CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
August 09, 2012
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 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	62-1545718
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)
423.855.0001
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant 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 x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting

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

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

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

Yes o	No x

As of August 3, 2012, there were 158,562,211 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	June 30, 2012	December 31, 2011
Real estate assets:		
Land	$888,084	$851,303
Buildings and improvements	7,020,394	6,777,776
	7,908,478	7,629,079
Accumulated depreciation	(1,873,310)	(1,762,149)
	6,035,168	5,866,930
Held for sale	—	14,033
Developments in progress	139,500	124,707
Net investment in real estate assets	6,174,668	6,005,670
Cash and cash equivalents	71,537	56,092
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,051 and $1,760 in 2012 and 2011, respectively	71,520	74,160
Other, net of allowance for doubtful accounts of $1,248 and $1,400 in 2012 and 2011, respectively	8,156	11,592
Mortgage and other notes receivable	25,442	34,239
Investments in unconsolidated affiliates	304,663	304,710
Intangible lease assets and other assets	257,625	232,965
	$6,913,611	$6,719,428
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	$4,693,208	$4,489,355
Accounts payable and accrued liabilities	323,470	303,577
Total liabilities	5,016,678	4,792,932
Commitments and contingencies (Notes 5 and 11)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	38,218	32,271
Redeemable noncontrolling preferred joint venture interest	423,777	423,834
Total redeemable noncontrolling interests	461,995	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, 158,560,145 and 148,364,037 issued and	1,586	1,484

outstanding in 2012 and 2011, respectively		
Additional paid-in capital	1,697,943	1,657,927
Accumulated other comprehensive income	4,146	3,425
Dividends in excess of cumulative earnings	(432,908)	(399,581)
Total shareholders' equity	1,270,790	1,263,278
Noncontrolling interests	164,148	207,113
Total equity	1,434,938	1,470,391
	$6,913,611	$6,719,428

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

CBL & Associates Properties, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
REVENUES:				
Minimum rents	$167,609	$168,288	$328,397	$339,202
Percentage rents	1,756	2,062	5,222	5,802
Other rents	4,683	4,582	9,996	9,590
Tenant reimbursements	71,732	77,022	142,219	153,832
Management, development and leasing fees	1,966	1,568	4,435	2,905
Other	7,852	8,597	16,001	17,957
Total revenues	255,598	262,119	506,270	529,288
OPERATING EXPENSES:				
Property operating	36,562	35,984	74,923	76,143
Depreciation and amortization	68,126	71,839	131,283	139,538
Real estate taxes	23,756	25,124	46,602	49,450
Maintenance and repairs	13,419	14,044	26,575	30,052
General and administrative	11,993	11,241	25,793	23,041
Other	6,559	7,046	13,317	15,349
Total operating expenses	160,415	165,278	318,493	333,573
Income from operations	95,183	96,841	187,777	195,715
Interest and other income	1,298	612	2,373	1,157
Interest expense	(61,400)	(70,914)	(121,460)	(139,127)
Gain on extinguishment of debt	—	—	—	581
Gain (loss) on sales of real estate assets	2,543	(97)	3,130	712
Equity in earnings of unconsolidated affiliates	2,073	1,455	3,339	3,233
Income tax (provision) benefit	(267)	4,653	(39)	6,423
Income from continuing operations	39,430	32,550	75,120	68,694
Operating income (loss) from discontinued operations	(21)	(3,156)	(71)	24,594
Gain (loss) on discontinued operations	(16)	138	895	152
Net income	39,393	29,532	75,944	93,440
Net income attributable to noncontrolling interests in:				
Operating partnership	(5,197)	(2,752)	(9,559)	(13,203)
Other consolidated subsidiaries	(4,805)	(6,404)	(10,945)	(12,542)
Net income attributable to the Company	29,391	20,376	55,440	67,695
Preferred dividends	(10,594)	(10,594)	(21,188)	(21,188)
Net income attributable to common shareholders	$18,797	$9,782	$34,252	$46,507

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	$0.12	$0.08	$0.22	$0.18
Discontinued operations	—	(0.01)	0.01	0.13
Net income attributable to common shareholders	$0.12	$0.07	$0.23	$0.31
Weighted average common shares outstanding	150,913	148,356	149,704	148,214
Diluted earnings per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	$0.12	$0.08	$0.22	$0.18
Discontinued operations	—	(0.01)	0.01	0.13
Net income attributable to common shareholders	$0.12	$0.07	$0.23	$0.31
Weighted average common and potential dilutive common shares outstanding	150,954	148,398	149,746	148,262
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	$18,826	$12,134	$33,603	$27,233
Discontinued operations	(29)	(2,352)	649	19,274
Net income attributable to common shareholders	$18,797	$9,782	$34,252	$46,507
Dividends declared per common share	$0.22	$0.21	$0.44	$0.42

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	$39,393	$29,532	$75,944	$93,440
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	61	474	1,579	1,807
Reclassification to net income of realized (gain) loss on available-for-sale securities	(160)	—	(160)	22
Unrealized loss on hedging instruments	(765)	(2,634)	(481)	(2,072)
Total other comprehensive income (loss)	(864)	(2,160)	938	(243)
Comprehensive income	38,529	27,372	76,882	93,197

Comprehensive income attributable to noncontrolling interests in:				
Operating partnership	(5,019)	(2,275)	(9,776)	(13,150)
Other consolidated subsidiaries	(4,805)	(6,404)	(10,945)	(12,542)
Comprehensive income attributable to the Company	$28,705	$18,693	$56,161	$67,505

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

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

		Equity							
		Shareholders' Equity							
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
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	2,634	—	—	—	—	67,695	67,695	12,875	80,570
Other comprehensive loss	(2)	—	—	—	(190)	—	(190)	(51)	(241)
Conversion of operating partnership special common units to shares of common stock	—	—	1	728	—	—	729	(729)	—
Dividends declared - common stock	—	—	—	—	—	(62,303)	(62,303)	—	(62,303)
Dividends declared - preferred stock	—	—	—	—	—	(21,188)	(21,188)	—	(21,188)
Issuance of common stock and restricted common stock	—	—	2	190	—	—	192	—	192
Cancellation of restricted common stock	—	—	—	(184)	—	—	(184)	—	(184)
Exercise of stock options	—	—	2	1,952	—	—	1,954	—	1,954
Accrual under deferred compensation arrangements	—	—	—	27	—	—	27	—	27

Amortization of deferred compensation	—	—	—	1,376	—	—	1,376	—	1,376
Distributions to noncontrolling interests	(4,511)	—	—	—	—	—	—	(22,086)	(22,086)
Adjustment for noncontrolling interests	1,620	—	—	(2,261)	—	—	(2,261)	641	(1,620)
Adjustment to record redeemable noncontrolling interests at redemption value	1,186	—	—	(1,186)	—	—	(1,186)	—	(1,186)
Balance, June 30, 2011	$ 35,306	$ 23	$ 1,484	$ 1,658,149	$ 7,665	$ (382,322)	$ 1,284,999	$ 214,255	$ 1,499,254

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

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

		Equity							
		Shareholders' Equity							
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
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	1,620	—	—	—	—	55,440	55,440	8,595	64,035
Other comprehensive income	8	—	—	—	721	—	721	209	930
Conversion of operating partnership common units to shares of common stock	—	—	98	45,599	—	—	45,697	(45,697)	—
Redemption of operating partnership common units	—	—	—	—	—	—	—	(9,836)	(9,836)
Dividends declared -	—	—	—	—	—	(67,579)	(67,579)	—	(67,579)

common stock									
Dividends declared - preferred stock	—	—	—	—	—	(21,188)	(21,188)	—	(21,188)
Issuance of common stock and restricted common stock	—	—	2	327	—	—	329	—	329
Cancellation of restricted common stock	—	—	—	(255)	—	—	(255)	—	(255)
Exercise of stock options	—	—	2	4,432	—	—	4,434	—	4,434
Accrual under deferred compensation arrangements	—	—	—	29	—	—	29	—	29
Amortization of deferred compensation	—	—	—	1,496	—	—	1,496	—	1,496
Contributions from noncontrolling interests	—	—	—	—	—	—	—	4,042	4,042
Distributions to noncontrolling interests	(4,536)	—	—	—	—	—	—	(17,540)	(17,540)
Adjustment for noncontrolling interests	1,485	—	—	(4,242)	—	—	(4,242)	2,757	(1,485)
Adjustment to record redeemable noncontrolling interests at redemption value	7,370	—	—	(7,370)	—	—	(7,370)	—	(7,370)
Acquire controlling interest in shopping center property	—	—	—	—	—	—	—	14,505	14,505
Balance, June 30, 2012	$ 38,218	$23	$1,586	$1,697,943	$4,146	$(432,908)	$1,270,790	$164,148	$1,434,938

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

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

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$75,944	$93,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,399	140,178
Net amortization of deferred finance costs and debt premiums	3,787	6,088
Net amortization of intangible lease assets and liabilities	(147)	(527)
Gain on sales of real estate assets	(3,130)	(712)
Gain on sale of discontinued operations	(895)	(152)
Write-off of development projects	(123)	51
Share-based compensation expense	1,739	1,502
Net realized (gain) loss on sale of available-for-sale securities	(160)	22
Write-down of mortgage and other notes receivable	—	1,500
Loss on impairment of real estate from discontinued operations	293	6,696
Gain on extinguishment of debt	—	(581)
Gain on extinguishment of debt from discontinued operations	—	(31,434)
Equity in earnings of unconsolidated affiliates	(3,339)	(3,233)
Distributions of earnings from unconsolidated affiliates	7,314	3,922
Provision for doubtful accounts	1,331	1,542
Change in deferred tax accounts	2,316	(4,926)
Changes in:		
Tenant and other receivables	5,745	3,438
Other assets	2,923	758
Accounts payable and accrued liabilities	(5,207)	(19,977)
Net cash provided by operating activities	219,790	197,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(88,890)	(79,282)
Acquisition of real estate assets	(61,419)	—
Additions to restricted cash	(1,270)	(10,203)
Proceeds from sales of real estate assets	38,161	10,854
Additions to mortgage and other notes receivable	(2,965)	—
Payments received on mortgage and other notes receivable	2,160	2,708
Additional investments in and advances to unconsolidated affiliates	(3,969)	(19,626)
Distributions in excess of equity in earnings of unconsolidated affiliates	7,316	9,283
Changes in other assets	2,066	(7,664)
Net cash used in investing activities	(108,810)	(93,930)

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

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	$1,136,081	$1,074,808

Principal payments on mortgage and other indebtedness	(1,108,292)	(1,057,087)
Additions to deferred financing costs	(2,688)	(5,980)
Proceeds from issuances of common stock	87	93
Proceeds from exercises of stock options	4,434	1,954
Purchase of noncontrolling interest in the Operating Partnership	(9,836)	—
Contributions from noncontrolling interests	4,042	40
Distributions to noncontrolling interests	(34,323)	(38,579)
Dividends paid to holders of preferred stock	(21,188)	(21,188)
Dividends paid to common shareholders	(63,852)	(60,731)
Net cash used in financing activities	(95,535)	(106,670)
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,445	(3,005)
CASH AND CASH EQUIVALENTS, beginning of period	56,092	50,896
CASH AND CASH EQUIVALENTS, end of period	$71,537	$47,891
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$115,507	$134,081

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 June 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), six 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. At June 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 expansion of one outlet center, both of which are owned in 75% /25% joint ventures at June 30, 2012. The Operating Partnership also had controlling interests in one mall expansion, one community center development and one mall redevelopment under construction at June 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 June 30, 2012, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.1% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 82.3% limited partner interest for a combined interest held by CBL of 83.4%.
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 June 30, 2012, CBL’s Predecessor owned a 9.8% limited partner interest and third parties owned a 6.8% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.6 million shares of CBL’s common stock at June 30, 2012, for a total combined effective interest of 13.8% in the Operating Partnership. The Richard E. Jacobs Group ("Jacobs"), which owned a significant noncontrolling interest in the Operating Partnership, exercised its right to convert its limited partner interest in the Operating Partnership into shares of common stock of CBL during the three months ended June 30, 2012. See Note 5 and Note 15 for more detailed information related to the Jacobs' conversion.
The Operating Partnership conducts CBL’s property management and development activities through CBL & Associates Management, Inc. (the “Management Company”) to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The Operating Partnership owns 100% of both of the Management Company’s preferred stock and common stock.
CBL, the Operating Partnership and the Management Company are collectively referred to herein as “the Company”.
The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("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 June 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.

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.

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 June 30, 2012 and December 31, 2011:

		Fair Value Measurements at Reporting Date Using		
	Fair Value at June 30, 2012	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	$27,092	$15,263	$—	$11,829
Privately held debt and equity securities	2,475	—	—	2,475
Interest rate cap	—	—	—	—
Liabilities:				
Interest rate swaps	$6,078	$—	$6,078	$—

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2011	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 six months ended June 30, 2012 and 2011, the Company did not record any write-downs related to other-than-temporary impairments. During the three and six month periods ended June 30, 2012, the Company recognized realized gains of $160 related to sales of marketable securities. During the six months ended June 30, 2011, the Company recognized realized losses of $22 related to sales of marketable securities. The fair value of the Company's available-for-sale securities that 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 June 30, 2012 and December 31, 2011:

		Gross Unrealized		
	Adjusted Cost	Gains	Losses	Fair Value
June 30, 2012:				
Common stocks	$4,207	$11,061	$(5)	$15,263
Government and government sponsored entities	13,371	—	(1,542)	11,829
	$17,578	$11,061	$(1,547)	$27,092

		Gross Unrealized		
	Adjusted Cost	Gains	Losses	Fair Value
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 June 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 $5,089,981 and $4,836,028 at June 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 June 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 June 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 June 30, 2012 forecasts a 0% to 10% reduction in estimated cash flows. Sale 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 June 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 June 30, 2012. See Note 5 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. As of June 30, 2012, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis for which the carrying value exceeded fair value.

Note 4 – Acquisitions and Discontinued Operations
Acquisitions
Dakota Square Mall
On May 16, 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 costs. 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

On April 17, 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

On April 13, 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 $35,456. The amount paid for the Company's 75.0% share was based on a total value of $114,199 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 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	$12,579
Buildings and improvements	90,396
Tenant improvements	3,766
Above-market leases	2,852
In-place leases	15,305
Investments in unconsolidated affiliates	3,784
Total assets	128,682
Mortgage note payable assumed	(66,924)
Debt premium	(7,700)

Below-market leases	(6,783)
Noncontrolling interest	(11,819)
Net assets acquired	$35,456

Discontinued Operations

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 of the second phase of Settlers Ridge 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 six months ended June 30, 2012. There were no results of operations for this property for the three month and six month periods ended June 30, 2011 as it was under development during that period. The loss on impairment of real estate is included in discontinued operations for the three and six month periods ended June 30, 2011.

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 $729 in the fourth quarter of 2011 to write down the book value of this property to the estimated net sales price. 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 results of operations of this property, including the loss on impairment of real estate, are included in discontinued operations for the six months ended June 30, 2012 and for the three and six month periods ended June 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 six month periods ended June 30, 2011.

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 six months ended June 30, 2011.

Total revenues of the properties described above that are included in discontinued operations were $(51) and $967 for the three months ended June 30, 2012 and 2011, respectively, and $325 and $2,396 for the six months ended June 30, 2012 and 2011, respectively. Discontinued operations for the three and six month periods ended June 30, 2012 and 2011 also include settlements of estimated expenses based on actual amounts for properties sold during previous periods.

See Note 15 regarding the sale of Massard Crossing subsequent to June 30, 2012.

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

Unconsolidated Affiliates

At June 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	60.3 %

	and Pearland Town Center		
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
- 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:

ASSETS	As of June 30, 2012	December 31, 2011
Investment in real estate assets	$2,220,979	$2,239,160
Accumulated depreciation	(480,465)	(447,121)
	1,740,514	1,792,039
Construction in progress	20,966	19,640
Net investment in real estate assets	1,761,480	1,811,679
Other assets	180,056	190,465
Total assets	$1,941,536	$2,002,144
LIABILITIES		
Mortgage and other indebtedness	$1,465,123	$1,478,601
Other liabilities	43,114	51,818
Total liabilities	1,508,237	1,530,419

OWNERS' EQUITY		
The Company	263,547	267,136
Other investors	169,752	204,589
Total owners' equity	433,299	471,725
Total liabilities and owners' equity	$1,941,536	$2,002,144

	Total for the Three Months Ended June 30,		Company's Share for the Three Months Ended June 30,	
	2012	2011	2012	2011
Revenues	$62,205	$36,851	$32,976	$20,430
Depreciation and amortization expense	(20,718)	(12,662)	(11,008)	(7,097)
Interest expense	(21,086)	(13,080)	(11,093)	(7,201)
Other operating expenses	(18,076)	(10,539)	(9,022)	(5,923)
Gain on sales of real estate assets	430	1,665	220	1,246
Net income	$2,755	$2,235	$2,073	$1,455

	Total for the Six Months Ended June 30,		Company's Share for the Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues	$124,499	$76,947	$66,387	$42,984
Depreciation and amortization expense	(41,484)	(25,100)	(22,119)	(14,112)
Interest expense	(42,197)	(26,237)	(22,296)	(14,460)
Other operating expenses	(37,023)	(22,805)	(18,853)	(12,425)
Gain on sales of real estate assets	430	$1,665	220	$1,246
Net income	$4,225	$4,470	$3,339	$3,233

In April 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 $3,784. 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 a current rate of 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, and High Pointe Commons. See Note 11 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

See Note 15 regarding a subsequent event related to JG Gulf Coast Town Center LLC ("Gulf Coast").

Noncontrolling Interests

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 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 June 30, 2012, the total noncontrolling interests of $164,148 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of $142,222 and $21,926 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.

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 $38,218 as of June 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 $32,063 and $6,155, 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:

	Six Months Ended June 30,	
	2012	2011
Beginning Balance	$423,834	$423,834
Net income attributable to redeemable noncontrolling preferred joint venture interest	10,286	10,228
Distributions to redeemable noncontrolling preferred joint venture interest	(10,343)	(10,286)
Ending Balance	$423,777	$423,776

Jacobs, 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. See Note 15 for additional information related to this conversion.

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 June 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 January 2012 to extend to July 2012 the Company's right to convert the outstanding

amount of the secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng, with an option to extend an additional six months to January 2013. 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 can demand payment of the secured note at any time. See Note 15 for information related to the extension of the secured note subsequent to June 30, 2012.
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. 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 May 2012, the Company 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. 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 variable interest entity ("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 June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.
In April 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 June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.
In April 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 June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.

Note 6 – Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following:

	June 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]	$3,835,797	5.42	%	$3,656,243	5.55	%
Recourse term loans on operating properties	50,308	5.83	%	77,112	5.89	%
Total fixed-rate debt	3,886,105	5.43	%	3,733,355	5.54	%
Variable-rate debt:						
Non-recourse term loans on operating properties	163,375	3.47	%	168,750	3.03	%
Recourse term loans on operating properties	110,296	2.39	%	124,439	2.29	%
Construction loans	28,223	3.28	%	25,921	3.25	%
Secured lines of credit	110,000	2.75	%	27,300	3.03	%
Unsecured term loans	395,209	1.88	%	409,590	1.67	%
Total variable-rate debt	807,103	2.32	%	756,000	2.18	%
Total	$4,693,208	4.89	%	$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 $115,800 as of June 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 June 30, 2012 and December 31, 2011.

See Note 4 for a description of debt assumed in connection with acquisitions completed during the six months ended June 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 2.00% to 3.00%, based on the Company’s leverage ratio and had a weighted average interest rate of 2.75% at June 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 June 30, 2012:

Total Capacity	Total Outstanding		Maturity Date	Extended Maturity Date
$525,000	$—	(1)	February 2014	February 2015
520,000	110,000		April 2014	N/A
105,000	—		June 2015	June 2016
$1,150,000	$110,000			

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

In June 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.

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 June 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 excess proceeds realized from our mortgage financings to retire this loan in 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 June 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.

Letters of Credit

At June 30, 2012, the Company had additional secured and unsecured lines of credit with a total commitment of $15,906 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $2,150 at June 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 June 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 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 June 2012, the Company closed on a $40,000 ten-year non-recourse commercial mortgage-backed securities ("CMBS") loan with a fixed rate of 4.99% secured by WestGate Mall in Spartanburg, SC. Proceeds were used to pay down the Company's secured credit facilities.

In May 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 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 $9,078 and $12,818, respectively.

In May 2012, the Company closed on a $67,000 ten-year non-recourse CMBS loan secured by Southpark Mall in Colonial Heights, VA. The loan bears interest at a fixed rate of 4.845%. Proceeds were used to retire an existing loan secured by Southpark Mall with a balance of $30,763 that was scheduled to mature in May 2012 as well as to reduce outstanding borrowings on the Company's secured credit facilities.

In May 2012, the Company closed on two separate ten-year non-recourse CMBS loans, including a $71,190 loan secured by Jefferson Mall in Louisville, KY and a $42,000 loan secured by Fashion Square Mall in Saginaw, MI, which bear interest at fixed interest rates of 4.75% and 4.95%, respectively. Proceeds were used to pay down the Company's secured credit facilities.

In April 2012, the Company closed on a ten-year non-recourse $122,000 CMBS loan secured by Arbor Place in Douglasville, GA. The loan bears interest at a fixed rate of 5.099%. Proceeds were used primarily to reduce the balance on the Company's secured credit facilities.

In April 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%. 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 15 operating property loans with an aggregate principal balance of $394,386 that were secured by Arbor Place, The Landing at Arbor Place, CBL Center I, 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 its secured credit facilities. As noted above, six of these properties were refinanced in the second quarter of 2012. See Note 15 related to the sale of Massard Crossing subsequent to June 30, 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 June 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.
Scheduled Principal Payments
As of June 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	$330,037
2013	624,781
2014	329,072
2015	482,436
2016	778,893
Thereafter	2,138,305
	4,683,524
Net unamortized premiums (discounts)	9,684
	$4,693,208

The remaining scheduled principal payments in 2012 of $330,037 include the maturing principal balances of two operating property loans totaling $122,169, one unsecured term loan of $167,209, a land loan of $2,023 and principal amortization of $38,636. One maturing operating property loan with a principal balance of $77,500 and the land loan have one-year extensions available at the Company's option, leaving approximately $211,878 of loan maturities in 2012 which the Company intends to retire or refinance.
The Company's mortgage and other indebtedness had a weighted average maturity of 5.09 years as of June 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 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 June 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	$124,625
Interest Rate Swaps	4	$115,800

Instrument Type	Location in Consolidated Balance Sheet	Outstanding Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 6/30/12	Fair Value at 12/31/11	Maturity Date
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	$55,985 (amortizing to $48,337)	1-month LIBOR	2.149%	$(2,903)	$(2,674)	Apr 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	$35,047 (amortizing to $30,276)	1-month LIBOR	2.187%	(1,861)	(1,725)	Apr 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	$13,104 (amortizing to $11,313)	1-month LIBOR	2.142%	(676)	(622)	Apr 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	$11,664 (amortizing to $10,083)	1-month LIBOR	2.236%	(638)	(596)	Apr 2016
Cap	Intangible lease assets and other assets	$124,625 (amortizing to $122,375)	3-month LIBOR	5.000%	—	—	Jan 2014

Hedging Instrument	Loss Recognized in OCI/L (Effective Portion) Three Months Ended June 30, 2012	2011	Location of Losses Reclassified from AOCI/L into Earnings(Effective Portion)	Loss Recognized in Earnings (Effective Portion) Three Months Ended June 30, 2012	2011	Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion) Three Months Ended June 30, 2012	2011
Interest rate contracts	$(764)	$(2,634)	Interest Expense	$(567)	$(636)	Interest Expense	$—	$—

Hedging Instrument	Loss Recognized in OCI/L (Effective Portion) Six Months Ended June 30, 2012	2011	Location of Losses Reclassified from AOCI/L into Earnings(Effective Portion)	Loss Recognized in Earnings (Effective Portion) Six Months Ended June 30, 2012	2011	Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion) Six Months Ended June 30, 2012	2011
Interest rate contracts	$(481)	$(2,072)	Interest Expense	$(1,129)	$(658)	Interest Expense	$—	$—

As of June 30, 2012, the Company expects to reclassify approximately $2,149 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 June 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 June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012			
	As reported in:			
	Redeemable Noncontrolling Interests	Shareholders' Equity	Noncontrolling Interests	Total
Net unrealized gain (loss) on hedging instruments	$373	$(3,013)	$(3,580)	$(6,220)
Net unrealized gain on available-for-sale securities	340	7,159	2,076	9,575
Accumulated other comprehensive income (loss)	$713	$4,146	$(1,504)	$3,355

	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 2.74% to 10.0%, with a weighted average interest rate of 7.26% and 8.76% at June 30, 2012 and December 31, 2011, respectively. Maturities of these notes receivable range from April 2013 to January 2047.

In April 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. See Note 4 for additional information.

In April 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.

As of June 30, 2012, the Company believes that its mortgage and other notes receivable balance of $25,442 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 June 30, 2012	Malls	Associated Centers	Community Centers	All Other [(2)]	Total
Revenues	$228,381	$10,536	$4,023	$12,658	$255,598
Property operating expenses [(1)]	(73,585)	(2,574)	(1,298)	3,720	(73,737)
Interest expense	(54,933)	(2,114)	(631)	(3,722)	(61,400)
Other expense	—	—	—	(6,559)	(6,559)
Gain on sales of real estate assets	2,543	—	—	—	2,543
Segment profit	$102,406	$5,848	$2,094	$6,097	116,445
Depreciation and amortization expense					(68,126)
General and administrative expense					(11,993)
Interest and other income					1,298
Equity in earnings of unconsolidated affiliates					2,073
Income tax provision					(267)
Income from continuing operations					$39,430
Capital expenditures [(3)]	$98,694	$1,940	$3,042	$14,880	$118,556

Three Months Ended June 30, 2011	Malls	Associated Centers	Community Centers	All Other [(2)]	Total
Revenues	$223,364	$9,634	$4,214	$24,907	$262,119
Property operating expenses [(1)]	(71,628)	(2,457)	(2,295)	1,228	(75,152)
Interest expense	(57,862)	(2,346)	(2,572)	(8,134)	(70,914)
Other expense	—	—	—	(7,046)	(7,046)
Loss on sales of real estate assets	(9)	(37)	(51)	—	(97)
Segment profit (loss)	$93,865	$4,794	$(704)	$10,955	108,910
Depreciation and amortization expense					(71,839)
General and administrative expense					(11,241)
Interest and other income					612
Equity in earnings of unconsolidated affiliates					1,455
Income tax benefit					4,653
Income from continuing operations					$32,550
Capital expenditures [(3)]	$37,170	$3,215	$1,271	$24,065	$65,721

Six Months Ended June 30, 2012	Malls	Associated Centers	Community Centers	All Other [(2)]	Total
Revenues	$451,011	$20,841	$8,416	$26,002	$506,270
Property operating expenses [(1)]	(148,188)	(5,126)	(3,831)	9,045	(148,100)
Interest expense	(107,561)	(4,310)	(1,324)	(8,265)	(121,460)
Other expense	—	—	—	(13,317)	(13,317)
Gain (loss) on sales of real estate assets	3,036	—	97	(3)	3,130
Segment profit	$198,298	$11,405	$3,358	$13,462	226,523
Depreciation and amortization expense					(131,283)
General and administrative expense					(25,793)
Interest and other income					2,373
					3,339

Equity in earnings of unconsolidated affiliates					
Income tax provision					(39)
Income from continuing operations					$75,120
Total assets	$6,228,312	$303,899	$240,850	$140,550	$6,913,611
Capital expenditures [3]	$121,272	$3,480	$10,706	$18,586	$154,044

Six Months Ended June 30, 2011	Malls	Associated Centers	Community Centers	All Other [2]	Total
Revenues	$462,270	$20,741	$8,335	$37,942	$529,288
Property operating expenses [1]	(153,146)	(5,430)	(3,483)	6,414	(155,645)
Interest expense	(114,724)	(4,257)	(3,752)	(16,394)	(139,127)
Other expense	—	—	—	(15,349)	(15,349)
Gain on sales of real estate assets	4	317	379	12	712
Segment profit	$194,404	$11,371	$1,479	$12,625	219,879
Depreciation and amortization expense					(139,538)
General and administrative expense					(23,041)
Interest and other income					1,157
Gain on extinguishment of debt					581
Equity in earnings of unconsolidated affiliates					3,233
Income tax benefit					6,423
Income from continuing operations					$68,694
Total assets	$6,438,327	$323,470	$65,036	$618,764	$7,445,597
Capital expenditures [3]	$52,409	$3,413	$2,662	$44,914	$103,398

(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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Denominator – basic	150,913	148,356	149,704	148,214
Stock options	—	1	—	7
Deemed shares related to deferred compensation arrangements	41	41	42	41
Denominator – diluted	150,954	148,398	149,746	148,262

The dilutive effect of stock options of 2 and 6 shares for the six months ended June 30, 2012 and 2011, respectively. were excluded from the computations of diluted EPS because the effect of including the stock options would have been anti-dilutive. The dilutive effect of stock options of 3 shares for the three months ended June 30, 2011 was excluded from the computation of diluted EPS because the effect of including the stock options would have been anti-dilutive.

See Note 15 regarding a subsequent event related to an issuance of common stock.
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 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. 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. The Company recorded an obligation of $192 as of June 30, 2012 and December 31, 2011 in the accompanying condensed consolidated balance sheets to reflect the estimated fair value of the guaranty. The total amount outstanding at June 30, 2012 on the loans was $60,623 of which the Company has guaranteed $16,368. The loans contain a provision that require that, on or prior to July 1, 2012, the third party developer provide reasonably satisfactory evidence to the lender that either (i) certain legislation in the state of Missouri had been amended to facilitate an additional bond issuance, the net proceeds of which would be used to further reduce the outstanding amount on the bond line of credit, or (ii) if that certain legislation had not been amended, then the third party developer, the Company and the City of Lee's Summit, Missouri, had agreed to an alternate plan in order to complete the additional bond issuance. Neither of the conditions in (i) or (ii) occurred by July 1, 2012, therefore, the loans were in default on July 1, 2012. The Company has not recorded an accrual for the contingent guaranty obligation as the Company does not believe that this contingent obligation is probable.

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 $45,572. West Melbourne developed and operates Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at June 30, 2012 was $45,572. The guaranty will expire upon repayment of the debt. The land loan, and the construction loan, each representing $3,085 and $42,487, respectively, of the amount outstanding at June 30, 2012, mature in November 2013. The construction loan has a one-year extension option available. The Company recorded an obligation of $478 in the accompanying condensed consolidated balance sheets as of June 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 $64,950. Port Orange developed and operates The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at June 30, 2012 on the loan was $64,950. 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 has recorded an obligation of $961 in the accompanying condensed consolidated balance sheets as of June 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 June 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 record an obligation for this guaranty because it determined that the fair value of the guaranty is not material.

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 $21,376 and $11,156 at June 30, 2012 and December 31, 2011, respectively.

Note 12 – Share-Based Compensation

As of June 30, 2012, there were two share-based compensation plans under which the Company 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 2003 Plan"), which was approved by our shareholders in May 2003, will expire in May 2013. The 2012 Plan is intended to replace the 2003 Plan under which the Company grants equity awards and the Company will not issue any new awards under the 2003 Plan.

Share-based compensation expense was $729 and $396 for the three months ended June 30, 2012 and 2011, respectively and $1,756 and $1,456 for the six months ended June 30, 2012 and 2011, respectively. Share-based compensation cost capitalized as part of real estate assets was $30 and $45 for the three months ended June 30, 2012 and 2011, respectively and $51 and $85 for the six months ended June 30, 2012 and 2011, respectively.

The Company's stock option activity for the six months ended June 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 June 30, 2012	1,000		$19.90
Vested and exercisable at June 30, 2012	1,000		$19.90

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

	Shares		Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2012	289,290		$16.09
Granted	208,250		$18.35
Vested	(86,590	)	$16.70
Forfeited	(7,990	)	$16.69
Nonvested at June 30, 2012	402,960		$17.11

As of June 30, 2012, there was $4,987 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 3.8 years. In the second quarter of 2012, the Company granted 2,500 shares of restricted stock to its employees that will vest over the next five years.

Note 13 – Noncash Investing and Financing Activities

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

	Six Months Ended June 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	23,107	31,721
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 $1,094 and $1,242 during the three months ended June 30, 2012 and 2011, respectively and $1,571 and $2,046 during the six months ended June 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 $267 and an income tax benefit of $4,653 for the three months ended June 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax provision of $774 and deferred tax benefit of $507. The income tax benefit in 2011 consisted of a current tax provision of $14 and a deferred tax benefit of $4,667.

The Company recorded an income tax provision of $39 and an income tax benefit of $6,423 for the six months ended June 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax benefit of $2,277 and deferred tax provision of $2,316. The income tax benefit in 2011 consisted of a current and deferred tax benefit of $1,498 and $4,925, respectively.

The Company had a net deferred tax asset of $7,972 and $8,012 at June 30, 2012 and December 31, 2011, respectively. The net deferred tax asset at June 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 six month periods ended June 30, 2012 and 2011, respectively.

Note 15 – Subsequent Events

In July 2012, the Company extended to January 22, 2013 the Company's right to convert the outstanding amount of the Jinsheng secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng (see Note 5).
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 balance on the Company's secured credit facilities.
In July 2012, Gulf Coast closed on a ten-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 250 basis points. The Company has guaranteed 100% 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 reduce the balance on its secured credit facilities.
In May 2012, Jacobs exercised its conversion rights to exchange 9,757,100 common units of limited partnership interest in the Operating Partnership. 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 Jacobs in July 2012 pursuant to Jacobs' exercise of its contractual registration rights.
The Company has evaluated subsequent events through the date of issuance of these financial statements.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the 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, 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 June 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), six 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. As of June 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

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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 June 30, 2012. We also had controlling interests in one mall expansion, one community center development and one mall redevelopment under construction at June 30, 2012. We also hold options to acquire certain development properties owned by third parties.
We experienced improvements in our key metrics in the second quarter of 2012. Portfolio occupancy increased 170 basis points over the prior year period to 92.3% across our portfolio. Average leasing spreads increased 10.0% across our portfolio compared to the same period in the prior year. Same-store sales per square foot for our stabilized malls increased 4.3% for the six months ended June 30, 2012. Significant mortgage financing activity enabled us to benefit from historically low interest rates.

RESULTS OF OPERATIONS

Properties that were in operation for the entire year during 2011 and the six months ended June 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 (2)	El Paso, TX	April 2012
The Outlet Shoppes at Gettysburg (3)	Gettysburg, PA	April 2012
Dakota Square Mall	Minot, ND	May 2012

(1) The Outlet Shoppes at Oklahoma City is a 75/25 joint venture and is included in the Company's operations on a consolidated basis.

(2) The Outlet Shoppes at El Paso is a 75/25 joint venture and is included in the Company's operations on a consolidated basis.

(3) 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 six months ended June 30, 2012 to the results of operations for the three and six months ended June 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 six months ended June 30, 2012 to the results of operations for the three and six months ended June 30, 2011.

Comparison of the Three Months Ended June 30, 2012 to the Three Months Ended June 30, 2011

Revenues

Total revenues decreased $6.5 million for the three months ended June 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by $6.2 million due to a decrease of $23.1 million related to the CBL/T-C Properties partially offset by increases of $12.3 million from the New Properties and $4.6 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a $3.8 million increase in base rents, as a result of increases in occupancy, improvements in leasing spreads and a bankruptcy settlement from a former tenant of $1.6 million.

Our cost recovery ratio for the quarter ended June 30, 2012 was 97.3% compared with 102.5% for the prior-year period. The decrease was primarily a result of lower tenant reimbursements due to the deconsolidation of the CBL/T-C Properties.

Other revenues decreased $0.7 million primarily due to lower revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased $4.9 million for the three months ended June 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $1.4 million due to a

reduction in expenses of $6.8 million attributable to the CBL/T-C Properties partially offset by increases of $4.4 million of expenses attributable to the New Properties and $1.0 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of $0.4 million in payroll and related costs, $0.3 million in bad debt expense, and $0.3 million for legal fees.

The decrease in depreciation and amortization expense of $3.7 million resulted from decreases of $8.0 million related to the CBL/T-C Properties and $2.6 million attributable to the Comparable Properties partially offset by an increase of $6.9 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 during the second quarter of 2011 related to the closure of two Borders stores.

General and administrative expenses increased $0.8 million primarily as a result of increases of $1.0 million in payroll and related costs and $0.3 million for capitalized overhead related to development projects, partially offset by a decrease of $0.5 million in consulting fees. As a percentage of revenues, general and administrative expenses were 4.7% and 4.3% for the second quarters of 2012 and 2011, respectively. Revenues declined as a result of the deconsolidation of the CBL/T-C Properties for the three months ended June 30, 2012 compared to the prior year period.

Other expenses decreased $0.5 million primarily attributable to lower expenses of $0.4 million related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased $0.7 million compared to the prior year period. In the second quarter of 2012, we recognized the unamortized discounts on two separate mezzanine loans totaling $0.6 million when those loans terminated.

Interest expense decreased $9.5 million for the three months ended June 30, 2012 compared to the prior year period. Decreases of $8.3 million for the CBL/T-C Properties and $4.5 million for the Comparable Properties were partially offset by an increase of $3.3 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. Our consolidated debt was $500.9 million lower at June 30, 2012 as compared to June 30, 2011.

During the second quarter of 2012, we recognized a gain on sales of real estate assets of $2.5 million related to the sale of two parcels of land at one of our malls. We recognized a loss on sales of real estate assets of $0.1 million during the second quarter of 2011 related to the true-up of estimated expenses to actual amounts for outparcels sold for a gain in previous periods.

Equity in earnings of unconsolidated affiliates increased by $0.6 million during the second quarter of 2012 compared to the prior year period. The $0.6 million difference is attributable to increases in occupancy and base rents across the portfolio of unconsolidated affiliates partially offset by our share of the net loss from the CBL/T-C Properties, which have been accounted for using the equity method since October 2011, but were accounted for on a consolidated basis prior to that date. The CBL/T-C Properties have a net loss primarily due to significant depreciation expense.

The income tax provision of $0.3 million for the three months ended June 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current tax provision of $0.8 million and a deferred income tax benefit of $0.5 million. During the three months ended June 30, 2011, we recorded a benefit for deferred income taxes of $4.6 million.

The operating loss of discontinued operations for the three months ended June 30, 2012 of less than $0.1 million represents true-ups of estimated expense to actual amounts for properties sold during previous periods. The operating loss of discontinued operations for the three months ended June 30, 2011 includes a non-cash loss on impairment of real estate of $4.5 million related to the write-down of the book value of a community center to its then estimated fair value. The community center was sold in March 2012. Discontinued operations for the three months ended June 30, 2011 also includes the settlement of estimated expenses based on actual amounts for properties sold during previous periods.

Comparison of the Six Months Ended June 30, 2012 to the Six Months Ended June 30, 2011

Revenues

Total revenues decreased $23.0 million for the six months ended June 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by $22.6 million due to a decrease of $46.1 million related to the CBL/T-C Properties partially offset by increases of $17.1 million from the New Properties and $6.4 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a $5.6 million increase in base rents, as a result of the increases in occupancy, improvements in leasing spreads and a bankruptcy settlement from a former tenant of $1.6 million.

Our cost recovery ratio for the six months ended June 30, 2012 was 96.0% compared with 98.8% for the prior-year period. The decrease was primarily a result of lower tenant reimbursements due to the deconsolidation of the CBL/T-C Properties.

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Other revenues decreased $2.0 million primarily due to lower revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased $15.1 million for the six months ended June 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $7.5 million due to a reduction in expenses of $13.9 million attributable to the CBL/T-C Properties partially offset by increases of $6.0 million of expenses attributable to the New Properties and $0.4 million of expense related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of $2.2 million in payroll and related costs, $0.5 million in real estate taxes and $0.4 million in legal fees partially offset by decreases of $1.5 million in snow removal costs, $0.5 million in land rent expense and $0.4 million in bad debt expense.

The decrease in depreciation and amortization expense of $8.3 million resulted from decreases of $15.8 million related to the CBL/T-C Properties and $1.4 million from the Comparable Properties partially offset by an increase of $8.9 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 capitalized overhead related to development projects, which were partially offset by a decrease of $0.5 million in consulting fees. As a percentage of revenues, general and administrative expenses were 5.1% and 4.4% for the six months ended June 30, 2012 and 2011, respectively. The increase in general and administrative expenses as a percentage of revenues is primarily the result of the deconsolidation of the CBL/T-C Properties, which caused a reduction in revenues as compared to the prior year period.

Other expenses decreased $2.0 million primarily due to a write-down of a mortgage note receivable of $1.5 million recorded in 2011 to reclassify the carrying value of the mortgage note receivable to equal the estimated fair value of the land that secured the note receivable and a decrease of $0.4 million in expenses related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased $1.2 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.

Interest expense decreased $17.7 million for the six months ended June 30, 2012 compared to the prior year period as a result of decreases of $16.6 million attributable to the CBL/T-C Properties and $5.7 million related to the Comparable Properties partially offset by an increase of $4.6 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. Our consolidated debt was $500.9 million lower at June 30, 2012 as compared to June 30, 2011.

During the six months ended June 30, 2011, we recorded a gain on extinguishment of debt of $0.6 million as a result of accelerated premium amortization related to the early retirement of debt secured by one mall.

During the six months ended June 30, 2012, we recognized a gain on sales of real estate assets of $3.1 million related to the sale of a vacant anchor space at one of our malls and the sale of three parcels of land. We recognized a gain on sales of real estate assets of $0.7 million during the six months ended June 30, 2011 related to the sale of four parcels of land.

Equity in earnings of unconsolidated affiliates increased by $0.1 million during the six months ended June 30, 2012 compared to the prior year period. The $0.1 million difference is attributable to increases in occupancy and base rents partially offset by our share of the net loss from the CBL/T-C Properties, which have been accounted for using the equity method since October 2011, but were accounted for on a consolidated basis prior to that date. The CBL/T-C

Properties have a net loss primarily due to significant depreciation expense.
The income tax provision of less than $0.1 million for the six months ended June 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current benefit of $2.3 million and a deferred income tax provision of $2.3 million. During the six months ended June 30, 2011, we recorded an income tax benefit of $6.4 million, consisting of a benefit for current and deferred income taxes of $1.5 million and $4.9 million, respectively.

The operating loss of discontinued operations for the six months ended June 30, 2012 of $0.1 million represents the operating results of two community centers, Oak Hollow Square and the second phase of Settlers Ridge, that were sold during the

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year. We also recorded 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 six months ended June 30, 2012. Operating income of $24.6 million from discontinued operations for the six months ended June 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 six months ended June 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 June 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 June 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 June 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 six months ended June 30, 2012 and 2011 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to the Company	$29,391	$20,376	$55,440	$67,695
Adjustments: [1]				
Depreciation and amortization	77,251	80,555	151,189	153,988
Interest expense	71,492	79,317	142,296	153,266
Abandoned projects expense	1	51	(123)	51
Gain on sales of real estate assets	(2,763)	(1,149)	(3,345)	(1,958)
Gain on extinguishment of debt	—	—	—	(32,015)
Write-down of mortgage notes receivable	—	—	—	1,500
Loss on impairment of real estate	—	3,950	293	6,696
Income tax provision (benefit)	267	(4,653)	39	(6,423)
Net income attributable to noncontrolling interest in earnings of operating partnership	5,197	2,752	9,559	13,203
(Gain) loss on discontinued operations	16	(138)	(895)	(152)
Operating partnership's share of total NOI	180,852	181,061	354,453	355,851
General and administrative expenses	11,993	11,241	25,793	23,041
Management fees and non-property level revenues	(6,523)	(7,857)	(13,285)	(10,344)
Operating partnership's share of property NOI	186,322	184,445	366,961	368,548
Non-comparable NOI	(7,957)	(11,385)	(13,220)	(20,775)
Total same-center NOI	178,365	173,060	353,741	