interest expense	**(287,884)**	(257,067)	(208,183)
Loss on extinguishment of debt	**(227)**	(935)	(6,171)
Impairment of marketable securities	**(18,456)**	-	-
Gain on sales of real estate assets	**15,570**	14,505	53,583
Gain on sale of management contracts	-	-	21,619
Equity in earnings of unconsolidated affiliates	**3,502**	5,295	8,495
Income tax provision	**(8,390)**	(5,902)	-
Minority interest in earnings:			
Operating Partnership	**(46,246)**	(70,323)	(112,061)
Shopping center properties	**(12,215)**	(4,136)	(4,879)
Income from continuing operations	**81,594**	104,571	158,715
Operating income of discontinued operations	**1,497**	4,538	3,842
Gain (loss) on discontinued operations	**6,056**	8,392	(82)
Net income	**89,147**	117,501	162,475
Preferred dividends	**(29,775)**	(30,568)	(30,568)
Net income available to common shareholders	**$59,372**	$86,933	$131,907
Basic per share data:			
Income from continuing operations, net of preferred dividends	**$0.79**	$1.16	$2.04
Discontinued operations	**0.12**	$0.20	0.06
Net income available to common shareholders	**$0.91**	$1.36	$2.10
Weighted average common shares outstanding	**65,323**	63,885	62,721
Diluted per share data:			

Income from continuing operations, net of preferred dividends	**$0.79**	$1.13	$1.98
Discontinued operations	**0.11**	$0.20	0.05
Net income available to common shareholders	**$0.90**	$1.33	$2.03
Weighted average common and potential dilutive common shares outstanding	**65,913**	65,269	64,880

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Consolidated Statements of Shareholders' Equity

(In thousands, except share data)	**Preferred Stock**	**Common Stock**	**Additional Paid-in Capital**	**Deferred Compensation**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings (Accumulated Deficit)**	**Total**
Balance, December 31, 2004	$32	$627	$1,025,478	($3,081)	$ -	$31,095	$1,054,151
Net income	-	-	-	-	-	162,475	162,475
Net unrealized gain on available-for-sale securities	-	-	-	-	288	-	288
Total comprehensive income							162,763
Dividends declared - common stock	-	-	-	-	-	(111,294)	(111,294)
Dividends declared - preferred stock	-	-	-	-	-	(30,568)	(30,568)
Additional costs of issuing 700,000 shares of Series D preferred stock	-	-	(193)	-	-	-	(193)
Issuance of 230,041 shares of common stock and restricted common stock	-	2	9,011	(7,896)	-	-	1,117
Repurchase of 1,371,034 shares of common stock	-	(14)	(54,984)	-	-	-	(54,998)
Exercise of stock options	-	8	9,733	-	-	-	9,741
Accelerated vesting of share-based compensation	-	-	480	256	-	-	736
Accrual under deferred compensation arrangements	-	-	780	-	-	-	780
Issuance of stock under deferred compensation arrangement	-	2	(2)	-	-	-	-
Amortization of deferred compensation	-	-	-	1,826	-	-	1,826
Conversion of Operating Partnership units into 52,136 shares of common stock	-	-	10,304	-	-	-	10,304
Adjustment for minority interest in Operating Partnership	-	-	37,157	-	-	-	37,157
Balance, December 31, 2005-as previously reported	32	625	1,037,764	(8,895)	288	51,708	1,081,522
Cumulative effect of adjustments resulting from the adoption of SAB No. 108	-	-	9,696	-	-	(7,262)	2,434
Adjustments for minority interest in Operating Partnership	-	-	(2,036)	-	-	-	(2,036)
Balance, January 1, 2006 – as adjusted	32	625	1,045,424	(8,895)	288	44,446	1,081,920
Net income	-	-	-	-	-	117,501	117,501
Realized gain on available-for-sale securities	-	-	-	-	(1,073)	-	(1,073)
Unrealized gain on available-for-sale securities	-	-	-	-	804	-	804
Total comprehensive income							117,232
Dividends declared - common stock	-	-	-	-	-	(121,678)	(121,678)
Dividends declared - preferred stock	-	-	-	-	-	(30,568)	(30,568)
Reclassification of deferred compensation upon adoption of SFAS No. 123(R)	-	-	(8,895)	8,895	-	-	-
Issuance of 244,472 shares of common stock and restricted common stock	-	2	2,721	-	-	-	2,723
Cancellation of 34,741 shares of restricted common stock	-	-	(1,154)	-	-	-	(1,154)
Exercise of stock options	-	7	8,915	-	-	-	8,922
Accrual under deferred compensation arrangements	-	-	93	-	-	-	93
Amortization of deferred compensation	-	-	3,987	-	-	-	3,987
Income tax benefit from stock-based compensation	-	-	3,181	-	-	-	3,181
Conversion of Operating Partnership units into 1,979,644 shares of common stock	-	20	21,963	-	-	-	21,983
Adjustment for minority interest in Operating Partnership	-	-	(1,785)	-	-	-	(1,785)
Balance, December 31, 2006	$ 32	$ 654	$ 1,074,450	$-	$19	$9,701	$ 1,084,856

CBL & Associates Properties, Inc.

Consolidated Statements of Shareholders' Equity

(In thousands, except share data)

(Continued)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance, December 31, 2006	$ 32	$ 654	$ 1,074,450	$-	$19	$9,701	$ 1,084,856
Net income	-	-	-	-	-	89,147	89,147
Net unrealized loss on available-for-sale securities	-	-	-	-	(18,495)	-	(18,495)
Impairment of marketable securities	-	-	-	-	18,456	-	18,456
Total comprehensive income							89,108
Dividends declared - common stock	-	-	-	-	-	(135,672)	(135,672)
Dividends declared - preferred stock	-	-	-	-	-	(26,145)	(26,145)
Repurchase of 148,500 shares of common stock	-	(1)	(1,612)	-	-	(3,555)	(5,168)
Redemption of 8.75% Series B Cumulative Redeemable Stock	(20)	-	(96,350)	-	-	(3,630)	(100,000)
Issuance of 98,349 shares of common stock and restricted common stock	-	1	3,486	-	-	-	3,487
Cancellation of 42,611 shares of restricted common stock	-	-	(1,245)	-	-	-	(1,245)
Exercise of stock options	-	8	11,359	-	-	-	11,367
Accrual under deferred compensation arrangements	-	-	51	-	-	-	51
Amortization of deferred compensation	-	-	3,639	-	-	-	3,639
Income tax benefit from stock-based compensation	-	-	5,631	-	-	-	5,631
Adjustment for minority interest in Operating Partnership	-	-	(9,361)	-	-	-	(9,361)
Balance, December 31, 2007	$ 12	$ 662	$ 990,048	$-	$ (20)	$ (70,154)	$ 920,548

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2007	**2006**	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 89,147**	$ 117,501	$ 162,475
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest in earnings	**58,461**	74,459	116,940
Depreciation	**159,823**	141,750	133,834
Amortization	**92,266**	96,111	55,381
Net amortization of above and below market leases	**(10,584)**	(12,581)	(6,434)
Amortization of debt premiums	**(7,714)**	(7,501)	(7,347)
Gain on sales of real estate assets	**(15,570)**	(14,505)	(53,583)
Impairment of marketable securities	**18,456**	-	-
Realized gain on available-for-sale securities	**-**	(1,073)	-
(Gain) loss on discontinued operations	**(6,056)**	(8,392)	82
Gain on sale of management contracts	**-**	-	(21,619)
Share-based compensation expense	**6,862**	6,190	3,951
Income tax benefit from share-based compensation	**9,104**	5,750	-
Equity in earnings of unconsolidated affiliates	**(3,502)**	(5,295)	(8,495)
Distributions of earnings from unconsolidated affiliates	**9,450**	12,285	7,347
Write-off of development projects	**2,216**	923	560
Loss on extinguishment of debt	**227**	935	6,171
Impairment of real estate assets	**-**	480	1,334
Changes in:			
Tenant and other receivables	**(3,827)**	(20,083)	(9,879)
Other assets	**(1,787)**	(2,788)	(1,116)
Accounts payable and accrued liabilities	**73,307**	4,745	16,496
Net cash provided by operating activities	**470,279**	388,911	396,098
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to real estate assets	**(564,720)**	(452,383)	(361,285)
Acquisitions of real estate assets and intangible lease assets	**(376,444)**	-	(426,537)
Proceeds from sales of real estate assets	**68,620**	127,117	64,350
Proceeds from sales of available-for-sale securities	**-**	2,507	-
Purchases of available-for-sale securities	**(24,325)**	(15,464)	-
Proceeds from sale of management contracts	**-**	-	22,000
Costs related to sale of management contracts	**-**	-	(381)
Additions to mortgage notes receivable	**(102,933)**	(300)	(859)
Payments received on mortgage notes receivable	**4,617**	224	13,173
Distributions in excess of equity in earnings of unconsolidated affiliates	**18,519**	16,852	15,523
Additional investments in and advances to unconsolidated affiliates	**(112,274)**	(18,046)	(27,840)
Purchase of minority interests in shopping center properties	**(8,007)**	-	-
Purchase of minority interests in the Operating Partnership	**(9,502)**	(3,610)	(2,172)
Changes in other assets	**(4,792)**	(4,136)	(10,652)
Net cash used in investing activities	**(1,103,121)**	(347,239)	(714,680)

CBL & Associates Properties, Inc.

Consolidated Statements of Cash Flows

(In thousands)

(Continued)

	Year Ended December 31,		
	2007	**2006**	**2005**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from mortgage and other notes payable	**1,354,516**	1,007,073	946,825
Principal payments on mortgage and other notes payable	**(305,356)**	(776,092)	(353,806)
Additions to deferred financing costs	**(8,579)**	(5,588)	(3,407)
Prepayment fees to extinguish debt	**(227)**	(557)	(6,524)
Proceeds from issuance of common stock	**315**	361	508
Proceeds from exercise of stock options	**11,367**	8,922	9,741
Income tax benefit from share-based compensation	**(9,104)**	(5,750)	-
Additional costs of preferred stock offerings	**-**	-	(193)
Repurchase of common stock	**(5,168)**	(6,706)	(48,292)
Redemption of preferred stock	**(100,000)**	-	-
Contributions from minority partners	**5,493**	-	-
Distributions to minority interests	**(114,583)**	(110,037)	(89,459)
Dividends paid to holders of preferred stock	**(26,145)**	(30,568)	(31,214)
Dividends paid to common shareholders	**(132,561)**	(122,868)	(102,525)
Net cash provided by (used in) financing activities	**669,968**	(41,810)	321,654
Net change in cash and cash equivalents	**37,126**	(138)	3,072
Cash and cash equivalents, beginning of period	**28,700**	28,838	25,766
Cash and cash equivalents, end of period	**$ 65,826**	$ 28,700	$ 28,838

The accompanying notes are an integral part of these statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

NOTE 1. ORGANIZATION

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”). As of December 31, 2007, the Operating Partnership owned controlling interests in 75 regional malls/open-air centers, 28 associated centers (each located adjacent to a regional mall), 13 community centers and 13 office buildings, including CBL’s corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in nine regional malls, four associated centers, two 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 mall expansions, two associated/lifestyle centers, three community centers, a mixed-use center and an office building under construction as December 31, 2007. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At December 31, 2007, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partnership interest in the Operating Partnership and CBL Holdings II, Inc. owned a 55.1% limited partnership interest for a combined interest held by CBL of 56.7%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively “CBL’s Predecessor”) and by affiliates of The Richard E. Jacobs Group, Inc. (“Jacobs”). CBL’s Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for 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 December 31, 2007, CBL’s Predecessor owned a 15.0% limited partner interest, Jacobs owned a 19.6% limited partner interest and various third parties owned an 8.7% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 6.5 million shares of CBL’s common stock at December 31, 2007, for a combined effective interest of 20.5% 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.”

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Material intercompany transactions have been eliminated.

Certain historical amounts have been reclassified to conform to the current year presentation. The financial results of certain properties are reported as discontinued operations in the consolidated financial statements. Except where noted, the information presented in the Notes to Consolidated Financial Statements excludes discontinued operations. See Note 4 for further discussion.

Real Estate Assets

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

All acquired real estate assets have been accounted for using the purchase method of accounting and accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The Company allocates the purchase price to (i) tangible assets, consisting of land, buildings and improvements, as if vacant, and tenant improvements, and (ii) identifiable intangible assets and liabilities, generally consisting of above-market leases, in-place leases and tenant relationships, which are included in other assets, and below-market leases, which are included in accounts payable and accrued liabilities. The Company uses estimates of fair value based on estimated cash flows, using appropriate discount rates, and other valuation techniques to allocate the purchase price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt is recorded at its fair value based on estimated market interest rates at the date of acquisition.

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

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The Company's acquired intangibles and their balance sheet classifications as of December 31, 2007 and 2006, are summarized as follows:

	December 31, 2007		**December 31, 2006**	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Other assets:				
Above-market leases	**$ 79,566**	**$ (18,337)**	$ 40,509	$ (11,579)
In-place leases	**98,315**	**(38,725)**	69,615	(28,941)
Tenant relationships	**49,796**	**(4,462)**	49,796	(2,320)
Accounts payable and accrued liabilities:				
Below-market leases	**122,367**	**(42,751)**	86,736	(31,386)

These intangible assets are related to specific tenant leases. Should a termination occur earlier than the date indicated in the lease, the related intangible assets or liabilities, if any, related to the lease are recorded as expense or income, as applicable. The total net amortization expense of the above acquired intangibles was $4,387, $6,570 and $3,630 in 2007, 2006 and 2005, respectively. The estimated total net amortization expense for the next five succeeding years is $9,538 in 2008, $7,195 in 2009, $6,666 in 2010, $5,685 in 2011 and $5,355 in 2012.

Total interest expense capitalized was $15,414, $11,504 and $8,385 in 2007, 2006 and 2005, respectively.

Carrying Value of Long-Lived Assets

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

During 2006, the Company recognized a loss of $274 on the sale of two community centers and a loss of $206 on the sale of land. The aggregate loss of $480 was recorded as a loss on impairment of real estate assets.

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

In January 2005, the Company completed the third phase of the Galileo America joint venture transaction discussed in Note 5. A loss had been recorded in 2004 to reduce the carrying value of the related assets to their estimated fair values. The Company recognized an additional impairment loss on this transaction of $262 in the first quarter of 2005 when the estimated amounts from 2004 were adjusted to actual.

The Company sold a community center in October 2005 and recorded a loss on impairment of $43.

There were no impairment losses on real estate assets during 2007.

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Cash and Cash Equivalents

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

Restricted Cash

Restricted cash of $35,370 and $34,814 was included in other assets at December 31, 2007 and 2006, respectively. Restricted cash consists primarily of cash held in escrow accounts for debt service, insurance, real estate taxes, capital improvements and deferred maintenance as required by the terms of certain mortgage notes payable, as well as contributions from tenants to be used for future marketing activities.

Joint Ventures

Initial investments in joint ventures that are in economic substance a capital contribution to the joint venture are recorded in an amount equal to the Company’s historical carryover basis in the real estate contributed. Initial investments in joint ventures that are in economic substance the sale of a portion of the Company’s interest in the real estate are accounted for as a contribution of real estate recorded in an amount equal to the Company’s historical carryover basis in the ownership percentage retained and as a sale of real estate with profit recognized to the extent of the other joint venturers’ interests in the joint venture. Profit recognition assumes the Company has no commitment to reinvest with respect to the percentage of the real estate sold and the accounting requirements of the full accrual method under Statement of Financial Accounting Standards (“SFAS”) No. 66, *Accounting for Sales of Real Estate*, are met.

The Company accounts for its investment in joint ventures where it owns a non-controlling interest or where it is not the primary beneficiary of a variable interest entity using the equity method of accounting. Under the equity method, the Company’s cost of investment is adjusted for its share of equity in the earnings of the unconsolidated affiliate and reduced by distributions received. Generally, distributions of cash flows from operations and capital events are first made to partners to pay cumulative unpaid preferences on unreturned capital balances and then to the partners in accordance with the terms of the joint venture agreements.

Any differences between the cost of the Company’s investment in an unconsolidated affiliate and its underlying equity as reflected in the unconsolidated affiliate’s financial statements generally result from costs of the Company’s investment that are not reflected on the unconsolidated affiliate’s financial statements, capitalized interest on its investment and the Company’s share of development and leasing fees that are paid by the unconsolidated affiliate to the Company for development and leasing services provided to the unconsolidated affiliate during any development periods. At December 31, 2007 and 2006, the net difference between the Company’s investment in unconsolidated affiliates and the underlying equity of unconsolidated affiliates was $1,126 and $1,587, respectively, which is generally amortized over a period of 40 years.

Deferred Financing Costs

Net deferred financing costs of $14,989 and $11,881 were included in other assets at December 31, 2007 and 2006, respectively. Deferred financing costs include fees and costs incurred to obtain financing and are amortized on a straight-line basis to interest expense over the terms of the related notes payable. Amortization expense was $4,188, $4,178, and $5,031 in 2007, 2006 and 2005, respectively. Accumulated

amortization was $11,719 and $10,385 as of December 31, 2007 and 2006, respectively.

Marketable Securities

Other assets include marketable securities consisting of corporate equity securities that are classified as available for sale. Unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity. Realized gains and losses are included in other income. Gains or losses on securities sold are based on the specific identification method.

If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. In determining when a decline in fair value below cost of an investment in marketable securities is other than temporary, the following factors, among others, are evaluated:

- The probability of recovery.
- The Company's ability and intent to retain the security for a sufficient period of time for it to recover.
- The significance of the decline in value.
- The time period during which there has been a significant decline in value.
- Current and future business prospects and trends of earnings.
- Relevant industry conditions and trends relative to their historical cycles.
- Market conditions.

During 2007, the Company recognized an other-than-temporary impairment of certain marketable real estate securities in the amount of $18,456 to write down the carrying value of the Company's investment to its fair value of $21,333.

The following is a summary of the equity securities held by the Company as of December 31, 2007 and 2006:

		Gross Unrealized		
	Adjusted Cost	Gains	Losses	Fair Value
December 31, 2007	$ 21,388	$ 9	$ (29)	$ 21,368
December 31, 2006	16,597	24	(4)	16,617

Derivative Financial Instruments

The Company recognizes its derivative financial instruments as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. The accounting for changes in the fair value (i.e., gain or loss) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. To qualify as a hedging instrument, a derivative must pass prescribed effectiveness tests, performed quarterly using both qualitative and quantitative methods. The Company entered into a derivative agreement effective December 31, 2007, that qualified as a hedging instrument and was designated, based upon the exposure being hedged, as a cash flow hedge. The fair value of the cash flow hedge as of December 31, 2007 was $0. To the extent it is effective, changes in the fair value of a cash flow hedge are reported in other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged item affects earnings. The ineffective portion of the hedge, if any, is recognized in current earnings during the period of change in fair value. The gain or loss on the termination of an effective cash flow hedge is reported in other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged item affects earnings.

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Revenue Recognition

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

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

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

Gain on Sales of Real Estate Assets

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

Income Taxes

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State income taxes were not material in 2007, 2006 and 2005.

The Company has also elected taxable REIT subsidiary status for some of its subsidiaries. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. For these entities, deferred tax assets and liabilities are established for

temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income or expense, as applicable. The Company recorded an income tax provision of $8,390, $5,902 and

$0 in 2007, 2006 and 2005, respectively. The income tax provision in 2007 and 2006 consisted of a current income tax provision of $9,099 and $5,751, respectively, and a deferred income tax provision (benefit) of $(709) and $151, respectively.

The Company had a net deferred tax asset of $4,332 and $4,291 at December 31, 2007 and 2006, respectively. The net deferred tax asset at December 31, 2007 and 2006 is included in other assets and primarily consisted of operating expense accruals and differences between book and tax depreciation.

Concentration of Credit Risk

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

The Company derives a substantial portion of its rental income from various national and regional retail companies; however, no single tenant collectively accounted for more than 5.0% of the Company’s total revenues in 2007, 2006 or 2005.

Earnings Per Share

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

	Year Ended December 31,		
	2007	**2006**	**2005**
Weighted average common shares	**65,713**	64,225	63,004
Effect of nonvested stock awards	**(390)**	(340)	(283)
Denominator – basic earnings per share	**65,323**	63,885	62,721
Dilutive effect of:			
Stock options	**456**	1,189	1,741
Nonvested stock awards	**94**	138	223
Deemed shares related to deferred compensation arrangements	**40**	57	195
Denominator – diluted earnings per share	**65,913**	65,269	64,880

Comprehensive Income (Loss)

Comprehensive income includes all changes in shareholders' equity during the period, except those resulting from investments by shareholders and distributions to shareholders. Other comprehensive income (loss) for all periods presented represents unrealized gains (losses) on available for sale securities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

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

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

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

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

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

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

In December 2007, the FASB issued SFAS No. 133 Implementation Issue No. E23 (“Issue No. E23”), which provides further clarification for determining when the use of the short-cut method is appropriate. The implementation guidance in this issue is effective for hedging relationships designated on or after January 1, 2008. The adoption of Issue No. E23 is not expected to have a material impact on the Company’s consolidated financial statements.

In September 2006, the Securities and Exchange Commission’s staff issued Staff Accounting Bulletin (“SAB”) No. 108,*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the rollover approach and the iron curtain approach, as those terms are defined in SAB No. 108. The rollover approach quantifies misstatements based on the amount of the error in the current year financial statements, whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement’s year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. If a company determines that an adjustment to prior year financial statements is required upon adoption of SAB No. 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB No. 108 in fiscal 2006 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2006 opening balance in retained earnings. SAB No. 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. The Company adopted SAB No. 108 on December 31, 2006 and, in accordance with the initial application provisions of SAB No. 108, adjusted retained earnings as of January 1, 2006. This adjustment was considered to be immaterial individually and in the aggregate in prior years based on the Company’s historical method of assessing materiality. See Note 19 for further discussion.

NOTE 3. ACQUISITIONS

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

2007 Acquisitions

Westfield Acquisition

The Company closed on two separate transactions with the Westfield Group (“Westfield”) on October 16, 2007, involving four malls located in the St. Louis, MO area. In the first transaction, Westfield contributed three malls to CW Joint Venture, LLC, a Company-controlled entity (“CWJV”), and the Company contributed six malls and three associated centers. Because the terms of CWJV provide for the Company to control CWJV and to receive all of CWJV’s net cash flows after payment of operating expenses, debt service payments, and perpetual preferred joint venture unit distributions,

described below, the Company has accounted for the three malls contributed by Westfield as an acquisition. In the second transaction, the Company directly acquired the fourth mall from Westfield.

The purchase price of the three malls contributed to CWJV by Westfield plus the mall that was directly acquired by the Company was $1,035,325. The total purchase price consisted of $164,055 of cash, including transaction costs, the assumption of $458,182 of non-recourse debt that bears interest at a weighted-average fixed interest rate of 5.73% and matures at various dates from July 2011 to September 2016, and the issuance of $404,113 of perpetual preferred joint venture units ("PJV units") of CWJV, which is net of a reduction for working capital adjustments of $8,975. The Company recorded a total net discount of $4,045, computed using a weighted-average interest rate of 5.78%, since the debt assumed was at a weighted-average below-market interest rate compared to similar debt instruments at the date of acquisition.

In November 2007, Westfield contributed a vacant anchor location at one of the malls to CWJV in exchange for $12,000 of additional PJV units. The Company has also accounted for this transaction as an acquisition.

The PJV units of CWJV pay an annual preferred distribution at a rate of 5.0%. 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. The Company is responsible for management and leasing of CWJV's properties and owns all of the common units of CWJV, entitling it to receive 100% of CWJV's cash flow after operating expenses, debt service payments and PJV unit distributions. Westfield's preferred interest in CWJV is included in minority interest in the consolidated balance sheet.

Other Acquisitions

On November 30, 2007, the Company acquired a portfolio of eight community centers located in Greensboro and High Point, NC, and twelve office buildings located in Greensboro and Raleigh, NC and Newport News, VA from the Starmount Company for a total cash purchase price of $183,928.

The Company also entered into a 50/50 joint venture that purchased a portfolio of additional retail and office buildings in North Carolina from the Starmount Company on November 30, 2007. See Note 5 for additional information.

The results of operations of the acquired properties from Westfield and the Starmount Company have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2007:

Land	$	99,609	
Buildings and improvements		1,098,404	
Above—market leases		39,572	
In—place leases		31,745	
Total assets		1,269,330	
Mortgage notes payable assumed		(458,182	)
Net discount on mortgage notes payable assumed		4,045	

Below—market leases		(42,122)
Net assets acquired	$	773,070

The following unaudited pro forma financial information is for the years ended December 31, 2007 and 2006. It presents the results of the Company as if each of the 2007 acquisitions had occurred at the beginning of each period presented. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred at the beginning of each of these periods. The pro forma financial

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information also does not project the consolidated results of operations for any future period. The pro forma results for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Total revenues	**$ 1,129,089**	$ 1,105,632
Total expenses	**(682,392)**	(663,415)
Income from operations	**$ 446,697**	$ 442,217
Income from continuing operations	**$ 147,721**	$ 186,392
Net income available to common shareholders	**$ 125,499**	$ 168,754
Basic per share data:		
Income from continuing operations, net of preferred dividends	**$ 1.80**	$ 2.44
Net income available to common shareholders	**$ 1.92**	$ 2.64
Diluted per share data:		
Income from continuing operations, net of preferred dividends	**$ 1.79**	$ 2.39
Net income available to common shareholders	**$ 1.90**	$ 2.59

2006 Acquisitions

The Company did not complete any acquisitions in 2006.

2005 Acquisitions

Effective June 1, 2005, the Company acquired a 70% interest in Laurel Park Place, a regional mall in Livonia, MI, for a purchase price of $80,363. The purchase price consisted of $2,828 in cash, the assumption of $50,654 of non-recourse debt that bears interest at a stated rate of 8.50% and matures in December 2012 and the issuance of 571,700 Series L special common units (the “L-SCUs”) in the Operating Partnership with a fair value of $26,881. The Company recorded a debt premium of $10,552, computed using an estimated market interest rate of 5.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition. The terms of the L-SCUs are described in Note 9.

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

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

$3,570 during the remaining nine years of the option. The Company acquired the 13.4 acre tract of land in 2006.

On November 7, 2005, the Company acquired Layton Hills Mall in Salt Lake City, UT, for a cash purchase price, including transaction costs, of $120,926. The Company funded a portion of the purchase price with a new, short-term loan of $102,850 that bore interest at the London Interbank Offered Rate (“LIBOR”) plus 95 basis points. The Company retired this loan in May 2006.

On November 16, 2005, the Company acquired Oak Park Mall in Overland, KS, Hickory Point Mall in Forsyth, IL, and Eastland Mall in Bloomington, IL, for a purchase price, including transaction costs, of $508,180, which consisted of $127,111 in cash, the assumption of $335,100 of interest-only, non-recourse loans that bear interest at a stated rate of 5.85% and mature in November 2015 and the issuance of 1,144,924 Series K special common units (the “K-SCUs”) of limited partnership interest in the Operating Partnership with a fair value of $45,969. The Company funded part of the cash portion of the purchase price with a new, non-recourse loan of $33,150 that bears interest at 5.85% and matures in November 2015. The terms of the K-SCUs are described in Note 9.

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

Land	$	95,863	
Buildings and improvements		763,523	
Above—market leases		30,759	
Tenant relationships		49,796	
In—place leases		24,021	
Total assets		963,962	
Mortgage notes payable assumed		(385,754	)
Premiums on mortgage notes payable assumed		(10,552	)
Below—market leases		(54,263	)
Other long—term liabilities		(14,474	)
Net assets acquired	$	498,919	

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

	2005
Total revenues	$971,647
Total expenses	(549,938)
Income from operations	$421,709
Income from continuing operations	$153,319
Net income available to common shareholders	$123,526
Basic per share data:	

Income from continuing operations, net of preferred dividends	$1.96
Net income available to common shareholders	$1.96
Diluted per share data:	
Income from continuing operations, net of preferred dividends	$1.89
Net income available to common shareholders	$1.90

NOTE 4. DISCONTINUED OPERATIONS

During August 2007, the Company sold Twin Peaks Mall in Longmont, CO to a third party for an aggregate sales price of $33,600 and recognized a gain on the sale of $3,971. During December 2007, the Company sold The Shops at Pineda Ridge in Melbourne, FL to a third party for an aggregate sales price of $8,500 and recognized a gain on the sale of $2,294.

During May 2006, the Company sold three community centers for an aggregate sales price of $42,280 and recognized a gain of $7,215. The Company also sold two community centers in May 2006 for an aggregate sales price of $63,000 and recognized a loss on impairment of real estate assets of $274. All five of these community centers were sold to Galileo America LLC (“Galileo America”) in connection with a put right the Company had previously entered into with Galileo America. The Company, as tenant, entered into separate master lease agreements with Galileo America, as landlord, covering a total of three spaces in the properties sold to Galileo America. Under each master lease agreement, the Company is obligated to pay Galileo America an agreed-upon minimum annual rent, plus a pro rata share of common area maintenance expenses and real estate taxes, for each designated space for a term of two years from the closing date. The Company had a liability of $56 and $252 at December 31, 2007 and 2006, respectively, for the amounts to be paid over the remaining terms of the master lease obligations. To the extent the Company is relieved of its obligations under the master lease agreements as a result of leasing the spaces to third parties, the Company will recognize additional gain on sale of real estate assets.

During 2005, the Company sold six community centers for an aggregate sales price of $12,600. Additionally, the Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of $1,029.

Total revenues of the centers described above that are included in discontinued operations were $4,851, $11,322 and $11,837 in 2007, 2006 and 2005, respectively. All periods presented have been adjusted to reflect the operations of the centers described above as discontinued operations.

NOTE 5. JOINT VENTURES

Unconsolidated Affiliates

At December 31, 2007, the Company had investments in the following 15 entities, which are accounted for using the equity method of accounting:

Joint Venture	**Property Name**	**Company’s Interest**
Governor’s Square IB	Governor’s Plaza	50.00%
Governor’s Square Company	Governor’s Square	47.50%
High Pointe Commons, LP	High Pointe Commons	50.00%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.00%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.00%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.00%

Mall of South Carolina L.P.	Coastal Grand—Myrtle Beach	50.00%
Mall of South Carolina Outparcel L.P.	Coastal Grand—Myrtle Beach (vacant land)	50.00%
Mall Shopping Center Company	Plaza del Sol	50.60%
Parkway Place L.P.	Parkway Place	45.00%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.00%
York Town Center, LP	York Town Center	50.00%
JG Gulf Coast Town Center	Gulf Coast Town Center	50.00%
CBL Brazil	Plaza Macae	60.00%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of six office buildings	50.00%

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

	December 31,	
	2007	**2006**
ASSETS:		
Net investment in real estate assets	**$ 1,020,068**	$ 588,300
Other assets	**86,367**	37,047
Total assets	**$ 1,106,435**	$ 625,347
LIABILITIES:		
Mortgage and other notes payable	**$ 875,387**	$ 489,810
Other liabilities	**36,376**	18,526
Total liabilities	**911,763**	508,336
OWNERS' EQUITY:		
The Company	**126,071**	80,414
Other investors	**68,601**	36,596
Total owners' equity	**194,672**	117,010
Total liabilities and owners' equity	**$ 1,106,435**	$ 625,346

	Year Ended December 31,		
	2007	**2006**	**2005**
Total revenues	**$105,256**	$94,785	$118,823
Depreciation and amortization	**(31,177)**	(26,488)	(30,273)
Other operating expenses	**(32,579)**	(28,514)	(32,738)
Income from operations	**41,500**	39,783	55,812
Interest income	**283**	176	246
Interest expense	**(36,850)**	(34,731)	(35,083)
Gain on sales of real estate assets	**3,118**	5,244	6,717
Discontinued operations	**-**	-	55
Net income	**$8,051**	$10,472	$27,747

Debt on these properties is non-recourse, excluding Parkway Place. See Note 15 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

In June 2007, JG Gulf Coast Town Center LLC obtained a ten-year, non-recourse mortgage note payable of $190,800 that has a fixed interest rate of 5.601% and matures on July 2017. The net proceeds were used to retire the outstanding borrowings of $143,023 under the construction loan that was incurred to develop Phase I and Phase II of Gulf Coast Town Center.

In December 2006, Kentucky Oaks Mall Company obtained a ten-year, non-recourse mortgage note payable of $30,000 that has a fixed interest rate of 5.27% and matures in January 2017. The net proceeds were used to retire the outstanding borrowings of $29,684 under the previous mortgage loan.

In September 2005, Imperial Valley Mall L.P. obtained a ten-year, non-recourse mortgage note payable of $60,000 that has a fixed interest rate of 4.985% and matures in September 2015. The proceeds of the loan were used to retire the outstanding borrowings of $58,265 under the construction loan that was incurred to develop Imperial Valley Mall.

CBL-TRS Joint Venture

Effective November 30, 2007, the Company entered into a 50/50 joint venture, CBL-TRS Joint Venture, LLC (“CBL-TRS”), with Teachers’ Retirement System of The State of Illinois (“TRS”). CBL-TRS acquired a portfolio of retail and office buildings in North Carolina including Friendly Center and The Shops at Friendly Center in Greensboro and six office buildings located adjacent to Friendly Center. The portfolio was acquired from the Starmount Company. The total purchase price paid by CBL-TRS was $260,679, which consisted of $216,146 in

cash, including transaction costs, and the assumption of $44,533 of non-recourse debt at a fixed interest rate of 5.90% that matures in January 2017.

The Company and TRS each contributed cash of $58,045 to CBL-TRS. The Company also made a short-term loan of $100,000 to CBL-TRS that is to be repaid through financing to be obtained independently by CBL-TRS. The financing is expected to close in March 2008.

Under the terms of the joint venture agreement, neither member is required to make additional capital contributions, except as specifically stated in the agreement governing the joint venture. CBL-TRS' profits and distributions of cash flows are allocated 50/50 to TRS and the Company.

CBL Brazil

In October 2007, the Company entered into a condominium partnership agreement with several individual investors and a former land owner, to acquire a 60% interest in a new retail development in Macaé, Brazil. The Company's total share of the development costs is capped at R$31,207 (Reas), or using the exchange rate as of December 31, 2007 of 0.562114, $17,542 USD. At December 31, 2007, the Company had incurred total funding of $9,813 USD. Tenco Realty ("Tenco"), a retail owner, operator and developer based in Belo Horizonte, Brazil, will develop and manage the center. Cash flows will be distributed on a pari passu basis among the partners. In November 2007, the Company announced that it has agreed to form a joint venture with Tenco. CBL will have the opportunity to purchase a minimum 51% interest in any future Tenco developments.

Triangle Town Member LLC Joint Venture

On November 16, 2005, the Company formed a 50/50 joint venture Triangle Town Member LLC, with Jacobs to own Triangle Town Center and its associated and lifestyle centers, Triangle Town Place and Triangle Town Commons, in Raleigh, NC. The Company assumed management, leasing and any future development responsibilities of the properties.

Jacobs' initial contribution consisted of the three shopping centers and the Company made an initial cash contribution of $1,560. Concurrent with its formation, the joint venture entered into a new ten-year, fixed rate non-recourse loan of $200,000, secured by the collective centers. The proceeds from the loan were used to retire an existing construction loan totaling $121,828 and the balance was paid to Jacobs as a partial return of Jacobs' equity. The joint venture equity will be equalized between Jacobs and the Company through future contributions by the Company and through property cash flow distributions.

Under the terms of the joint venture agreement, the Company is required to fund any additional equity necessary for capital expenditures, including future development or expansion of the property, and any operating deficits of the joint venture. The Company has guaranteed funding of such items up to a maximum of $50,000. The joint venture's profits and losses are allocated 50/50 to Jacobs and the Company. The Company receives a preferred return on its invested capital in the joint venture and will, after payment of such preferred return and repayment of the Company's invested capital, and repayment of the balance of Jacobs' equity, share equally with Jacobs in the joint venture's cash flows.

Galileo America Joint Venture

On September 24, 2003, the Company formed Galileo America, a joint venture with Galileo America, Inc., the U.S. affiliate of Australia-based Galileo America Shopping Trust, to invest in community centers throughout the United States. The arrangement provided for the Company to sell, in three phases, its interests in 51 community centers for a total price of $516,000 plus a 10% interest in Galileo America. The three phases had been closed on by January 5, 2005. The Company recognized a loss on impairment of real estate assets of $262 during the year ended December 31, 2005 related to the properties included in the third phase.

The Company, as tenant, entered into separate master lease agreements with Galileo America, as landlord, covering certain spaces in certain of the properties sold to the joint venture. Under each master lease agreement, the Company was obligated to pay Galileo America an agreed-upon minimum annual rent, plus a pro rata share of common area maintenance expenses and real estate taxes, for each designated space for a term of five years from the applicable property's closing date. Two properties in the first phase and one in the second phase were subject to master lease agreements. During 2005, the Company recognized a gain of $2,505 as a result of being relieved of its obligation under the master lease arrangements as spaces were leased to third parties.

On August 10, 2005, the Company transferred all of its 8.4% ownership interest in Galileo America to Galileo America in exchange for Galileo America's interest in two community centers: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. The two properties had a fair value of $60,000. The Company recognized a gain of $42,022, in accordance with SFAS No. 153, on the redemption of its interest in Galileo America, which represents the excess of the fair value of the two properties over the carrying amount of the Company's investment in Galileo America of $17,978. The Company had the right to put the two properties to Galileo America for $60,000 in cash at any time for one year following the redemption,as well as additional property at Springdale Center that the Company held in a ground lease for $3,000 in cash. As discussed in Note 4, the Company exercised its put right and sold these properties to Galileo America in May 2006. The Company also entered into an agreement to provide advisory services to Galileo America for a period of three years in exchange for $1,000 per year. The Company recorded a loss on impairment during 2005 related to these properties, which is discussed in Note 4.

The Company sold its management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. ("New Plan") for $22,000 in cash and, after reductions for closing costs, recognized a gain of $21,619 during 2005. The Company also transferred its remaining obligations of $3,818 under the master lease agreement to New Plan by paying New Plan a cash payment of $1,925. The Company recognized a gain of $1,893 during 2005 as a result of the settlement of the remaining master lease liability.

New Plan retained the Company to manage nine properties that Galileo America had recently acquired from a third party for a term of 17 years beginning on the third anniversary of the closing and will pay the Company a management fee of $1,000 per year. At any time after November 22, 2007, New Plan could terminate the agreement by paying the Company a termination fee of $7,000.

In October 2007, the Company received notification that New Plan had determined to exercise its right to terminate the management agreement by paying the Company a termination fee of $7,000, payable on August 10, 2008. However, the Company has not recognized the $7,000 as income in the consolidated financial statements due to uncertainty regarding the collectibility of the fee. The Company will recognize the $7,000 as gain in the period that it determines collectibility is reasonably assured.

Separately, Galileo America entered into an agreement to acquire New Plan's interest in a portfolio of properties. Under the terms of its agreement with Galileo America, the Company received an acquisition fee of $8,000 related to that transaction, which was recognized as management fee revenues during 2005.

As a result of the disposition of its ownership interest in Galileo America and the sale of the related management and advisory contracts, the Company recorded additional compensation expense of $1,301 in 2005 related to the severance of affected personnel, including $736 related to the accelerated vesting of stock-based compensation awards for certain of the affected personnel.

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 December 31, 2007, Jinsheng owns controlling interests in four home decor shopping malls and two general retail shopping centers.

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

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

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

Variable Interest Entities

In August 2007, the Company entered into a joint venture agreement with a third party to develop and operate Statesboro Crossing, an open-air shopping center in Statesboro, GA. The Company holds a 50% ownership interest in the joint venture. The Company determined that its investment represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying financial statements as of December 31, 2007 on a consolidated basis, with the interests of the third party reflected as minority interest. At December 31, 2007, this joint venture had total assets of $4,921.

In May 2007, the Company entered into a joint venture agreement with certain third parties to develop and operate The Village at Orchard Hills, a lifestyle center in Grand Rapids Township, MI. The Company holds a 50% ownership interest in the joint venture. The Company determined that its investment represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying financial statements as of December 31, 2007 on a consolidated basis, with the interests of the third parties reflected as minority interest. At December 31, 2007, this joint venture had total assets of $5,169.

In March 2007, the Company entered into a joint venture agreement with a third party to develop and operate Settlers Ridge, an open-air shopping center in Robinson Township, PA. The Company holds a 60% ownership interest in the joint venture. The Company determined that its investment represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. The joint venture is presented in the accompanying financial statements on a consolidated basis, with the interests

of the third party reflected as minority interest. At December 31, 2007, this joint venture had total assets of $31,549.

The Company has a 10% ownership interest and is the primary beneficiary in a joint venture that owns and operates Willowbrook Plaza in Houston, TX, Massard Crossing in Ft. Smith, AR and Pemberton Plaza in Vicksburg, MS. At December 31, 2007 and 2006, this joint venture had total assets of $53,727 and $54,516, respectively, and a mortgage note payable of $36,535 and $36,987, respectively.

In April 2005, the Company formed JG Gulf Coast Town Center LLC, a joint venture with Jacobs to develop Gulf Coast Town Center in Lee County (Ft. Myers/Naples), Florida. Under the terms of the joint venture agreement, the Company initially contributed $40,335 for a 50% interest in the joint venture, the proceeds of which were used to refund the aggregate acquisition and development costs incurred with respect to the project that were previously paid by Jacobs. The Company must also provide any additional equity necessary to fund the development of the property, as well as to fund up to an aggregate of $30,000 of operating deficits of the joint venture. The Company receives a preferred return of 11% on its invested capital in the joint venture and will, after payment of such preferred return and repayment of the Company's invested capital, share equally with Jacobs in the joint venture's profits.

In 2007, JG Gulf Coast Town Center obtained a non-recourse mortgage note payable of $190,800, the proceeds of which were used to retire the outstanding borrowings of $143,023 on the construction loan that funded the construction of the property. The net proceeds of $47,777 were first distributed to CBL to the extent of its unreturned capital advances plus accrued and unpaid preferred returns, and then pro rata to the Company and Jacobs.

As of December 31, 2006, the Company determined that this joint venture was a variable interest entity in which it was the primary beneficiary in accordance with FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* and consolidated the joint venture. During the fourth quarter of 2007, the Company reconsidered whether or not this entity was a variable interest entity and determined that it was not. As a result, the Company ceased consolidating this variable interest entity and began accounting for it as an unconsolidated affiliate using the equity method of accounting during the fourth quarter of 2007.

In October 2006, the Company entered into a loan agreement with a third party under which the Company would loan the third party up to $18,000 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that the Company may convert the loan to a 50% ownership interest in the third party at anytime. The Company determined that its loan to the third party represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the Company consolidates this entity. At December 31, 2007 and 2006, this joint venture had total assets of $18,233 and $10,743, respectively.

In October 2006, the Company entered into a loan agreement with a third party under which the Company would loan the third party up to $7,300 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that, in certain circumstances, the Company may convert the loan to a 25% ownership interest in the third party. As of December 31, 2006, the Company determined that its loan to the third party was a variable interest in a variable interest entity and that the Company was the primary beneficiary. As a result, the Company consolidated this entity as of December 31, 2006. During 2007, the Company reconsidered its status as the primary beneficiary of this variable interest entity and determined that it no longer was the primary beneficiary. Therefore, the Company ceased consolidating this variable interest entity and has recorded the loan as a mortgage note receivable. The loan bears interest at 9.0% and matures on October 31, 2008.

NOTE 6. MORTGAGE AND OTHER NOTES PAYABLE

Mortgage and other notes payable consisted of the following:

	December 31, 2007		December 31, 2006	
	Amount	Weighted Average Interest Rate (1)	Amount	Weighted Average Interest Rate (1)
Fixed-rate debt:				
Non-recourse loans on operating properties	**$4,543,515**	**5.85%**	$3,517,710	5.99%
Variable-rate debt:				
Recourse term loans on operating properties	**81,767**	**6.15%**	101,464	6.48%
Lines of credit (2)	**1,165,032**	**6.28%**	830,932	6.19%
Construction loans	**79,004**	**6.20%**	114,429	6.61%
Total variable-rate debt	**1,325,803**	**6.13%**	1,046,825	6.26%
Total	**$5,869,318**	**5.92%**	$4,564,535	6.06%

(1) Weighted average interest rate including the effect of debt premiums and discounts, but excluding the amortization of deferred financing costs.
(2) The Company has entered into an interest rate swap on a notional amount of $250,000 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.

Non-recourse and recourse term loans include loans that are secured by properties owned by the Company that have a net carrying value of $6,031,639 at December 31, 2007.

Fixed-Rate Debt

At December 31, 2007, fixed-rate loans bear interest at stated rates ranging from 4.52% to 8.42%. Outstanding borrowings under fixed-rate loans include net unamortized debt premiums of $22,927 that were recorded when the Company assumed debt to acquire real estate assets that was at a net above-market interest rate compared to similar debt instruments at the date of acquisition. Fixed-rate loans generally provide for monthly payments of principal and/or interest and mature at various dates from February 2008 through May 2017, with a weighted average maturity of 5.1 years.

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

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

During the third quarter of 2006, the Company obtained four separate ten-year, non-recourse loans totaling $317,000 that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted

average rate of 5.96%. The proceeds were used to retire $249,752 of mortgage notes payable that were scheduled to mature during the succeeding twelve months and to pay outstanding balances on the Company's credit facilities. The mortgage notes payable that were retired consisted of three variable rate term loans totaling $189,150 and one fixed rate loan of $60,602. The Company recorded a loss on extinguishment of debt of $935 related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

Variable-Rate Debt

Recourse term loans bear interest at variable interest rates indexed to the prime lending rate or LIBOR. At December 31, 2007, interest rates on recourse loans varied from 5.54% to 6.49%. These loans mature at various dates from June 2008 to December 2010, with a weighted average maturity of 1.7 years.

Unsecured Line of Credit

The Company has an unsecured credit facility that is used for construction, acquisition and working capital purposes, as well as issuances of letters of credit. The unsecured credit facility has total availability of $560,000 that bears interest at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.75% to 1.20% based on the Company's leverage, as defined in the agreement to the facility. Additionally, the Company pays an annual fee equal to 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2008 and has three one-year extension options, which are at the Company's election. At December 31, 2007, the outstanding borrowings of $490,232 under the unsecured credit facility had a weighted average interest rate of 5.98%.

In November 2007, in conjunction with the acquisition of certain properties from the Starmount Company or its affiliates (the "Starmount Properties"), the Company entered into an Unsecured Credit Agreement (the "Agreement") with Wells Fargo Bank, National Association, as administrative agent, U.S. Bank National Association, Bank of America, N.A., and Aareal Bank AG. Under the terms of the Agreement, the Company may borrow up to a total of $459,140 through a series of up to three separate advances. The proceeds received from the advances may only be used to fund the acquisition of the Starmount Properties. Borrowings of up to $193,000 and $266,140 mature on November 30, 2008 and November 30, 2010 (the "Maturity Dates"), respectively. The Company may extend each of the Maturity Dates by up to two periods of one year each and must pay an extension fee equal to 0.15% of the then current outstanding amount. The advances bear interest at a rate of LIBOR plus a margin ranging from 0.95% to 1.40% based on the Company's leverage ratio, as defined in the Agreement.

Accrued and unpaid interest on the outstanding principal amount of each advance is payable monthly and the Company may make voluntary prepayments prior to the Maturity Dates without penalty. 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 credit agreement must be used to pay down any remaining outstanding balance. The Agreement contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of the Company's $560,000 unsecured facility and $525,000 unsecured facility. At December 31, 2007, the outstanding borrowings under this unsecured credit agreement totaled $348,800 and had a weighted average interest rate of 5.95%.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition, and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit bear interest at a rate of LIBOR plus a margin ranging from 0.80% to 0.90% and had a weighted average interest rate of 5.70% at December 31, 2007. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of

0.125% or 0.250%, depending on the level

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of unused availability. The following summarizes certain information about the secured lines of credit as of December 31, 2007:

Total Available	Total Outstanding	Maturity Date
$525,000	$525,000	February 2009
100,000	13,800	June 2009
20,000	20,000	March 2010
17,200	17,200	April 2010
$662,200	$576,000	

In September 2007, the Company amended its largest secured credit facility to increase the maximum availability from $476,000 to $525,000 and to substitute certain collateral under the facility.

On December 31, 2007, the Company entered into a $250,000 pay fixed/receive variable interest rate swap agreement with Wells Fargo Bank, National Association, to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap will effectively fix the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.605%. The swap had no value as of December 31, 2007, and matures on December 30, 2009.

In May 2007, the Company amended its $100,000 secured credit facility to change the maturity date from June 1, 2008 to June 1, 2009 and to revise the investment concentration covenant for consistency with the Company's major credit facilities.

The secured lines of credit are secured by 22 of the Company's properties, which had an aggregate net carrying value of $512,236 at December 31, 2007.

Letters of Credit

At December 31, 2007, the Company had additional secured and unsecured lines of credit with a total commitment of $42,654 that are only used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $18,362 at December 31, 2007.

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 December 31, 2007.

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

Debt Maturities

As of December 31, 2007, the scheduled principal payments on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

2008	$1,113,019
2009	974,443
2010	765,647
2011	314,081
2012	540,887
Thereafter	2,138,314
	5,846,391
Net unamortized premiums	22,927
	$5,869,318

Of the $1,130,219 of scheduled principal payments in 2008, $1,068,786 is related to eleven loans and three lines of credit that are scheduled to mature in 2008. The Company intends to extend, retire or refinance these loans.

NOTE 7. LOSS ON EXTINGUISHMENT OF DEBT

The losses on extinguishment of debt resulted from prepayment penalties, the write-off of unamortized deferred financing costs and unamortized debt premiums when notes payable were retired before their scheduled maturity dates as follows:

	Year Ended December 31,		
	2007	**2006**	**2005**
Prepayment fees	**$227**	$557	$6,524
Unamortized deferred financing costs	**-**	378	976
Unamortized debt premiums	**-**	-	(1,329)
	$227	$935	$6,171

NOTE 8. SHAREHOLDERS' EQUITY

Common Stock Repurchase Plan

On August 2, 2007, the Company's board of directors approved a $100,000 common stock repurchase plan effective for twelve months. Under the August 2007 plan, purchases of shares of the Company's common stock may be made from time to time, subject to market conditions and at

prevailing market prices, through open market purchases. Any stock repurchases are to be funded through the Company's available cash and credit facilities. The Company is not obligated to repurchase any shares of stock under the plan and the Company may terminate the plan at any time. Repurchased shares are deemed retired and are, accordingly, cancelled and no longer considered issued. As of December 31, 2007, the Company had repurchased 148,500 shares at a cost of approximately $5,168. The cost of repurchased shares is recorded as a reduction in the respective components of shareholders' equity.

In November 2005, the Company's board of directors approved a plan to repurchase up to $60,000 of the Company's common stock by December 31, 2006. The Company had repurchased 1,371,034 shares of its common stock as of December 31, 2005 for a total of $54,998. The Company did not repurchase any additional shares under this plan subsequent to December 31, 2005.

Preferred Stock

On June 28, 2007, the Company redeemed its 2,000,000 outstanding shares of 8.75% Series B Cumulative Redeemable Stock (the "Series B Preferred Stock") for $100,000, representing a liquidation preference of $50.00 per share, plus accrued and unpaid dividends of $2,139. In connection with the

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redemption of the Series B Preferred Stock, the Company incurred a charge of $3,630 to write off direct issuance costs that were recorded as a reduction of additional paid-in capital when the Series B Preferred Stock was issued. The charge is included in preferred dividends in the accompanying consolidated statement of operations for the year ended December 31, 2007.

On August 22, 2003, the Company issued 4,600,000 depositary shares in a public offering, each representing one-tenth of a share of 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") with a par value of $0.01 per share. The Series C Preferred Stock has a liquidation preference of $250.00 per share ($25.00 per depositary share). The dividends on the Series C Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of $19.375 per share ($1.9375 per depositary share) per annum. The Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series C Preferred Stock cannot be redeemed by the Company prior to August 22, 2008. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of $250.00 per share ($25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of $111,227 were used to partially fund certain acquisitions and to reduce outstanding borrowings on the Company's credit facilities.

On December 13, 2004, the Company issued 7,000,000 depositary shares in a public offering, each representing one-tenth of a share of 7.375% Series D Cumulative Redeemable Preferred Stock (the "Series D Preferred Stock") with a par value of $0.01 per share. The Series D Preferred Stock has a liquidation preference of $250.00 per share ($25.00 per depositary share). The dividends on the Series D Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of $18.4375 per share ($1.84375 per depositary share) per annum. The Series D Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series D Preferred Stock cannot be redeemed by the Company prior to December 13, 2009. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of $250.00 per share ($25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of $169,333 were used to reduce outstanding borrowings on the Company's credit facilities.

Holders of each series of preferred stock will have limited voting rights if dividends are not paid for six or more quarterly periods and in certain other events.

Dividends

On November 6, 2007, the Company declared a cash dividend of $0.5450 per share of common stock for the quarter ended December 31, 2007. The dividend was paid on January 15, 2008, to shareholders of record as of December 28, 2007. The total dividend of $36,149 is included in accounts payable and accrued liabilities at December 31, 2007. The total dividend included in accounts payable and accrued liabilities at December 31, 2006 was $33,038.

The allocations of dividends declared and paid for income tax purposes are as follows:

	Year Ended December 31,		
	2007	**2006**	**2005**
Dividends declared:			
Common stock	**$2.06000**	$1.87750	$1.76625
Series B preferred stock	**$1.09375**	$4.37500	$4.37500
Series C preferred stock	**$19.375**	$19.375	$19.375
Series D preferred stock	**$18.4375**	$18.4375	$19.3594
Allocations:			
Common stock			
Ordinary income	**77.86%**	97.56%	100.00%
Capital gains 15% rate	**1.65%**	2.22%	0.00%
Capital gains 25% rate	**0.00%**	0.22%	0.00%
Return of capital	**20.49%**	0.00%	0.00%
Total	**100.00%**	100.00%	100.00%
Preferred stock (1)			
Ordinary income	**97.93%**	97.56%	100.00%
Capital gains 15% rate	**2.07%**	2.22%	0.00%
Capital gains 25% rate	**0.00%**	0.22%	0.00%
Total	**100.00%**	100.00%	100.00%

(1) The allocations for income tax purposes are the same for each series of preferred stock for each period presented.

NOTE 9. MINORITY INTERESTS

Minority interests represent (i) the aggregate partnership interest in the Operating Partnership that is not owned by the Company and (ii) the aggregate ownership interest in 22 of the Company's shopping center properties that is held by third parties.

Minority Interest in Operating Partnership

The minority interest in the Operating Partnership is represented by common units and special common units of limited partnership interest in the Operating Partnership (the "Operating Partnership Units") that the Company does not own.

The assets and liabilities allocated to the Operating Partnership's minority interests are based on their ownership percentage of the Operating Partnership at December 31, 2007 and 2006. The ownership percentage is determined by dividing the number of Operating Partnership Units held by the minority interests at December 31, 2007 and 2006 by the total Operating Partnership Units outstanding at December 31, 2007 and 2006, respectively. The minority interest ownership percentage in assets and liabilities of the Operating Partnership was 43.3% and 43.7% at

December 31, 2007 and 2006, respectively.

Income is allocated to the Operating Partnership's minority interests based on their weighted average ownership during the year. The ownership percentage is determined by dividing the weighted average number of Operating Partnership Units held by the minority interests by the total weighted average number of Operating Partnership Units outstanding during the year.

A change in the number of shares of common stock or Operating Partnership Units changes the percentage ownership of all partners of the Operating Partnership. An Operating Partnership Unit is considered to be equivalent to a share of common stock since it generally is redeemable for cash or shares of the Company's common stock. As a result, an allocation is made between shareholders' equity and minority interest in the Operating Partnership in the accompanying balance sheet to reflect the change in ownership of the Operating Partnership's underlying equity when there is a change in the number of shares and/or Operating Partnership Units outstanding. During 2007 and 2006, the Company allocated

$9,361 and $1,785, respectively, from shareholders' equity to minority interest. In 2005, the Company allocated $37,157 from minority interest to shareholders' equity.

The total minority interest in the Operating Partnership was $493,515 and $550,905 at December 31, 2007 and 2006, respectively.

On November 6, 2007, the Operating Partnership declared a distribution of $28,235 to the Operating Partnership's limited partners. The distribution was paid on January 15, 2008. This distribution represented a distribution of $0.5450 per unit for each common unit and $0.7322 to $0.7572 per unit for certain special common units in the Operating Partnership. The total distribution is included in accounts payable and accrued liabilities at December 31, 2007.

On November 2, 2006, the Operating Partnership declared a distribution of $26,267 to the Operating Partnership's limited partners. The distribution was paid on January 16, 2007. This distribution represented a distribution of $0.5050 per unit for each common unit and $0.6346 to $0.7125 per unit for certain special common units in the Operating Partnership. The total distribution is included in accounts payable and accrued liabilities at December 31, 2006.

Minority Interest in Operating Partnership-Conversion Rights

Under the terms of the Operating Partnership's limited partnership agreement, each of the limited partners has the right to exchange all or a portion of its partnership interests for shares of CBL's common stock or, at CBL's election, their cash equivalent. When an exchange occurs, CBL assumes the limited partner's ownership interests in the Operating Partnership. The number of shares of common stock received by a limited partner of the Operating Partnership upon exercise of its exchange rights will be equal, on a one-for-one basis, to the number of Operating Partnership Units exchanged by the limited partner. The amount of cash received by the limited partner, if CBL elects to pay cash, will be based on the five-day trailing average of the trading price at the time of exercise of the shares of common stock that would otherwise have been received by the limited partner in the exchange. Neither the limited partnership interests in the Operating Partnership nor the shares of common stock of CBL are subject to any right of mandatory redemption.

At December 31, 2007, holders of 22,937,764 Series J special common units ("J-SCUs") are eligible to exchange their units for shares of common stock or cash. The J-SCUs receive a distribution equal to that paid on the common units.

In July 2004, the Company issued 1,560,940 S-SCUs, all of which are outstanding as of December 31, 2007, in connection with the acquisition of Monroeville Mall. The S-SCUs received a minimum distribution of $2.53825 per unit per year for the first three years, and receive a minimum distribution of $2.92875 per unit per year hereafter.

In June 2005, the Company issued 571,700 L-SCUs, all of which are outstanding as of December 31, 2007, in connection with the acquisition of Laurel Park Place, which is discussed in Note 3. The L-SCUs receive a minimum distribution of $0.7575 per unit per quarter ($3.03 per unit per year). Upon the earlier to occur of June 1, 2020, or when the distribution on the common units exceeds $0.7575 per unit for four consecutive calendar quarters, the L-SCUs will thereafter receive a distribution equal to the amount paid on the common units.

In November 2005, the Company issued 1,144,924 K-SCUs, all of which are outstanding as of December 31, 2007, in connection with the acquisition of Oak Park Mall, Eastland Mall and Hickory Point Mall, which is discussed in Note 3. The K-SCUs received a dividend at a rate of 6.0%, or $2.85 per K-SCU, for the first year following the close of the transaction and will receive a dividend at a rate of 6.25%, or $2.96875 per K-SCU, thereafter. When the quarterly distribution on the Operating Partnership's common units exceeds the quarterly K-SCU distribution for four consecutive quarters, the

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K-SCUs will receive distributions at the rate equal to that paid on the Operating Partnership's common units. At any time following the first anniversary of the closing date, the holders of the K-SCUs may exchange them, on a one-for-one basis, for shares of the Company's common stock or, at the Company's election, their cash equivalent.

The Company issued 237,390 common units in connection with the acquisition of Panama City Mall in 2002. These common units receive a minimum annual dividend of $1.6875 per unit until May 2012. When the distribution on the common units exceeds $1.6875 per unit, these common units will receive a distribution equal to that paid on the common units. Additionally, if the annual distribution on the common units should ever be less than $1.11 per unit, the $1.6875 per-unit dividend will be reduced by the amount that the per-unit distribution is less than $1.11 per unit. The annual distribution on the common units exceeded $1.6875 per unit during 2005.

During 2007, holders of 220,670 special common units and 2,848 common units of limited partnership interest in the Operating Partnership exercised their conversion rights. The Company elected to exchange cash of $9,502 in exchange for these units.

During 2006, holders elected to exchange 595,041 special common units and 1,480,066 common units. The Company elected to exchange $3,610 of cash and 1,979,644 shares of common stock for these units.

During 2005, holders elected to exchange 48,618 special common units and 3,518 common units and the Company elected to exchange $2,172 of cash for these units.

Outstanding rights to convert minority interests in the Operating Partnership to common stock were held by the following parties at December 31, 2007 and 2006:

	December 31,	
	2007	2006
The Company	**66,179,747**	65,421,311
Jacobs	**22,937,764**	23,066,680
CBL's Predecessor	**17,493,676**	17,493,676
Third parties	**10,203,399**	10,298,001
Total Operating Partnership Units	**116,814,586**	116,279,668

Minority Interest in Shopping Center Properties

The Company's consolidated financial statements include the assets, liabilities and results of operations of 22 properties that the Company does not wholly own. The minority interests in shopping center properties represents the aggregate ownership interest of third parties in these properties. The total minority interests in shopping center properties was $426,782 and $8,545 at December 31, 2007 and 2006, respectively. The minority interest in shopping center properties as of December 31, 2007 reflects the issuance of PJV units to Westfield as more fully described in Note 3.

The assets and liabilities allocated to the minority interests in shopping center properties are based on the third parties' ownership percentages in each shopping center property at December 31, 2007 and 2006. Income is allocated to the minority interests in shopping center properties based on the third parties' weighted average ownership in each shopping center property during the year.

NOTE 10. MINIMUM RENTS

The Company receives rental income by leasing retail shopping center space under operating leases. Future minimum rents are scheduled to be received under noncancellable tenant leases at December 31, 2007, as follows:

2008	$639,743
2009	554,842
2010	489,468
2011	421,787
2012	353,752
Thereafter	395,416
	$3,855,008

Future minimum rents do not include percentage rents or tenant reimbursements that may become due.

NOTE 11. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable are collateralized by first mortgages, wrap-around mortgages on the underlying real estate and related improvements or by assignment of 100% of the partnership interests that own the real estate assets. Interest rates on notes receivable range from 5.0% to 10.0%, with a weighted average interest rate of 5.93% and 7.33% at December 31, 2007 and 2006, respectively. Maturities of notes receivable range from February 2008 to January 2047.

NOTE 12. 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. The accounting policies of the reportable segments are the same as those described in Note 2. Information on the Company's reportable segments is presented as follows:

		Associated		**All**	
Year Ended December 31, 2007	**Malls**	**Centers**	**Community Centers**	**Other (2)**	**Total**
Revenues	$ 956,742	$ 43,213	$ 9,511	$ 31,161	$ 1,040,627
Property operating expenses (1)	(331,476)	(10,184)	(3,500)	29,717	(315,443)
Interest expense	(235,162)	(8,790)	(3,500)	(40,432)	(287,884)
Other expense	-	-	-	(18,525)	(18,525)
Gain on sales of real estate assets	5,219	(11)	(2,425)	12,787	15,570
Segment profit and loss	$ 395,323	$ 24,228	$ 86	$ 14,708	$ 434,345
Depreciation and amortization expense					(243,790)
General and administrative expense					(37,852)
Interest and other income					10,923
Impairment of marketable securities					(18,456)
Loss on extinguishment of debt					(227)
Equity in earnings of unconsolidated affiliates					3,502
Income tax provision					(8,390)

Minority interest in earnings					(58,461)
Income from continuing operations					$ 81,594
Total assets	$ 6,876,842	$ 351,003	$ 188,441	$ 688,761	$ 8,105,047
Capital expenditures (3)	$ 1,355,257	$ 17,757	$ 133,253	$ 390,208	$ 1,896,475

Year Ended December 31, 2006	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$ 921,813	$ 38,659	$ 7,403	$ 27,627	$ 995,502
Property operating expenses (1)	(311,094)	(9,228)	(2,356)	28,382	(294,296)
Interest expense	(214,709)	(4,681)	(2,826)	(34,851)	(257,067)
Other expense	-	-	-	(18,623)	(18,623)
Gain on sales of real estate assets	4,405	1,033	34	9,033	14,505
Segment profit and loss	$ 400,415	$ 25,783	$ 2,255	$ 11,568	440,021
Depreciation and amortization expense					(228,531)
General and administrative expense					(39,522)
Interest and other income					9,084
Loss on extinguishment of debt					(935)
Impairment of real estate assets					(480)
Equity in earnings of unconsolidated affiliates					5,295
Income tax provision					(5,902)
Minority interest in earnings					(74,459)
Income from continuing operations					$ 104,571
Total assets	$ 5,823,890	$ 317,708	$ 53,457	$ 323,755	$ 6,518,810
Capital expenditures (3)	$ 285,560	$ 42,952	$ 3,606	$ 157,399	$ 489,517

Year Ended December 31, 2005	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$ 820,613	$ 34,293	$ 8,168	$ 37,345	$ 900,419
Property operating expenses (1)	(277,339)	(8,833)	(2,192)	21,564	(266,800)
Interest expense	(183,120)	(4,674)	(2,872)	(17,517)	(208,183)
Other expense	-	-	-	(15,444)	(15,444)
Gain on sales of real estate assets	18	-	3,802	49,763	53,583
Segment profit and loss	$ 360,172	$ 20,786	$ 6,906	$ 75,711	463,575
Depreciation and amortization expense					(178,163)
General and administrative expense					(39,197)
Interest and other income					6,831
Loss on extinguishment of debt					(6,171)
Gain on sale of management contracts					21,619
Impairment of real estate assets					(1,334)
Equity in earnings of unconsolidated affiliates					8,495
Minority interest in earnings					(116,940)
Income from continuing operations					$ 158,715
Total assets	$ 5,619,923	$ 317,708	$ 53,457	$ 308,065	$ 6,299,153
Capital expenditures (3)	$ 1,182,349	$ 21,577	$ 77,026	$ 85,037	$ 1,365,989

(1) Property operating expenses include property operating, 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 13. SUPPLEMENTAL AND NONCASH INFORMATION

The Company paid cash for interest, net of amounts capitalized, in the amount of $285,811, 255,523 and $207,861 during 2007, 2006 and 2005, respectively.

The Company's noncash investing and financing activities for 2007, 2006 and 2005 were as follows:

	2007	**2006**	**2005**
Accrued dividends and distributions	**$ 64,384**	$ 59,305	$ 63,242
Additions to real estate assets accrued but not yet paid	**35,739**	38,543	19,754
Conversion of Operating Partnership units into common stock	**-**	21,983	10,304
Notes receivable from sale of real estate assets	**8,735**	3,366	2,627
Payable related to acquired marketable securities	**-**	1,078	-
Debt assumed to acquire property interests	**458,182**	-	385,754
Issuance of minority interest to acquire property interests	**416,443**	-	72,850
Purchase obligation related to acquired property	**-**	-	14,000
Net discount related to debt assumed to acquire property interests	**4,045**	-	10,552
Payable related to repurchased common stock	**-**	-	6,706
Deconsolidation of Gulf Coast Town Centre:			
Decrease in mortgage notes payable	**190,800**	-	-
Increase in minority interest	**2,103**	-	-
Decrease in investment in unconsolidated affiliates	**7,063**	-	-
Consolidation of Imperial Valley Commons:			
Increase in real estate assets	**17,892**	-	-
Decrease in investment in unconsolidated affiliates	**17,892**	-	-
Deconsolidation of loan to third party:			
Increase in mortgage notes receivable	**6,527**	-	-
Decrease in real estate assets	**6,527**	-	-

NOTE 14. RELATED PARTY TRANSACTIONS

CBL's Predecessor and certain officers of the Company have a significant minority interest in the construction company that the Company engaged to build substantially all of the Company's development properties. The Company paid approximately $235,539, $221,151 and $96,246 to the construction company in 2007, 2006 and 2005, respectively, for construction and development activities. The Company had accounts payable to the construction company of $28,955 and $31,243 at December 31, 2007 and 2006, respectively.

The Management Company provides management, development and leasing services to the Company's unconsolidated affiliates and other affiliated partnerships. Revenues recognized for these services amounted to $3,584, $3,219 and $14,290 in 2007, 2006 and 2005, respectively.

NOTE 15. 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.

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

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Guarantees

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at both December 31, 2007 and 2006 was $53,200, of which the Company had guaranteed $26,600. The guaranty will expire when the related debt matures in June 2008. However, there are extension options available on the debt and, if exercised, would extend the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

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

The Company 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 December 31, 2007 on the loans was $19,893 of which the Company has guaranteed $5,371. The Company has recorded an obligation of $315 in the accompanying consolidated balance sheet as of December 31, 2007 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. The total amount outstanding on these bonds was $40,169 and $18,369 at December 31, 2007 and 2006, respectively.

Ground Leases

The Company is the lessee of land at certain of its properties under long-term operating leases, which include scheduled increases in minimum rents. The Company recognizes these scheduled rent increases on a straight-line basis over the initial lease terms. Most leases have initial terms of at least 20 years and contain one or more renewal options, generally for a minimum of five- or 10-year periods. Lease expense recognized in the consolidated statements of operations for 2007, 2006 and 2005 was $1,508, $1,323 and $864, respectively.

The future obligations under these operating leases at December 31, 2007, are as follows:

2008	$ 2,258
2009	2,287
2010	2,293
2011	2,423
2012	2,328
Thereafter	87,443
	$ 99,032

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage notes receivable is a reasonable estimate of fair value. The Company entered into an interest rate swap on December 31, 2007, at which time its fair value was $0. The fair value of mortgage and other notes payable was $5,640,130 and $4,608,682 at December 31, 2007 and 2006, respectively. The fair value was calculated by discounting future cash flows for the notes payable using estimated rates at which similar loans would be made currently.

NOTE 17. SHARE-BASED COMPENSATION

The Company maintains the CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan, as amended, which permits the Company to issue stock options and common stock to selected officers, employees and directors of the Company up to a total of 10,400,000 shares. The compensation committee of the board of directors (the "Committee") administers the plan.

Historically, the Company accounted for its stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and related interpretations. Effective January 1, 2003, the Company elected to begin recording the expense associated with stock options granted after January 1, 2003, on a prospective basis in accordance with the fair value and transition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure – An Amendment of FASB Statement No. 123*.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition method, compensation cost recognized during the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Under SFAS No. 123(R), share-based payments are not recorded as shareholders' equity until the related compensation expense is recognized. Accordingly, the Company reclassified $8,895 from the deferred compensation line item in shareholders' equity to additional-paid in capital as of January 1, 2006. Results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company's net income available to common shareholders for the year ended December 31, 2006 was $302 lower than if it had continued to account for share-based compensation under SFAS No. 123. As a result, basic EPS and diluted EPS were each $0.01 per share lower.

The compensation cost that has been charged against income for the plan was $5,985, $5,632 and $4,775 for 2007, 2006 and 2005, respectively. Compensation cost resulting from share-based awards is recorded at the Management Company, which is a taxable entity. The income tax benefit resulting from stock-based compensation of $9,104 and $5,750 in 2007 and 2006, respectively, has been reflected as a financing cash flow in the consolidated statements of cash flows. As a result of recurring losses in 2005 and 2004, a full valuation allowance had been recorded against the Management Company's net deferred tax asset. Accordingly, the recognition of compensation cost or the tax deduction received upon the exercise or vesting of share-based awards resulted in no tax benefits to the Company in those years. Compensation cost capitalized as part of real estate assets was $786, $947 and $535 in 2007, 2006 and 2005, respectively.

Stock Options

Stock options issued under the plan allow for the purchase of common stock at the fair market value of the stock on the date of grant. Stock options granted to officers and employees vest and become exercisable in equal installments on each of the first five anniversaries of the date of grant and expire 10 years after the date of grant. Stock options granted to independent directors are fully vested upon grant; however, the independent directors may not sell, pledge or otherwise transfer their stock options during their board term or for one year thereafter. No stock options have been granted since 2002.

No stock-based compensation expense related to stock options granted prior to January 1, 2003, has been reflected in net income of periods ended prior to January 1, 2006, since these awards are being accounted for under APB No. 25 and all options granted had an exercise price equal to the fair value of the Company's common stock on the date of grant. For SFAS No. 123 pro forma disclosure purposes, the fair value of stock options was determined as of the date of grant using the Black-Scholes option-pricing model.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to all outstanding and unvested awards in 2005:

	Year Ended December 31, 2005
Net income available to common shareholders, as reported	$ 131,907
Stock-based compensation expense included in reported net income available to common shareholders	4,775
Total stock-based compensation expense determined under fair value method	(5,186)
Pro forma net income available to common shareholders	$ 131,496
Earnings per share:	
Basic, as reported	$ 2.10
Basic, pro forma	$ 2.10
Diluted, as reported	$ 2.03
Diluted, pro forma	$ 2.03

The Company’s stock option activity for the year ended December 31, 2007 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	1,502,720	$ 14.40		
Exercised	(848,690)	$ 13.39		
Cancelled	(1,000)	$ 18.27		
Expired	(1,000)	$ 12.81		
Outstanding at December 31, 2007	652,030	$ 15.71	3.5	$ 5,357
Vested at December 31, 2007	652,030	$ 15.71	3.5	$ 5,357
Options exercisable at December 31, 2007	652,030	$ 15.71	3.5	$ 5,357

The total intrinsic value of options exercised during 2007, 2006 and 2005 was $17,581, $19,898 and $23,055, respectively.

Stock Awards

Under the plan, common stock may be awarded either alone, in addition to, or in tandem with other stock awards granted under the plan. The Committee has the authority to determine eligible persons to whom common stock will be awarded, the number of shares to be awarded and the duration of the vesting period, as defined. Generally, an award of common stock vests either immediately at grant, in equal installments over a period of five years or in one installment at the end of periods up to five years. The Committee may also provide for the issuance of common stock under the plan on a deferred basis pursuant to deferred compensation arrangements. The fair value of common stock awarded under the plan is determined based on the market price of the Company’s common stock on the grant date and the related compensation expense is recognized over the vesting period on a straight-line basis.

A summary of the status of the Company’s stock awards as of December 31, 2007, and changes during the year ended December 31, 2007, is presented below:

	Shares	Weighted Average Grant-Date Fair Value 2006
Nonvested at January 1, 2007	457,344	$ 34.35
Granted	106,047	$ 34.66
Vested	(253,397)	$ 31.85

Forfeited	(11,664)	$ 36.32
Nonvested at December 31, 2007	298,330	$ 36.73

The weighted average grant-date fair value of shares granted during 2007, 2006 and 2005 was $34.66, $39.73 and $38.24, respectively. The total fair value of shares vested during 2007, 2006 and 2005 was $6,064, $6,753 and $13,144, respectively.

As of December 31, 2007, there was $8,318 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 2.8 years.

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NOTE 18. EMPLOYEE BENEFIT PLANS

401(k) Plan

The Management Company maintains a 401(k) profit sharing plan, which is qualified under Section 401(a) and Section 401(k) of the Code to cover employees of the Management Company. All employees who have attained the age of 21 and have completed at least 90 days of service are eligible to participate in the plan. The plan provides for employer matching contributions on behalf of each participant equal to 50% of the portion of such participant's contribution that does not exceed 2.5% of such participant's compensation for the plan year. Additionally, the Management Company has the discretion to make additional profit-sharing-type contributions not related to participant elective contributions. Total contributions by the Management Company were $1,172, $1,157 and $727 in 2007, 2006 and 2005, respectively.

Employee Stock Purchase Plan

The Company maintains an employee stock purchase plan that allows eligible employees to acquire shares of the Company's common stock in the open market without incurring brokerage or transaction fees. Under the plan, eligible employees make payroll deductions that are used to purchase shares of the Company's common stock. The shares are purchased by the fifth business day of the month following the month when the deductions were withheld. The shares are purchased at the prevailing market price of the stock at the time of purchase.

Deferred Compensation Arrangements

The Company has entered into agreements with certain of its officers that allow the officers to defer receipt of selected salary increases and/or bonus compensation for periods ranging from 5 to 10 years. For certain officers, the deferred compensation arrangements provide that when the salary increase or bonus compensation is earned and deferred, shares of the Company's common stock issuable under the Amended and Restated Stock Incentive Plan are deemed set aside for the amount deferred. The number of shares deemed set aside is determined by dividing the amount of compensation deferred by the fair value of the Company's common stock on the deferral date, as defined in the arrangements. The shares set aside are deemed to receive dividends equivalent to those paid on the Company's common stock, which are then deemed to be reinvested in the Company's common stock in accordance with the Company's dividend reinvestment plan. When an arrangement terminates, the Company will issue shares of the Company's common stock to the officer equivalent to the number of shares deemed to have accumulated under the officer's arrangement. The Company accrues compensation expense related to these agreements as the compensation is earned during the term of the agreement.

In December 2007, the Company issued 2,683 shares of common stock to an officer as a result of the termination of that officer's deferred compensation agreement.

In June 2006, the Company issued 13,974 shares of common stock to an officer, net of 5,026 shares surrendered to satisfy withholding taxes, as a result of the termination of that officer's deferred compensation agreement.

At December 31, 2007 and 2006, respectively, there were 47,601 and 47,813 shares that were deemed set aside in accordance with these arrangements.

For other officers, the deferred compensation arrangements provide that their bonus compensation is deferred in the form of a note payable to the officer. Interest accumulates on these notes at 5.0%. When an arrangement terminates, the note payable plus accrued interest is paid to the officer in cash. At December 31, 2007 and 2006, respectively, the Company had notes payable, including accrued interest, of $224 and $165 related to these arrangements.

NOTE 19. STAFF ACCOUNTING BULLETIN NO. 108

As discussed in Note 2, the Company adopted SAB No. 108 on December 31, 2006.

In prior years, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly recorded deferred tax assets. These errors in accounting for income taxes resulted in an understatement of the Company's provision for income taxes and an overstatement of net income and minority interest in earnings of the Operating Partnership for the affected years.

As permitted by the initial application provisions of SAB No. 108, the Company adjusted the affected balance sheet accounts and retained earnings as of January 1, 2006 for the cumulative effect of these errors. The impact of correcting these items as of January 1, 2006 is summarized as follows:

Deferred tax asset	$ 4,442
Minority interest liability	(2,008)
Additional paid-in capital	(9,696)
Retained earnings	$ (7,262)

NOTE 20. SUBSEQUENT EVENTS

On January 2, 2008, the Company entered into a $150,000 pay fixed/receive variable interest rate swap agreement with Key Bank National Association to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap will effectively fix the interest payments on the portion of debt principal corresponding to the swap notional amount of 4.453%. The swap matures on December 30, 2009.

In February 2008, the Company entered into 50/50 joint venture agreements with The Benchmark Group of Amherst, NY, for the development of two open-air projects. Total development costs for both projects is estimated to be $294,137 and both developments are scheduled to open in 2009.

CBL-TRS completed its acquisition of properties from the Starmount Company when it acquired an anchor parcel at Friendly Center for $5,000 in January 2008 and when it acquired Renaissance Center, located in Greensboro, NC, for $89,639 in February 2008. The aggregate puchase price consisted of $58,121 in cash and the assumption of $36,518 of non-recourse debt that bears interest at a fixed interest rate of 5.61% and matures in July 2016.

NOTE 21. QUARTERLY INFORMATION (UNAUDITED)

The following quarterly information differs from previously reported results since the results of operations of certain long-lived assets disposed of subsequent to each quarter end in 2007 have been reclassified to discontinued operations for all periods presented.

Year Ended December 31, 2007	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total (1)**
Total revenues	**$249,018**	**$246,293**	**$251,017**	**$294,299**	**$1,040,627**
Income from operations	**99,573**	**97,779**	**101,139**	**126,526**	**425,017**
Income from continuing operations	**24,996**	**22,081**	**17,744**	**16,773**	**81,594**
Discontinued operations	**48**	**608**	**4,797**	**2,100**	**7,553**
Net income available to common shareholders	**17,401**	**11,465**	**17,088**	**13,418**	**59,372**
Basic per share data:					
Income from continuing operations, net of preferred dividends	**$0.27**	**$0.17**	**$0.19**	**$0.17**	**$0.79**
Net income available to common shareholders	**$0.27**	**$0.18**	**$0.26**	**$0.20**	**$0.91**
Diluted per share data:					
Income from continuing operations, net of preferred dividends	**$0.26**	**$0.16**	**$0.19**	**$0.17**	**$0.79**
Net income available to common shareholders	**$0.26**	**$0.17**	**$0.26**	**$0.20**	**$0.90**

Year Ended December 31, 2006	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total (1)**
Total revenues	$243,861	$235,326	$245,043	$271,272	$995,502
Income from operations	103,949	96,822	93,595	119,684	414,050
Income from continuing operations	26,004	19,856	21,829	36,882	104,571
Discontinued operations	2,251	8,714	150	1,815	12,930
Net income available to common shareholders	20,613	20,928	14,337	31,055	86,933
Basic per share data:					
Income from continuing operations, net of preferred dividends	$0.29	$0.19	$0.22	$0.45	$1.16
Net income available to common shareholders	$0.33	$0.33	$0.22	$0.48	$1.36
Diluted per share data:					
Income from continuing operations, net of preferred dividends	$0.29	$0.19	$0.22	$0.44	$1.13
Net income available to common shareholders	$0.32	$0.32	$0.22	$0.47	$1.33

(1) The sum of quarterly earnings per share may differ from annual earnings per share due to rounding.

Schedule II

CBL & Associates Properties, Inc.

Valuation and Qualifying Accounts

(in thousands)

	Year Ended December 31,		
	2007	**2006**	**2005**
Allowance for doubtful accounts:			
Balance, beginning of year	**$ 1,128**	$ 3,439	$ 3,237
Additions (reductions) in allowance charged to expense	**1,288**	(1,097)	1,296
Bad debts charged against allowance	**(1,290)**	(1,214)	(1,094)
Balance, end of year	**$ 1,126**	$ 1,128	$ 3,439

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
At December 31, 2007
(In thousands)

		Initial Cost (A)				Gross Amounts at Which Carried at Close of Period				
escription Location	Encumbrances (B)	Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Sales of Outparcel Land	Land	Buildings and Improvements	Total (C)	Accumulated Depreciation (D)	Date of Constructio / Acquisitio
MALLS:										
lamance Crossing, urlington, NC	$ 62,528	$20,853	$ 62,799	$ (49)	$ (1,099)	$ 19,754	$ 62,750	$ 82,504	$ 965	2007
rbor Place, ouglasville, A	73,058	7,637	95,330	19,168	—	7,637	114,498	122,135	28,770	1998-1999
sheville Mall, sheville, NC	65,757	7,139	58,747	35,503	(805)	6,334	94,250	100,584	21,583	1998
onita Lakes lall, Meridian, S	24,199	4,924	31,933	8,425	(985)	4,924	39,373	44,297	11,963	1997
rookfield quare, rookfield, WI	101,726	8,996	84,250	15,390	—	8,999	99,637	108,636	16,281	2001
urnsville enter, urnsville, MN	65,164	12,804	71,355	45,477	(1,157)	16,102	112,377	128,479	26,032	1998
ary Towne enter, Cary, C	83,597	23,688	74,432	20,718	—	23,701	95,137	118,838	16,250	2001
hapel Hill lall, Akron, H	75,750	6,578	68,043	14,079	—	6,578	82,122	88,700	8,312	2004
herryvale lall, Rockford,	90,905	11,892	63,973	44,660	(1,667)	11,608	107,250	118,858	14,722	2001
hesterfield lall, hesterfield, O	137,666	11,083	282,140		—	11,083	282,140	293,223	1,867	2007
itadel Mall, harleston, SC	74,553	11,443	44,008	11,599	—	11,896	55,154	67,050	9,717	2001
ollege Square E), Morristown,	—	2,954	17,787	11,853	(27)	2,927	29,640	32,567	12,488	1987-1988

TN										
Columbia Place, Columbia, SC	30,945	10,808	52,348	13,387	(423)	10,385	65,735	76,120	10,211	2002
Coolsprings Galleria, Nashville, TN	125,161	13,527	86,755	48,126	—	13,527	134,881	148,408	49,790	1989-1991
Cross Creek Mall, Fayetteville, NC	66,484	19,155	104,353	8,820	—	19,155	113,173	132,328	15,490	2003
Eastland Mall, Bloominton, IL	59,400	5,746	75,893	1,304		6,057	76,886	82,943	6,372	2005
East Towne Mall, Madison, WI	77,473	4,496	63,867	37,584	(366)	4,130	101,451	105,581	16,982	2002
Eastgate Mall, Cincinnati, OH	62,124	13,046	44,949	25,247	(879)	12,167	70,196	82,363	12,222	2001
Fashion Square, Saginaw, MI	55,937	15,218	64,970	10,453	—	15,218	75,423	90,641	14,369	2001
Fayette Mall, Lexington, KY	90,220	20,707	84,267	40,323	11	20,718	124,590	145,308	19,221	2001
Frontier Mall (E), Cheyenne, WY	—	2,681	15,858	13,878	—	2,681	29,736	32,417	13,067	1984-1985
Foothills Mall (E), Maryville, TN	—	4,536	14,901	11,271	—	4,536	26,172	30,708	12,233	1996
Georgia Square (E), Athens, GA	—	2,982	31,071	15,532	(31)	2,951	46,603	49,554	23,494	1982
Greenbriar Mall, Chesapeake, VA	83,570	3,181	107,355	4,333	(626)	2,555	111,688	114,243	11,839	2004
Hamilton Place, Chattanooga, TN	115,014	2,422	40,757	21,443	(441)	1,981	62,200	64,181	26,628	1986-1987
Hanes Mall, Winston-Salem, NC	99,598	17,176	133,376	37,136	(948)	16,808	169,932	186,740	28,734	2001
Harford Mall (E), Bel Air, MD	—	8,699	45,704	22,206	—	8,699	67,910	76,609	8,235	2003

Schedule III

CBL & ASSOCIATES PROPERTIES, INC.
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
At December 31, 2007
(In thousands)
(continued)

		Initial Cost (A)				Gross Amounts at Which Carried at Close of Period				
Description /Location	**Encumbrances (B)**	**Land**	**Buildings and Improvements**	**Costs Capitalized Subsequent to Acquisition**	**Sales of Outparcel Land**	**Land**	**Buildings and Improvements**	**Total (C)**	**Accumulated Depreciation (D)**	**Date of Construction / Acquisition**
Hickory Hollow Mall, Nashville, TN	82,254	13,813	111,431	23,764	—	15,163	133,845	149,008	31,076	1998
Hickory Point, (Forsyth)Decatur, IL	32,288	10,732	31,728	4,971	(292)	10,440	36,699	47,139	4,556	2005
Honey Creek Mall, Terre Haute, IN	31,921	3,108	83,358	8,970	—	3,108	92,328	95,436	9,362	2004
JC Penney Store (E), Maryville, TN	—	—	2,650	—	—	—	2,650	2,650	1,546	1983
Janesville Mall, Janesville, WI	11,115	8,074	26,009	4,114	—	8,074	30,123	38,197	8,163	1998
Jefferson Mall, Louisville, KY	40,697	13,125	40,234	17,608	—	13,125	57,842	70,967	9,655	2001
The Lakes Mall (E), Muskegon, MI	—	3,328	42,366	8,814	—	3,328	51,180	54,508	12,673	2000-2001
Lakeshore Mall (E), Sebring, FL	—	1,443	28,819	4,710	(169)	1,274	33,529	34,803	12,559	1991-1992
Laurel Park, Livonia, MI	56,034	13,289	92,579	3,347	—	13,289	95,926	109,215	9,508	2005
Layton Hills Mall, Layton, UT	106,571	20,464	99,836	2,745	(275)	20,189	102,581	122,770	9,732	2005
Madison Square (E), Huntsville, AL	—	17,596	39,186	20,426	—	17,596	59,612	77,208	9,102	1984
Mall Del Norte, Laredo, TX	113,400	21,734	142,049	22,876	—	21,734	164,925	186,659	15,248	2004
	149,102	22,511	145,769	1,641	—	22,511	147,410	169,921	18,305	2005

Mall of Acadiana, Lafayette, LA										
Meridian Mall, Lansing, MI	86,288	529	103,678	55,723	—	2,232	157,698	159,930	37,313	1998
Midland Mall, Midland, MI	37,383	10,321	29,429	6,884	—	10,321	36,313	46,634	7,827	2001
Mid Rivers Mall, St. Peters, MO	83,351	16,384	170,582			16,384	170,582	186,966	1,160	2007
Monroeville Mall, Pittsburgh, PA	126,284	21,263	177,214	11,841	—	21,271	189,047	210,318	18,504	2004
Northpark Mall, Joplin, MO	39,462	9,977	65,481	29,839	—	10,962	94,335	105,297	8,624	2004
Northwoods Mall, Charleston, SC	58,267	14,867	49,647	16,512	(777)	14,090	66,159	80,249	11,562	2001
Oak Hollow Mall, High Point, NC	39,723	5,237	54,775	3,339	—	5,237	58,114	63,351	20,807	1994-1995
Oakpark Mall, Overland Park, KS	276,084	23,119	318,759	2,609	—	23,119	321,368	344,487	22,230	2005
Old Hickory Mall, Jackson, TN	32,271	15,527	29,413	4,213	—	15,527	33,626	49,153	6,409	2001
Panama City Mall, Panama City, FL	38,290	9,017	37,454	12,320	—	12,168	46,623	58,791	7,201	2002
Parkdale Mall, Beaumont, TX	51,581	20,723	47,390	32,248	(307)	20,416	79,638	100,054	13,705	2001
Park Plaza Mall, Little Rock, AR	43,093	6,297	81,638	31,059	—	6,304	112,690	118,994	11,062	2004
Pemberton Square, Vicksburg, MS	—	1,191	14,305	516	(947)	244	14,821	15,065	7,342	1986
Post Oak Mall (E), College Station, TX	—	3,936	48,948	1,877	(327)	3,608	50,826	54,434	17,837	1984-1985
Randolph Mall, Asheboro, NC	14,072	4,547	13,927	7,847	—	4,547	21,774	26,321	3,868	2001
Regency Mall, Racine, WI	31,913	3,384	36,839	14,726	—	4,188	50,761	54,949	10,303	2001
Richland Mall (E), Waco, TX	—	9,874	35,238	4,921	—	9,887	40,146	50,033	6,308	2002

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Rivergate Mall, Nashville, TN	66,477	17,896	86,767	17,981	—	17,896	104,748	122,644	26,394	1998
River Ridge Mall (E), Lynchburg, VA	—	4,824	59,052	(1,572)	—	4,825	57,479	62,304	6,294	2003
South County Center, Mehlville, MO	78,565	15,754	159,249			15,754	159,249	175,003	1,740	2007
Southaven Town Ctr, Southaven, MS	45,434	8,255	29,380	4,986	—	8,577	34,044	42,621	3,188	2005
Southpark Mall, Colonial Heights, VA	37,550	9,501	73,262	17,064	—	9,503	90,324	99,827	11,160	2003
Stroud Mall, Stroudsburg, PA	30,581	14,711	23,936	9,630	—	14,711	33,566	48,277	8,260	1998
St. Clair Square, Fairview Heights, IL	61,809	11,027	75,620	28,216	—	11,027	103,836	114,863	26,043	1996
Sunrise Mall (E), Brownsville, TX	—	11,156	59,047	4,592	—	11,156	63,639	74,795	11,139	2003
Towne Mall (E), Franklin, OH	—	3,101	17,033	561	(641)	2,460	17,594	20,054	3,433	2001
Turtle Creek Mall (E), Hattiesburg,	—	2,345	26,418	7,797	—	3,535	33,025	36,560	12,478	1993-1995

MS										
Valley View, Roanoke, VA	46,317	15,985	77,771	21,001	—	15,987	98,770	114,757	16,085	2003
Volusia Mall, Daytona, FL	53,539	2,526	120,242	4,042	—	2,526	124,284	126,810	12,732	2004
Walnut Square (E), Dalton, GA	—	50	15,138	6,764	—	50	21,902	21,952	12,340	1984-1985
Wausau Center, Wausau, WI	12,133	5,231	24,705	15,699	(5,231)	—	40,404	40,404	6,744	2001
West County Center, Des Pres, MO	153,871	4,957	346,819			4,957	346,819	351,776	1,902	2007
West Towne Mall, Madison, WI	109,430	9,545	83,084	35,357	—	9,545	118,441	127,986	19,592	2002
Westgate Mall, Spartanburg, SC	50,551	2,149	23,257	42,274	(432)	1,742	65,506	67,248	21,762	1995
Westmoreland Mall, Greensburg, PA	75,895	4,621	84,215	12,800	—	4,621	97,015	101,636	14,511	2002
York Galleria, York, PA	48,873	5,757	63,316	7,936	—	5,757	71,252	77,009	15,334	1995
ASSOCIATED CENTERS:										
Annex at Monroeville, Monroeville, PA		716	29,496	305	—	716	29,801	30,517	3,149	2004
Bonita Crossing, Meridian, MS	7,582	794	4,786	8,077	—	794	12,863	13,657	3,087	1997
Chapel Hill Crossing, Akron, OH	—	925	2,520	996	—	925	3,516	4,441	488	2004
Coolsprings Xing (E), Nashville, TN	—	2,803	14,985	4,469	—	3,554	18,703	22,257	7,352	1991-1993
Courtyard at Hickory Hollow, Nashville, TN	3,829	3,314	2,771	420	—	3,314	3,191	6,505	719	1998
The District at Monroeville, Monroeville, PA	—	932	—	18,859	—	934	18,857	19,791	2,341	2004
Eastgate Crossing, Cincinnati, OH	16,595	707	2,424	2,849	—	707	5,273	5,980	511	2001
	—	132	2,132	637	—	148	2,753	2,901	1,570	1984-1988

Foothills Plaza (E), Maryville, TN										
Foothills Plaza Expansion(E), Maryville, TN	—	137	1,960	240	—	141	2,196	2,337	1,042	1984-1988

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Frontier Square (E), Cheyenne, WY	—	346	684	236	(86)	260	920	1,180	441	1985
General Cinema (E), Athens, GA	—	100	1,082	177	—	100	1,259	1,359	878	1984
Gunbarrel Pointe (E), Chattanooga, TN	—	4,170	10,874	239	—	4,170	11,113	15,283	2,031	2000
Hamilton Corner, Chattanooga, TN	16,904	630	5,532	6,344		734	11,772	12,506	2,989	1986-1987
Hamilton Crossing, Chattanooga, TN	—	4,014	5,906	6,045	(1,370)	2,644	11,951	14,595	3,155	1987
Hamilton Place Leather One, Chattanooga, TN	—	1,110	1,866		—	1,110	1,866	2,976	514	2007
Harford Annex (E), Bel Air, MD	—	2,854	9,718	7	—	2,854	9,725	12,579	973	2003
The Landing at Arbor Place, Douglasville, GA	8,247	4,993	14,330	457	(734)	4,259	14,787	19,046	4,186	1998-1999
Layton Convenience Ctr, Layton	—	—	8	71	—	—	79	79	8	2005

Hills, UT										
Layton Hills Plaza, Layton Hills, UT	—	—	2	345	—	—	347	347	11	2005
Madison Plaza (E), Huntsville, AL	—	473	2,888	3,657	—	473	6,545	7,018	1,964	1984
The Plaza at Fayette Mall, Lexington, KY	44,017	9,531	27,646	4,064	—	9,531	31,710	41,241	1,299	2006
Parkdale Crossing, Beaumont, TX	8,144	2,994	7,408	1,912	(355)	2,639	9,320	11,959	1,197	2002
Pemberton Plaza, Vicksburg, MS	1,933	1,284	1,379	13	—	1,284	1,392	2,676	211	2004
The Shoppes At Hamilton, Chattanooga, TN	—	4,894	11,700	26	—	4,894	11,726	16,620	1,368	2003
Sunrise Commons (E), Brownsville, TX	—	1,013	7,525	(153)	—	1,013	7,372	8,385	880	2003
The Shoppes at Panama City, Panama City, FL	—	1,010	8,294	—	—	1,010	8,294	9,304	778	2004
The Shoppes at St. Clair, St. Louis, MO	22,306	8,250	23,623		—	8,250	23,623	31,873	819	2007
The Terrace, Chattanooga, TN	—	4,166	9,929	14	—	4,166	9,943	14,109	2,752	1997
Village at Rivergate, Nashville, TN	3,140	2,641	2,808	2,875	—	2,641	5,683	8,324	1,228	1998
West Towne Crossing, Madison, WI	—	1,151	2,955	402	—	1,151	3,357	4,508	482	1998
Westgate Crossing, Spartanburg, SC	9,272	1,082	3,422	5,778	—	1,082	9,200	10,282	3,390	1997
Westmoreland South, Greensburg, PA	—	2,898	21,167	6,726	—	2,898	27,893	30,791	3,180	2002
COMMUNITY CENTERS										
Brassfield Shopping Center, Greensboro, NC	—		1,900		—	—	1,900	1,900	6	2007

Cauldwell Court, Greensboro, NC	—	222	1,848		—	222	1,848	2,070	15	2007
Chicopee Marketplace, Chicopee, MA	—	97	5,357			97	5,357	5,454	92	2007
Cobblestone Village, Palm Coast, FL	—	5,196	12,070		—	5,196	12,070	17,266	75	2007
Garden Square, Greensboro, NC	—	2,175	2,677		—	2,175	2,677	4,852	16	2007

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Hunt Village, Greensboro, NC	—	644	655		—	644	655	1,299		