

CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

November 09, 2012

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

Or

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-12494

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

62-1545718
(I.R.S. Employer Identification Number)

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

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

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

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

Yes No

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

Yes No

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

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

Large accelerated filer

Accelerated filer

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

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

Yes

No

As of November 2, 2012, there were 161,028,146 shares of common stock, par value \$0.01 per share, outstanding.

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CBL & Associates Properties, Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements

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

ASSETS	September 30, 2012	December 31, 2011
Real estate assets:		
Land	\$ 872,171	\$ 851,303
Buildings and improvements	7,020,344	6,777,776
	7,892,515	7,629,079
Accumulated depreciation	(1,920,906	) (1,762,149
	5,971,609	5,866,930
Held for sale	1,852	14,033
Developments in progress	170,435	124,707
Net investment in real estate assets	6,143,896	6,005,670
Cash and cash equivalents	66,350	56,092
Receivables:		
Tenant, net of allowance for doubtful accounts of \$2,004 and \$1,760 in 2012 and 2011, respectively	79,900	74,160
Other, net of allowance for doubtful accounts of \$1,257 and \$1,400 in 2012 and 2011, respectively	12,916	11,592
Mortgage and other notes receivable	26,007	34,239
Investments in unconsolidated affiliates	302,635	304,710
Intangible lease assets and other assets	258,612	232,965
	\$6,890,316	\$6,719,428
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	\$4,701,390	\$4,489,355
Accounts payable and accrued liabilities	337,926	303,577
Total liabilities	5,039,316	4,792,932
Commitments and contingencies (Notes 5 and 11)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	40,929	32,271
Redeemable noncontrolling preferred joint venture interest	423,834	423,834
Total redeemable noncontrolling interests	464,763	456,105
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
7.75% Series C Cumulative Redeemable Preferred Stock, 460,000 shares outstanding	5	5
7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 shares outstanding	18	18
Common stock, \$.01 par value, 350,000,000 shares authorized, 159,094,361 and 148,364,037 issued and	1,591	1,484

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outstanding in 2012 and 2011, respectively		
Additional paid-in capital	1,702,321	1,657,927
Accumulated other comprehensive income	4,387	3,425
Dividends in excess of cumulative earnings	(470,430	) (399,581)
Total shareholders' equity	1,237,892	1,263,278
Noncontrolling interests	148,345	207,113
Total equity	1,386,237	1,470,391
	\$6,890,316	\$6,719,428

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUES:				
Minimum rents	\$ 168,887	\$ 172,973	\$ 495,557	\$ 510,250
Percentage rents	3,113	3,001	8,321	8,786
Other rents	3,786	4,175	13,735	13,686
Tenant reimbursements	72,793	76,796	214,193	229,550
Management, development and leasing fees	3,139	1,909	7,574	4,814
Other	7,895	8,409	23,894	26,362
Total revenues	259,613	267,263	763,274	793,448
OPERATING EXPENSES:				
Property operating	37,437	38,601	110,632	112,788
Depreciation and amortization	67,186	70,720	198,123	209,925
Real estate taxes	23,109	23,506	69,464	72,635
Maintenance and repairs	13,922	13,661	40,079	43,075
General and administrative	10,171	10,092	35,964	33,133
Loss on impairment of real estate	21,654	51,304	21,654	51,304
Other	5,871	7,446	19,188	22,795
Total operating expenses	179,350	215,330	495,104	545,655
Income from operations	80,263	51,933	268,170	247,793
Interest and other income	822	595	3,193	1,752
Interest expense	(62,433)	(70,133)	(183,687)	(208,216)
Gain on extinguishment of debt	178	—	178	581
Gain on sales of real estate assets	1,659	2,890	1,753	3,602
Equity in earnings of unconsolidated affiliates	2,062	989	5,401	4,222
Income tax (provision) benefit	(1,195)	(4,653)	(1,234)	1,770
Income (loss) from continuing operations	21,356	(18,379)	93,774	51,504
Operating income (loss) from discontinued operations	(8,952)	90	(6,321)	23,495
Gain (loss) on discontinued operations	88	(31)	983	121
Net income (loss)	12,492	(18,320)	88,436	75,120
Net (income) loss attributable to noncontrolling interests in:				
Operating partnership	1,776	7,760	(7,783)	(5,443)
Other consolidated subsidiaries	(6,194)	(6,166)	(17,139)	(18,708)
Net income (loss) attributable to the Company	8,074	(16,726)	63,514	50,969
Preferred dividends	(10,594)	(10,594)	(31,782)	(31,782)
Net income (loss) attributable to common shareholders	\$ (2,520)	\$ (27,320)	\$ 31,732	\$ 19,187

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic per share data attributable to common shareholders:				
Income (loss) from continuing operations, net of preferred dividends	\$0.03	\$(0.18)	\$0.24	\$0.01
Discontinued operations	(0.05)	—	(0.03)	0.12
Net income (loss) attributable to common shareholders	\$(0.02)	\$(0.18)	\$0.21	\$0.13
Weighted average common shares outstanding	158,689	148,363	152,721	148,264
Diluted earnings per share data attributable to common shareholders:				
Income (loss) from continuing operations, net of preferred dividends	\$0.03	\$(0.18)	\$0.24	\$0.01
Discontinued operations	(0.05)	—	(0.03)	0.12
Net income (loss) attributable to common shareholders	\$(0.02)	\$(0.18)	\$0.21	\$0.13
Weighted average common and potential dilutive common shares outstanding	158,731	148,405	152,765	148,310
Amounts attributable to common shareholders:				
Income (loss) from continuing operations, net of preferred dividends	\$4,876	\$(27,366)	\$36,019	\$793
Discontinued operations	(7,396)	46	(4,287)	18,394
Net income (loss) attributable to common shareholders	\$(2,520)	\$(27,320)	\$31,732	\$19,187
Dividends declared per common share	\$0.22	\$0.21	\$0.66	\$0.63

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ 12,492	\$(18,320)	\$ 88,436	\$ 75,120
Other comprehensive income (loss):				
Unrealized holding gain (loss) on available-for-sale securities	522	(5,210)	2,101	(3,403)
Reclassification to net income of realized (gain) loss on available-for-sale securities	—	—	(160)	22
Unrealized loss on hedging instruments	(234)	(3,394)	(715)	(5,466)
Total other comprehensive income (loss)	288	(8,604)	1,226	(8,847)
Comprehensive income (loss)	12,780	(26,924)	89,662	66,273
Comprehensive (income) loss attributable to noncontrolling interests in:				
Operating partnership	1,729	9,660	(8,047)	(3,490)
Other consolidated subsidiaries	(6,194)	(6,166)	(17,139)	(18,708)
Comprehensive income (loss) attributable to the Company	\$ 8,315	\$(23,430)	\$ 64,476	\$ 44,075

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

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

	Equity Shareholders' Equity				Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital					
Balance, January 1, 2011	\$ 34,379	\$ 23	\$ 1,479	\$ 1,657,507	\$ 7,855	\$(366,526)	\$ 1,300,338	\$ 223,605	\$ 1,523,943
Net income	3,055	—	—	—	—	50,969	50,969	5,661	56,630
Other comprehensive loss	(73)	—	—	—	(6,894)	—	(6,894)	(1,880)	(8,774)
Conversion of operating partnership special common units to shares of common stock	—	—	1	728	—	—	729	(729)	—
Dividends declared - common stock	—	—	—	—	—	(93,459)	(93,459)	—	(93,459)
Dividends declared - preferred stock	—	—	—	—	—	(31,782)	(31,782)	—	(31,782)
Issuance of common stock and restricted common stock	—	—	2	233	—	—	235	—	235
Cancellation of restricted common stock	—	—	—	(184)	—	—	(184)	—	(184)
Exercise of stock options	—	—	2	1,953	—	—	1,955	—	1,955
Accrual under deferred compensation arrangements	—	—	—	41	—	—	41	—	41
Amortization of deferred compensation	—	—	—	1,629	—	—	1,629	—	1,629
Contributions from	—	—	—	—	—	—	—	1,040	1,040

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noncontrolling interests									
Distributions to noncontrolling interests	(6,405)	—	—	—	—	—	—	(31,545)	(31,545)
Adjustment for noncontrolling interests	2,181	—	—	(3,243)	—	—	(3,243)	1,062	(2,181)
Adjustment to record redeemable noncontrolling interests at redemption value	(8,630)	—	—	8,630	—	—	8,630	—	8,630
Balance, September 30, 2011	\$ 24,507	\$ 23	\$ 1,484	\$ 1,667,294	\$ 961	\$ (440,798)	\$ 1,228,964	\$ 197,214	\$ 1,426,178

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

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

	Equity Shareholders' Equity				Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital					
Balance, January 1, 2012	\$ 32,271	\$ 23	\$ 1,484	\$ 1,657,927	\$ 3,425	\$ (399,581)	\$ 1,263,278	\$ 207,113	\$ 1,470,391
Net income	2,441	—	—	—	—	63,514	63,514	6,993	70,507
Other comprehensive income	10	—	—	—	962	—	962	254	1,216
Costs of preferred stock offering	—	—	—	(134)	—	—	(134)	—	(134)
Conversion of operating partnership common units to shares of common stock	—	—	103	48,174	—	—	48,277	(48,277)	—
Redemption of operating partnership common units	—	—	—	—	—	—	—	(9,836)	(9,836)
Dividends declared - common stock	—	—	—	—	—	(102,581)	(102,581)	—	(102,581)
Dividends declared - preferred stock	—	—	—	—	—	(31,782)	(31,782)	—	(31,782)
Issuance of common stock and restricted common stock	—	—	2	367	—	—	369	—	369
Cancellation of restricted common stock	—	—	—	(261)	—	—	(261)	—	(261)
Exercise of stock options	—	—	2	4,432	—	—	4,434	—	4,434
Accrual under deferred compensation	—	—	—	44	—	—	44	—	44

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arrangements									
Amortization of deferred compensation	—	—	—	1,957	—	—	1,957	—	1,957
Contributions from noncontrolling interests	—	—	—	—	—	—	—	5,559	5,559
Distributions to noncontrolling interests	(6,221)	—	—	—	—	—	—	(25,716)	(25,716)
Adjustment for noncontrolling interests	2,379	—	—	(5,929)	—	—	(5,929)	3,550	(2,379)
Adjustment to record redeemable noncontrolling interests at redemption value	10,049	—	—	(4,256)	—	—	(4,256)	(5,793)	(10,049)
Acquire controlling interest in shopping center property	—	—	—	—	—	—	—	14,498	14,498
Balance, September 30, 2012	\$ 40,929	\$ 23	\$ 1,591	\$ 1,702,321	\$ 4,387	\$ (470,430)	\$ 1,237,892	\$ 148,345	\$ 1,386,237

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

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

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$88,436	\$75,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	198,700	211,582
Net amortization of deferred finance costs and debt premiums	5,563	8,143
Net amortization of intangible lease assets and liabilities	(551)	(1,179)
Gain on sales of real estate assets	(4,789)	(3,602)
Gain on sale of discontinued operations	(983)	(121)
Write-off of development projects	(115)	51
Share-based compensation expense	2,211	1,769
Net realized (gain) loss on sale of available-for-sale securities	(160)	22
Write-down of mortgage and other notes receivable	—	1,900
Loss on impairment of real estate	21,654	51,304
Loss on impairment of real estate from discontinued operations	8,759	6,696
Gain on extinguishment of debt	(178)	(581)
Gain on extinguishment of debt from discontinued operations	—	(31,434)
Equity in earnings of unconsolidated affiliates	(5,401)	(4,222)
Distributions of earnings from unconsolidated affiliates	11,724	6,171
Provision for doubtful accounts	1,310	1,999
Change in deferred tax accounts	3,681	(5,032)
Changes in:		
Tenant and other receivables	(7,374)	(3,908)
Other assets	(3,152)	552
Accounts payable and accrued liabilities	284	2,905
Net cash provided by operating activities	319,619	318,135
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(159,414)	(149,321)
Acquisition of real estate assets	(61,289)	(12,172)
Additions to restricted cash	(2,595)	(13,571)
Proceeds from sales of real estate assets	49,366	20,495
Additions to mortgage and other notes receivable	(3,584)	(5,300)
Payments received on mortgage and other notes receivable	2,962	4,817
Additional investments in and advances to unconsolidated affiliates	(4,994)	(20,041)
Distributions in excess of equity in earnings of unconsolidated affiliates	17,620	13,094
Changes in other assets	(1,759)	(10,770)
Net cash used in investing activities	(163,687)	(172,769)

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

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	\$ 1,348,822	\$ 1,373,265
Principal payments on mortgage and other indebtedness	(1,311,827	) (1,315,890)
Additions to deferred financing costs	(2,864	) (16,154)
Proceeds from issuances of common stock	128	136
Costs of preferred stock offering	(134) —
Proceeds from exercises of stock options	4,434	1,955
Purchase of noncontrolling interest in the Operating Partnership	(9,836) —
Contributions from noncontrolling interests	5,559	1,040
Distributions to noncontrolling interests	(49,437	) (55,033)
Dividends paid to holders of preferred stock	(31,782	) (31,782)
Dividends paid to common shareholders	(98,737	) (91,887)
Net cash used in financing activities	(145,674	) (134,350)
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,258	11,016
CASH AND CASH EQUIVALENTS, beginning of period	56,092	50,896
CASH AND CASH EQUIVALENTS, end of period	\$66,350	\$61,912
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 175,610	\$ 202,097

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

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CBL & Associates Properties, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except share data)

Note 1 – Organization and Basis of Presentation

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”). As of September 30, 2012, the Operating Partnership owned controlling interests in 77 regional malls/open-air centers (including our mixed-use center), 29 associated centers (each located adjacent to a regional mall), five 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 (“VIE”). At September 30, 2012, the Operating Partnership owned non-controlling interests in ten regional malls/open-air centers, three associated centers, five community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had controlling interests in the development of one outlet center and the expansion of one outlet center, both of which are owned in 75% /25% joint ventures at September 30, 2012. The Operating Partnership also had controlling interests in one mall expansion, two community center developments and one mall redevelopment under construction at September 30, 2012. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2012, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 82.6% limited partner interest for a combined interest held by CBL of 83.6%.

The noncontrolling interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively “CBL’s Predecessor”). CBL’s Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993. At September 30, 2012, CBL’s Predecessor owned a 9.8% limited partner interest and third parties owned a 6.6% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.8 million shares of CBL’s common stock at September 30, 2012, for a total combined effective interest of 13.9% 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 “Internal Revenue Code”). The Operating Partnership owns 100% of both of the Management Company’s preferred stock and common stock.

CBL, the Operating Partnership and the Management Company are collectively referred to herein as “the Company”. The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. All intercompany transactions have been eliminated. The results for the interim period ended September 30, 2012 are not necessarily indicative of the results to be obtained for the full fiscal year.

Certain historical amounts have been reclassified to conform to the current year's presentation. The financial results of certain properties that had been classified in continuing operations have been reclassified to discontinued operations in

the condensed consolidated financial statements for all periods presented herein. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations.

These condensed consolidated financial statements should be read in conjunction with CBL's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2011, as amended.

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Note 2 – Recent Accounting Pronouncements

Accounting Guidance Adopted

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

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

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

Note 3 – Fair Value Measurements

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

that may be used to measure fair value as follows:

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

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

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

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

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

	Fair Value at September 30, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	\$27,614	\$15,785	\$—	\$11,829
Privately held debt and equity securities	2,475	—	—	2,475
Interest rate cap	—	—	—	—
Liabilities:				
Interest rate swaps	\$6,313	\$—	\$6,313	\$—

	Fair Value at December 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	\$30,613	\$18,784	\$—	\$11,829
Privately held debt and equity securities	2,475	—	—	2,475
Liabilities:				
Interest rate swaps	\$5,617	\$—	\$5,617	\$—

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

Intangible lease assets and other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities, mortgage/asset-backed securities, mutual funds and bonds that are classified as available for sale. Net unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive income in redeemable noncontrolling interests, shareholders' equity and noncontrolling interests. If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. During the three and nine months ended September 30, 2012 and 2011, the Company did not record any write-downs related to other-than-temporary impairments. During the nine month period ended September 30, 2012, the Company recognized realized gains of \$160 related to sales of marketable securities.

During the nine months ended September 30, 2011, the Company recognized realized losses of \$22 related to sales of marketable securities. The fair values of the Company's available-for-sale securities that

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are based on quoted market prices are classified under Level 1. Tax increment financing bonds ("TIF bonds") are classified as Level 3. The following is a summary of the available-for-sale securities held by the Company as of September 30, 2012 and December 31, 2011:

	Adjusted Cost	Gross Unrealized		Fair Value
		Gains	Losses	
September 30, 2012:				
Common stocks	\$4,207	\$11,583	\$(5)	\$15,785
Government and government sponsored entities	13,371	—	(1,542)	11,829
	\$17,578	\$11,583	\$(1,547)	\$27,614

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

The Company uses interest rate swaps and caps to mitigate the effect of interest rate movements on its variable-rate debt. The Company had four interest rate swaps and one interest rate cap as of September 30, 2012 and December 31, 2011, that qualify as hedging instruments and are designated as cash flow hedges. The interest rate cap is included in intangible lease assets and other assets and the interest rate swaps are reflected in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets. The swaps and cap have predominantly met the effectiveness test criteria since inception and changes in their fair values are, thus, primarily reported in other comprehensive income (loss) and are reclassified into earnings in the same period or periods during which the hedged items affect earnings. The fair values of the Company's interest rate hedges, classified under Level 2, are determined based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions. See [Note 6](#) for further information regarding the Company's interest rate hedging instruments.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage and other notes receivable is a reasonable estimate of fair value. The estimated fair value of mortgage and other indebtedness was \$5,153,568 and \$4,836,028 at September 30, 2012 and December 31, 2011, respectively. The fair value was calculated by discounting future cash flows for mortgage and other indebtedness using estimated market rates at which similar loans would be made currently.

The Company holds TIF bonds, which mature in 2028, received in a private placement as consideration for infrastructure improvements made by the Company related to the development of a community center. The Company has the intent and ability to hold the TIF bonds through the recovery period. To value the TIF bonds at September 30, 2012, the Company performed a probability-weighted discounted cash flow analysis using various bond redemption scenarios and a net present value based on a discount rate of 7% and a lack of marketability discount of 5%. The valuation assumes a 5% long-term revenue growth rate. Due to the significant unobservable estimates and assumptions used in the valuation of the TIF bonds, the Company has classified the TIF bonds under Level 3 in the fair value hierarchy. There were no changes in the \$11,829 classified as available-for-sale securities (Level 3) for the

period from December 31, 2011 through September 30, 2012.

The Company holds a secured convertible promissory note from Jinsheng Group ("Jinsheng"), in which the Company also holds a cost-method investment. The secured convertible note is non-interest bearing and is secured by shares of Jinsheng. Since the secured convertible note is non-interest bearing and there is no active market for Jinsheng's debt, the Company performed a probability-weighted discounted cash flow analysis using various sale, redemption and initial public offering ("IPO") exit strategies. The fair value analysis as of September 30, 2012 forecasts a 0% to 10% reduction in estimated cash flows. Sale

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and IPO scenarios employ capitalization rates ranging from 10% to 12% which are discounted 20% for lack of marketability. Due to the significant unobservable estimates and assumptions used in the valuation of the note, the Company has classified it under Level 3 in the fair value hierarchy. Based on the valuation as of September 30, 2012, the Company determined that the current balance of the secured convertible note of \$2,475 is not impaired. There were no changes in the \$2,475 classified as privately held debt and equity securities (Level 3) for the period from December 31, 2011 through September 30, 2012. See Notes 5 and 15 for further discussion.

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

Fair Value Measurements on a Nonrecurring Basis

The Company measures the fair value of certain long-lived assets on a nonrecurring basis, through quarterly impairment testing or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company considers both quantitative and qualitative factors in its impairment analysis of long-lived assets. Significant quantitative factors include historical and forecasted information for each property such as net operating income, occupancy statistics and sales levels. Significant qualitative factors used include market conditions, age and condition of the property and tenant mix. Due to the significant unobservable estimates and assumptions used in the valuation of long-lived assets that experienced impairment, the Company has classified them under Level 3 in the fair value hierarchy. The fair value analysis for long-lived assets as of September 30, 2012 used various probability-weighted scenarios comparing the property's net book value to the sum of its estimated fair value. Assumptions included up to a 10-year holding period with a sale at the end of the holding period, capitalization rates ranging from 10% to 12%, and an estimated sales cost of 1%.

The following table sets forth information regarding the Company's assets that are measured at fair value on a nonrecurring basis:

	Fair Value at September 30, 2012	Fair Value Measurements at Reporting Date Using			Total Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:					
Long-lived assets	\$27,043	\$—	\$—	\$27,043	\$20,743

In accordance with the Company's quarterly impairment review process, the Company recorded a non-cash impairment of real estate of \$3,000 in the third quarter of 2012 related to The Courtyard at Hickory Hollow, an associated center located in Antioch, TN, to write-down the depreciated book value as of September 30, 2012 from \$5,843 to an estimated fair value of \$2,843 as of the same date.

Additionally during the third quarter of 2012, the Company recorded a non-cash impairment of real estate of \$17,743 to write-down the depreciated book value of Willowbrook Plaza, a community center located in Houston, TX, from \$41,943 as of September 30, 2012 to an estimated fair value of \$24,200 as of the same date.

The revenues of The Courtyard at Hickory Hollow and Willowbrook Plaza accounted for approximately 0.5% of total consolidated revenues for the trailing twelve months ended September 30, 2012. A reconciliation of each property's carrying values for the nine months ended September 30, 2012 is as follows:

	The Courtyard at Hickory Hollow	Willowbrook Plaza	Total
Beginning carrying value, January 1, 2012	\$5,754	\$42,666	\$48,420
Capital expenditures	191	98	289

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Depreciation expense	(102)	(821)	(923)
Loss on impairment of real estate	(3,000)	(17,743)	(20,743)
Ending carrying value, September 30, 2012	\$2,843		\$24,200		\$27,043	

The Company recorded an impairment of real estate of \$911 related to the sale of two outparcels in July 2012. One

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outparcel was sold for net proceeds after selling costs of \$276, which was less than its carrying amount of \$914. The other outparcel was sold for net proceeds after selling costs of \$541, which was less than its carrying amount of \$814. See Note 4 regarding impairments of real estate related to properties included in discontinued operations.

Note 4 – Acquisitions and Discontinued Operations

Acquisitions

Dakota Square Mall

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

Land	\$4,749	
Buildings and improvements	84,086	
Tenant improvements	2,426	
Above-market leases	2,233	
In-place leases	12,489	
Total assets	105,983	
Below-market leases	(11,468))
Mortgage note payable assumed	(59,001))
Debt premium	(3,040))
Net assets acquired	\$32,474	

The Outlet Shoppes at Gettysburg

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

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

The Outlet Shoppes at El Paso

In the second quarter of 2012, the Company acquired a 75.0% joint venture interest in The Outlet Shoppes at El Paso, an outlet shopping center located in El Paso, TX for \$31,592 and a 50.0% joint venture interest in outparcel land

adjacent to The Outlet Shoppes at El Paso (see Note 5) for \$3,864 for a total of \$35,456. The amount paid for the Company's 75.0% and 50.0% interests was based on a total value of \$116,775 less non-recourse mortgage debt of \$66,924, which bears interest at a fixed rate of 7.06% and matures in December 2017. The debt assumed was at an above-market rate compared to similar debt instruments

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at the date of acquisition, so the Company recorded a debt premium of \$7,700 (of which \$5,775 represents the Company's 75.0% share), computed using an estimated market interest rate of 4.75%. The entity that owned The Outlet Shoppes at El Paso used a portion of the proceeds to repay a \$9,150 mezzanine loan from the Company. After considering the repayment of the mezzanine loan to the Company, the net consideration paid by the Company in connection with this transaction was \$28,594. The Outlet Shoppes at El Paso's results of operations are included in the condensed consolidated financial statements beginning on the date of acquisition. The following table summarizes the preliminary allocation of the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Land	\$12,846	
Buildings and improvements	92,305	
Tenant improvements	3,845	
Above-market leases	2,912	
In-place leases	15,629	
Investments in unconsolidated affiliates	3,864	
Total assets	131,401	
Mortgage note payable assumed	(66,924)
Debt premium	(7,700)
Below-market leases	(6,926)
Noncontrolling interest	(14,395)
Net assets acquired	\$35,456	

Discontinued Operations

In the third quarter of 2012, the Company determined that Towne Mall, located in Franklin, OH and Hickory Hollow Mall, located in Antioch, TN met the criteria to be classified as held for sale as of September 30, 2012. The Company recorded a non-cash impairment of real estate of \$419 related to Towne Mall and a non-cash impairment of real estate of \$8,047 related to Hickory Hollow Mall in the third quarter of 2012 to write down the depreciable basis of Towne Mall from \$1,311 to its estimated fair value of \$892 and to write down the depreciable basis of Hickory Hollow Mall from \$9,007 to its estimated fair value of \$960 as of the same date. The results of operations of these malls as well as the loss on impairment of real estate are included in discontinued operations for all periods presented, as applicable. See Note 15 for additional information related to the sale of these properties in October 2012.

In July 2012, the Company sold Massard Crossing, a community center located in Fort Smith, AR, for a gross sales price of \$7,803 less commissions and customary closing costs for a net sales price of \$7,432. Proceeds from the sale were used to reduce the outstanding borrowings on the Company's secured credit facilities. The Company recorded a gain of \$98 attributable to the sale in the third quarter of 2012. The results of operations for this property as well as the gain attributable to the sale are included in discontinued operations for the three and nine month periods ended September 30, 2012 and 2011, as applicable.

In March 2012, the Company completed the sale of the second phase of Settlers Ridge, a community center located in Robinson Township, PA, for a gross sales price of \$19,144 less commissions and customary closing costs for a net sales price of \$18,951. Proceeds from the sale were used to reduce the outstanding borrowings on the Company's secured credit facilities. The Company recorded a gain of \$883 attributable to the sale in the first quarter of 2012. The Company recorded a loss on impairment of real estate of \$4,457 in the second quarter of 2011 to write down the book value of this property to its then estimated fair value. The results of operations of this property and the related gain on the sale are included in discontinued operations for the nine months ended September 30, 2012. The results of operations for this property as well as the loss on impairment of real estate are included in discontinued operations for the three and nine month periods ended September 30, 2011, as applicable.

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

sales price. The results of operations of this property, including the loss on impairment of real estate, are included in discontinued operations for the nine months ended September 30, 2012 and for the three and nine month periods ended September 30, 2011, as applicable.

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

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In February 2011, the Company completed the sale of Oak Hollow Mall in High Point, NC, for a gross sales price of \$9,000. Net proceeds were used to retire the outstanding principal balance and accrued interest of \$40,281 on the non-recourse loan secured by the property in accordance with the lender's agreement to modify the outstanding principal balance and accrued interest to equal the net sales price for the property and, as a result, the Company recorded a gain on the extinguishment of debt of \$31,434 in the first quarter of 2011. The Company also recorded a loss on impairment of real estate in the first quarter of 2011 of \$2,746 to write down the book value of the property to the net sales price. The results of operations of this property, including the gain on extinguishment of debt and loss on impairment of real estate, are included in discontinued operations for the nine months ended September 30, 2011. Total revenues of the properties described above that are included in discontinued operations were \$229 and \$2,747 for the three months ended September 30, 2012 and 2011, respectively, and \$3,164 and \$8,247 for the nine months ended September 30, 2012 and 2011, respectively. Discontinued operations for the three and nine month periods ended September 30, 2012 and 2011 also include settlements of estimated expenses based on actual amounts for properties sold during previous periods.

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

Unconsolidated Affiliates

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

Joint Venture	Property Name	Company's Interest
CBL/T-C, LLC	CoolSprings Galleria, Oak Park Mall, West County Center and Pearland Town Center	60.3%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of six office buildings	50.0%
CBL-TRS Joint Venture II, LLC	Renaissance Center	50.0%
El Paso Outlet Outparcels, LLC	The Outlet Shoppes at El Paso (vacant land)	50.0%
Governor's Square IB	Governor's Plaza	50.0%
Governor's Square Company	Governor's Square	47.5%
High Pointe Commons, LP	High Pointe Commons	50.0%
High Pointe Commons II-HAP, LP	High Pointe Commons - Christmas Tree Shop	50.0%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0%
JG Gulf Coast Town Center LLC	Gulf Coast Town Center	50.0%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.0%
Mall of South Carolina L.P.	Coastal Grand—Myrtle Beach	50.0%
Mall of South Carolina Outparcel L.P.	Coastal Grand—Myrtle Beach (Coastal Grand Crossing and vacant land)	50.0%
Port Orange I, LLC	The Pavilion at Port Orange Phase I	50.0%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0%
West Melbourne I, LLC	Hammock Landing Phases I and II	50.0%
York Town Center, LP	York Town Center	50.0%

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

- the pro forma for the development and construction of the project and any material deviations or modifications thereto;
- the site plan and any material deviations or modifications thereto;

the conceptual design of the project and the initial plans and specifications for the project and any material deviations or modifications thereto;

any acquisition/construction loans or any permanent financings/refinancings;

the annual operating budgets and any material deviations or modifications thereto;

the initial leasing plan and leasing parameters and any material deviations or modifications thereto; and

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any material acquisitions or dispositions with respect to the project.

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

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

	As of	
	September 30, 2012	December 31, 2011
ASSETS		
Investment in real estate assets	\$2,226,364	\$2,239,160
Accumulated depreciation	(498,938	) (447,121
	1,727,426	1,792,039
Developments in progress	23,499	19,640
Net investment in real estate assets	1,750,925	1,811,679
Other assets	180,600	190,465
Total assets	\$1,931,525	\$2,002,144
LIABILITIES		
Mortgage and other indebtedness	\$1,467,038	\$1,478,601
Other liabilities	47,818	51,818
Total liabilities	1,514,856	1,530,419
OWNERS' EQUITY		
The Company	252,048	267,136
Other investors	164,621	204,589
Total owners' equity	416,669	471,725
Total liabilities and owners' equity	\$1,931,525	\$2,002,144

	Total for the Three Months Ended September 30,		Company's Share for the Three Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$61,821	\$37,290	\$32,803	\$20,683
Depreciation and amortization expense	(20,423	) (12,481	) (10,828	) (7,020
Interest expense	(21,002	) (12,903	) (11,022	) (7,195
Other operating expenses	(18,742	) (10,842	) (9,527	) (5,599
Gain on sales of real estate assets	1,271	79	636	120
Net income	\$2,925	\$1,143	\$2,062	\$989

	Total for the Nine Months Ended September 30,		Company's Share for the Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$186,320	\$114,237	\$99,190	\$63,667
Depreciation and amortization expense	(61,907	) (37,581	) (32,877	) (21,132
Interest expense	(63,199	) (39,140	) (33,289	) (21,655
Other operating expenses	(55,765	) (33,647	) (28,474	) (18,024
Gain on sales of real estate assets	1,701	1,744	851	1,366
Net income	\$7,150	\$5,613	\$5,401	\$4,222

In July 2012, JG Gulf Coast Town Center LLC ("Gulf Coast") closed on a three-year \$7,000 loan with an institutional lender, secured by the third phase expansion of Gulf Coast Town Center, a shopping center located in Ft. Myers, FL. Interest on the loan is at LIBOR plus a margin of 2.5%. The Company has guaranteed 100.0% of this loan. Proceeds

from the loan were distributed to the Company in accordance with the terms of the joint venture agreement and the Company used these funds to

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reduce the balance on its secured credit facilities.

In the second quarter of 2012, the Company acquired a 50.0% interest in a joint venture, El Paso Outlet Outparcels, LLC, simultaneously with the acquisition of a 75.0% interest in The Outlet Shoppes at El Paso (see Note 4). The Company's investment was \$3,864. The remaining 50.0% interest is owned by affiliates of Horizon Group Properties. El Paso Outlet Outparcels, LLC owns land adjacent to The Outlet Shoppes at El Paso. The terms of the joint venture agreement provide that voting rights, capital contributions and distributions of cash flows will be on a pari passu basis in accordance with the ownership percentages.

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

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

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

Noncontrolling Interests

Redeemable noncontrolling interests include a noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which the partnership agreement includes redemption provisions that may require the Company to redeem the partnership interest for real property. Redeemable noncontrolling interests also includes the aggregate noncontrolling ownership interest in other consolidated subsidiaries that is held by third parties and for which the related partnership agreements contain redemption provisions at the holder's election that allow for redemption through cash and/or properties. The total redeemable noncontrolling partnership interests of \$40,929 as of September 30, 2012 consisted of noncontrolling interests in the Operating Partnership and in the Company's consolidated subsidiary that provides security and maintenance services to third parties of \$34,714 and \$6,215, respectively. At December 31, 2011, the total redeemable noncontrolling partnership interests of \$32,271 consisted of noncontrolling interests in the Operating Partnership and in the Company's consolidated security and maintenance services subsidiary of \$26,036 and \$6,235, respectively.

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

	Nine Months Ended	
	September 30,	
	2012	2011
Beginning Balance	\$423,834	\$423,834
Net income attributable to redeemable noncontrolling preferred joint venture interest	15,486	15,436
Distributions to redeemable noncontrolling preferred joint venture interest	(15,486)	(15,436)
Ending Balance	\$423,834	\$423,834

In the third quarter of 2012, eleven holders of 533,708 common units of limited partnership interest in the Operating Partnership exercised their conversion rights. The Company elected to issue 533,708 shares of common stock in

exchange for the common units in the third quarter of 2012. Additionally, during the third quarter of 2012, JCP Realty, Inc., a wholly owned subsidiary of J.C. Penney Corporation, Inc., which held 1,895,358 common units of limited partnership interest in the Operating Partnership, and another holder of 36,376 common units of limited partnership interest in the Operating Partnership exercised their conversion rights. The Company elected to issue 1,931,734 shares of common stock in exchange for the common units in the fourth quarter of 2012. See Note 15 for additional information related to the registration of these shares for public resale.

Noncontrolling interests include the aggregate noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which each of the noncontrolling limited partners has the right to exchange all or a portion of its

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partnership interests for shares of the Company's common stock, or at the Company's election, their cash equivalent. Noncontrolling interests also includes the aggregate noncontrolling ownership interest in the Company's other consolidated subsidiaries that is held by third parties and for which the related partnership agreements either do not include redemption provisions or are subject to redemption provisions that do not require classification outside of permanent equity. As of September 30, 2012, the total noncontrolling interests of \$148,345 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$125,552 and \$22,793 respectively. The total noncontrolling interests at December 31, 2011 of \$207,113 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$202,833 and \$4,280, respectively.

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

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

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

Cost Method Investments

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

The Company also holds a secured convertible promissory note secured by 16,565,534 Series 2 Ordinary Shares of Jinsheng (which equates to a 2.275% ownership interest). The secured note is non-interest bearing and was amended by the Company and Jinsheng in July 2012 to extend to January 2013 the Company's right to convert the outstanding amount of the secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng. The amendment also provides that if Jinsheng should complete an IPO, the secured note will be converted into common shares of Jinsheng immediately prior to the IPO.

The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. See Note 3 for information regarding the fair value of the secured note and Note 15 for subsequent events related to the secured note. The noncontrolling interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets.

Variable Interest Entities

In the second quarter of 2012, the Company entered into a joint venture, Atlanta Outlet Shoppes, LLC ("Atlanta Outlet Shoppes"), with a third party to develop, own, and operate The Outlet Shoppes at Atlanta, an outlet center development located in Woodstock, GA. The Company holds a 75% ownership interest in the joint venture. The Company determined that its investment in this joint venture represents a variable interest in a VIE and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying condensed consolidated financial statements as of September 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest. In August 2012, the joint venture closed on a construction loan with a maximum capacity of \$69,823 that bears interest at LIBOR plus a margin of 2.75%. The loan matures in August 2015 and has two one-year extension options available. The Company has guaranteed 100% of this loan. See Note 11 for additional information related to the guarantee.

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

interests of the third party reflected as a noncontrolling interest.

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

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Note 6 – Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following:

	September 30, 2012		December 31, 2011		
	Amount	Weighted Average Interest Rate ⁽¹⁾	Amount	Weighted Average Interest Rate ⁽¹⁾	
Fixed-rate debt:					
Non-recourse loans on operating properties ⁽²⁾	\$3,772,111	5.43	% \$3,656,243	5.55	%
Recourse term loans on operating properties	50,160	5.83	% 77,112	5.89	%
Total fixed-rate debt	3,822,271	5.43	% 3,733,355	5.54	%
Variable-rate debt:					
Non-recourse term loans on operating properties	124,250	3.33	% 168,750	3.03	%
Recourse term loans on operating properties	71,513	2.07	% 124,439	2.29	%
Construction loans	31,246	3.28	% 25,921	3.25	%
Secured lines of credit	256,901	2.70	% 27,300	3.03	%
Unsecured term loans	395,209	1.63	% 409,590	1.67	%
Total variable-rate debt	879,119	2.25	% 756,000	2.18	%
Total	\$4,701,390	4.84	% \$4,489,355	4.99	%

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

(2) The Company has four interest rate swaps on notional amounts totaling \$114,884 as of September 30, 2012 and \$117,700 as of December 31, 2011 related to four variable-rate loans on operating properties to effectively fix the interest rate on the respective loans. Therefore, these amounts are reflected in fixed-rate debt at September 30, 2012 and December 31, 2011.

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

Secured Lines of Credit

The Company has three secured lines of credit that are used for mortgage retirement, working capital, construction and acquisition purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit bear interest at LIBOR plus an applicable spread, ranging from 1.75% to 3.00%, based on the Company's leverage ratio, and had a weighted average interest rate of 2.70% at September 30, 2012. The Company also pays fees based on the amount of unused availability under its secured lines of credit at rates ranging from 0.15% to 0.35% of unused availability. The following summarizes certain information about the secured lines of credit as of September 30, 2012:

Total Capacity	Total Outstanding	Maturity Date	Extended Maturity Date
\$525,000	\$77,500	(1) February 2014	February 2015
520,000	150,196	April 2014	N/A
105,000	29,205	June 2015	June 2016
\$1,150,000	\$256,901		

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

During the second quarter of 2012, the Company closed on the extension and modification of its secured credit facility with total capacity of \$105,000. The facility's maturity date was extended to June 2015 with a one-year extension option, which is at the Company's election, for an outside maturity date of June 2016. The loan bears interest at LIBOR plus a margin ranging from 1.75% to 2.75%, based on the Company's leverage ratio. See Note 15 for subsequent events related to the Company's secured credit facilities.

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Unsecured Term Facilities

The Company has an unsecured term loan that bears interest at LIBOR plus a margin ranging from 0.95% to 1.40%, based on the Company's leverage ratio. At September 30, 2012, the outstanding borrowings of \$167,209 under this loan had a weighted average interest rate of 1.35%. The loan was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. The Company completed its acquisition of the properties in February 2008 and, as a result, no further draws can be made against the loan. The loan matures in November 2012. Net proceeds from a sale, or the Company's share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured term loan must be used to pay down any remaining outstanding balance. The Company expects to use its lines of credit and excess proceeds realized from its October 2012 preferred stock issuance, discussed in Note 15 below, to retire this loan in November 2012.

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

Letters of Credit

At September 30, 2012, the Company had additional secured and unsecured lines of credit with a total commitment of \$14,000 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled \$1,475 at September 30, 2012.

Covenants and Restrictions

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

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

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

Mortgages on Operating Properties

In September 2012, the Company retired two loans totaling \$121,980, each of which was secured by a regional mall, with borrowings from the Company's secured credit facilities. The loans were scheduled to mature in 2012. The Company recorded a gain on extinguishment of debt of \$178 related to the early retirement of this debt.

In August 2012, the Company retired a \$2,023 land loan, secured by The Forum at Grandview in Madison, MS, with borrowings from the Company's secured credit facilities. The loan was scheduled to mature in September 2012. During the second quarter of 2012, the Company closed on five ten-year non-recourse commercial mortgage-backed securities ("CMBS") loans totaling \$342,190. The loans bear interest at fixed rates ranging from 4.75% to 5.099% with a total weighted average interest rate of 4.946%. These loans are secured by WestGate Mall in Spartanburg, SC, Southpark Mall in

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Colonial Heights, VA, Jefferson Mall in Louisville, KY, Fashion Square Mall in Saginaw, MI and Arbor Place in Douglasville, GA. Proceeds were used to pay down the Company's secured credit facilities and to retire an existing loan with a balance of \$30,763 secured by Southpark Mall.

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

Also during the second quarter of 2012, the Company closed on the extension and modification of a recourse mortgage loan secured by Statesboro Crossing in Statesboro, GA to extend the maturity date to February 2013 and reduce the amount available under the loan from \$20,911 to equal the outstanding balance of \$13,568. The interest rate remained at one-month LIBOR plus a spread of 1.00%. During the first quarter of 2012, this loan had previously been extended to April 2012.

During the first quarter of 2012, the Company closed on a \$73,000 ten-year non-recourse CMBS loan secured by Northwoods Mall in Charleston, SC, which bears a fixed interest rate of 5.075%. Proceeds were used to reduce outstanding balances on the Company's secured credit facilities.

Also during the first quarter of 2012, the Company retired 14 operating property loans with an aggregate principal balance of \$381,568 that were secured by Arbor Place, The Landing at Arbor Place, Fashion Square, Hickory Hollow Mall, The Courtyard at Hickory Hollow, Jefferson Mall, Massard Crossing, Northwoods Mall, Old Hickory Mall, Pemberton Plaza, Randolph Mall, Regency Mall, WestGate Mall and Willowbrook Plaza with borrowings from its secured credit facilities. See Note 4 related to the sale of Massard Crossing in July 2012. See Notes 4 and 15 related to the sale of Hickory Hollow Mall in October 2012.

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

See Note 15 related to the retirement of an operating property loan subsequent to September 30, 2012.

Scheduled Principal Payments

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

2012	\$187,072
2013	625,011
2014	446,768
2015	516,711
2016	778,870
Thereafter	2,138,298
	4,692,730
Net unamortized premiums (discounts)	8,660
	\$4,701,390

The remaining scheduled principal payments in 2012 of \$187,072 include principal amortization of \$19,863 and the maturing principal balance of one unsecured term loan of \$167,209, which the Company intends to retire during the fourth quarter of 2012 with borrowings from the Company's secured credit facilities.

The Company's mortgage and other indebtedness had a weighted average maturity of 4.88 years as of September 30, 2012 and 4.69 years as of December 31, 2011.

Interest Rate Hedge Instruments

The Company records its derivative instruments in its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the

derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its

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

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

In the first quarter of 2012, the Company entered into an interest rate cap agreement with an initial notional amount of \$125,000, amortizing to \$122,375, to hedge the risk of changes in cash flows on the borrowings of one of its properties equal to the cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in the 3-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 5.0%. The cap matures in January 2014.

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

Interest Rate Derivative		Number of Instruments			Notional Amount Outstanding		
Interest Rate Cap		1			\$ 124,250		
Interest Rate Swaps		4			\$ 114,884		
Instrument Type	Location in Consolidated Balance Sheet	Outstanding Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 9/30/2012	Fair Value at 12/31/11	Maturity Date
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$55,541 (amortizing to \$48,337)	1-month LIBOR	2.149%	\$(3,018)	\$(2,674)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$34,770 (amortizing to \$30,276)	1-month LIBOR	2.187%	(1,930)	(1,725)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$13,001 (amortizing to \$11,313)	1-month LIBOR	2.142%	(704)	(622)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$11,572 (amortizing to \$10,083)	1-month LIBOR	2.236%	(660)	(596)	Apr 2016
Cap	Intangible lease assets and other assets	\$124,250 (amortizing to \$122,375)	3-month LIBOR	5.000%	—	—	Jan 2014

Hedging Instrument	Loss Recognized in OCI/L (Effective Portion)		Location of Losses Reclassified from AOCI/L into Earnings (Effective Portion)	Loss Recognized in Earnings (Effective Portion)		Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion)	
	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011		Three Months Ended September 30, 2012	Three Months Ended September 30, 2011		Three Months Ended September 30, 2012	Three Months Ended September 30, 2011

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Interest rate contracts	\$ (234)	\$ (3,393)	Interest Expense	\$ (567)	\$ (668)	Interest Expense	\$ —	\$ —
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Hedging Instrument	Loss Recognized in OCI/L (Effective Portion)		Location of Losses Reclassified from AOCI/L into Earnings(Effective Portion)	Loss Recognized in Earnings (Effective Portion)		Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion)	
	Nine Months Ended September 30, 2012	2011		Nine Months Ended September 30, 2012	2011		Nine Months Ended September 30, 2012	2011
Interest rate contracts	\$ (714)	\$ (5,466)	Interest Expense	\$ (1,696)	\$ (1,326)	Interest Expense	\$ —	\$ —

As of September 30, 2012, the Company expects to reclassify approximately \$2,239 of losses currently reported in accumulated other comprehensive income to interest expense within the next twelve months due to amortization of its outstanding interest rate contracts. Fluctuations in fair values of these derivatives between September 30, 2012 and the respective dates of termination will vary the projected reclassification amount.

Note 7 – Comprehensive Income

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

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

	September 30, 2012				
	As reported in:	Redeemable Noncontrolling Interests	Shareholders' Equity	Noncontrolling Interests	Total
Net unrealized gain (loss) on hedging instruments	\$371		\$ (3,208)	\$ (3,617)	\$ (6,454)
Net unrealized gain on available-for-sale securities	344		7,595	2,158	10,097
Accumulated other comprehensive income (loss)	\$715		\$4,387	\$ (1,459)	\$3,643
	December 31, 2011				
	As reported in:	Redeemable Noncontrolling Interests	Shareholders' Equity	Noncontrolling Interests	Total
Net unrealized gain (loss) on hedging instruments	\$377		\$ (2,628)	\$ (3,488)	\$ (5,739)
Net unrealized gain on available-for-sale securities	328		6,053	1,775	8,156
Accumulated other comprehensive income (loss)	\$705		\$3,425	\$ (1,713)	\$2,417

Note 8 – Mortgage and Other Notes Receivable

Each of the Company’s mortgage notes receivable is collateralized by either a first mortgage, a second mortgage or by an assignment of 100% of the partnership interests that own the real estate assets. Other notes receivable include amounts due from tenants or government sponsored districts and unsecured notes received from third parties as whole

or partial consideration for property or investments. Interest rates on mortgage and other notes receivable ranged from 2.73% to 10.0%, with a weighted average interest rate of 7.33% and 8.76% at September 30, 2012 and December 31, 2011, respectively. Maturities of these notes receivable range from April 2013 to January 2047.

In the second quarter of 2012, the Company and its noncontrolling interest partner exercised their rights under the terms of a mezzanine loan agreement with the borrower, which owned The Outlet Shoppes at Gettysburg, to convert the mezzanine loan into a member interest in the outlet center. Also during the second quarter of 2012, the entity that owned The Outlet Shoppes at El Paso repaid a mezzanine loan from the Company when the Company acquired an interest in the outlet center. See Note 4 for additional information.

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As of September 30, 2012, the Company believes that its mortgage and other notes receivable balance of \$26,007 is fully collectible.

Note 9 – Segment Information

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

Three Months Ended September 30, 2012	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$229,781	\$10,612	\$4,391	\$14,829	\$259,613
Property operating expenses ⁽¹⁾	(73,864)	(2,664)	(1,240)	3,300	(74,468)
Interest expense	(56,028)	(2,077)	(627)	(3,701)	(62,433)
Other expense	—	—	—	(5,871)	(5,871)
Gain on sales of real estate assets	1,132	202	36	289	1,659
Segment profit	\$101,021	\$6,073	\$2,560	\$8,846	118,500
Depreciation and amortization expense					(67,186)
General and administrative expense					(10,171)
Interest and other income					822
Gain on extinguishment of debt					178
Loss on impairment of real estate					(21,654)
Equity in earnings of unconsolidated affiliates					2,062
Income tax provision					(1,195)
Income from continuing operations					\$21,356
Capital expenditures ⁽³⁾	\$39,118	\$1,103	\$1,772	\$36,735	\$78,728

Three Months Ended September 30, 2011	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$239,746	\$10,829	\$3,873	\$12,815	\$267,263
Property operating expenses ⁽¹⁾	(76,638)	(2,743)	(1,377)	4,990	(75,768)
Interest expense	(62,063)	(2,296)	(1,613)	(4,161)	(70,133)
Other expense	—	—	—	(7,446)	(7,446)
Gain (loss) on sales of real estate assets	2,411	(7)	486	—	2,890
Segment profit	\$103,456	\$5,783	\$1,369	\$6,198	116,806
Depreciation and amortization expense					(70,720)
General and administrative expense					(10,092)
Interest and other income					595
Equity in earnings of unconsolidated affiliates					989
Loss on impairment of real estate					(51,304)
Income tax provision					(4,653)
Loss from continuing operations					\$(18,379)
Capital expenditures ⁽³⁾	\$43,583	\$1,784	\$3,618	\$19,692	\$68,677

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Nine Months Ended September 30, 2012	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$678,676	\$31,453	\$12,314	\$40,831	\$763,274
Property operating expenses ⁽¹⁾	(219,798)	(7,790)	(4,932)	12,345)	(220,175)
Interest expense	(163,387)	(6,387)	(1,947)	(11,966)	(183,687)
Other expense	—	—	—	(19,188)	(19,188)
Gain on sales of real estate assets	1,132	202	133	286	1,753
Segment profit	\$296,623	\$17,478	\$5,568	\$22,308	341,977
Depreciation and amortization expense					(198,123)
General and administrative expense					(35,964)
Interest and other income					3,193
Gain on extinguishment of debt					178
Loss on impairment of real estate					(21,654)
Equity in earnings of unconsolidated affiliates					5,401
Income tax provision					(1,234)
Income from continuing operations					\$93,774
Total assets	\$6,226,745	\$303,534	\$240,724	\$119,313	\$6,890,316
Capital expenditures ⁽³⁾	\$160,390	\$4,583	\$12,478	\$55,321	\$232,772
Nine Months Ended September 30, 2011	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$710,570	\$32,506	\$11,451	\$38,921	\$793,448
Property operating expenses ⁽¹⁾	(232,337)	(8,488)	(2,775)	15,102)	(228,498)
Interest expense	(179,890)	(6,553)	(4,827)	(16,946)	(208,216)
Other expense	—	—	—	(22,795)	(22,795)
Gain on sales of real estate assets	2,415	310	865	12	3,602
Segment profit	\$300,758	\$17,775	\$4,714	\$14,294	337,541
Depreciation and amortization expense					(209,925)
General and administrative expense					(33,133)
Interest and other income					1,752
Gain on extinguishment of debt					581
Loss on impairment of real estate					(51,304)
Equity in earnings of unconsolidated affiliates					4,222
Income tax benefit					1,770
Income from continuing operations					\$51,504
Total assets	\$6,434,775	\$323,248	\$295,703	\$368,769	\$7,422,495
Capital expenditures ⁽³⁾	\$95,992	\$5,197	\$6,280	\$64,606	\$172,075

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

(2) The All Other category includes mortgage and other notes receivable, office buildings, the Management Company and the Company's subsidiary that provides security and maintenance services.

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

Note 10 – Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of

common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their noncontrolling interests in the Operating Partnership into shares of common stock are not dilutive.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Denominator – basic	158,689	148,363	152,721	148,264
Stock options	—	—	2	4
Deemed shares related to deferred compensation arrangements	42	42	42	42
Denominator – diluted	158,731	148,405	152,765	148,310

The dilutive effect of stock options of 34 and 14 shares for the three and nine month periods ended September 30, 2011, respectively, were excluded from the computations of diluted EPS because the effect of including the stock options would have been anti-dilutive. There were no anti-dilutive shares for the three and nine months ended September 30, 2012.

See [Note 5](#) related to an issuance of common stock in the second quarter of 2012.

See [Note 15](#) related to issuance of common stock subsequent to September 30, 2012.

Note 11 – Contingencies

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

TPD also has filed claims under several insurance policies in connection with this matter, and there are three pending lawsuits relating to insurance coverage. On October 8, 2010, First Mercury Insurance Company (“First Mercury”) filed an action in the United States District Court for the Eastern District of Texas against M Hanna and TPD seeking a declaratory judgment concerning coverage under a liability insurance policy issued by First Mercury to M Hanna.

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

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

The Company also is currently involved in certain litigation that arises in the ordinary course of business. The Company does not believe that the pending litigation will have a materially adverse effect on the Company's financial position or results of operations.

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

The Company consolidates its investment in a joint venture, CW Joint Venture, LLC (“CWJV”), with Westfield. The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0%, which increases to 6.0% on July 1, 2013, on the preferred liquidation value of the PJV units of CWJV that are held by Westfield. Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such

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qualifying property (a “Preventing Event”), then the annual preferred distribution rate on the PJV units increases to 9.0% beginning July 1, 2013. The Company will have the right, but not the obligation, to offer to redeem the PJV units from January 31, 2013 through January 31, 2015 at their preferred liquidation value, plus accrued and unpaid distributions. The Company and Westfield amended the joint venture agreement in September 2012 to provide that, if the Company exercises its right to offer to redeem the PJV units on or before August 1, 2013, then the preferred liquidation value will be reduced by \$10,000 so long as Westfield does not reject the offer and the redemption closes on or before September 30, 2013. If the Company fails to make such an offer, the annual preferred distribution rate on the PJV units increases to 9.0% for the period from July 1, 2013 through June 30, 2016, at which time it decreases to 6.0% if a Preventing Event has not occurred. If, upon redemption of the PJV units, the fair value of the Company’s common stock is greater than \$32.00 per share, then such excess (but in no case greater than \$26,000 in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. The Company accounts for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, the Company will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

The Company may guarantee the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the joint venture on its investment, and a higher return on the Company’s investment in the joint venture. The Company may receive a fee from the joint venture for providing the guaranty. Additionally, when the Company issues a guaranty, the terms of the joint venture agreement typically provide that the Company may receive indemnification from the joint venture partner or have the ability to increase its ownership interest.

The Company owns a parcel of land in Lee’s Summit, MO that it is ground leasing to a third party development company. The third party developed and operates a shopping center on the land parcel. The Company has guaranteed 27% of the third party’s construction loan and bond line of credit (the “loans”) of which the maximum guaranteed amount, representing 27% of capacity, is approximately \$18,615. In the third quarter of 2012, the loans were modified and extended to December 2012. In August 2012, proceeds from a bond issuance were applied to reduce \$10,357 of the outstanding balance on the bond line of credit. Additionally, \$1,000 of the construction loan was repaid. The total amount outstanding at September 30, 2012 on the loans was \$49,266 of which the Company has guaranteed \$13,302. The Company included an obligation of \$192 as of September 30, 2012 and December 31, 2011 in the accompanying condensed consolidated balance sheets to reflect the estimated fair value of the guaranty.

The Company has guaranteed 100% of the construction and land loans of West Melbourne I, LLC (“West Melbourne”), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is \$45,490. West Melbourne developed and operates Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at September 30, 2012 was \$45,490. The guaranty will expire upon repayment of the debt. The land loan, and the construction loan, each representing \$3,003 and \$42,487, respectively, of the amount outstanding at September 30, 2012, mature in November 2013. The construction loan has a one-year extension option available. The Company included an obligation of \$478 in the accompanying condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

The Company has guaranteed 100% of the construction loan of Port Orange, an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is \$63,990. Port Orange developed and operates The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at September 30, 2012 on the loan was \$63,990. The guaranty will expire upon repayment of the debt. The loan matures

in March 2014 and has a one-year extension option available. The Company included an obligation of \$961 in the accompanying condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

The Company has guaranteed the lease performance of YTC, an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC's performance under this agreement up to a maximum of \$22,000, which decreases by \$800 annually until the guaranteed amount is reduced to \$10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was \$18,000 as of September 30, 2012. The Company entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts it is obligated to fund under the guaranty. The Company did not include an obligation for this guaranty because it determined that the fair value of the guaranty is not material.

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In July 2012, the Company guaranteed 100% of a term loan for Gulf Coast, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$6,914. The loan is for the third phase expansion of Gulf Coast Town Center, a shopping center located in Ft. Myers, FL. The total amount outstanding at September 30, 2012 on the loan was \$6,914. The guaranty will expire upon repayment of the debt. The loan matures in July 2015. The Company did not include an obligation for this guaranty because it determined that the fair value of the guaranty is not material.

In August 2012, the Company guaranteed 100% of a construction loan for the Atlanta Outlet Shoppes, a joint venture in which the Company owns a 75% interest and the maximum guaranteed amount is \$69,823. Atlanta Outlet Shoppes is developing The Outlet Shoppes at Atlanta, an outlet center in Woodstock, GA. The total amount outstanding at September 30, 2012 on the loan was \$5,046. The guaranty will expire upon repayment of the debt. The loan matures in August 2015 and has two one-year extension options available. The Company included an obligation of \$175 in the accompanying condensed consolidated balance sheet as of September 30, 2012 to reflect the estimated fair value of this 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 \$27,991 and \$11,156 at September 30, 2012 and December 31, 2011, respectively.

Note 12 – Share-Based Compensation

As of September 30, 2012, there were two share-based compensation plans under which the Company has outstanding awards or can elect to make awards. The CBL & Associates Properties, Inc. 2012 Stock Incentive Plan ("the 2012 Plan") was approved by our shareholders in May 2012. The CBL & Associates Properties, Inc. Second Amended and Restated Stock Incentive Plan ("the 1993 Plan"), which was approved by our shareholders in May 2003, will expire in May 2013. The 2012 Plan is intended to replace the 1993 Plan under which the Company grants equity awards and the Company will not issue any new awards under the 1993 Plan.

Share-based compensation expense was \$467 and \$252 for the three months ended September 30, 2012 and 2011, respectively and \$1,974 and \$1,708 for the nine months ended September 30, 2012 and 2011, respectively.

Share-based compensation cost capitalized as part of real estate assets was \$45 and \$52 for the three months ended September 30, 2012 and 2011, respectively and \$96 and \$137 for the nine months ended September 30, 2012 and 2011, respectively.

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

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

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

Shares	Weighted Average Grant-Date Fair Value
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Nonvested at January 1, 2012	289,290	\$ 16.09
Granted	208,250	\$ 18.36
Vested	(86,900) \$ 16.79
Forfeited	(9,240	) \$ 16.66
Nonvested at September 30, 2012	401,400	\$ 17.11

As of September 30, 2012, there was \$4,506 of total unrecognized compensation cost related to nonvested stock awards granted under the plan, which is expected to be recognized over a weighted average period of 3.5 years.

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Note 13 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the nine months ended September 30, 2012 and 2011:

	Nine Months Ended September 30,	
	2012	2011
Additions to real estate assets from conversion of notes receivable	\$4,522	\$—
Accrued dividends and distributions payable	43,547	41,717
Additions to real estate assets accrued but not yet paid	24,300	25,870
Debt assumed to acquire real estate assets, including premiums	177,296	—

Note 14 – Income Taxes

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State tax expense was \$957 and \$1,045 during the three months ended September 30, 2012 and 2011, respectively and \$2,514 and \$3,090 during the nine months ended September 30, 2012 and 2011, respectively.

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

The Company recorded an income tax provision of \$1,195 and \$4,653 for the three months ended September 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax benefit of \$171 and deferred tax provision of \$1,366. The income tax provision in 2011 consisted of a current tax provision of \$4,759 and a deferred tax benefit of \$106.

The Company recorded an income tax provision of \$1,234 and an income tax benefit of \$1,770 for the nine months ended September 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax benefit of \$2,447 and deferred tax provision of \$3,681. The income tax benefit in 2011 consisted of a current tax provision of \$3,262 and a deferred tax benefit of \$5,032.

The Company had a net deferred tax asset of \$6,777 and \$8,012 at September 30, 2012 and December 31, 2011, respectively. The net deferred tax asset at September 30, 2012 and December 31, 2011 is included in intangible lease assets and other assets and primarily consisted of operating expense accruals and differences between book and tax depreciation.

The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its statement of operations. In

addition, any interest incurred on tax assessments is reported as interest expense. The Company reported nominal interest and penalty amounts for the nine month periods ended September 30, 2012 and 2011, respectively.

Note 15 – Subsequent Events

In November 2012, the Company received fully executed commitments, subject to the execution of definitive loan documents, on the modification and extension of its two major credit facilities, increasing the aggregate capacity by \$155,000 to \$1,200,000. The first \$600,000 facility will mature in November 2015 and the second \$600,000 facility will mature in November 2016. Both facilities will be converted from secured to unsecured facilities, will have one-year extension options at the Company's election, and will bear interest at an annual rate equal to LIBOR plus a range of 155 to 210 basis points, based on the Company's leverage ratio.

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In October 2012, the Company sold Towne Mall, located in Franklin, OH, for a gross sales price of \$950 less commissions and customary closing costs for a net sales price of \$892. Additionally in October 2012, the Company sold Hickory Hollow Mall, located in Antioch, TN, for a gross sales price of \$1,000 less commissions and customary closing costs for a net sales price of \$966. Net proceeds from the sale of both malls were used to reduce the outstanding balance on the Company's secured credit facilities. As described in Note 4, Towne Mall and Hickory Hollow Mall were classified as held for sale as of September 30, 2012 and a non-cash impairment of \$419 and \$8,047, respectively, was recognized in the third quarter of 2012 to write down the book value of both properties to the expected net sales price.

In October 2012, the Company retired an existing non-recourse mortgage loan with a principal balance of \$106,895, secured by Monroeville Mall in Monroeville, PA, with borrowings from the Company's secured credit facilities. The loan was scheduled to mature in January 2013.

In October 2012, the Company exercised its right to demand payment of its secured convertible promissory note with Jinsheng. The secured note has a face amount of \$4,875.

In October 2012, the Company completed an underwritten public offering of 6,900,000 depositary shares, each representing 1/10th of a share of its newly designated 6.625% Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") at \$25.00 per depositary share. The Company received net proceeds from the offering of approximately \$166,636 after deducting the underwriting discount and offering expenses. A portion of the net proceeds from this offering were used to redeem all the Company's outstanding 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Shares") with an aggregate liquidation preference of \$115,000, as discussed below. The remaining net proceeds of \$50,745 were used to reduce outstanding balances on the Company's secured credit facilities. The Company will pay cumulative dividends on the Series E Preferred Stock from the date of original issuance in the amount of \$1.65625 per depositary share each year, which is equivalent to 6.625% of the \$25.00 liquidation preference per depositary share. The Company may not redeem the Series E Preferred Stock before October 12, 2017, except in limited circumstances to preserve the Company's REIT status or in connection with a change of control. On or after October 12, 2017, the Company may, at its option, redeem the Series E Preferred Stock in whole at any time or in part from time to time by paying \$25.00 per depositary share, plus any accrued and unpaid dividends up to, but not including, the date of redemption. The Series E Preferred Stock generally has no stated maturity, will not be subject to any sinking fund or mandatory redemption. The Series E Preferred Stock is not convertible into any of the Company's securities, except under certain circumstances in connection with a change of control. Owners of the depositary shares representing Series E Preferred Stock generally have no voting rights except under dividend default.

On October 5, 2012, the Company called for redemption all 460,000 Series C Shares and all outstanding depositary shares, each representing 1/10th of a Series C Share. The aggregate redemption amount of \$115,891, which included \$891 related to accrued and unpaid dividends, was paid on November 5, 2012. The Company will record a charge to preferred dividends of \$3,773 in the fourth quarter of 2012 to write off the unamortized portion of direct issuance costs related to the Series C Shares and underlying depositary shares.

On October 11, 2012, the Company registered 2,465,442 shares of common stock for public resale by thirteen holders who were issued common stock in exchange for their common units of limited partnership interest in the Operating Partnership pursuant to their exercise of contractual registration rights.

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

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

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

Certain statements made in this section or elsewhere in this report may be deemed “forward-looking statements” within the meaning of the federal securities laws. All statements other than statements of historical fact should be considered to be forward-looking statements. In many cases, these forward-looking statements may be identified by the use of words such as “will,” “may,” “should,” “could,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “projects,” “goals,” “targets,” “predicts,” “plans,” “seeks,” or similar expressions. Any forward-looking statement speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this report. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance or results and we can give no assurance that these expectations will be attained. It is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of known and unknown risks and uncertainties. In addition to the risk factors described in Part II, Item 1A. of this report,

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such known risks and uncertainties include, without limitation:

- general industry, economic and business conditions;
- interest rate fluctuations;
- costs and availability of capital and capital requirements;
- costs and availability of real estate;
- inability to consummate acquisition opportunities and other risks associated with acquisitions;
- competition from other companies and retail formats;
- changes in retail rental rates in our markets;
- shifts in customer demands;
- tenant bankruptcies or store closings;
- changes in vacancy rates at our properties;
- changes in operating expenses;
- changes in applicable laws, rules and regulations; and
- the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future refinancing requirements and business.

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

EXECUTIVE OVERVIEW

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

As of September 30, 2012, we owned controlling interests in 77 regional malls/open-air centers (including one mixed-use center), 29 associated centers (each located adjacent to a regional mall), five community centers and 13 office buildings, including our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity ("VIE"). As of September 30, 2012, we owned noncontrolling interests in ten regional malls/open-air centers, three associated centers, five community centers and six office buildings. Because one or more of the other partners have substantive participating rights, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had controlling interests in the development of one outlet center and expansion of one outlet center, both of which are owned in 75/25 joint ventures at September 30, 2012. We also had controlling interests in one mall expansion, two community center developments and one mall redevelopment under construction at September 30, 2012. We also hold options to acquire certain development properties owned by third parties.

Third quarter 2012 continued the upward trend in our key metrics. Occupancy levels rose across all segments of our portfolio as compared to the prior year period, with an overall increase of 170 basis points for our total portfolio. Leasing results for the portfolio in the third quarter of 2012 were also positive with an 8.7% increase over the prior gross rent per square foot. Same-store sales per square foot for our stabilized malls increased 4.1% for the nine months ended September 30, 2012. We completed a new preferred offering in October 2012, which yielded net proceeds of approximately \$166.6 million at a dividend rate of 6.625%. Subsequent to September 30, 2012, we received fully executed commitments to modify two of our credit facilities, converting the facilities from secured to unsecured, increasing the aggregate capacity to \$1.2 billion, reducing the average interest rate by 60 basis points and extending the outside maturity dates by three years, providing us with additional financial flexibility.

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RESULTS OF OPERATIONS

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

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

(1) The Outlet Shoppes at Oklahoma City and The Outlet Shoppes at El Paso are 75/25 joint ventures, which are included in the Company's operations on a consolidated basis.

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

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

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

Comparison of the Three Months Ended September 30, 2012 to the Three Months Ended September 30, 2011 Revenues

Total revenues decreased \$7.7 million for the three months ended September 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by \$8.4 million due to a decrease of \$23.3 million related to the CBL/T-C Properties partially offset by increases of \$12.5 million from the New Properties and \$2.4 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a \$2.5 million increase in base rents, as a result of increases in occupancy and improvements in leasing spreads. Our cost recovery ratio for the quarter ended September 30, 2012 was 97.8% compared with 101.4% for the prior-year period.

Other revenues decreased \$0.5 million primarily due to a decrease of \$0.3 million in revenue related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased \$36.0 million for the three months ended September 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased \$1.3 million due to a reduction in expenses of \$7.4 million attributable to the CBL/T-C Properties partially offset by increases of \$4.2 million of expenses attributable to the New Properties and \$1.9 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of \$1.0 million in real estate taxes, \$0.9 million in maintenance and repairs expense and \$0.4 million in

property-level payroll expenses, partially offset by a decrease of \$0.4 million in utilities expense.

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The decrease in depreciation and amortization expense of \$3.5 million resulted from decreases of \$8.0 million related to the CBL/T-C Properties and \$0.3 million attributable to the Comparable Properties partially offset by an increase of \$4.8 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to write-offs of unamortized tenant allowances and in-place lease assets recorded during the third quarter of 2011 related to the closure of a Borders store and lower depreciation on Columbia Place due to the impairment of that property in the third quarter of 2011.

General and administrative expenses increased \$0.1 million primarily as a result of a decrease of \$0.4 million for capitalized overhead related to development projects partially offset by decreases in several other general and administrative expenses. As a percentage of revenues, general and administrative expenses were 3.9% and 3.8% for the third quarters of 2012 and 2011, respectively. General and administrative expenses as a percentage of revenues will be slightly higher going forward due to lower revenues as a result of the deconsolidation of the CBL/T-C Properties.

We recorded an impairment of real estate in continuing operations of \$21.7 million during the third quarter of 2012, comprised of \$17.8 million related to Willowbrook Plaza, a community center located in Houston, TX; \$3.0 million related to The Courtyard at Hickory Hollow, an associated center located in Antioch, TN; and \$0.9 million from the sale of two outparcels. The non-cash impairments of Willowbrook Plaza and The Courtyard at Hickory Hollow reduced the depreciable basis of these properties to their estimated fair values. In the third quarter of 2011, we recorded a non-cash impairment of real estate of \$51.3 million related to Columbia Place.

Other expenses decreased \$1.6 million primarily attributable to lower expenses of \$1.6 million related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased \$0.2 million compared to the prior year period. The \$0.2 million increase relates to interest income from a note receivable from a third party related to the development of The Outlet Shoppes at Atlanta, located in Woodstock, GA.

Interest expense decreased \$7.7 million for the three months ended September 30, 2012 compared to the prior year period. Decreases of \$8.3 million for the CBL/T-C Properties and \$2.9 million for the Comparable Properties were partially offset by an increase of \$3.5 million related to the New Properties. The decrease attributable to the Comparable Properties primarily results from a reduction in interest expense due to our ongoing efforts to reduce debt levels as we obtained new mortgage financings which resulted in significant interest rate savings compared with the retired loans.

During the third quarter of 2012, we recorded a gain on extinguishment of debt of \$0.2 million in connection with the early retirement of a mortgage loan.

During the third quarter of 2012, we recognized a gain on sales of real estate assets of \$1.7 million from the sale of four parcels of land. We recognized a gain on sales of real estate assets of \$2.9 million during the third quarter of 2011 related to the sale of a vacant anchor space at one of our malls and the sale of one parcel of land.

Equity in earnings of unconsolidated affiliates increased by \$1.1 million during the third quarter of 2012 compared to the prior year period. The \$1.1 million increase is primarily attributable to gains of \$1.0 million related to the sale of two outparcels as well as increases in occupancy across our portfolio of unconsolidated affiliates.

The income tax provision of \$1.2 million for the three months ended September 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current tax benefit of \$0.2 million and a deferred income tax provision of \$1.4 million. During the three months ended September 30, 2011, we recorded an income tax provision of \$4.7 million, consisting of a current tax provision of \$4.8 million and a deferred tax benefit of \$0.1 million.

The operating loss of discontinued operations for the three months ended September 30, 2012 of \$9.0 million includes an \$8.4 million impairment of real estate related to two malls that were classified as held for sale in the third quarter of 2012 as well as settlement of estimated expenses based on actual amounts for properties sold in previous periods. The operating loss of discontinued operations for the three months ended September 30, 2011 of \$0.1 million represents the settlement of estimated expenses based on actual amounts for properties sold during previous periods. The gain on discontinued operations of \$0.1 million for the third quarter of 2012 represents a \$0.1 million gain from a community

center sold during the period. The loss on discontinued operations of less than \$0.1 million for the third quarter of 2011 represents the operating results for the three properties discussed above for 2012, two community centers that were sold in the first quarter of 2012, and a community center that was sold in the fourth quarter of 2011.

Comparison of the Nine Months Ended September 30, 2012 to the Nine Months Ended September 30, 2011
Revenues

Total revenues decreased \$30.2 million for the nine months ended September 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by \$30.5 million due to a decrease of \$69.4 million related to the

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CBL/T-C Properties partially offset by increases of \$29.4 million from the New Properties and \$9.5 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a \$9.0 million increase in rental revenue, as a result of the increases in occupancy, improvements in leasing spreads and a bankruptcy settlement of \$1.6 million from a former tenant.

Our cost recovery ratio for the nine months ended September 30, 2012 was 97.3% compared with 100.5% for the prior-year period.

Other revenues decreased \$2.5 million primarily due to a decrease of \$1.8 million in revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased \$50.6 million for the nine months ended September 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased \$8.3 million due to a reduction in expenses of \$21.3 million attributable to the CBL/T-C Properties partially offset by increases of \$10.2 million of expenses attributable to the New Properties and \$2.8 million of expense related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of \$2.8 million in payroll and related costs and \$1.5 million in real estate taxes partially offset by a decrease of \$1.5 million in snow removal costs.

The decrease in depreciation and amortization expense of \$11.8 million resulted from decreases of \$23.8 million related to the CBL/T-C Properties and \$1.7 million from the Comparable Properties partially offset by an increase of \$13.7 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to \$2.2 million of write-offs of unamortized tenant allowances recorded in 2011 related to the closure of two Borders stores partially offset by ongoing capital expenditures for renovations, expansions and deferred maintenance.

General and administrative expenses increased \$2.8 million primarily as a result of increases of \$2.0 million in payroll and related costs, \$0.7 million in acquisition-related costs, and \$0.3 million for legal expenses, which were partially offset by a decrease of \$0.3 million in travel costs. As a percentage of revenues, general and administrative expenses were 4.7% and 4.2% for the nine months ended September 30, 2012 and 2011, respectively. General and administrative expenses as a percentage of revenues will be slightly higher going forward due to lower revenues as a result of the deconsolidation of the CBL/T-C Properties.

We recorded an impairment of real estate of \$21.7 million in 2012, comprised of \$17.8 million related to Willowbrook Plaza, a community center located in Houston, TX; \$3.0 million related to The Courtyard at Hickory Hollow, an associated center located in Antioch, TN; and \$0.9 million from the sale of two outparcels. The non-cash impairment write-downs for Willowbrook Plaza and The Courtyard at Hickory Hollow reduced the depreciable basis of these properties to their estimated fair values. In 2011, we recorded a non-cash impairment of real estate of \$51.3 million related to Columbia Place.

Other expenses decreased \$3.6 million primarily due to a write-down of \$1.9 million recorded in 2011 to reduce the carrying value of two mortgage note receivables to equal their estimated realizable values and a decrease of \$1.9 million in expenses related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased \$1.4 million compared to the prior year period, primarily as a result of two mezzanine loans for two outlet centers. We earned \$0.6 million in interest income on these loans and subsequently recognized \$0.6 million of unamortized discounts on these loans when they terminated in connection with the acquisitions of member interests in both outlet centers in 2012. We also received \$0.2 million of interest income on a note receivable related to the development of The Outlet Shoppes at Atlanta, located in Woodstock, GA.

Interest expense decreased \$24.5 million for the nine months ended September 30, 2012 compared to the prior year period as a result of decreases of \$24.8 million attributable to the CBL/T-C Properties and \$7.8 million related to the Comparable Properties partially offset by an increase of \$8.1 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to a reduction in interest expense as we used our lines of credit, which had lower interest rates, to retire maturing loans and then obtained new mortgage financings which also resulted in significant interest rate savings compared with the retired loans.

During the nine months ended September 30, 2012, we recorded a gain on extinguishment of debt of \$0.2 million related to the early retirement of debt on a mortgage loan. During the nine months ended September 30, 2011, we recorded a gain on extinguishment of debt of \$0.6 million related to the early retirement of debt on Mid Rivers Mall in St. Louis, MO. Both gains were due to the write-off of unamortized debt premiums when the related loans were retired.

During the nine months ended September 30, 2012, we recognized a gain on sales of real estate assets of \$1.8 million related to the sale of a vacant anchor space at one of our malls and the sale of seven parcels of land. We recognized a gain on sales of real estate assets of \$3.6 million during the nine months ended September 30, 2011 related to the sale of a vacant anchor space

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at one of our malls and five parcels of land.

Equity in earnings of unconsolidated affiliates increased by \$1.2 million during the nine months ended September 30, 2012 compared to the prior year period. The \$1.2 million increase is primarily attributable to a gain of \$1.0 million related to the sale of two outparcels as well as increases in rental revenues due to improved occupancy across our portfolio of unconsolidated affiliates.

The income tax provision of \$1.2 million for the nine months ended September 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current benefit of \$2.4 million and a deferred income tax provision of \$3.7 million. During the nine months ended September 30, 2011, we recorded an income tax benefit of \$1.8 million, consisting of a current tax provision of \$3.2 million and a deferred tax benefit of \$5.0 million.

The operating loss of discontinued operations for the nine months ended September 30, 2012 of \$6.3 million represents the operating results of Towne Mall and Hickory Hollow Mall that were classified as held for sale in the third quarter of 2012 as well as three community centers, Massard Crossing, Oak Hollow Square and the second phase of Settlers Ridge, that were sold during the year. We also recorded a gain of \$0.1 million on the sale of Massard Crossing in the third quarter of 2012, a \$0.3 million loss on impairment of real estate in the first quarter of 2012 to true-up certain estimated amounts to actual amounts related to the sale of Oak Hollow Square, and a gain of \$0.9 million on the sale of the second phase of Settlers Ridge in the first quarter of 2012. The results of operations of these two properties, including the gain on sale of real estate and loss on impairment of real estate, are included in discontinued operations for the nine months ended September 30, 2012. Operating income of \$23.5 million from discontinued operations for the nine months ended September 30, 2011 reflects the operating results of Oak Hollow Mall that was sold in February 2011. In accordance with the lender's agreement to modify the outstanding principal balance and accrued interest to equal the net sales price for the property, we recorded a gain on the extinguishment of debt of \$31.4 million in the first quarter of 2011. We also recorded a loss on impairment of real estate in the first quarter of 2011 of \$2.7 million to write down the book value of Oak Hollow Mall to the net sales price. We recorded a loss on impairment of real estate of \$4.5 million in the second quarter of 2011 to write down the book value of the second phase of Settlers Ridge to its then estimated fair value. The results of operations of this property, including the gain on extinguishment of debt and loss on impairment of real estate, are included in discontinued operations for the nine months ended September 30, 2011. Discontinued operations for all periods presented include the settlement of estimated expenses based on actual amounts for properties sold during previous periods.

Same-Center Net Operating Income

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

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

meet this criteria.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss) attributable to the Company	\$8,074	\$(16,726)	\$63,514	\$50,969
Adjustments: (1)				
Depreciation and amortization	76,920	78,210	228,109	232,198
Interest expense	72,441	77,539	214,708	230,805
Abandoned projects expense	8	—	(115)	51
Gain on sales of real estate assets	(2,295)	(2,971)	(6,623)	(4,929)
Gain on extinguishment of debt	(178)	—	(178)	(32,015)
Write-down of mortgage notes receivable	—	400	—	1,900
Loss on impairment of real estate	30,120	51,304	30,413	58,000
Income tax provision (benefit)	1,195	4,653	1,234	(1,770)
Net income attributable to noncontrolling interest in earnings of operating partnership	(1,776)	(7,760)	7,783	5,443
(Gain) loss on discontinued operations	(88)	31	(983)	(121)
Operating partnership's share of total NOI	184,421	184,680	537,862	540,531
General and administrative expenses	10,171	10,092	35,964	33,133
Management fees and non-property level revenues	(7,030)	(7,096)	(19,233)	(18,752)
Operating partnership's share of property NOI	187,562	187,676	554,593	554,912
Non-comparable NOI	(9,229)	(11,958)	(21,712)	(32,737)
Total same-center NOI	178,333	175,718	532,881	522,175
Less lease termination fees	(832)	(385)	(2,711)	(2,401)
Total same-center NOI, excluding lease termination fees	\$177,501	\$175,333	\$530,170	\$519,774

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

Same-center NOI, excluding lease termination fees, increased \$2.2 million and \$10.4 million for the three and nine month periods ending September 30, 2012 and 2011, respectively. The 1.2% increase for the quarter ended September 30, 2012 and 2.0% increase for the nine months ended September 30, 2012 as compared to the same periods in the prior year are primarily impacted by increases in rent as a result of occupancy gains and positive leasing spreads partially offset by increases in property-level operating expense related to payroll, real estate taxes and maintenance contracts.

Operational Review

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

over the course of the fiscal year.

We classify our regional malls into three categories:

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

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

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Town Center, which opened in July 2008, and The Outlet Shoppes at Oklahoma City were our only non-stabilized malls as of September 30, 2011.

(3) Non-core malls - Malls where we have determined that the current format of the property no longer represents the best use of the property and we are in the process of evaluating alternative strategies for the property, which may include major redevelopment or an alternative retail or non-retail format. Our non-core malls as of September 30, 2012 were Columbia Place, Hickory Hollow Mall, and Towne Mall. We did not have any malls designated as non-core as of September 30, 2011. The steps taken to reposition non-core malls, such as signing tenants to short-term leases, which are not included in occupancy percentages, or leasing to regional or local tenants, which typically do not report sales, may lead to metrics which do not provide relevant information related to the condition of the non-core properties. Therefore, traditional performance measures, such as occupancy percentages and leasing metrics, exclude non-core malls.

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

	Nine Months Ended September 30,			
	2012	2011		
Malls	88.9	% 89.1		%
Associated centers	4.1	% 4.1		%
Community centers	1.6	% 1.9		%
Mortgages, office buildings and other	5.4	% 4.9		%

Mall Store Sales

Mall store sales for our portfolio increased 4.1% for the nine month period ended September 30, 2012 as compared to the same period in 2011. Mall store sales for the trailing twelve months ended September 30, 2012 on a comparable per square foot basis were \$344 per square foot compared with \$330 per square foot in the prior year period, an increase of 4.2%. We anticipate sales will continue to improve at a steady pace for the remainder of 2012.

Occupancy

Our portfolio occupancy is summarized in the following table:

	As of September 30,			
	2012	2011		
Total portfolio	93.0	% 91.3		%
Total mall portfolio	93.1	% 91.2		%
Stabilized malls	93.0	% 91.2		%
Non-stabilized malls (1)	100.0	% 90.5		%
Associated centers	94.0	% 93.7		%
Community centers	91.5	% 90.9		%

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

Occupancy levels in the third quarter of 2012 increased across all segments of our portfolio as compared to the prior year period. Total portfolio occupancy rose 170 basis points to 93.0% as compared to the prior year period. We continue to anticipate that occupancy at the end of 2012 will be up 50 to 100 basis points to a range of 94.6% to 95.1% as compared to 2011 based on current leasing activity.

Leasing

During the third quarter of 2012, we signed approximately 1.4 million square feet of leases, including 1.3 million square feet of leases in our operating portfolio and less than 0.1 million square feet of development leases. The leases signed in our

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operating portfolio included approximately 0.3 million square feet of new leases and approximately 1.0 million square feet of renewals.

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

	As of September 30,	
	2012	2011
Stabilized malls	\$29.21	\$29.33
Non-stabilized malls (1)	22.77	24.19
Associated centers	11.85	11.68
Community centers	15.47	13.56
Office buildings	18.57	17.71

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

The decline in average annual base rents per square foot for the stabilized malls is primarily due to the inclusion of the outlet centers as of September 30, 2012, which typically have a lower average annual base rent per square foot as compared with regional malls.

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

Property Type	Square Feet	Prior Gross Rent PSF	New Initial Gross Rent PSF	% Change Initial	New Average Gross Rent PSF (2)	% Change Average	
Quarter:							
All Property Types (1)	576,979	\$35.73	\$37.70	5.5	% \$38.85	8.7	%
Stabilized malls	507,336	37.85	40.09	5.9	% 41.33	9.2	%
New leases	104,239	43.82	48.60	10.9	% 51.29	17.1	%
Renewal leases	403,097	36.30	37.89	4.4	% 38.75	6.7	%
Year to Date:							
All Property Types (1)	2,076,450	\$37.98	\$39.94	5.1	% \$41.25	8.6	%
Stabilized malls	1,893,767	39.64	41.83	5.5	% 43.21	9.0	%
New leases	350,431	43.59	51.53	18.2	% 54.57	25.2	%
Renewal leases	1,543,336	38.74	39.63	2.3	% 40.63	4.9	%

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

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

Overall, leases in the third quarter of 2012 were signed at an 8.7% increase over the prior gross rent per square foot. Leases for stabilized malls signed during the quarter were signed at a 9.2% increase over the prior gross rent per square foot. Renewal leasing spreads were also positive, up 6.7% compared to prior rents and new leases were signed at a 17.2% increase over prior rents. We continue to see benefits from positive tenant sales trends and the demand for space in our properties as supply remains constricted.

LIQUIDITY AND CAPITAL RESOURCES

With the increasing volatility of the debt markets, a priority is to ensure that we have multiple capital sources available to us. Therefore, we will continue our focus on reducing our debt levels while exploring opportunities to diversify our financing structure.

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We are working to be in a position to achieve an investment grade rating, which will provide us with access to a broader range of corporate securities. We believe this is attainable over time and will lead to a more diversified and flexible balance sheet and a lower overall cost of capital. This is an involved process that we expect will take at least two years to complete.

As we go forward, we will be taking steps to grow our unencumbered pool of properties as well as continue our focus on reducing overall leverage. We will also lower our secured debt as a percentage of total debt over time as loans mature, which will allow us to increase our access to unsecured debt.

We have taken the first step in this process by receiving fully executed lender commitments to extend and modify our two largest credit facilities. The facilities are being converted from secured to unsecured and the aggregate capacity will be increased by \$155.0 million to \$1.2 billion. The first \$600.0 million facility will have a maturity date in November 2015 and one one-year extension option, which is at our election, for an outside maturity date in November 2016. The second \$600.0 million facility will have a maturity date in November 2016 and a one-year extension option, which is at our election, for an outside maturity date in November 2017. The average spreads on both facilities are being reduced by 60 basis points across the leverage grid. We expect to close on the new facilities by mid-November 2012.

As discussed in Note 11 to the accompanying condensed consolidated financial statements, the terms of our joint venture agreement provide us with the ability to redeem Westfield's preferred units beginning January 31, 2013. We anticipate that we will redeem the preferred units in the middle of 2013 using a combination of capital sources. As a short-term solution, we will have enough capacity on our credit facilities to redeem all of the preferred units. However, we anticipate a longer-term solution that will include a combination of asset sales, excess proceeds from refinancings and other capital sources.

As of September 30, 2012, we had approximately \$256.9 million outstanding on all of our credit facilities combined. Our debt to gross asset value ratio was 52.5%. Based on a rolling twelve months, our interest coverage ratio was 2.59x and our debt service coverage ratio was 2.00x. See Debt below for additional information.

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

Cash Flows From Operations

We had \$66.4 million of unrestricted cash and cash equivalents as of September 30, 2012, an increase of \$10.3 million from December 31, 2011. Cash provided by operating activities during the nine months ended September 30, 2012, increased \$1.5 million to \$319.6 million from \$318.1 million during the nine months ended September 30, 2011.

Debt

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

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	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate (1)	
September 30, 2012						
Fixed-rate debt:						
Non-recourse loans on operating properties (2)	\$3,772,111	\$(70,585)	) \$670,282	\$4,371,808	5.54	%
Recourse term loans on operating properties (2)	50,160	—	—	50,160	5.83	%
Total fixed-rate debt	3,822,271	(70,585)	) 670,282	4,421,968	5.47	%
Variable-rate debt:						
Non-recourse term loans on operating properties	124,250	—	—	124,250	3.33	%
Recourse term loans on operating properties	71,513	—	129,696	201,209	3.08	%
Construction loans	31,246	—	—	31,246	3.28	%
Secured lines of credit	256,901	—	—	256,901	2.70	%
Unsecured term loans	395,209	—	—	395,209	1.63	%
Total variable-rate debt	879,119	—	129,696	1,008,815	2.47	%
Total	\$4,701,390	\$(70,585)	) \$799,978	\$5,430,783	4.91	%

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

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

(2) We have four interest rate swaps with notional amounts outstanding totaling \$114,884 as of September 30, 2012 and \$117,700 as of December 31, 2011 related to four of our variable-rate loans on operating properties to effectively fix the interest rates on these loans. Therefore, these amounts are reflected in fixed-rate debt at

September 30, 2012 and December 31, 2011.

As of September 30, 2012, \$180.5 million of our pro rata share of consolidated and unconsolidated debt is scheduled to mature over the remainder of 2012. We expect to use our lines of credit and excess proceeds from our preferred stock issuance to retire this debt.

The weighted average remaining term of our total share of consolidated and unconsolidated debt was 4.6 years and 4.5 years at September 30, 2012 and December 31, 2011, respectively. The weighted average remaining term of our pro rata share of fixed-rate debt was 5.4 years and 5.0 years at September 30, 2012 and December 31, 2011, respectively. As of September 30, 2012 and December 31, 2011, our pro rata share of consolidated and unconsolidated variable-rate debt represented 18.6% and 17.2%, respectively, of our total pro rata share of debt. As of September 30, 2012, our share of consolidated and unconsolidated variable-rate debt represented 10.0% of our total market capitalization (see Equity below) as compared to 10.3% as of December 31, 2011.

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

Secured Lines of Credit

We have three secured lines of credit that are used for mortgage retirement, working capital, construction and acquisition purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of our operating properties. Borrowings under these secured lines of credit bear interest at LIBOR plus an applicable spread, ranging from 1.75% to 3.00%, based on our leverage ratio and had a weighted average interest rate of 2.70% at September 30, 2012. We also pay fees based on the amount of unused availability under our secured lines of credit at rates ranging from 0.15% to 0.35% of unused availability. The following summarizes certain information about the secured lines of credit as of September 30, 2012 (in thousands):

Total Capacity	Total Outstanding		Maturity Date	Extended Maturity Date
\$525,000	\$77,500	(1)	February 2014	February 2015
520,000	150,196		April 2014	N/A
105,000	29,205		June 2015	June 2016
\$1,150,000	\$256,901			

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

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

See Note 15 to the condensed consolidated financial statements related to subsequent events that affected our secured credit facilities.

Unsecured Term Facilities

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

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

Letters of Credit

We have secured and unsecured lines of credit with total availability of \$14.0 million that are used only to issue letters of credit. There was \$1.5 million outstanding under these lines at September 30, 2012.

Covenants and Restrictions

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

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Ratio	Required	Actual
Debt to Gross Asset Value	< 65%	52.5%
Interest Coverage (1)	> 1.75x	2.59x
Debt Service Coverage (1)	> 1.50x	2.00x

(1) Based on rolling twelve months.

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

Mortgages on Operating Properties

In September 2012, we retired two loans totaling \$122.0 million, each of which was secured by a regional mall, with borrowings from our secured credit facilities. The loans were scheduled to mature in 2012. We recorded a gain on extinguishment of debt of \$0.2 million related to the early retirement of this debt.

In August 2012, we retired a \$2.0 million land loan, secured by The Forum at Grandview in Madison, MS, with borrowings from our secured credit facilities. The loan was scheduled to mature in September 2012.

During the second quarter of 2012, we closed on five ten-year non-recourse commercial mortgage backed securities ("CMBS") loans totaling \$342.2 million. The loans bear interest at fixed rates ranging from 4.75% to 5.099% with a total weighted average interest rate of 4.946%. These loans are secured by WestGate Mall in Spartanburg, SC, Southpark Mall in Colonial Heights, VA, Jefferson Mall in Louisville, KY, Fashion Square Mall in Saginaw, MI and Arbor Place in Douglasville, GA. Proceeds were used to pay down our secured credit facilities and to retire an existing loan with a balance of \$30.8 million secured by Southpark Mall.

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

Also during the second quarter of 2012, we closed on the extension and modification of a recourse mortgage loan secured by Statesboro Crossing in Statesboro, GA to extend the maturity date to February 2013 and reduce the amount available under the loan from \$20.9 million to equal the outstanding balance of \$13.6 million. The interest rate remained at one-month LIBOR plus a spread of 1.00%. During the first quarter of 2012, this loan had previously been extended to April 2012.

During the first quarter of 2012, we closed on a \$73.0 million ten-year non-recourse CMBS loan secured by Northwoods Mall in Charleston, SC, which bears a fixed interest rate of 5.075%. Proceeds were used to reduce outstanding balances on our secured credit facilities.

Also during the first quarter of 2012, we retired 14 operating property loans with an aggregate principal balance of \$381.6 million that were secured by Arbor Place, The Landing at Arbor Place, Fashion Square, Hickory Hollow Mall, The Courtyard at Hickory Hollow Mall, Jefferson Mall, Massard Crossing, Northwoods Mall, Old Hickory Mall, Pemberton Plaza, Randolph Mall, Regency Mall, WestGate Mall and Willowbrook Plaza with borrowings from our secured credit facilities. Massard Crossing was sold in July 2012 for a net sales price of \$7.4 million and proceeds

from the sale were used to reduce the balance on our secured credit facilities.

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

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Subsequent to September 30, 2012, we retired an existing non-recourse mortgage loan with a principal balance of \$106.9 million, secured by Monroeville Mall in Monroeville, PA, with borrowings from our secured credit facilities. The loan was scheduled to mature in January 2013.

Interest Rate Hedging Instruments

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

Instrument Type	Location in Consolidated Balance Sheet	Outstanding Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 9/30/2012	Fair Value at 12/31/11	Maturity Date
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$55,541 (amortizing to \$48,337)	1-month LIBOR	2.149 %	\$(3,018)	\$(2,674)	April 30, 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$34,770 (amortizing to \$30,276)	1-month LIBOR	2.187 %	(1,930)	(1,725)	April 30, 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$13,001 (amortizing to \$11,313)	1-month LIBOR	2.142 %	(704)	(622)	April 30, 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$11,572 (amortizing to \$10,083)	1-month LIBOR	2.236 %	(660)	(596)	April 30, 2016
Cap	Intangible lease assets and other assets	\$124,250 (amortizing to \$122,375)	3-month LIBOR	5.000 %	—	—	January 1, 2014

Equity

During the nine months ended September 30, 2012, we paid dividends of \$130.5 million to holders of our common stock and our preferred stock, as well as \$49.3 million in distributions to the noncontrolling interest investors in our Operating Partnership and other consolidated subsidiaries.

On August 30, 2012, we announced a third quarter 2012 common stock dividend of \$0.22 per share payable in cash that was paid on October 16, 2012. On June 1, 2012, we announced a second quarter 2012 common stock dividend of \$0.22 per share payable in cash that was paid on July 17, 2012. On February 24, 2012, we announced a first quarter 2012 common stock dividend of \$0.22 per share payable in cash that was paid on April 17, 2012. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration.

In the third quarter of 2012, eleven holders of 533,708 common units of limited partnership interest in the Operating Partnership exercised their conversion rights. We elected to issue 533,708 shares of common stock in exchange for the common units in the third quarter of 2012. Additionally, during the third quarter of 2012, JCP Realty, Inc., a wholly owned subsidiary of J.C. Penney Corporation, Inc., which held 1,895,358 common units of limited partnership interest in the Operating Partnership, and another holder of 36,376 common units of limited partnership interest in the Operating Partnership exercised their conversion rights. We elected to issue 1,931,734 shares of common stock in exchange for the common units in the fourth quarter of 2012. These shares were registered for public resale in October

2012 pursuant to the holders' exercise of contractual registration rights.

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

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

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

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As a publicly traded company, we have access to capital through both the public equity and debt markets. We currently have a shelf registration statement on file with the SEC authorizing us to publicly issue senior and/or subordinated debt securities, shares of preferred stock (or depositary shares representing fractional interests therein), shares of common stock, warrants or rights to purchase any of the foregoing securities, and units consisting of two or more of these classes or series of securities. There is no limit to the offering price or number of securities that we may issue under this shelf registration statement.

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value of equity) ratio was 54.0% at September 30, 2012, compared to 67.8% at September 30, 2011. Our debt-to-market capitalization ratio at September 30, 2012 was computed as follows (in thousands, except stock prices):

	Shares Outstanding	Stock Price (1)	Value	
Common stock and operating partnership units	190,194	\$21.34	\$4,058,740	
7.75% Series C Cumulative Redeemable Preferred Stock	460	250.00	115,000	
7.375% Series D Cumulative Redeemable Preferred Stock	1,815	250.00	453,750	
Total market equity			4,627,490	
Company's share of total debt			5,430,783	
Total market capitalization			\$10,058,273	
Debt-to-total-market capitalization ratio			54.0	%

Stock price for common stock and Operating Partnership units equals the closing price of our common stock on (1) September 28, 2012. The stock prices for the preferred stock represent the liquidation preference of each respective series of preferred stock.

In October 2012, we completed an underwritten public offering of 6,900,000 depositary shares, each representing 1/10th of a share of our 6.625% Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") at \$25.00 per share plus accrued dividends. We received net proceeds from the offering of approximately \$166.6 million after deducting the underwriting discount and offering expenses. Net proceeds from this offering are for the redemption of all our outstanding 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Shares") with an aggregate liquidation preference of \$115.0 million, as discussed below. Additional proceeds were used to reduce outstanding balances on our secured credit facilities. We will pay cumulative dividends on the Series E Preferred Stock from the date of original issuance in the amount of \$1.65625 per depositary share each year, which is equivalent to 6.625% of the \$25.00 liquidation preference per depositary share. We may not redeem the Series E Preferred Stock before October 12, 2017, except in limited circumstances to preserve our REIT status or in connection with a change of control. On or after October 12, 2017, we may, at our option, redeem the Series E Preferred Stock in whole at any time or in part from time to time by paying \$25.00 per depositary share, plus any accrued and unpaid dividends up to, but not including, the date of redemption. The Series E Preferred Stock generally has no stated maturity, will not be subject to any sinking fund or mandatory redemption. The Series E Preferred Stock is not convertible into any of the Company's securities, except under certain circumstances in connection with a change of control. Owners of the depositary shares representing Series E Preferred Stock generally have no voting rights except under dividend default.

On October 5, 2012, we called for redemption all 460,000 Series C Shares and all outstanding depositary shares, each representing 1/10th of a Series C Share. The aggregate redemption amount of \$115.9 million, which included \$0.9 million related to accrued and unpaid dividends, was paid on November 5, 2012. We will record a charge of \$3.8 million in the fourth quarter of 2012 to write off direct issuance costs related to the Series C Shares and underlying depositary shares.

Capital Expenditures

Deferred maintenance expenditures are generally billed to tenants as common area maintenance expense, and most are recovered over a 5 to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which a portion is recovered from tenants over a 5 to 15-year period. We recover these costs through fixed amounts with annual increases or pro rata cost reimbursements based on the tenant's occupied space. The following table summarizes these capital expenditures, including our share of unconsolidated affiliates' capital expenditures, for the three and nine month periods ended September 30, 2012 compared to 2011 (dollars in thousands):

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	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2012	2011	2012	2011
Tenant allowances (1)	\$12,696	\$11,239	\$39,080	\$32,135
Renovations	11,039	9,344	16,700	19,001
Deferred maintenance:				
Parking lot and parking lot lighting	5,192	2,852	12,233	5,334
Roof repairs and replacements	2,705	945	6,528	2,728
Other capital expenditures	5,221	2,607	12,289	4,955
	13,118	6,404	31,050	13,017
	\$36,853	\$26,987	\$86,830	\$64,153

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

We capitalized overhead of \$0.6 million and \$1.0 million during the three months ended September 30, 2012 and 2011, respectively, and \$2.5 million and \$3.2 million during the nine months ended September 30, 2012 and 2011, respectively. We capitalized \$0.7 million and \$1.3 million of interest during the three months ended September 30, 2012 and 2011, respectively, and \$1.9 million and \$3.7 million during the nine months ended September 30, 2012 and 2011, respectively.

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

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

Developments and Expansions

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

Properties Opened During the Nine Months Ended September 30, 2012

(Dollars in thousands)

Property	Location	Total Project Square Feet	CBL's Share of			
			Total Cost (1)	Cost to Date (2)	Opening Date	Initial Yield
Community Center Expansion:						
The Forum at Grandview - Phase II (3)	Madison, MS	83,060	\$16,826	\$12,670	April-12	7.6%
Mall Redevelopment:						
Foothills Mall/Plaza - Carmike Cinemas	Maryville, TN	45,276	\$8,337	\$8,708	March-12	7.3%
Total Properties Opened		128,336	\$25,163	\$21,378		

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

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

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

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

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

Properties Under Development at September 30, 2012

(Dollars in thousands)

Property	Location	Total Project Square Feet	CBL's Share of		Expected Opening Date	Initial Yield
			Total Cost (1)	Cost to Date (2)		
Community Centers:						
Waynesville Commons	Waynesville, NC	127,585	\$9,987	\$9,336	October-12	10.6%
The Crossings at Marshalls Creek	Middle Smithfield, PA	104,525	18,983	9,373	Summer-13	9.8%
		232,110	\$28,970	\$18,709		
Mall Expansion:						
The Shoppes at Southaven Town Center - Phase I	Southaven, MS	15,557	\$1,828	\$1,733	Fall-12	16.4%
Outlet Centers:						
The Outlet Shoppes at Atlanta (3)	Woodstock, GA	370,456	\$80,490	\$21,765	Summer-13	10.0%
The Outlet Shoppes at Oklahoma City - Phase II (3)	Oklahoma City, OK	27,850	6,668	3,460	Fall-12	11.4%
		398,306	\$87,158	\$25,225		
Mall Redevelopment:						
Monroeville Mall - JC Penney/Cinemark	Pittsburgh, PA	464,792	\$26,178	\$8,448	October-12/ Winter-13	7.6%
Total Properties Under Development		1,110,765	\$144,134	\$54,115		

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

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

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

In October 2012, we announced the opening of Waynesville Commons, a community center located in Waynesville, NC. The 100% leased center is anchored by Belk, PetSmart and Michaels and located next to an existing Wal-Mart. We began construction in August 2012 on The Crossings at Marshalls Creek, a community center development, which will be anchored by Price Chopper super market, Rite Aid, STS Tire and Auto Centers, and Family Dollar. The project is currently 80% leased or committed with a grand opening scheduled for summer 2013.

Construction continues on an expansion of Southaven Town Center, an open-air center. The project is scheduled for completion in late fall 2012 and is fully leased to Men's Warehouse, College Station, Torrid and Rue 21.

Construction is in progress on The Outlet Shoppes at Atlanta. The 370,500 square foot project is already 81% leased or committed with retailers including Saks Fifth Avenue OFF 5TH, Nike, Levi's, Brooks Brothers, Converse, Cole Haan, and others. This project is a 75/25 joint venture scheduled to open in August 2013.

Construction also continues on a second phase of 28,000 square feet to The Outlet Shoppes at Oklahoma City. The 100% leased or committed expansion is scheduled to open in November 2012 and will feature several new tenants including Columbia Sports, Ann Taylor LOFT, Waterford, Kenneth Cole, Lucky Jeans, and Coach Men.

A new 110,000 square foot JC Penney store opened in October 2012 in conjunction with our redevelopment project at Monroeville Mall. The redevelopment also includes a 12-screen Cinemark Theatre, anticipated to open in late 2013.

Renovations continue at four of our malls, including Cross Creek Mall in Fayetteville, NC; Post Oak Mall in College Station, TX; Turtle Creek Mall in Hattiesburg, MS and Mall del Norte in Laredo, TX. The projects are scheduled for completion by the end of 2012. The aggregate expenditure for these renovations is estimated to be approximately \$19.5 million. We believe our renovation program is important to the continued growth of our properties in helping to attract new retailers as well as drive traffic and sales.

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

Acquisitions

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

In the second quarter of 2012, we entered into a joint venture, Atlanta Outlet Shoppes, LLC, with a third party to develop, own, and operate The Outlet Shoppes at Atlanta, an outlet center development located in Woodstock, GA. We hold a 75% ownership interest in the joint venture. In August 2012, the joint venture closed on a construction loan with a maximum capacity of \$69.8 million that bears interest at LIBOR plus a margin of 275 basis points. The loan matures in August 2015 and has two one-year extension options available. We have guaranteed 100% of this loan. In the second quarter of 2012, we exercised our right with our noncontrolling interest partner to convert a mezzanine loan into a member interest in The Outlet Shoppes at Gettysburg, located in Gettysburg, PA. After conversion, we own a 50.0% interest in the outlet center. Our investment of \$24.8 million consisted of a \$4.5 million converted mezzanine loan and the assumption of \$20.3 million of debt. The \$40.6 million of debt, of which our share is 50%, bears interest at a fixed rate of 5.87% and matures in February 2016.

In the second quarter of 2012, we acquired a 75.0% joint venture interest in The Outlet Shoppes at El Paso, an outlet shopping center located in El Paso, TX, and a 50% joint venture interest in outparcel land adjacent to the outlet shopping center. Our investment of \$85.6 million includes cash consideration of \$35.4 million and the assumption of \$50.2 million of non-recourse debt. The \$66.9 million of debt, of which our share is 75.0%, bears interest at a fixed rate of 7.06% and matures in December 2017.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 18 unconsolidated affiliates as of September 30, 2012 that are described in [Note 5](#) to the condensed consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the condensed consolidated balance sheets as "Investments in Unconsolidated Affiliates." The following are circumstances when we may consider entering into a joint venture with a third party:

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

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

Preferred Joint Venture Units

We consolidate our investment in a joint venture, CW Joint Venture, LLC ("CWJV"), with Westfield Group ("Westfield"). The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0%, which increases to 6.0% on July 1, 2013, on the preferred liquidation value of the perpetual preferred joint venture units ("PJV units") of CWJV that are held by Westfield. Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property

that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property (a "Preventing Event"), then the annual preferred distribution rate on the PJV units increases to 9.0% beginning July 1, 2013. We will have the right, but not the obligation, to offer to redeem the PJV units from January 31, 2013 through January 31, 2015 at their preferred liquidation value, plus accrued and unpaid distributions. We amended the joint venture agreement with Westfield in September 2012 to provide that, if we exercise our right to offer to redeem the PJV units on or before August 1, 2013, then the preferred liquidation value will be reduced by \$10.0 million so long as Westfield does not reject the offer and the redemption closes on or before September 30, 2013. If we fail to make such an offer, the annual

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preferred distribution rate on the PJV units increases to 9.0% for the period from July 1, 2013 through June 30, 2016, at which time it decreases to 6.0% if a Preventing Event has not occurred. If, upon redemption of the PJV units, the fair value of our common stock is greater than \$32.00 per share, then such excess (but in no case greater than \$26.0 million in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. We account for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, we will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

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

We own a parcel of land in Lee's Summit, MO that we are ground leasing to a third party development company. The third party developed and operates a shopping center on the land parcel. We have guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount, representing 27% of capacity, is approximately \$18.6 million. In the third quarter of 2012, the loans were modified and extended to December 2012. In August 2012, proceeds from a bond issuance were applied to reduce \$10.4 million of the outstanding balance on the bond line of credit. Additionally, \$1.0 million of the construction loan was repaid. The total amount outstanding at September 30, 2012 on the loans was \$49.3 million of which we have guaranteed \$13.3 million. We included an obligation of \$0.2 million as of September 30, 2012 and December 31, 2011 in the accompanying condensed consolidated balance sheets to reflect the estimated fair value of the guaranty.

We have guaranteed 100% of the construction and land loans of West Melbourne I, LLC ("West Melbourne"), an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$45.5 million. West Melbourne developed and operates Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at September 30, 2012 was \$45.5 million. The guaranty will expire upon repayment of the debt. The land loan, and the construction loan, each representing \$3.0 million and \$42.5 million, respectively, of the amount outstanding at September 30, 2012, mature in November 2013. The construction loan has a one-year extension option available. We included an obligation of \$0.5 million in the accompanying condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

We have guaranteed 100% of the construction loan of Port Orange, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$64.0 million. Port Orange developed and operates The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at September 30, 2012 on the loan was \$64.0 million. The guaranty will expire upon repayment of the debt. The loan matures in March 2014 and has a one-year extension option available. We included an obligation of \$1.0 million in the accompanying condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

We have guaranteed the lease performance of YTC, an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. We have guaranteed YTC's performance under this agreement up to a maximum of \$22.0 million, which decreases by \$0.8 million annually until the guaranteed amount is reduced to \$10.0 million. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was \$18.0 million as of September 30, 2012. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We

did not include an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

In July 2012, we guaranteed 100% of a term loan for Gulf Coast, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$6.9 million. The loan is for the third phase expansion of Gulf Coast Town Center, a shopping center located in Ft. Myers, FL. The total amount outstanding at September 30, 2012 on the loan was \$6.9 million. The guaranty will expire upon repayment of the debt. The loan matures in July 2015. We did not include an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

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In August 2012, we guaranteed 100% of a construction loan for the Atlanta Outlet Shoppes, a joint venture in which we own a 75% interest and the maximum guaranteed amount is \$69.8 million. Atlanta Outlet Shoppes is developing The Outlet Shoppes at Atlanta, an outlet center in Woodstock, GA. The total amount outstanding at September 30, 2012 on the loan was \$5.0 million. The guaranty will expire upon repayment of the debt. The loan matures in August 2015 and has two one-year extension options available. We included an obligation of \$0.2 million in the accompanying condensed consolidated balance sheet as of September 30, 2012 to reflect the estimated fair value of this guaranty.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

Revenue Recognition

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

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

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

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

Real Estate Assets

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

Major replacements and improvements are capitalized and depreciated over their estimated useful lives.

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

Depreciation is computed on a straight-line basis over estimated lives of 40 years for buildings, 10 to 20 years for certain improvements and 7 to 10 years for equipment and fixtures. Tenant improvements are capitalized and depreciated on a straight-line basis over the term of the related lease. Lease-related intangibles from acquisitions of real estate assets are amortized over the

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remaining terms of the related leases. The amortization of above- and below-market leases is recorded as an adjustment to minimum rental revenue, while the amortization of all other lease-related intangibles is recorded as amortization expense. Any difference between the face value of the debt assumed and its fair value is amortized to interest expense over the remaining term of the debt using the effective interest method.

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value. We estimate fair value using the undiscounted cash flows expected to be generated by each property, which are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates, among others. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved. See [Note 3](#) and [Note 4](#) to the condensed consolidated financial statements for information related to the impairment of long-lived assets for the three and nine month periods ended September 30, 2012 and 2011.

Allowance for Doubtful Accounts

We periodically perform a detailed review of amounts due from tenants and others to determine if accounts receivable balances are impaired based on factors affecting the collectibility of those balances. Our estimate of the allowance for doubtful accounts requires significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income. We recorded a provision for doubtful accounts of \$2.2 million and \$2.0 million for the nine months ended September 30, 2012 and 2011, respectively.

Investments in Unconsolidated Affiliates

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

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

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

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

On a periodic basis, we assess whether there are any indicators that the fair value of our investments in unconsolidated affiliates may be impaired. An investment is impaired only if our estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair

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value for each investment are based on a number of assumptions such as future leasing expectations, operating forecasts, discount rates and capitalization rates, among others. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the fair values estimated in the impairment analyses may not be realized.

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

Recent Accounting Pronouncements

Accounting Guidance Adopted

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

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

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

debt. ASU 2011-10 should be applied on a prospective basis to deconsolidation events occurring after the effective date. For public companies, this guidance is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. We elected to adopt ASU 2011-10 effective January 1, 2012. The adoption of this guidance did not have an impact on our condensed consolidated financial statements.

Impact of Inflation/Deflation

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

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

Funds From Operations

Funds from Operations ("FFO") is a widely used measure of the operating performance of real estate companies that supplements net income (loss) determined in accordance with GAAP. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) (computed in accordance with GAAP) excluding gains or losses on sales of operating properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures and noncontrolling interests. Adjustments for unconsolidated partnerships and joint ventures and noncontrolling interests are calculated on the same basis. In October 2011, NAREIT clarified that FFO should exclude the impact of losses on impairment of depreciable properties. The Company has calculated FFO for all periods presented with this clarification. We define FFO allocable to common shareholders as defined above by NAREIT less dividends on preferred stock. Our method of calculating FFO allocable to common shareholders may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

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

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

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

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

During the nine months ended September 30, 2012 and 2011, we recorded a gain on extinguishment of debt of \$0.2 million and \$32.0 million, respectively. Considering the significance and nature of this item, we believe that it is

important to identify the impact of the change on our FFO measures for a reader to have a complete understanding of our results of operations. Therefore, we have also presented our FFO measure excluding this item.

FFO of the Operating Partnership increased to \$101.8 million during the three months ended September 30, 2012 compared to \$91.1 million in the prior year period. FFO of the Operating Partnership decreased to \$295.1 million during the nine months ended September 30, 2012 compared to \$308.4 million for the same period in 2011. Excluding the gain on extinguishment of debt, FFO of the Operating Partnership for the three and nine month periods ended September 30, 2012 and 2011 was \$101.7 million as compared to \$91.1 million and \$294.9 million as compared to \$276.4 million, an increase of \$10.6 million and \$18.5 million, respectively. FFO was positively impacted by lower interest expense due to ongoing efforts to reduce debt levels, improvements in same-center NOI and the addition of the New Properties.

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

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2012	2011	2012	2011
Net income (loss) attributable to common shareholders	\$(2,520)	\$(27,320)	\$31,732	\$19,187
Noncontrolling interest in income (loss) of operating partnership	(1,776)	(7,760)	7,783	5,443
Depreciation and amortization expense of:				
Consolidated properties	67,186	70,720	198,123	209,925
Unconsolidated affiliates	10,828	7,020	32,947	21,132
Discontinued operations	114	684	576	1,657
Non-real estate assets	(478)	(732)	(1,366)	(1,959)
Noncontrolling interests' share of depreciation and amortization	(1,208)	(214)	(3,537)	(516)
Loss on impairment of real estate, net of tax	29,773	51,068	29,969	56,070
Gain on depreciable property	—	(2,406)	(493)	(2,406)
(Gain) loss on discontinued operations, net of tax	(89)	31	(644)	(86)
Funds from operations of the operating partnership	101,830	91,091	295,090	308,447
Gain on extinguishment of debt	(178)	—	(178)	(32,015)
Funds from operations of the operating partnership, as adjusted	\$101,652	\$91,091	\$294,912	\$276,432

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

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2012	2011	2012	2011
Funds from operations of the operating partnership	\$101,830	\$91,091	\$295,090	\$308,447
Percentage allocable to common shareholders (1)	83.43 %	77.93 %	80.30 %	77.90 %
Funds from operations allocable to common shareholders	\$84,957	\$70,987	\$236,957	\$240,280
Funds from operations of the operating partnership, as adjusted	\$101,652	\$91,091	\$294,912	\$276,432
Percentage allocable to common shareholders (1)	83.43 %	77.93 %	80.30 %	77.90 %
Funds from operations allocable to Company shareholders, as adjusted	\$84,808	\$70,987	\$236,814	\$215,341

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

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ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at September 30, 2012, a 0.5% increase or decrease in interest rates on variable rate debt would decrease or increase annual cash flows by approximately \$5.0 million and \$2.2 million, respectively, and increase or decrease annual interest expense, after the effect of capitalized interest, by approximately \$4.8 million and \$2.3 million, respectively.

Based on our proportionate share of total consolidated and unconsolidated debt at September 30, 2012, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$97.9 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$90.8 million.

ITEM 4: Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

On March 11, 2010, The Promenade D'Iberville, LLC ("TPD"), a subsidiary of the Company, filed a lawsuit in the Circuit Court of Harrison County, Mississippi, against M. Hanna Construction Co., Inc. ("M Hanna"), Gallet &

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

TPD also has filed claims under several insurance policies in connection with this matter, and there are three pending lawsuits relating to insurance coverage. On October 8, 2010, First Mercury Insurance Company (“First Mercury”) filed an action in the United States District Court for the Eastern District of Texas against M Hanna and TPD seeking a declaratory judgment concerning coverage

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

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

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

ITEM 1A. Risk Factors

The following information updates the information disclosed in “Item 1A – Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2011, by providing information that is current as of September 30, 2012:

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- National, regional and local economic climates, which may be negatively impacted by loss of jobs, production slowdowns, adverse weather conditions, natural disasters, acts of violence, war or terrorism, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods.
- Adverse changes in levels of consumer spending, consumer confidence and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual profits).
- Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.
- Increased operating costs, such as increases in repairs and maintenance, real property taxes, utility rates and insurance premiums.
- Delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control.
- Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.
- The willingness and ability of the shopping center's owner to provide capable management and maintenance services.
- The convenience and quality of competing retail properties and other retailing options, such as the internet.

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

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

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

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

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

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

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

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

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

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

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

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

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

We own partial interests in 27 malls, 11 associated centers, eight community centers and eight office buildings. We manage all but six of these properties. Governor's Square, Governor's Plaza, Kentucky Oaks, The Outlet Shoppes at Oklahoma City, The Outlet Shoppes at El Paso, and The Outlet Shoppes at Gettysburg are all owned by joint ventures and are managed by a property manager that is affiliated with the third party partner. The property manager performs the property management and leasing services for these six properties and receives a fee for its services. The managing partner of the properties controls the cash flow distributions,

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although our approval is required for certain major decisions.

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

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

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

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

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

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

liable for all or a portion of such costs or claims.

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

We believe that our properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. As of September 30, 2012, we have recorded in our financial statements a liability of \$3.1 million related to potential future asbestos abatement activities at our properties

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

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

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

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

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

We are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional common stock, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, common stock or any substantially similar securities in the future. Future sales or issuances of substantial amounts of our common stock may be at prices below the then-current market price of our common stock and may adversely impact the market price of our common stock. Additionally, the market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after a common

stock offering or the perception that such sales could occur.

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

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

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- impairment charges affecting the carrying value of one or more of our properties or other assets;
- publication of research reports about us, the retail industry or the real estate industry generally;
- increases in market interest rates that lead purchasers of our securities to seek higher dividend or interest rate yields;

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changes in market valuations of similar companies;
adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
additions or departures of key management personnel;
actions by institutional security holders;
proposed or adopted regulatory or legislative changes or developments;
speculation in the press or investment community;
the occurrence of any of the other risk factors included in, or incorporated by reference in, this report; and
general market and economic conditions.

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

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

On October 5, 2012, we completed an underwritten public equity offering (the "Series E Offering") of 6,900,000 depositary shares, each representing 1/10th of a share of our 6.625% Series E Preferred Stock, having a liquidation preference of \$25.00 per depositary share. We used approximately \$115.9 million of the \$166.6 million in net proceeds received from this offering to redeem all of our outstanding 7.75% Series C Cumulative Redeemable Preferred Stock, including accrued and unpaid dividends, as of November 5, 2012, with the remaining net proceeds being applied to reduce outstanding balances on our lines of credit. We have the option to redeem all or a portion of such depositary shares at any time on or after October 5, 2017, at \$25.00 per depositary share, plus all accrued and unpaid dividends to, but not including, the date of redemption. We also have the option to redeem all or a portion of the depositary shares at any time under circumstances intended to preserve our status as a real estate investment trust for federal and/or state income tax purposes. In addition, upon the occurrence of a Change of Control (as defined in the Certificate of Designations for our Series E Preferred Stock), we may, at our option, redeem all or a portion of the depositary shares, within 120 days after the first date on which such Change of Control occurred, at \$25.00 per depositary share plus all accrued and unpaid dividends to, but not including, the date of redemption. These 6,900,000 depositary shares will accrue dividends totaling approximately \$11.4 million annually, decreasing earnings per share available to our common shareholders and the amounts available to our common shareholders for dividend payments.

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

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

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

discount shopping centers;
outlet malls;
wholesale clubs;
direct mail;
television shopping networks; and

shopping via the internet.

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

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

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

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

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

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

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

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

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value,

which could have a material adverse effect on our financial results in the accounting period in which the adjustment is made. Our estimates of undiscounted cash flows expected to be generated by each property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved.

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

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

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

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

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

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

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

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

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

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

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

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

At September 30, 2012, our total share of consolidated and unconsolidated debt outstanding was approximately \$5,430.8 million, which represented approximately 54.0% of our total market capitalization at that time, and our total share of consolidated and unconsolidated debt maturing in 2012, 2013 and 2014, giving effect to all maturity extensions that are available at our election, was approximately \$180.5 million, \$645.0 million and \$409.0 million, respectively.

On a pro forma basis as of September 30, 2012, after giving effect to the Series E Offering and the use of proceeds from that offering as described above, our total share of consolidated and unconsolidated debt would have been approximately \$5,380.0 million. As of such date, and giving effect to the Series E Offering, our total share of consolidated and unconsolidated debt maturing in 2012, 2013 and 2014, giving effect to all maturity extensions that are available at our election, would have been approximately \$180.5 million, \$645.0 million and \$358.2 million, respectively.

Our significant leverage could have important consequences. For example, it could:

- result in the acceleration of a significant amount of debt for non-compliance with the terms of such debt or, if such debt contains cross-default or cross-acceleration provisions, other debt;
- result in the loss of assets due to foreclosure or sale on unfavorable terms, which could create taxable income without accompanying cash proceeds;
- materially impair our ability to borrow unused amounts under existing financing arrangements or to obtain additional financing or refinancing on favorable terms or at all;
- require us to dedicate a substantial portion of our cash flow to paying principal and interest on our indebtedness, reducing the cash flow available to fund our business, to pay dividends, including those necessary to maintain our REIT qualification, or to use for other purposes;
- increase our vulnerability to an economic downturn;
- limit our ability to withstand competitive pressures; or
- reduce our flexibility to respond to changing business and economic conditions.

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

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

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

As of September 30, 2012, our total share of consolidated and unconsolidated variable rate debt was \$1,008.8 million. Increases in interest rates will increase our cash interest payments on the variable rate debt we have outstanding from time to time. If we do not have sufficient cash flow from operations, we might not be able to make all required payments of principal and interest on our debt, which could result in a default or have a material adverse

effect on our financial condition and results of operations, and which might adversely affect our cash flow and our ability to make distributions to shareholders. These significant debt payment obligations might also require us to use a significant portion of our cash flow from operations to make interest and principal payments on our debt rather than for other purposes such as working capital, capital expenditures or distributions on our common equity.

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

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

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

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

The covenants in our credit facilities might adversely affect us.

Our credit facilities require us to satisfy certain affirmative and negative covenants and to meet numerous financial tests. The financial covenants under the credit facilities require, among other things, that our Debt to Gross Asset Value ratio, as defined in the agreements to our credit facilities, be less than 65%, that our Interest Coverage ratio, as defined, be greater than 1.75, and that our Debt Service Coverage ratio, as defined, be greater than 1.50. Compliance with each of these ratios is dependent upon our financial performance. The Debt to Gross Asset Value ratio is based, in part, on applying a capitalization rate to our earnings before income taxes, depreciation and amortization ("EBITDA"), as defined in the agreements to our credit facilities. Based on this calculation method, decreases in EBITDA would result in an increased Debt to Gross Asset Value ratio, although overall debt levels remain constant. As of September 30, 2012, the Debt to Gross Asset Value ratio was 52.5% and we believe we were in compliance with all other covenants related to our credit facilities. Based on a rolling twelve months, our interest coverage ratio was 2.59x and our debt service coverage ratio was 2.00x.

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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

Our properties are located principally in the southeastern and midwestern United States. Our properties located in the southeastern United States accounted for approximately 48.2% of our total revenues from all properties for the nine months ended September 30, 2012 and currently include 43 malls, 20 associated centers, seven community centers and 18 office buildings. Our properties located in the midwestern United States accounted for approximately 31.1% of our total revenues from all properties for the nine months ended September 30, 2012 and currently include 27 malls and four associated centers. Our results of operations and funds available for distribution to shareholders therefore will

be subject generally to economic conditions in the southeastern and midwestern United States. While we already have properties located in seven states across the southwestern, northeastern and western regions, we will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

Our financial position, results of operations and funds available for distribution to shareholders could be adversely affected by any economic downturn affecting the operating results at our properties in the St. Louis, MO; Chattanooga, TN; Madison, WI; Lexington, KY; and Nashville, TN metropolitan areas, which are our five largest markets.

Our properties located in the St. Louis, MO; Chattanooga, TN; Madison, WI; Lexington, KY; and Nashville, TN metropolitan areas accounted for approximately 8.2%, 3.7%, 3.2%, 2.8% and 2.7%, respectively, of our total revenues for the nine months ended September 30, 2012. No other market accounted for more than 2.6% of our total revenues for the nine months ended September 30, 2012. Our financial position and results of operations will therefore be affected by the results experienced at properties located in these metropolitan areas.

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RISKS RELATED TO INTERNATIONAL INVESTMENTS

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

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

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

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

RISKS RELATED TO DIVIDENDS

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

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

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

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

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

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RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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

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

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

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

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

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

Our Board of Directors may, subject to certain conditions, waive the applicable ownership limit upon receipt of a ruling from the IRS or an opinion of counsel to the effect that such ownership will not jeopardize our status as a REIT.

Absent any such waiver, however, any issuance or transfer of our capital stock to any person in excess of the applicable ownership limit or any issuance or transfer of shares of such stock which would cause us to be beneficially owned by fewer than 100 persons, will be null and void and the intended transferee will acquire no rights to the stock. Instead, such issuance or transfer with respect to that number of shares that would be owned by the transferee in excess of the ownership limit provision would be deemed void ab initio and those shares would automatically be transferred to a trust for the exclusive benefit of a charitable beneficiary to be designated by us, with a trustee designated by us, but who would not be affiliated with us or with the prohibited owner. Any acquisition of our capital stock and continued holding or ownership of our capital stock constitutes, under our certificate of incorporation, a continuous representation of compliance with the applicable ownership limit.

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

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

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

In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature of our assets, the amounts we distribute to our shareholders and the ownership of our stock. We may also be required to make distributions to our shareholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities we would otherwise pursue. In addition, the REIT provisions of the Internal Revenue Code impose a 100% tax on income from "prohibited transactions." "Prohibited transactions" generally include sales of assets that constitute inventory or other property held for sale in the ordinary course of business, other than foreclosure property. This 100% tax could impact our desire to sell assets and other investments at otherwise opportune times if we believe such sales could be considered "prohibited transactions."

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

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

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

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

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Classified Board of Directors; Removal for Cause – Our certificate of incorporation provides for a Board of Directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may have been required for the stockholders to change a majority of our Board of Directors. While our stockholders approved an amendment to our certificate of incorporation at our 2011 annual meeting to declassify the Board of Directors, this declassification will be phased in over three years in a manner that does not alter the term of any current director. Accordingly, this transition will not be completed, with all directors standing for election on an annual basis, until our 2014 annual meeting of stockholders. In addition, our stockholders can only remove directors for cause and only by a vote of 75% of the outstanding voting stock. Collectively, these provisions make it more difficult to change the composition of our Board of Directors and may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts.

Advance Notice Requirements for Stockholder Proposals – Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures generally require advance written notice of any such proposals, containing prescribed information, to be given to our Secretary at our principal executive offices not less than 60 days or no more than 90 days prior to the meeting.

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

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

- (a) before that person became an interested holder, our Board of Directors approved the transaction in which the interested holder became an interested stockholder or approved the business combination;
 - upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns 85% of our voting stock outstanding at the time the transaction commenced
- (b) (excluding stock held by directors who are also officers and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or
- (c) following the transaction in which that person became an interested stockholder, the business combination is approved by our Board of Directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

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

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

Tax Consequences of the Sale or Refinancing of Certain Properties – Since certain of our properties had unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such properties immediately prior to their contribution to the Operating Partnership, a taxable sale of any such properties, or a significant reduction in the debt encumbering such properties, could cause adverse tax consequences to the members of our senior

management who owned interests in our predecessor entities. As a result, members of our senior management might not favor a sale of a property or a significant reduction in debt even though such a sale or reduction could be beneficial to us and the Operating Partnership. Our bylaws provide that any decision relating to the potential sale of any property that would result in a disproportionately higher taxable income for members of our senior management than for us and our stockholders, or that would result in a significant reduction in such property's debt, must be made by a majority of the independent directors of the Board of Directors. The Operating Partnership is required, in the case of such a sale, to distribute to its partners, at a minimum, all

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of the net cash proceeds from such sale up to an amount reasonably believed necessary to enable members of our senior management to pay any income tax liability arising from such sale.

Interests in Other Entities; Policies of the Board of Directors – Certain entities owned in whole or in part by members of our senior management, including the construction company that built or renovated most of our properties, may continue to perform services for, or transact business with, us and the Operating Partnership. Furthermore, certain property tenants are affiliated with members of our senior management. Our Bylaws provide that any contract or transaction between us or the Operating Partnership and one or more of our directors or officers, or between us or the Operating Partnership and any other entity in which one or more of our directors or officers are directors or officers or have a financial interest, must be approved by our disinterested directors or stockholders after the material facts of the relationship or interest of the contract or transaction are disclosed or are known to them. Our Code of Business Conduct and Ethics also contains provisions governing the approval of certain transactions involving the Company and employees (or immediate family members of employees, as defined therein) that are not subject to the provision of the Bylaws described above. Such transactions are also subject to the Company's Related Party Transactions policy in the manner and to the extent detailed in the proxy statement filed with the SEC for the Company's 2012 annual meeting. Nevertheless, these affiliations could create conflicts between the interests of these members of senior management and the interests of the Company, our shareholders and the Operating Partnership in relation to any transactions between us and any of these entities.

The Change of Control conversion and redemption features of the shares of our Series E Preferred Stock and the underlying depositary shares may make it more difficult for a party to take over the Company or discourage a party from taking over the Company.

Upon the occurrence of a Change of Control (as defined in the Certificate of Designations for our Series E Preferred Stock) which results in shares of our common stock and the common securities of the acquiring or surviving entity (or American depositary shares (or "ADSs") representing such securities) not being listed on the NYSE, the NYSE MKT or NASDAQ or listed on an exchange that is a successor to the NYSE, the NYSE MKT or NASDAQ, holders of the depositary shares representing interests in our Series E Preferred Stock will have the right under certain circumstances to convert some or all of their depositary shares into shares of our common stock (or equivalent value of alternative consideration, if holders of our common stock receive certain alternative forms of consideration in the transaction giving rise to the Change of Control). Upon such a conversion, the maximum number of shares of common stock that holders of depositary shares will receive for each depositary share converted will be limited to the Share Cap (as defined in the Certificate of Designations for our Series E Preferred Stock). If the Common Share Price is less than \$10.805 (which is 50% of the per share closing sale price of our common stock on September 27, 2012), subject to adjustment, the holders will receive a maximum of 2.3137 shares of our common stock per depositary share, which may result in a holder receiving value that is less than the liquidation preference of the depositary shares. In addition, there is an aggregate cap of 15,964,530 shares of common stock (or equivalent alternative consideration) issuable upon exercise of the Change of Control conversion right. These features of the Series E Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a Change of Control of the Company under circumstances that otherwise could provide the holders of our common stock and Series E Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

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

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
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July 1–31, 2012	97	\$19.76	—	\$—
August 1–31, 2012	—	—	—	—
September 1–30, 2012	—	—	—	—
Total	97	\$19.76	—	\$—

- (1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax with requirements related to the vesting of shares of restricted stock.
- (2) Represents the market value of the common stock on the vesting date for the shares of restricted stock, which was used to determine the number of shares required to be surrendered to satisfy income tax withholding requirements.

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ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Mine Safety Disclosures

Not applicable.

ITEM 5: Other Information

The Company recognized material impairments totaling \$29.1 million to write-down the depreciable basis of four properties. As part of its quarterly impairment process during the third quarter of 2012, the Company recorded a \$3.0 million impairment of real estate related to The Courtyard at Hickory Hollow, an associated center located in Antioch, TN and a \$17.7 million impairment of real estate related to Willowbrook Plaza, a community center located in Houston, TX. The depreciable basis of both properties was written down to their estimated fair values as of the same date. Additionally, we determined that two malls met the criteria to be classified as held for sale as of September 30, 2012 and recorded an impairment of real estate of \$8.0 million related to Hickory Hollow Mall, located in Antioch, TN and an impairment of real estate of \$0.4 million related to Towne Mall, located in Franklin, OH. Both of these properties were written down from depreciated book value to expected sales price and both were sold in October 2012. See Note 3, Note 4, and Note 15 to the condensed consolidated financial statements for additional information about these properties.

ITEM 6: Exhibits

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

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SIGNATURE

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

CBL & ASSOCIATES PROPERTIES, INC.

/s/ Farzana K. Mitchell

Farzana K. Mitchell
Executive Vice President -
Chief Financial Officer and Treasurer
(Authorized Officer and Principal Financial Officer)

Date: November 9, 2012

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INDEX TO EXHIBITS

Exhibit Number	Description
4.13	Certificate of Designations, dated October 1, 2012, relating to the 6.625% Series E Cumulative Redeemable Preferred Stock*
101.1.2	Certificate of Designation, dated October 1, 2012, relating to the 6.625% Series E Cumulative Redeemable Preferred Units**
12	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
31.1	Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated by reference from Exhibit 14 to the Company's Registration Statement on Form 8-A filed on October 1, 2012. Commission File 1-12494.

** Incorporated by reference from the Company's Current Report on Form 8-K, filed on October 5, 2012. Commission File 1-12494.