

The background of the entire page is a light blue architectural site plan. It features various elements such as building footprints, parking lots with individual parking spaces, walkways, and landscaped areas with trees and circular features. The plan is detailed, showing the layout of a large property.

CBL

It's what we know.

CBL & ASSOCIATES PROPERTIES, INC. 2006 ANNUAL REPORT

CBL

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CBL

Welcome to the new CBL logo. Since 1978, CBL has kept its market-dominant focus but also remained flexible to market changes. Just like the Company, our new logo is versatile and will carry us into the future.

The 1.1 million-square-foot CoolSprings Galleria in Nashville is Middle Tennessee's largest shopping destination. Opened in 1991 and renovated in 2006, the super-regional mall features five department stores, more than 165 specialty stores and a 500-seat food court.



From approving the initial site plan to leasing the last shop, CBL knows what it takes to be successful. Quality shopping destinations and the latest in fashions are a few of the things that keep us on your mind, but we know it takes much more to maintain a 94 percent occupancy rate, have the preeminent property in a market and continuously enhance shareholder returns.

[Find out what we know...](#)

Where to grow. It's what we know.

At CBL, we dominate our markets, large and small, through careful site selection. A prime example is Fayette Mall, the premier retail destination for the city of Lexington, KY, and surrounding counties. A vibrant mix of anchors, stores and restaurants attracts not only shoppers, but new retailers, strengthening the dominant position of the mall and the recently opened Plaza at Fayette associated center.



Fayette Mall in Lexington, KY, has five anchors and over 100 specialty stores.

FACT: College Square in Morristown, TN, and Hanes Mall in Winston-Salem, NC, were among the first malls to introduce Jimmy'z by Aéropostale.

Aéropostale's Jimmy'z fashions at Hanes Mall in Winston-Salem, NC.



Drop by to get “in.” It’s what we know.

Fashion trends move at the speed of the Internet, and students from Athens, GA to College Station, TX, want the hottest stores carrying the latest clothes and accessories. Offering unmatched access as the premier retail location in a given market, CBL’s properties provide retailers with a perfect venue to introduce new lines or concept stores. Check out Shi by Journeys at CoolSprings Galleria in Nashville, TN, or H&M at West Towne Mall in Madison, WI.

Catching your eye. It's what we know.

CBL malls grant shoppers access to the nation's top retailers and specialty stores. Our leasing teams keep the lineup current by identifying trend-setting merchants and making them a part of our centers. At Park Plaza in Little Rock, AR, more than 80 shops and restaurants vie for your attention, with Banana Republic, Hollister and XXI Forever among the new arrivals.



CBL offers approximately 75 million square feet of department stores, specialty shops and restaurants.

FACT: In 2006, more than 72 percent of CBL's total revenue was derived from tenants that individually contributed less than 1 percent of revenues.

FACT: In 2006, CBL added 25 new restaurants to centers across its portfolio.

Restaurants draw customers to our malls and energize them for extended shopping.



An excuse to linger. It's what we know.

The opportunity to sit down, enjoy a meal or share a cocktail with friends is a key ingredient to attracting shoppers to our properties and extending their stay. We opened seven restaurants at Fayette Mall alone in 2006, including P.F. Chang's China Bistro and Abuelo's Mexican Food Embassy. We're partnering with Fleming's, Claim Jumper and an array of eateries ranging from casual to upscale as we boost the number of restaurants at our malls and open-air centers.

Starting a buzz. It's what we know.

CBL's market-dominant retail destinations enable sponsors to reach a receptive audience on a scale that can't be duplicated by the fragmented exposure of radio, television or print. Sponsorship programs generate strong results by helping reach consumers when they are most receptive – while shopping.



Sponsorship towers generate advertising revenue at CoolSprings Galleria in Nashville, TN.

FACT: Banners, sponsorships, video displays, plaques and other media generated approximately \$8.5 million of revenues in 2006.

FACT: Specialty income generated nearly \$80 million of revenues in 2006.

Dana Suggs won CBL's Piedmont Retail Business Challenge in 2006.



Thinking outside the box. It's what we know.

Tomorrow's inline retailers are among today's entrepreneurs. Butter Up, a supplier of natural skin and hair products, is one of three business plans CBL and local partners selected for start-up support during the 2006 Piedmont Retail Business Challenge. CBL identifies retail trends and then works with local entrepreneurs like Butter Up owner Dana Suggs to introduce those concepts at our properties.

Designs of distinction. It's what we know.

The new lifestyle wing at Cary Towne Center in Cary, NC, houses new stores while adding the convenience-driven shopper to the mall's existing clientele. Other initiatives to add value to our properties include the conversion of underutilized parking fields into needed restaurants, and the inclusion of new advertising venues with each renovation.



Drive-up convenience at the expanded Cary Towne Center in Cary, NC.

FACT: In 2007, CBL is adding four lifestyle expansions to existing centers and has even more planned for the years ahead.

FACT: CBL is boosting its development pipeline to more than 2.3 million square feet opening in 2007, adding more than \$335 million to the value of its portfolio.

Dillard's and Macy's will anchor Pearland Town Center in Houston.



Staying on top of the game. It's what we know.

Consumers demand convenience and atmosphere, and CBL is delivering with lifestyle and town centers like the 1.2 million-square-foot Pearland Town Center in Houston, TX. Opening in 2008, this expansive mixed-use project will blend restaurants and retail with residential, hotel and office space in an open-air environment where shoppers can live, work and play. Our town centers feature drive-up access, extensive landscaping and a Main Street feel.

Being the center of attention. It's what we know.

CBL shopping centers are often the principal gathering place for the community. In Burlington, NC, the opening later this year of Alamance Crossing will provide a rejuvenating influx of jobs and a setting for local events. CBL worked with city officials to meet the community's needs, switching from a traditional big-box project to a Main Street layout with high-end retailers.



The 622,000-square-foot first phase of Alamance Crossing will be anchored by Dillard's, Belk, JCPenney and Barnes & Noble.

FACT: Opening in August 2007, Alamance Crossing will create 1,500 jobs and generate sales tax revenue from more than \$200 million in estimated annual sales.

FACT: Gulf Coast Town Center will bring Ft. Myers' shoppers a number of new-to-the-market retailers and restaurants including Bass Pro Shops, Ron Jon Surf Shop, Golf Galaxy and Bar Louie.

Bass Pro Shops at Gulf Coast Town Center in Fort Myers, FL.



Making a splash. It's what we know.

Unique experiences, like the boat test-drive lake gracing the new Bass Pro Shops at Gulf Coast Town Center in Ft. Myers, FL, draw visitors to our properties again and again. CBL's development, leasing and management teams provide distinctive offerings at every property. Does fashion float your boat? Then browse the latest menswear at Road. The elite retailer recently opened its third store at Oak Park Mall in Overland Park, KS.

Keeping it fresh. It's what we know.

Updating our properties to fit the latest retail trends and consumer tastes is one of the ways CBL attracts and retains the best retailers. From the cherry wood floors and glass elevators inside to the grand entrances and unique architectural elements outside, renovations keep our properties current and give consumers even more reasons to visit our retail partners.



Inviting interior of CoolSprings Galleria after renovation.

FACT: Since 2002, CBL has invested over \$200 million to renovate more than 20 market-dominant properties.

FACT: Upon completion, the 1.7 million-square-foot Gulf Coast Town Center will feature 17 anchors, two hotels and more than 120 specialty shops and restaurants.

The second phase of Gulf Coast Town Center opened recently with retailers like Belk.



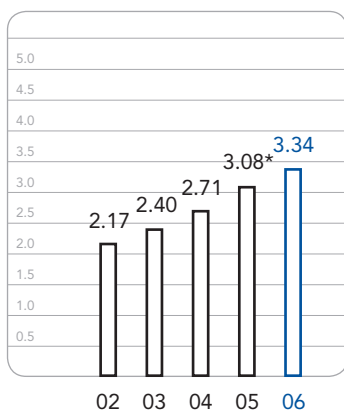
Hitting the ground running. It's what we know.

As part of the efforts in 2006 to streamline the development process, CBL created its new development leasing team to focus solely on lease-up of new development projects. This approach is proving its advantages at Gulf Coast Town Center in Ft. Myers, FL, which is already more than 97 percent leased and committed. Phase II of the project opened in early 2007 and new retailers are signing on for space in Phase III.

Dear Shareholders,

CBL & Associates Properties, Inc. is far more than a portfolio of market-dominant malls and open-air centers. It's what we know that sets us apart. Our notable expertise in management, leasing and development shows in our exciting lineup of new stores and restaurants. In 2006, the successful execution of our strategy enabled us to enter and dominate new markets while producing impressive growth in Funds From Operations and declaring our fifth consecutive double-digit dividend increase.

FUNDS FROM OPERATIONS
PER SHARE
(In dollars)



*Excludes one-time gains and fee income of \$0.26 per share

Our market-dominant strategy

CBL seeks to own the preeminent property in a trade area, whether that market is a dynamic city like Madison, WI, or a growing submarket of a larger metropolitan area, such as Douglasville in western Atlanta. Careful site selection and rigorous attention to the mix of retail partners make CBL's properties the first choice both of shoppers and of retailers seeking the ideal venue for new stores.

We've adhered to that market-dominant commitment with each new property added to our portfolio and will continue that strategy as we accelerate our development program in 2007. At the same time, we continue to seek acquisitions that are immediately accretive and also positioned for long-term growth.

Growing revenues, increasing dividends

Many analysts expected retail REITs to struggle in 2006, making CBL's robust performance all the more impressive. Funds From Operations climbed to \$3.34 per share, compared with the previous year's \$3.08 per share after adjustment for one-time gains and fee income in 2005. Same property Net Operating Income grew 1.9 percent, while same-store sales rose 3.3 percent and total revenue gained 10.4 percent. Mall occupancy remained high at more than 94 percent.

We refinanced debt on five malls at lower interest rates, and the \$363 million in new loans generated more than \$85 million in excess proceeds, which were used to reduce outstanding balances on our lines of credit. In the fourth quarter we were pleased to provide our shareholders with a 10.4 percent increase in the common dividend, marking our 14th consecutive annual increase.



CHARLES B. LEBOVITZ

Chairman of the Board and Chief Executive Officer

Ramping up development

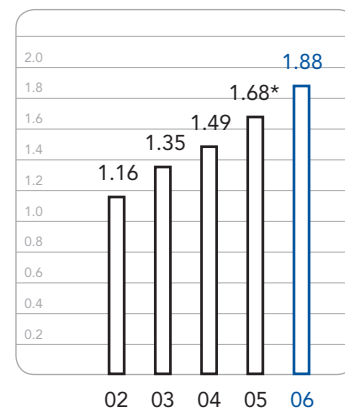
With an expanding development pipeline, CBL aligned the market-level expertise of its project leaders under the guidance of a chief development officer in 2006. Working in tandem with this group is our new development leasing team, dedicated to signing on the stores and restaurants that will serve as a catalyst for new projects. Together, these skilled individuals enabled CBL to complete an array of new retail centers and expansions in 2006, including The Plaza at Fayette Mall, an associated center that builds on the success of our top-performing Fayette Mall.

In Fort Myers, FL, the second phase of Gulf Coast Town Center debuted in 2006 with anchors Belk, JCPenney, Best Buy and Bass Pro Shops. The rest of the Phase II expansion celebrated a grand opening on March 15 of this year with retailers such as Zumiez, Charlotte Russe and Borders. Sensational sit-down restaurants added in Phase II range from Miller’s Ale House and P.F. Chang’s China Bistro to Outback Steakhouse, Carrabba’s Italian Grill and Blu Sushi.

Keeping ahead of the curve

At CBL, part of our job is to keep our shopping environments fresh and inviting. That’s why we invested approximately \$70 million to remodel seven properties in 2006 and will spend approximately \$50 million on renovations this year. We incorporate the latest architectural designs to make our existing properties more visually appealing while enhancing comfort, amenities and convenience.

REGULAR COMMON DIVIDENDS PER SHARE (In dollars)



*In 2005, CBL also paid a special one-time dividend of \$0.09 per share

Yet the atmosphere at our 79 malls and open-air centers owes as much to our retail partners as it does to masonry and glass. CBL's property managers and leasing specialists continue to spice up the retail mix with popular restaurants, in-demand stores and unique experiences.

We encourage innovative thinking through our decentralized management system, giving local teams the latitude to try new concepts, and those ideas have generated several expanding sources of income. Specialty leasing offers opportunities to lease carts and kiosks in common areas and arranges temporary leases for inline locations to fill downtime between the changing of retailers; sponsorships yield advertising revenue from banners, video displays, special events and innovative marketing programs. Underutilized parking areas are converted to pad sites for new restaurants. All of these programs contributed to our bottom line in 2006, and we are pursuing more ways to grow revenue from our existing portfolio, including a promising new gift card program.

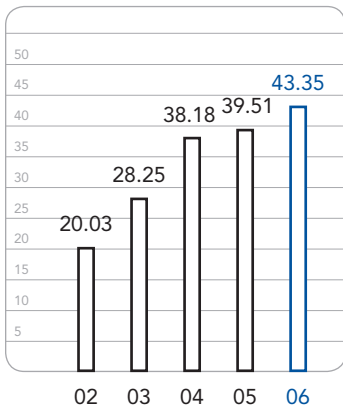
The road ahead

CBL plans to deliver more than 2.3 million square feet of new developments in 2007, investing more than \$335 million to expand and enhance our retail portfolio. Among those new properties will be Alamance Crossing, an open-air town center that will introduce department stores, a bookstore, theater and restaurants in a main street setting to Burlington, NC. Other projects bringing CBL to new markets this year will be Milford Marketplace, a lifestyle center in Milford, CT, and Cobblestone Village, a community center in Palm Coast, FL.

We also know that our existing properties must grow to maintain their market-dominant positions. By bringing shoppers the latest retail experiences, each mall fortifies its position as the top retail destination. A good example is Brookfield Square outside Milwaukee, WI, where we are introducing several new restaurants in a fabulous lifestyle addition to a mall first constructed 40 years ago.

Ultimately, our success comes from listening to our shareholders, our retailers, shoppers, city officials and town councils. And ultimately, the success of our organization reflects the expertise and dedication of the employees who manage our properties, interact with our retail partners and customers, and carry out our initiatives. We couldn't do it without them – it's what we know.

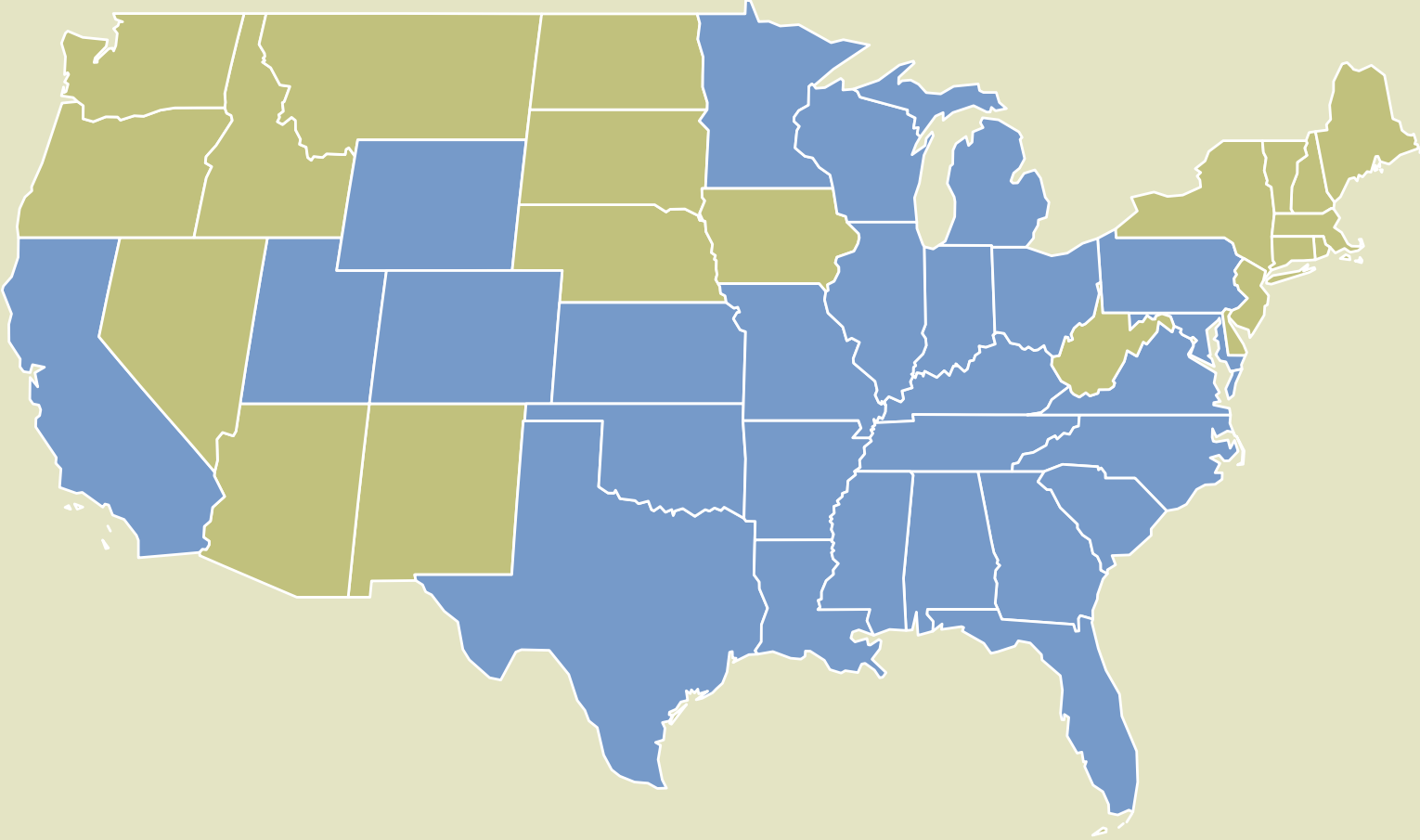
CBL YEAR-END COMMON STOCK PRICE PER SHARE (In dollars)



CHARLES B. LEBOVITZ
 Chairman of the Board and
 Chief Executive Officer

Owned and Managed Properties

CBL & Associates Properties continues to grow its presence across the U.S. through new developments and property expansions. Headquartered in Chattanooga, TN, the Company also operates a regional office in Boston, MA, and in 2006 opened a regional office in Dallas, TX.



■ States with CBL Properties including malls, associated centers and community centers

Owned and Managed Properties



Southaven Towne Center, Southaven, MS



Gulf Coast Town Center, Fort Myers, FL

- ▶ CBL's malls prosper as regional populations grow. From 2000 to 2005, the population of Lee County, FL, grew 25 percent to nearly 500,000 residents, making it one of the fastest-growing counties in the nation. Projected to swell another 35 percent by 2015, the trend promises increasing customer traffic at Gulf Coast Town Center.

ALABAMA	<i>Square Feet</i>	GEORGIA	<i>Square Feet</i>	KENTUCKY	<i>Square Feet</i>
Huntsville		Athens		Lexington	
Madison Square	932,452	Georgia Square	673,138	Fayette Mall	1,233,982
Parkway Place	630,825	Georgia Square Plaza	15,393	Plaza at Fayette	190,164
Madison Plaza	153,085				
ARKANSAS		Atlanta (Douglasville)		Louisville	
Fort Smith		Arbor Place	1,176,244	Jefferson Mall	923,762
Massard Crossing	300,717	The Landing at Arbor Place	169,523		
Little Rock		Dalton		Paducah	
Park Plaza Mall	546,500	Walnut Square	449,798	Kentucky Oaks Mall	1,013,822
		Walnut Crossing	128,465		
CALIFORNIA		ILLINOIS		LOUISIANA	
El Centro		Bloomington		Lafayette	
Imperial Valley Mall	766,333	Eastland Mall	755,788	Mall of Acadiana	997,275
COLORADO		Decatur		MARYLAND	
Longmont		Hickory Point Mall	823,902	Bel Air	
Twin Peaks Mall	555,919	Fairview Heights		Harford Mall	490,458
		St. Clair Square	1,047,438	Harford Annex	107,903
FLORIDA		The Shoppes at St. Clair Square	84,055	MICHIGAN	
Daytona Beach		Rockford		Detroit (Livonia)	
Volusia Mall	1,064,768	CherryVale Mall	783,167	Laurel Park Place	505,204
Ft. Myers		INDIANA		Lansing	
Gulf Coast Town Center	1,003,507	Terre Haute		Meridian Mall	977,085
Melbourne		Honey Creek Mall	680,890	Midland	
The Shops at Pineda Ridge	170,009	KANSAS		Midland Mall	515,000
Panama City		Kansas City (Overland Park)		Muskegon	
Panama City Mall	606,452	Oak Park Mall	1,561,309	The Lakes Mall	593,487
The Shoppes at Panama City Mall	57,000			Saginaw	
Sebring				Fashion Square Mall	798,016
Lakeshore Mall	495,972				

Owned and Managed Properties

▶ The average employee in Research Triangle Park near CBL's Triangle Town Center in Raleigh, NC, earns \$56,000 annually, well above the median household incomes of \$39,000 in North Carolina and \$43,000 nationwide. In July 2006, *Money* magazine ranked Raleigh the fourth Best Place to Live, and named Cary, NC, home to CBL's Cary Towne Center, the fifth Best Place to Live Among Small Cities.



Triangle Town Center, Raleigh, NC

Cary Towne Center, Cary, NC



Hanes Mall, Winston-Salem, NC



MINNESOTA *Square Feet*

Minneapolis (Burnsville)
Burnsville Center 1,086,576

MISSISSIPPI

Hattiesburg
Turtle Creek Mall 846,150

Meridian
Bonita Lakes Mall 633,685
Bonita Lakes Crossing 130,150

Southaven
Southaven Towne Center 520,828

Vicksburg
Pemberton Square 351,920
Pemberton Plaza 77,893

MISSOURI

Joplin
Northpark Mall 991,076

NORTH CAROLINA

Asheboro
Randolph Mall 350,035

Asheville
Asheville Mall 931,262

Cary
Cary Towne Center 1,004,210

Fayetteville *Square Feet*

Cross Creek Mall 1,054,034

Gastonia
Gaston Square 41,640

High Point
Oak Hollow Mall 800,762

Raleigh
Triangle Town Center 1,279,228
Triangle Town Place 161,787

Statesville
Signal Hills Crossing 44,220

Winston-Salem
Hanes Mall 1,560,945

OKLAHOMA

Stillwater
Lakeview Pointe 207,415

OHIO

Akron
Chapel Hill Mall 861,653
Chapel Hill Suburban 117,088

Cincinnati
Eastgate Mall 1,066,654
Eastgate Crossing 195,112

Franklin
Towne Mall 465,451

PENNSYLVANIA *Square Feet*

Harrisburg
High Pointe Commons 296,434

Pittsburgh (Greensburg)
Westmoreland Mall 1,017,114
Westmoreland South 277,303

Pittsburgh (Monroeville)
Monroeville Mall 1,128,747
Monroeville Annex 229,588
The District at Monroeville 75,832

Stroudsburg
Stroud Mall 424,232

York
York Galleria 770,668

SOUTH CAROLINA

Charleston
Citadel Mall 1,112,491

Columbia
Columbia Place 1,042,404

Myrtle Beach
Coastal Grand –
Myrtle Beach 929,868
Coastal Grand Crossing 34,967

North Charleston
Northwoods Mall 833,833

Spartanburg
WestGate Mall 1,100,679
WestGate Crossing 157,247

Owned and Managed Properties



CoolSprings Galleria, Nashville, TN



Fayette Mall, Lexington, KY

- ▶ Nashville is more than the home of country music and three CBL malls. The city's largest industry – health care – includes more than 250 locally based businesses. In 2006, Nissan moved its Corporate Headquarters to Nashville from Los Angeles and across the street from CBL's CoolSprings Galleria. Nissan's largest North American manufacturing plant is in Smyrna, a suburb of Nashville.

TENNESSEE

Square Feet

Athens

Eastside Shopping Center	79,330
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Chattanooga

CBL Center	128,000
Hamilton Place	1,145,335
Brainerd at Germantown	29,280
Hamilton Corner	83,857
Hamilton Crossing	185,370
Olde Brainerd Center	57,293
Gunbarrel Pointe	281,525
Soddy-Daisy Plaza	108,050
The Terrace	156,297
The Shoppes at Hamilton Place	109,937
Park Place	49,082

Clarksville

Governor's Square	718,786
Governor's Square Plaza	187,599

Cleveland

Bi-Lo Plaza South	56,557
Bradley Commons	130,062

Jackson

Old Hickory Mall	544,668
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Johnson City

Southside Plaza	54,295
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Maryville

Foothills Mall	478,768
Foothills Plaza	191,216

Morristown

College Square	459,705
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Nashville

CoolSprings Galleria	1,125,914
Hickory Hollow Mall	1,088,280
Rivergate Mall	1,129,035
CoolSprings Crossing	364,526
The Courtyard at Hickory Hollow Mall	77,460
The Village at Rivergate	166,366

TEXAS**Beaumont**

Parkdale Mall	1,371,870
Parkdale Crossing	80,209

Brownsville

Sunrise Mall	739,996
Sunrise Commons	226,012

College Station

Post Oak Mall	776,898
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Del Rio

Plaza del Sol	261,586
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Houston

Willowbrook Plaza	386,130
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Laredo

Mall del Norte	1,198,199
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Waco

Richland Mall	720,610
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UTAH**Salt Lake City (Layton)**

Layton Hills Mall	660,728
Layton Hills Convenience Center	93,892

VIRGINIA

Square Feet

Lynchburg

River Ridge Mall	784,775
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Norfolk (Chesapeake)

Greenbrier Mall	889,683
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Richmond (Colonial Heights)

Southpark Mall	626,806
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Roanoke

Valley View Mall	787,255
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WISCONSIN**Milwaukee (Brookfield)**

Brookfield Square	1,091,845
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Janesville

Janesville Mall	627,128
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Madison

East Towne Mall	839,608
West Towne Mall	915,307
West Towne Crossing	429,768

Racine

Regency Mall	884,534
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Wausau

Wausau Center	429,970
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WYOMING**Cheyenne**

Frontier Mall	519,471
Frontier Square	161,615

Directors and Senior Management



DIRECTORS

- A) **Stephen D. Lebovitz**
President and Secretary
- B) **John N. Foy** ⁽³⁾
Vice Chairman of the Board, Chief Financial Officer and Treasurer
- C) **Charles B. Lebovitz** ⁽³⁾
Chairman of the Board and Chief Executive Officer, Chairman of the Executive Committee
- D) **Leo Fields** ⁽³⁾
Co-Chairman – Weisberg & Fields, Inc. Retired Vice Chairman – Zale Corporation
- E) **Ben S. Landress** ⁽⁵⁾
Executive Vice President – Management
- F) **Gary L. Bryenton** ⁽¹⁾⁽⁴⁾
Executive Partner – Baker & Hostetler LLP Chairman of the Nominating/Corporate Governance Committee
- G) **Winston W. Walker** ⁽¹⁾⁽²⁾⁽⁴⁾
President – Walker & Associates, Retired President & CEO – Provident Life and Accident Insurance Company, Chairman of the Audit Committee
- H) **Matthew S. Dominski** ⁽¹⁾⁽²⁾⁽⁴⁾
Joint Owner – Polaris Capital, LLC
- I) **Claude M. Ballard** ⁽¹⁾⁽²⁾⁽⁴⁾
Retired Partner – Goldman Sachs & Co. Chairman of the Compensation Committee
- J) **Martin J. Cleary** ⁽²⁾
Retired President and Chief Operating Officer – The Richard E. Jacobs Group, Inc.

*(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Executive Committee
(4) Member of Nominating/Corporate Governance Committee
(5) Advisory Member of the Board*

SENIOR MANAGEMENT

- | | | | | |
|--|---|---|--|---|
| Victoria Berghel
Senior Vice President – General Counsel | Jeffrey L. Gregerson
Vice President – Specialty Leasing | Mark D. Mancuso
Senior Vice President – Development | Don Sewell
Vice President – Mall Management | R. Stephen Tingle
Senior Vice President – Development |
| Thomas S. Carter
Vice President – Development | Howard B. Grody
Vice President – Mall Leasing | Charles H. May, II
Senior Vice President – Development | Jerry L. Sink
Senior Vice President – Mall Management | John P. Waller
Vice President – Development Leasing |
| Andrew F. Cobb
Vice President and Director of Accounting | Keith L. Honnold
Vice President – Acquisitions | Farzana K. Mitchell
Senior Vice President – Finance | Geoff Smith
Vice President – Development | Charles W.A. Willett, Jr.
Senior Vice President – Real Estate Finance |
| Barbara J. Faucette
Vice President – Mall Marketing | Mona W. James
Vice President – Payroll and Corporate Accounting | Steve T. Newton
Vice President – Information Technology | Stuart Smith
Vice President – Planning/Redevelopment | Jan Willis
Vice President – Mall Leasing |
| Ronald L. Fullam
Senior Vice President – Development | Alan L. Lebovitz
Vice President – Asset Management | J. Tyler Overley
Vice President – Accounting and Assistant Controller | Eric P. Snyder
Senior Vice President and Director of Corporate Leasing | Jay Wiseman, Jr.
Vice President – Acquisitions |
| Deborah Gibb
Vice President – Corporate Relations | Michael I. Lebovitz
Chief Development Officer/Senior Vice President | D.C. Rusty Phillips
Vice President – Peripheral Property | Augustus N. Stephas
Chief Operating Officer/Senior Vice President | |

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

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors discussed in Item 1A of our annual report on Form 10-K for the year ending December 31, 2006, such risks and uncertainties include, without limitation, general industry, economic and business conditions, interest rate fluctuations, costs of capital and capital requirements, availability of real estate properties, inability to consummate acquisition opportunities, competition from other companies and retail formats, changes in retail rental rates in 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, the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future business. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Executive Overview

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management

and operation of regional shopping malls and community centers. Our shopping centers are located in 27 states, but primarily in the southeastern and midwestern United States.

As of December 31, 2006, we owned controlling interests in 72 regional malls (including large open-air centers), 27 associated centers (each adjacent to a regional mall), four community centers, and our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity. As of December 31, 2006, we owned non-controlling interests in seven regional malls, four associated centers and one community center. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. At December 31, 2006, we had seven mall/lifestyle expansions, one open-air shopping center, one open-air shopping center expansion, one associated center and three community centers, one of which is owned in a joint venture, under construction.

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

We expanded our portfolio in 2006 by opening five new developments and eight property expansions totaling 1.5 million square feet. We have approximately 3.1 million square feet of new developments and expansions, which represent \$507.4 million of net investment, that are scheduled to open during 2007 and 2008.

Results of Operations

Comparison of the Year Ended December 31, 2006 to the Year Ended December 31, 2005

The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2006, compared to the year ended December 31, 2005:

- Since January 1, 2005, we have acquired or opened eight malls, two open-air centers, three associated centers and three community centers (collectively referred to as the "2006 New Properties"). The 2006 New Properties are as follows:

Property	Location	Date Acquired/ Opened
Acquisitions:		
Laurel Park Place	Livonia, MI	June 2005
The Mall of Acadiana	Lafayette, LA	July 2005
Layton Hills Mall	Layton, UT	November 2005
Layton Hills Convenience Center	Layton, UT	November 2005
Oak Park Mall	Overland Park, KS	November 2005
Eastland Mall	Bloomington, IL	November 2005
Hickory Point Mall	Forsyth, IL	November 2005
Triangle Town Center (50/50 joint venture)	Raleigh, NC	November 2005
Triangle Town Place (50/50 joint venture)	Raleigh, NC	November 2005
New Developments:		
Imperial Valley Mall (60/40 joint venture)	El Centro, CA	March 2005
Southaven Towne Center	Southaven, MS	October 2005
Gulf Coast Town Center – Phase I & II anchors (50/50 joint venture)	Ft. Myers, FL	November 2005/ November 2006
The Plaza at Fayette Mall	Lexington, KY	October 2006
High Pointe Commons (50/50 joint venture)	Harrisburg, PA	October 2006
Lakeview Pointe	Stillwater, OK	October 2006
The Shops at Pineda Ridge	Melbourne, FL	November 2006

- In August 2005, Galileo America LLC ("Galileo America") redeemed our 8.4% ownership interest by distributing two community centers to us and we sold our management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. ("New Plan"). See Note 5 to the consolidated financial statements for a more thorough discussion of these transactions.

Properties that were in operation for the entire period during 2006 and 2005 are referred to as the "2006 Comparable Properties" in this section.

REVENUES

The \$106.0 million increase in rental revenues and tenant reimbursements was primarily attributable to increases of \$91.2 million from the 2006 New Properties and \$14.8 million from the 2006 Comparable Properties. These increases included \$4.6 million and \$2.8 million of lease termination fees for the 2006 New Properties and the 2006 Comparable Properties, respectively.

The increase in revenues of the 2006 Comparable Properties was driven by our ability to maintain high occupancy levels while achieving a weighted average increase of 8.5% in rents from both new leases and lease renewals for comparable small shop spaces, as well as an increase in percentage rents. These increases were muted by the continued loss of rental income from the store closures and bankruptcies that occurred in the first quarter of 2006, which also negatively impacted our occupancy. Our cost recovery ratio improved to 104.0% for 2006 from 103.2% for 2005.

The decrease in management, development and leasing fees of \$15.5 million was primarily attributable to the prior year amount including management and leasing fees received from Galileo America prior to the redemption of our interest in Galileo America in August 2005, plus an \$8.0 million acquisition fee received from Galileo America that was related to Galileo America's acquisition of an approximately \$1.0 billion portfolio of shopping center properties from New Plan.

Other revenues increased by \$4.2 million due to growth of our subsidiary that provides security and maintenance services to third parties.

OPERATING EXPENSES

Property operating expenses, including real estate taxes and maintenance and repairs, increased \$27.5 million as a result of \$28.3 million of expenses attributable to the 2006 New Properties and a reduction of \$0.8 million related to the 2006 Comparable Properties.

The increase in depreciation and amortization expense of \$50.8 million resulted from increases of \$39.7 million from the 2006 New Properties and \$11.2 million from the 2006 Comparable Properties. The increase attributable to the 2006 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

General and administrative expenses increased \$0.3 million during 2006. Increases related to additional salaries and benefits for the personnel added to manage the 2006 New Properties combined with annual compensation increases for existing personnel were offset by a reduction in expenses related to individuals that were terminated in connection with the sale of our management and advisory contracts with Galileo America in August 2005. Additionally, our investment in developments in progress increased as compared to the same period a year ago, which has resulted in a larger amount of overhead expense being capitalized, than compared to the same period a year ago. As a percentage of revenues, general and administrative expenses decreased to 3.9% in 2006 compared with 4.3% in 2005.

We recognized a loss on impairment of real estate assets of \$0.5 million during 2006, which resulted from a loss of \$0.3 million on the sale of two community centers in May 2006 and a loss of \$0.2 million on the sale of land in December 2006.

OTHER INCOME AND EXPENSES

Interest expense increased \$48.9 million primarily due to the debt on the 2006 New Properties, the refinancings that were completed on the 2006 Comparable Properties and an increase in variable interest rates as compared to 2005.

Gain on sales of real estate assets of \$14.5 million in 2006 represents gains on the sales of 13 land parcels. Gain on sales of real estate assets of \$53.6 million in 2005 includes \$44.2 million of gains related to the redemption of our ownership interest in Galileo America, \$1.0 million from the recognition of deferred gain on properties that had been previously sold to Galileo America and \$8.4 million of gains on the sales of 11 outparcels.

The gain on sales of management contracts of \$21.6 million in 2005 represents the gain on the sale of our management and advisory contracts with Galileo America to New Plan in August 2005.

Equity in earnings of unconsolidated affiliates decreased by \$3.2 million in 2006 because of reductions of \$1.3 million related to the disposition of our ownership interest in Galileo America in August 2005, a full year of loss of \$3.3 million incurred at Triangle Town Center, in which our ownership interest was not acquired until November 2005, and a decrease of \$1.1 million in gains on outparcel sales at Imperial Valley Mall as compared to the prior year. These reductions were partially offset by increases of \$2.5 million in our equity in the earnings of our other unconsolidated affiliates.

In 2006, we recorded an income tax provision of \$5.9 million as a result of taxable income that was generated by our management company, which is a taxable REIT subsidiary.

Discontinued operations in 2006 reflect the results of operations of five community centers that were sold during May 2006. Discontinued operations in 2005 are related to five community centers located throughout Michigan that were sold in March 2005 plus the operations of the community centers that were sold in 2006.

Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2005, compared to the year ended December 31, 2004:

- From January 1, 2004 through December 31, 2005, we acquired or opened 17 malls, two open-air centers and five associated centers (collectively referred to as the "2005 New Properties"). The 2005 New Properties are as follows:

Property	Location	Date Acquired / Opened
Acquisitions:		
Honey Creek Mall	Terre Haute, IN	March 2004
Volusia Mall	Daytona Beach, FL	March 2004
Greenbrier Mall	Chesapeake, VA	April 2004
Chapel Hill Mall	Akron, OH	May 2004
Chapel Hill Suburban	Akron, OH	May 2004
Park Plaza Mall	Little Rock, AR	June 2004
Monroeville Mall	Monroeville, PA	July 2004
Monroeville Annex	Monroeville, PA	July 2004
Northpark Mall	Joplin, MO	November 2004
Mall del Norte	Laredo, TX	November 2004
Laurel Park Place	Livonia, MI	June 2005
The Mall of Acadiana	Lafayette, LA	July 2005
Layton Hills Mall	Layton, UT	November 2005
Layton Hills Convenience Center	Layton, UT	November 2005
Oak Park Mall	Overland Park, KS	November 2005
Eastland Mall	Bloomington, IL	November 2005
Hickory Point Mall	Forsyth, IL	November 2005
Triangle Town Center (50/50 joint venture)	Raleigh, NC	November 2005
Triangle Town Place (50/50 joint venture)	Raleigh, NC	November 2005
New Developments:		
Coastal Grand – Myrtle Beach	Myrtle Beach, SC	March 2004
The Shoppes at Panama City	Panama City, FL	March 2004
Imperial Valley Mall	El Centro, CA	March 2005
Southaven Towne Center	Southaven, MS	October 2005
Gulf Coast Town Center – Phase I (50/50 joint venture)	Ft. Myers, FL	November 2005

- In January 2005, two power centers, one community center and one community center expansion were sold to Galileo America. Since we had a continuing involvement with these properties through our ownership interest in Galileo America and the agreement under which we were the exclusive manager of the properties, the results of operations of these properties were not reflected in discontinued operations. Therefore, the year ended December 31, 2005, does not include a significant amount of revenues and expenses related to these properties, whereas the year ended December 31, 2004 includes a full period of revenues and expenses related to these properties.

- In August 2005, Galileo America redeemed our 8.4% ownership interest by distributing two community centers to us: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. We also sold our management and advisory contracts with Galileo America to New Plan. See Note 5 to the consolidated financial statements for a more thorough discussion of these transactions.

Properties that were in operation for the entire period during 2005 and 2004 are referred to as the "2005 Comparable Properties" in this section.

REVENUES

The \$126.3 million increase in revenues was primarily attributable to increases of \$92.2 million from the 2005 New Properties and \$30.4 million from the 2005 Comparable Properties. These increases were offset by a reduction in revenues of \$7.0 million related to the community centers that were sold to Galileo America in January 2005.

The increase in revenues of the 2005 Comparable Properties was driven by our ability to maintain high occupancy levels while achieving a weighted average increase of 6.5% in rents from both new leases and lease renewals for comparable small shop spaces, as well as an increase in percentage rents.

The increase in management, development and leasing fees of \$10.7 million was primarily attributable to management and leasing fees received from Galileo America prior to the redemption of our interest in Galileo America, plus an \$8.0 million acquisition fee received from Galileo America

that was related to Galileo America's acquisition of an approximately \$1.0 billion portfolio of shopping center properties from New Plan.

OPERATING EXPENSES

Property operating expenses including real estate taxes and maintenance and repairs, increased as a result of increases of \$29.7 million from the 2005 New Properties and \$1.6 million from the 2005 Comparable Properties. This was offset by a decrease of \$2.6 million related to the community centers that were sold to Galileo America in January 2005.

The increase in depreciation and amortization expense resulted from increases of \$28.6 million from the 2005 New Properties and \$8.9 million from the 2005 Comparable Properties. The increase attributable to the 2005 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

General and administrative expenses increased \$3.9 million during 2005. Severance packages for individuals affected by the sale of our management and advisory contracts with Galileo America contributed \$1.3 million to the increase. The remainder of the increase is related to additional salaries and benefits for the personnel added to manage the Properties acquired during 2005 and 2004 combined with annual compensation increases for existing personnel. As a percentage of revenues, general and administrative expenses decreased to 4.3% in 2005 compared with 4.5% in 2004.

We recognized a loss on impairment of real estate assets of \$1.3 million during 2005, which was related to a \$1.0 million reduction in the carrying value of assets identified as held for sale at December 31, 2005, and an additional loss of \$0.3 million related to the properties that were sold to Galileo America in January 2005. The additional impairment loss of \$0.3 million was related to the adjustment of certain estimated amounts when the actual amounts became known in 2005. We recognized a loss on impairment of real estate assets of \$3.1 million during 2004 when we reduced the carrying value of ten community centers to their respective estimated fair values. The ten community centers included four community centers that were sold to Galileo America in January 2005,

five community centers that were sold to a third party during March 2005 and one community center that was sold for a loss during the fourth quarter of 2004.

OTHER INCOME AND EXPENSES

Interest expense increased \$31.0 million primarily due to the debt on the 2005 New Properties, the refinancings that were completed on the 2005 Comparable Properties and an increase in variable interest rates.

Gain on sales of real estate assets of \$53.6 million in 2005 includes \$44.2 million of gains related to the redemption of our ownership interest in Galileo America, \$1.0 million from the recognition of deferred gain on properties that were previously sold to Galileo America and \$8.4 million of gains on the sales of 11 outparcels. The gain on sales of real estate assets of \$29.3 million in 2004 included \$26.8 million of gain related to the second phase of the Galileo America joint venture and \$2.5 million of gain on sales of seven outparcels at various properties.

The gain on sales of management contracts of \$21.6 million represents the gain on the sale of our management and advisory contracts with Galileo America to New Plan in August 2005.

Equity in earnings of unconsolidated affiliates decreased by \$1.8 million in 2005 as a result of the redemption of our interest in Galileo America in August 2005. Additionally, although Coastal Grand – Myrtle Beach and Imperial Valley Mall opened in March 2004 and March 2005, respectively, our equity in the earnings of these two properties was flat compared to the prior year. This was due to the mortgage loan that was placed on Coastal Grand – Myrtle Beach in September 2004, which is at a fixed interest rate that is higher than the previous variable rate loan.

Discontinued operations for 2005 represent the operations of the six community centers we sold during 2005, the operations of the two community centers that were classified as held for sale as of December 31, 2005 and the operations of three community centers that were sold in May 2006. Discontinued operations during 2004 reflect the results of two community centers that we sold during 2004, as well as the results of the properties described in the previous sentence.

Operational Review

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

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Coastal Grand – Myrtle Beach in Myrtle Beach, SC, which opened in March 2004; Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; and Gulf Coast Town Center (Phase I) in Ft. Myers, FL, which opened in November 2005.

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

	Year Ended December 31,	
	2006	2005
Malls	92.6 %	91.2 %
Associated centers	3.9 %	3.8 %
Community centers	0.7 %	0.9 %
Mortgages, office building and other	2.8 %	4.1 %

SALES AND OCCUPANCY COSTS

Mall store sales (for those tenants who occupy 10,000 square feet or less and have reported sales) in the stabilized malls increased 3.3% on a comparable per square foot basis to \$341 per square foot for 2006 compared with \$330 per square foot for 2005.

Occupancy costs as a percentage of sales for the stabilized malls were 12.1% and 11.8% for 2006 and 2005, respectively.

OCCUPANCY

Our portfolio occupancy is summarized in the following table:

	December 31,	
	2006	2005
Total portfolio	94.1 %	94.5 %
Total mall portfolio	94.4 %	94.4 %
Stabilized malls	94.5 %	94.7 %
Non-stabilized malls	91.7 %	89.4 %
Associated centers	93.6 %	94.1 %
Community centers	85.6 %	95.3 %

The store closures and bankruptcies that occurred during the first quarter of 2006 continued to negatively impact occupancy as of December 31, 2006.

LEASING

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

	December 31,	
	2006	2005
Stabilized malls	\$ 27.18	\$ 26.87
Non-stabilized malls	26.83	27.41
Associated centers	11.32	10.55
Community centers	14.21	9.61
Other	19.48	19.33

During 2006, we achieved positive results from new and renewal leasing of comparable small shop space for spaces that were previously occupied as summarized in the following table:

Property Type	Square Feet	Prior Base Rent PSF	New Initial Base Rent PSF	% Change Initial	New Average Base Rent PSF	% Change Average
All Property Types ⁽¹⁾	2,562,207	\$ 25.62	\$ 27.01	5.4 %	\$ 27.81	8.5 %
Stabilized Malls	2,449,420	26.09	27.53	5.5 %	28.35	8.7 %
New leases	965,563	25.90	29.70	14.7 %	31.22	20.5 %
Renewal leases	1,483,857	26.22	26.11	(0.4)%	26.49	1.0 %

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

Liquidity and Capital Resources

There was \$28.7 million of unrestricted cash and cash equivalents as of December 31, 2006, a decrease of \$0.1 million from December 31, 2005. Cash flows from operations are used to fund short-term liquidity and capital needs such as tenant construction allowances, capital expenditures and payments of dividends and distributions. For longer-term liquidity needs such as acquisitions, new developments, renovations and expansions, we typically rely on property-specific mortgages (which are generally non-recourse), construction and term loans, revolving lines of credit, common stock, preferred stock, joint venture investments and a minority interest in the Operating Partnership.

Cash provided by operating activities decreased \$7.2 million to \$388.9 million for the year ended December 31, 2006. The decrease was primarily attributable to a combination

of an increase in tenant and other accounts receivable and a reduction of our accounts payable and accrued liabilities as compared to the corresponding amounts at December 31, 2005. Additionally, 2005 included \$9.0 million of fee income related to the Galileo America transaction. These decreases were offset by an increase in cash from operations generated by the 2006 New Properties.

DEBT

During 2006, we borrowed \$1.0 billion under mortgage and other notes payable and paid \$776.0 million to reduce outstanding borrowings. We paid \$0.6 million prepayment fees in connection with the extinguishment of certain mortgage notes payable during 2006 and paid \$5.6 million in financing costs in connection with the new borrowings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

<i>(in thousands)</i>	Consolidated	Minority Interests	Unconsolidated Affiliates	Total Pro Rata Share	Weighted Average Interest Rate ⁽¹⁾
December 31, 2006:					
Fixed-rate debt:					
Non-recourse loans on operating properties	\$ 3,517,710	\$ (56,612)	\$ 218,203	\$ 3,679,301	5.97%
Variable-rate debt:					
Recourse term loans on operating properties	101,464	–	27,816	129,280	6.46%
Construction loans	114,429	–	–	114,429	6.61%
Lines of credit	830,932	–	–	830,932	6.19%
Total variable-rate debt	1,046,825	–	27,816	1,074,641	6.27%
Total	\$ 4,564,535	\$ (56,612)	\$ 246,019	\$ 4,753,942	6.03%
December 31, 2005:					
Fixed-rate debt:					
Non-recourse loans on operating properties	\$ 3,281,939	\$ (51,950)	\$ 216,026	\$ 3,446,015	5.99%
Variable-rate debt:					
Recourse term loans on operating properties	292,000	–	26,600	318,600	5.33%
Construction loans	76,831	–	–	76,831	5.76%
Lines of credit	690,285	–	–	690,285	5.29%
Total variable-rate debt	1,059,116	–	26,600	1,085,716	5.33%
Total	\$ 4,341,055	\$ (51,950)	\$ 242,626	\$ 4,531,731	5.83%

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

The secured and unsecured credit facilities contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements and limitations on cash flow distributions. We were in compliance with all financial covenants and restrictions under our credit facilities at December 31, 2006. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective properties. At December 31, 2006, the properties subject to these mortgage notes payable were in compliance with the applicable ratios.

In February 2006, we amended one of the secured credit facilities to increase the maximum availability from \$373.0 million to \$476.0 million, extend the maturity date from February 26, 2006 to February 26, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1.0 billion to \$1.37 billion and increase the limit on the maximum availability that we may request from \$500.0 million to \$650.0 million. In August 2006, we amended this secured credit facility to reduce the interest rate from London InterBank Offered Rate ("LIBOR") plus 0.90% to LIBOR plus 0.80% and to amend certain financial covenants to provide us with enhanced borrowing flexibility.

In June 2006, we amended our \$100.0 million secured credit facility to change the maturity date from June 1, 2007 to June 1, 2008 and to substitute certain collateral under the facility.

In July 2006, we obtained four separate ten-year, non-recourse loans totaling \$317.0 million that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted average of 5.96%. The proceeds were used to retire \$249.8 million of mortgage notes payable that were scheduled to mature during the next 12 months and to pay outstanding balances on our credit facilities. The mortgage

notes payable that were retired consisted of three variable-rate term loans totaling \$189.2 million and one fixed-rate loan of \$60.6 million. We recorded a loss on extinguishment of debt of \$0.9 million related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

In August 2006, we amended one of our secured credit facilities to increase the availability from \$10.0 million to the greater of \$17.2 million or the borrowing base (as defined), to reduce the interest rate from LIBOR plus 1.00% to LIBOR plus 0.80%, to extend the maturity date from April 1, 2007 to April 1, 2008 and to amend certain financial covenants to provide us with enhanced borrowing flexibility.

In August 2006, we amended our unsecured credit facility with Wells Fargo Bank to increase the availability from \$500.0 million to \$560.0 million, extend the maturity date from August 27, 2006 to August 27, 2008 plus three one-year extension options, amend certain financial covenants to provide us with enhanced borrowing flexibility, increase the limit on the maximum availability that we may request from \$600.0 million to \$700.0 million and add a letter of credit feature to the credit facility. The credit facility bears interest at the LIBOR plus a margin of 0.75% to 1.20% based on our leverage, as defined in the agreement. At December 31, 2006, the outstanding borrowings of \$330.0 million under the unsecured credit facility had a weighted average interest rate of 6.25%. Additionally, we pay an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

We expect to refinance the majority of mortgage and other notes payable maturing over the next year with replacement loans. Based on our pro rata share of total debt, there is \$91.8 million of debt that is scheduled to mature in 2007, which we expect to repay or refinance.

EQUITY

During 2006, holders of 1,480,066 common units of limited partnership interest in the Operating Partnership and holders of 595,041 Series J special common units ("J-SCUs") of limited partnership interest in the Operating Partnership exercised their conversion rights. We elected to issue 1,979,644 shares of common stock and to pay cash of \$3.6 million in exchange for these limited partnership interests.

We received \$9.3 million in proceeds from issuances of common stock during 2006 from exercises of employee stock options and our dividend reinvestment plan.

During 2006, we paid dividends of \$153.4 million to holders of our common stock and our preferred stock, as well as \$110.0 million in distributions to the minority interest investors in our Operating Partnership and certain shopping center properties.

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of our equity, our debt-to-total-market capitalization (debt plus market-value equity) ratio was as follows at December 31, 2006:

As a publicly traded company, we have access to capital through both the public equity and debt markets. In January 2006, we filed a shelf registration statement with the Securities and Exchange Commission authorizing us to publicly issue shares of preferred stock, common stock and warrants to purchase shares of common stock. There is no limit to the offering price or number of shares that we may issue under this shelf registration statement.

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

<i>(in thousands, except stock prices)</i>	Shares Outstanding	Stock Price ⁽¹⁾	Value
Common stock and operating partnership units	116,280	\$ 43.35	\$ 5,040,738
8.75% Series B Cumulative Redeemable Preferred Stock	2,000	50.00	100,000
7.75% Series C Cumulative Redeemable Preferred Stock	460	250.00	115,000
7.375% Series D Cumulative Redeemable Preferred Stock	700	250.00	175,000
Total market equity			5,430,738
Company's share of total debt			4,753,942
Total market capitalization			\$ 10,184,680
Debt-to-total-market capitalization ratio			46.7 %

(1) Stock price for common stock and operating partnership units equals the closing price of our common stock on December 29, 2006. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations as of December 31, 2006:

(dollars in thousands)	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt:					
Total consolidated debt service ⁽¹⁾	\$ 5,848,690	\$ 436,830	\$ 2,266,312	\$ 959,848	\$ 2,185,700
Minority investors' share in shopping center properties	(76,538)	(5,080)	(17,856)	(7,789)	(45,813)
Our share of unconsolidated affiliates debt service ⁽²⁾	384,378	16,265	59,927	28,947	279,239
Our share of total debt service obligations	6,156,530	448,015	2,308,383	981,006	2,419,126
Operating leases: ⁽³⁾					
Ground leases on consolidated properties	38,194	626	1,260	1,371	34,937
Minority investors' share in shopping center properties	(2,343)	(33)	(71)	(76)	(2,163)
Our share of total ground lease obligations	35,851	593	1,189	1,295	32,774
Purchase obligations: ⁽⁴⁾					
Construction contracts on consolidated properties	78,111	78,111	-	-	-
Our share of construction contracts on unconsolidated properties	4,607	4,607	-	-	-
	82,718	82,718	-	-	-
Total contractual obligations	\$ 6,268,347	\$ 531,326	\$ 2,309,572	\$ 982,301	\$ 2,445,148

(1) Represents principal and interest payments due under terms of mortgage and other notes payable and includes \$1,046,825 of variable-rate debt on three operating properties, three construction loans, four secured credit facilities and one unsecured credit facility. The variable-rate loans on the operating properties call for payments of interest only with the total principal due at maturity. The construction loans and credit facilities do not require scheduled principal payments. The future contractual obligations for all variable-rate indebtedness reflect payments of interest only throughout the term of the debt with the total outstanding principal at December 31, 2006 due at maturity. The future interest payments are projected based on the interest rates that were in effect at December 31, 2006. See Note 6 to the consolidated financial statements for additional information regarding the terms of long-term debt.

(2) Includes \$27,816 of variable-rate indebtedness. Future contractual obligations have been projected using the same assumptions as used in (1) above.

(3) Obligations where we own the buildings and improvements, but lease the underlying land under long-term ground leases. The maturities of these leases range from 2007 to 2091 and generally provide for renewal options. Renewal options have not been included in the future contractual obligations.

(4) Represents the remaining balance to be incurred under construction contracts that had been entered into as of December 31, 2006, but were not complete. The contracts are primarily for development, renovation and expansion of properties.

CAPITAL EXPENDITURES

We expect to continue to have access to the capital resources necessary to expand and develop our business. Future development and acquisition activities will be undertaken as suitable opportunities arise. We do not expect to pursue these activities unless adequate sources of financing are available and we can achieve satisfactory returns on our investments.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

DEVELOPMENTS AND EXPANSIONS

The following tables summarize our development projects as of December 31, 2006:

Properties Opened Year To Date

<i>(Dollars in thousands)</i>		CBL's Share of				
Property	Location	Total Project Square Feet	Total Cost	Cost To Date	Date Opened	Initial Yield
Redevelopments:						
Burnsville Center	Burnsville, MN	82,900	\$ 13,000	\$ 13,000	Apr 06	9.0 %
Hickory Hollow Mall – former JCPenney	Nashville, TN	138,189	6,865	6,865	Jun 06	8.5 %
Hamilton Crossing	Chattanooga, TN	185,370	4,613	4,295	Sep 06	10.8 %
Cary Towne Center	Cary, NC	21,595	4,720	4,362	Dec 06	10.8 %
Mall Expansions:						
Cross Creek Mall – Starbucks & Salsarita's	Fayetteville, NC	4,900	1,048	1,048	Apr 06	10.0 %
Southaven Town Center – Gordman's	Southaven, MS	59,000	7,200	7,200	Apr 06	8.6 %
Coastal Grand – PetSmart	Myrtle Beach, SC	20,100	2,600	2,600	May 06	8.0 %
Hanes Mall – Dick's Sporting Goods	Winston-Salem, NC	66,000	10,200	9,629	Jul 06	10.0 %
Cary Towne Center – Starbucks & Pei Wei Diner	Cary, NC	4,950	1,228	1,228	Aug 06	9.2 %
The District at Valley View – Restaurants	Roanoke, VA	14,376	975	975	Nov 06	–
Open-Air Center Expansions:						
Southaven Town Center – Books-A-Million	Southaven, MS	15,000	2,530	2,530	Oct 06	10.0 %
Gulf Coast Town Center – Phase II – Anchors ^(a)	Ft. Myers, FL	357,000	54,644 ^(b)	54,644	Nov 06	9.2 %
Associated Centers:						
The Plaza at Fayette Mall	Lexington, KY	190,309	38,341	37,703	Jul/Nov 06	9.0 %
Community Centers:						
Lakeview Point	Stillwater, OK	207,300	22,120	22,120	Oct 06	9.1 %
High Pointe Commons ^(a)	Harrisburg, PA	299,395	8,100	7,814	Oct 06	11.3 %
The Shops at Pineda Ridge	Melbourne, FL	169,974	6,445	4,365	Nov 06	9.7 %
		1,836,358	\$ 184,629	\$ 180,378		

Table continued on page 39.

Announced Property Renovations and Redevelopments

<i>(Dollars in thousands)</i>		CBL's Share of					Initial Yield
Property	Location	Total Project Square Feet	Total Cost	Cost To Date	Date Opened		
Mall Renovations:							
Brookfield Square	Brookfield, WI	1,091,845	\$ 13,500	\$ 1,342	Fall 07	NA	
Georgia Square	Athens, GA	673,138	13,200	335	Fall 07	NA	
Mall del Norte	Laredo, TX	1,198,199	18,400	593	Fall 07	NA	
Honey Creek Mall	Terre Haute, IN	680,890	4,600	–	Fall 07	NA	
Redevelopments:							
Mall del Norte – Theater	Laredo, TX	72,000	15,628	1,731	Spring 07	7.0 %	
Columbia Place – Former JCPenney	Columbia, SC	124,819	15,051	3,465	Aug 07/ Feb 08	5.5 %	
		3,840,891	\$ 80,379	\$ 7,466			

Management's Discussion and Analysis of Financial Condition and Results of Operations

Properties Under Development at December 31, 2006

<i>(Dollars in thousands)</i>						
Property	Location	Total Project Square Feet	CBL's Share of		Date Opened	Initial Yield
			Total Cost	Cost To Date		
Mall Expansions:						
The District at Valley View – Shops	Roanoke, VA	60,900	\$ 17,757	\$ 9,796	June 07	8.1 %
Brookfield Square – Restaurant Addition	Brookfield, WI	19,500	6,474	1,342	Spring/ Fall 07	8.6 %
The District at CherryVale	Rockford, IL	84,541	20,835	2,933	Fall 07	7.0 %
Harford Mall – Lifestyle Expansion	Bel Air, MD	39,222 ^(c)	9,736	910	Sept 07	6.1 %
Southpark Mall – Regal Cinema	Colonial Heights, VA	85,392	15,510	3,168	Fall 07	8.5 %
Open-Air Center Expansions:						
Gulf Coast Town Center – Phase II – Shops/Phase III ^(a)	Ft. Myers, FL	595,990	70,150 ^(b)	16,737	Mar 07/ Apr 07	9.2 %
Associated/Lifestyle Centers:						
The Shoppes at St. Clair Square	Fairview Heights, IL	84,080	27,487	24,614	Mar 07	7.0 %
Milford Marketplace	Milford, CT	110,516	26,624	5,279	Jul 07	8.2 %
Brookfield Square – Corner Shops & Fresh Market	Brookfield, WI	57,511	13,332	9,119	Spring/ Fall 07	8.6 %
Office:						
CBL Center II	Chattanooga, TN	64,847	17,100	70	Jan 08	7.8 %
Mixed-Use Centers:						
Pearland Town Center	Pearland, TX	716,651	154,182	28,172	Fall 08	7.4 %
Community/ Open-Air Centers:						
Alamance Crossing East	Burlington, NC	626,095	96,934	47,834	Aug 07	8.4 %
York Town Center ^(a)	York, PA	271,845	20,706	13,345	Sept 07	9.4 %
Cobblestone Village at Palm Coast	Palm Coast, FL	277,950	10,588	13,985 ^(d)	Oct 07	7.7 %
		3,095,040	\$ 507,415	\$ 177,304		

(a) 50/50 Joint Venture

(b) Amounts shown are 100% of total cost and cost to date for all of Phase II.

(c) Total square footage includes redevelopment and expansion of 2,641 square feet.

(d) Expect to receive reimbursements from future sales of vacant land.

There are construction loans in place for the development costs of Alamance Crossing, Gulf Coast Town Center, The Shoppes at St. Clair and York Town Center. We expect to obtain a construction loan for Milford Marketplace during the first quarter of 2007. The remaining development costs will be funded with operating cash flows and the credit facilities.

We have entered into a number of option agreements for the development of future regional malls and community centers. Except for the projects listed in the above table, we do not have any other material capital commitments.

DISPOSITIONS

We received a total of \$127.1 million in net cash proceeds from the sales of real estate assets during 2006. We also received cash proceeds of \$2.5 million from the sale of equity securities that had been classified as available for sale, which resulted in a gain of \$1.1 million.

OTHER CAPITAL EXPENDITURES

Including our share of unconsolidated affiliates' capital expenditures, we spent \$48.3 million in 2006 for tenant allowances, which generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were \$38.3 million for 2006 and included \$16.4 million for resurfacing and improved lighting of parking lots, \$12.4 million for roof repairs and replacements and \$9.5 million for various other expenditures. Renovation expenditures were \$62.3 million in 2006.

Deferred maintenance expenditures are billed to tenants as common area maintenance expense, and most are recovered over a 5- to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which approximately 30% is recovered from tenants over a 5- to 15-year period.

We expect to renovate four malls for a total estimated cost of \$47.9 million and to redevelop space at two additional malls during 2007 at a total estimated cost of \$30.7 million, which will be funded from operating cash flows and availability under our credit facilities.

Off-Balance Sheet Arrangements

UNCONSOLIDATED AFFILIATES

We have ownership interests in 14 unconsolidated affiliates that are described in Note 5 to the consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the consolidated balance sheets as "Investments in Unconsolidated Affiliates." The following are circumstances when we may consider entering into a joint venture with a third party:

- Third parties may approach us with opportunities where they have obtained land and performed some pre-development activities, but they may not have sufficient access to the capital resources or the development and leasing expertise to bring the project to fruition. We enter into such arrangements when we determine such a project is viable and we can achieve a satisfactory return on our investment. We typically earn development fees from the joint venture and provide management and leasing services to the property for a fee once the property is placed in operation.
- We determine that we may have the opportunity to capitalize on the value we have created in a property by selling an interest in the property to a third party. This provides us with an additional source of capital that can be used to develop or acquire additional real estate assets that we believe will provide greater potential for growth. When we retain an interest in an asset rather than selling a 100% interest, it is typically because this allows us to continue to manage the property, which provides us the ability to earn fees for management, leasing, development, financing and acquisition services provided to the joint venture.

GUARANTEES

We may issue guarantees on 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 in a higher return on our investment in the joint venture. We may receive a fee from the joint venture for providing the guaranty. Additionally, when we issue a guaranty, the terms of the joint venture agreement typically provide that we may receive indemnification from the joint venture.

As of December 31, 2006, we have guaranteed 50% of the debt of Parkway Place L.P. The total amount outstanding at December 31, 2006, was \$53.2 million, of which we have guaranteed \$26.6 million. The guaranty will expire when the related debt matures in June 2008. We have not recorded an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

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

Our guarantees and the related accounting are more fully described in Note 16 to the consolidated financial statements.

Critical Accounting Policies

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

REVENUE RECOGNITION

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

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

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

Gains on sales of real estate assets are recognized when it is determined that the sale has been consummated, the buyer's initial and continuing investment is adequate, our receivable, if any, is not subject to future subordination and

the buyer has assumed the usual risks and rewards of ownership of the asset. When we have an ownership interest in the buyer, gain is recognized to the extent of the third-party partner's ownership interest and the portion of the gain attributable to our ownership interest is deferred.

REAL ESTATE ASSETS

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

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

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

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

CARRYING VALUE OF LONG-LIVED ASSETS

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations. We recorded losses on the impairment of real estate assets of \$0.5 million, \$1.3 million and \$3.1 million in 2006, 2005 and 2004, respectively, which are discussed in Note 2 to the consolidated financial statements.

Recent Accounting Pronouncements

In June 2005, the Financial Accounting Standards Board ("FASB") issued Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not result in any changes to the manner in which we account for our joint ventures.

In June 2005, the FASB issued FSP 78-9-1, *Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5*. The EITF acknowledged that the consensus in EITF Issue No. 04-5 conflicts with certain aspects of Statement of Position ("SOP") 78-9, *Accounting for Investments in Real Estate Ventures*. The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not result in any changes to the manner in which we account for our joint ventures.

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

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is

initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. We will adopt the provisions of SFAS No. 157 on January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin ("SAB") No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the rollover approach and the iron curtain approach, as those terms are defined in SAB No. 108. The rollover approach quantifies misstatements based on the amount of the error in the current year financial statement, whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. If a Company determines that an adjustment to prior year financial statements is required upon adoption of SAB No. 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB No. 108 in fiscal 2006 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2006 opening balance in retained earnings. SAB No. 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. We adopted SAB No. 108 on December 31, 2006 and, in accordance with the initial application provisions of SAB No. 108, adjusted retained earnings as of January 1, 2006. This adjustment was considered to be immaterial individually and in the aggregate in prior years based on the Company's historical method of assessing materiality. See Note 20 to the consolidated financial statements for further discussion.

Impact of Inflation

In the last three years, inflation has not had a significant impact on our operations because of the relatively low inflation rate. Substantially all tenant leases do, however, contain provisions designed to protect us from the impact of inflation. These provisions include clauses enabling us to receive percentage rent based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than 10 years which may provide us the opportunity to replace existing leases with new leases at higher base and/or percentage rent if rents of the existing leases are below the then existing market rate. Most of the leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, which reduces our exposure to increases in costs and operating expenses resulting from inflation.

Funds From Operations

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

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

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

FFO of the Operating Partnership increased to \$390.1 million in 2006 compared to \$390.0 million in 2005. FFO of the Operating Partnership in 2005 included \$30.3 million

associated with one-time fee income and gains from the transaction with Galileo America. Excluding these items from FFO of the Operating Partnership in 2005, FFO of the Operating Partnership increased 8.5%, or \$30.4 million. The 2006 New Properties generated 71.2% of the growth in FFO of the Operating Partnership, while consistently high portfolio occupancy, increases in rental rates from new and renewal leasing and increased recoveries of operating expenses at the 2006 Comparable Properties accounted for 28.8% of the growth in FFO of the Operating Partnership.

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

	Year Ended December 31,		
	2006	2005	2004
Net income available to common shareholders	\$ 86,933	\$ 131,907	\$ 102,802
Minority interest in earnings of operating partnership	70,323	112,061	85,186
Depreciation and amortization expense of:			
Consolidated properties	230,323	179,474	142,004
Unconsolidated affiliates	13,405	9,210	6,144
Discontinued operations	515	2,037	626
Non-real estate assets	(851)	(861)	(586)
Minority investors' share of depreciation and amortization	(2,286)	(1,390)	(1,230)
(Gain) loss on:			
Sales of operating real estate assets	119	(42,562)	(23,696)
Discontinued operations	(8,392)	82	(845)
Funds from operations of the operating partnership	390,089	389,958	310,405
Percentage allocable to Company shareholders ⁽¹⁾	55.32 %	54.81 %	54.68 %
Funds from operations allocable to Company shareholders	\$ 215,814	\$ 213,596	\$ 169,725

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

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk on our debt obligations. Our interest rate risk management policy requires that we use derivative financial instruments for hedging purposes only and that, if we do enter into a derivative financial instrument, the derivative financial instrument be entered into with only major financial institutions based on their credit ratings and other factors. We did not have any derivative financial instruments at December 31, 2006 and 2005.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at December 31, 2006, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately \$5.4 million and, after the effect of capitalized interest, annual earnings by approximately \$4.4 million.

Based on our proportionate share of total consolidated and unconsolidated debt at December 31, 2006, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$79.5 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$82.1 million.

Report of Management on Internal Control Over Financial Reporting

Management of CBL & Associates Properties, Inc. and its consolidated subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial

officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2006, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2006, the Company did not maintain effective internal control over financial reporting because of the effect of a material weakness in the design and operating effectiveness of the Company's system of internal controls related to the accounting and reporting for income taxes. Specifically, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly recorded deferred income taxes. As a result the Company adjusted the consolidated financial statements to comply with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued their attestation report, which is included below, on management's assessment of our internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006.

To the Board of Directors and Shareholders of CBL & Associates Properties, Inc.

We have audited management's assessment, included in the accompanying Report of Management on Internal Control over Financial Reporting, that CBL & Associates Properties, Inc. and subsidiaries (the "Company") did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weakness identified in management's assessment, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment:

- As of December 31, 2006, the Company did not maintain effective internal control over the process of accounting and reporting for income taxes due to a deficiency in the design and operating effectiveness of the Company's internal controls over income taxes. Specifically, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly recorded deferred income taxes. As a result the Company adjusted the consolidated financial statements to comply with accounting principles generally accepted in the United States of America.

This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements and consolidated financial statement schedules as of and for the year ended December 31, 2006, of the Company and this report does not affect our report on such consolidated financial statements and consolidated financial statement schedules.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2006 of the Company and our report dated March 1, 2007 expressed an unqualified opinion on those financial statements and financial statement schedules and includes explanatory paragraphs regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 1, 2006, and the adoption of SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, on December 31, 2006.

Debitte Touche

Atlanta, Georgia
March 1, 2007

Changes in Internal Control Over Financial Reporting

As a result of the material weakness described above, the Company plans to review and evaluate the design of its internal control process over accounting and reporting for income taxes and plans to take the following actions to remediate this reported material weakness in internal control over financial reporting:

- Review the procedures the Company has in place related to accounting and reporting for income taxes to determine if changes are appropriate;
- Educate and train Company employees about accounting and reporting for income taxes.

To the Board of Directors and Shareholders of CBL & Associates Properties, Inc.

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CBL & Associates Properties, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 18 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, on January 1, 2006, utilizing the modified prospective application transition method.

Also, as described in Note 20 to the consolidated financial statements, the Company adopted SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, on December 31, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness.

Debitte L. Touche

Atlanta, Georgia

March 1, 2007

Consolidated Balance Sheets

(In thousands, except share data)	December 31,	
	2006	2005
Assets		
Real estate assets:		
Land	\$ 779,727	\$ 776,989
Buildings and improvements	5,944,476	5,698,669
	6,724,203	6,475,658
Accumulated depreciation	(924,297)	(727,907)
	5,799,906	5,747,751
Real estate assets held for sale	–	63,168
Developments in progress	294,345	133,509
Net investment in real estate assets	6,094,251	5,944,428
Cash and cash equivalents	28,700	28,838
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,128 in 2006 and \$3,439 in 2005	71,573	55,056
Other	9,656	6,235
Mortgage notes receivable	21,559	18,117
Investments in unconsolidated affiliates	78,826	84,138
Other assets	214,245	215,510
	\$ 6,518,810	\$ 6,352,322
Liabilities and shareholders' equity		
Mortgage and other notes payable	\$ 4,564,535	\$ 4,341,055
Accounts payable and accrued liabilities	309,969	320,270
Total liabilities	4,874,504	4,661,325
Commitments and contingencies (Notes 3, 5 and 16)		
Minority interests	559,450	609,475
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in 2006 and 2005	20	20
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2006 and 2005	5	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2006 and 2005	7	7
Common stock, \$.01 par value, 180,000,000 shares authorized, 65,421,311 and 62,512,816 shares issued and outstanding in 2006 and 2005, respectively	654	625
Additional paid-in capital	1,074,450	1,037,764
Deferred compensation	–	(8,895)
Accumulated other comprehensive income	19	288
Retained earnings	9,701	51,708
Total shareholders' equity	1,084,856	1,081,522
	\$ 6,518,810	\$ 6,352,322

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

Consolidated Statements of Operations

(In thousands, except per share amounts)	Year Ended December 31,		
	2006	2005	2004
Revenues:			
Minimum rents	\$ 620,251	\$ 548,424	\$ 476,305
Percentage rents	24,047	23,157	15,951
Other rents	20,261	17,674	16,102
Tenant reimbursements	308,857	278,199	245,989
Management, development and leasing fees	5,067	20,521	9,791
Other	23,658	19,485	17,005
Total revenues	1,002,141	907,460	781,143
Expenses:			
Property operating	161,398	151,148	139,327
Depreciation and amortization	230,323	179,474	142,004
Real estate taxes	80,983	67,981	58,032
Maintenance and repairs	54,709	50,454	43,514
General and administrative	39,522	39,197	35,338
Loss on impairment of real estate assets	480	1,334	3,080
Other	18,623	15,444	16,373
Total expenses	586,038	505,032	437,668
Income from operations	416,103	402,428	343,475
Interest and other income	8,804	6,831	3,355
Interest expense	(257,067)	(208,183)	(177,219)
Loss on extinguishment of debt	(935)	(6,171)	–
Gain on sales of real estate assets	14,505	53,583	29,272
Gain on sale of management contracts	–	21,619	–
Equity in earnings of unconsolidated affiliates	5,295	8,495	10,308
Income tax provision	(5,902)	–	–
Minority interest in earnings:			
Operating Partnership	(70,323)	(112,061)	(85,186)
Shopping center properties	(4,136)	(4,879)	(5,365)
Income before discontinued operations	106,344	161,662	118,640
Operating income of discontinued operations	2,765	895	1,626
Gain (loss) on discontinued operations	8,392	(82)	845
Net income	117,501	162,475	121,111
Preferred dividends	(30,568)	(30,568)	(18,309)
Net income available to common shareholders	\$ 86,933	\$ 131,907	\$ 102,802
Basic per share data:			
Income before discontinued operations, net of preferred dividends	\$ 1.19	\$ 2.09	\$ 1.63
Discontinued operations	0.17	0.01	0.04
Net income available to common shareholders	\$ 1.36	\$ 2.10	\$ 1.67
Weighted average common shares outstanding	63,885	62,721	61,602
Diluted per share data:			
Income before discontinued operations, net of preferred dividends	\$ 1.16	\$ 2.02	\$ 1.57
Discontinued operations	0.17	0.01	0.04
Net income available to common shareholders	\$ 1.33	\$ 2.03	\$ 1.61
Weighted average common and potential dilutive common shares outstanding	65,269	64,880	64,004

The accompanying notes are an integral part of these statements.

Consolidated Statement of Shareholders' Equity

<i>(In thousands, except share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2003	\$ 25	\$ 606	\$ 817,310	\$ (1,607)	–	\$ 20,966	\$ 837,300
Net income and total comprehensive income	–	–	–	–	–	121,111	121,111
Dividends declared – common stock	–	–	–	–	–	(92,678)	(92,678)
Dividends declared – preferred stock	–	–	–	–	–	(18,304)	(18,304)
Issuance of 700,000 shares of Series D preferred stock	7	–	169,326	–	–	–	169,333
Issuance of 169,962 shares of common stock and restricted common stock	–	2	4,526	(2,129)	–	–	2,399
Exercise of stock options	–	14	15,254	–	–	–	15,268
Accrual under deferred compensation arrangements	–	–	776	–	–	–	776
Amortization of deferred compensation	–	–	–	655	–	–	655
Conversion of Operating Partnership units into 525,636 shares of common stock	–	5	5,625	–	–	–	5,630
Adjustment for minority interest in Operating Partnership	–	–	12,661	–	–	–	12,661
Balance, December 31, 2004	32	627	1,025,478	(3,081)	–	31,095	1,054,151
Net income	–	–	–	–	–	162,475	162,475
Unrealized gain on available-for-sale securities	–	–	–	–	288	–	288
Total comprehensive income	–	–	–	–	–	–	162,763
Dividends declared – common stock	–	–	–	–	–	(111,294)	(111,294)
Dividends declared – preferred stock	–	–	–	–	–	(30,568)	(30,568)
Additional costs of issuing 700,000 shares of Series D preferred stock	–	–	(193)	–	–	–	(193)
Issuance of 230,041 shares of common stock and restricted common stock	–	2	9,011	(7,896)	–	–	1,117
Repurchase of 1,371,034 shares of common stock	–	(14)	(54,984)	–	–	–	(54,998)
Exercise of stock options	–	8	9,733	–	–	–	9,741
Accelerated vesting of share-based compensation	–	–	480	256	–	–	736
Accrual under deferred compensation arrangements	–	–	780	–	–	–	780
Issuance of stock under deferred compensation arrangement	–	2	(2)	–	–	–	–
Amortization of deferred compensation	–	–	–	1,826	–	–	1,826
Conversion of Operating Partnership units into 52,136 shares of common stock	–	–	10,304	–	–	–	10,304
Adjustment for minority interest in Operating Partnership	–	–	37,157	–	–	–	37,157
Balance, December 31, 2005	32	625	1,037,764	(8,895)	288	51,708	1,081,522

Table continued on page 54.

Consolidated Statement of Shareholders' Equity (continued)

<i>(In thousands, except share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2005 – as previously reported	32	625	1,037,764	(8,895)	288	51,708	1,081,522
Cumulative effect of adjustments resulting from the adoption of SAB No. 108	–	–	9,696	–	–	(7,262)	2,434
Adjustments for minority interest in Operating Partnership	–	–	(2,036)	–	–	–	(2,036)
Balance, January 1, 2006 – as adjusted	32	625	1,045,424	(8,895)	288	44,446	1,081,920
Net income	–	–	–	–	–	117,501	117,501
Realized gain on available-for-sale securities	–	–	–	–	(1,073)	–	(1,073)
Unrealized gain on available-for-sale securities	–	–	–	–	804	–	804
Total comprehensive income	–	–	–	–	–	–	117,232
Dividends declared – common stock	–	–	–	–	–	(121,678)	(121,678)
Dividends declared – preferred stock	–	–	–	–	–	(30,568)	(30,568)
Reclassification of deferred compensation upon adoption of SFAS No. 123(R)	–	–	(8,895)	8,895	–	–	–
Issuance of 244,472 shares of common stock and restricted common stock	–	2	2,721	–	–	–	2,723
Cancellation of 34,741 shares of restricted common stock	–	–	(1,154)	–	–	–	(1,154)
Exercise of stock options	–	7	8,915	–	–	–	8,922
Accrual under deferred compensation arrangements	–	–	93	–	–	–	93
Amortization of deferred compensation	–	–	3,987	–	–	–	3,987
Income tax benefit from stock-based compensation	–	–	3,181	–	–	–	3,181
Conversion of Operating Partnership units into 1,979,644 shares of common stock	–	20	21,963	–	–	–	21,983
Adjustment for minority interest in Operating Partnership	–	–	(1,785)	–	–	–	(1,785)
Balance, December 31, 2006	\$ 32	\$ 654	\$ 1,074,450	\$ –	\$ 19	\$ 9,701	\$ 1,084,856

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	\$ 117,501	\$ 162,475	\$ 121,111
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest in earnings	74,459	116,940	90,551
Depreciation	141,750	133,834	100,667
Amortization	96,111	55,381	49,162
Net amortization of above and below market leases	(12,581)	(6,434)	(3,515)
Amortization of debt premiums	(7,501)	(7,347)	(5,262)
Gain on sales of real estate assets	(14,505)	(53,583)	(29,583)
Realized gain on available-for-sale securities	(1,073)	–	–
(Gain) loss on discontinued operations	(8,392)	82	(845)
Gain on sale of management contracts	–	(21,619)	–
Share-based compensation expense	6,190	3,951	3,301
Income tax benefit from stock-based compensation	5,750	–	–
Equity in earnings of unconsolidated affiliates	(5,295)	(8,495)	(10,308)
Distributions of earnings from unconsolidated affiliates	12,285	7,347	8,600
Write-off of development projects	923	560	3,714
Loss on extinguishment of debt	935	6,171	–
Loss on impairment of real estate assets	480	1,334	3,080
Changes in assets and liabilities:			
Tenant and other receivables	(20,083)	(9,879)	(1,678)
Other assets	(2,788)	(1,116)	(3,413)
Accounts payable and accrued liabilities	4,745	16,496	11,907
Net cash provided by operating activities	388,911	396,098	337,489
Cash flows from investing activities:			
Additions to real estate assets	(452,383)	(361,285)	(219,383)
Acquisitions of real estate assets and other assets	–	(426,537)	(587,163)
Proceeds from sales of real estate assets	127,117	64,350	113,565
Proceeds from sales of available-for-sale securities	2,507	–	–
Purchase of available-for-sale securities	(15,464)	–	–
Proceeds from sale of management contracts	–	22,000	–
Costs related to sale of management contracts	–	(381)	–
Cash in escrow	–	–	78,476
Additions to mortgage notes receivable	(300)	(859)	(9,225)
Payments received on mortgage notes receivable	224	13,173	17,590
Distributions in excess of equity in earnings of unconsolidated affiliates	16,852	15,523	30,616
Additional investments in and advances to unconsolidated affiliates	(18,046)	(27,840)	(27,112)
Purchase of minority interests in the Operating Partnership	(3,610)	(2,172)	(5,949)
Changes in other assets	(4,136)	(10,652)	(4,307)
Net cash used in investing activities	(347,239)	(714,680)	(612,892)
Cash flows from financing activities:			
Proceeds from mortgage and other notes payable	1,007,073	946,825	642,743
Principal payments on mortgage and other notes payable	(776,092)	(353,806)	(355,651)
Additions to deferred financing costs	(5,588)	(3,407)	(6,029)
Prepayment fees to extinguish debt	(557)	(6,524)	–
Proceeds from issuance of common stock	361	508	529
Proceeds from exercise of stock options	8,922	9,741	15,268
Income tax benefit from stock-based compensation	(5,750)	–	–
Proceeds from issuance of preferred stock	–	–	169,333
Additional costs of preferred stock offerings	–	(193)	–
Repurchase of common stock	(6,706)	(48,292)	–
Distributions to minority interests	(110,037)	(89,459)	(78,493)
Dividends paid to holders of preferred stock	(30,568)	(31,214)	(17,633)
Dividends paid to common shareholders	(122,868)	(102,525)	(89,230)
Net cash provided by (used in) financing activities	(41,810)	321,654	280,837
Net change in cash and cash equivalents	(138)	3,072	5,434
Cash and cash equivalents, beginning of period	28,838	25,766	20,332
Cash and cash equivalents, end of period	\$ 28,700	\$ 28,838	\$ 25,766

The accompanying notes are an integral part of these statements.

Note 1. Organization

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the "Operating Partnership"). As of December 31, 2006, the Operating Partnership owned controlling interests in 72 regional malls, 27 associated centers (each located adjacent to a regional mall), four community centers and CBL's corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in seven regional malls, four associated centers and one community center. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. At December 31, 2006, the Operating Partnership had seven mall/lifestyle expansions, one open-air shopping center, one open-air shopping center expansion, one associated center and three community centers, one of which is owned in a joint venture, under construction. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At December 31, 2006, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partnership interest in the Operating Partnership and CBL Holdings II, Inc. owned a 54.7% limited partnership interest for a combined interest held by CBL of 56.3%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively "CBL's Predecessor") and by affiliates of The Richard E. Jacobs Group, Inc. ("Jacobs"). CBL's Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership acquired the majority of Jacobs' interests in 23 properties in January 2001 and the balance of such interests in February 2002. At December 31, 2006, CBL's Predecessor owned a 15.0% limited partnership interest, Jacobs owned a 19.8% limited partnership interest and third parties owned an 8.9% limited partnership interest in the Operating Partnership. CBL's Predecessor also owned 6.2 million shares of CBL's common stock at December 31, 2006, for a combined total interest of 20.4% in the Operating Partnership.

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

CBL, the Operating Partnership and the Management Company are collectively referred to herein as "the Company." All significant intercompany balances and transactions have been eliminated in the consolidated presentation.

Note 2. Summary of Significant Accounting Policies

REAL ESTATE ASSETS

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

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

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

The Company's acquired intangibles and their balance sheet classifications as of December 31, 2006 and 2005, are summarized as follows:

	December 31, 2006		December 31, 2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Other assets:				
Above-market leases	\$ 40,509	\$ (11,579)	\$ 42,026	\$ (4,921)
In-place leases	69,615	(28,941)	72,584	(14,992)
Tenant relationships	49,796	(2,320)	49,796	(53)
Accounts payable and accrued liabilities:				
Below-market leases	86,736	(31,386)	91,148	(14,816)

The total net amortization expense of the above acquired intangibles for the next five succeeding years will be \$3,981 in 2007, \$3,888 in 2008, \$2,689 in 2009, \$2,628 in 2010 and \$2,163 in 2011.

Total interest expense capitalized was \$11,504, \$8,385 and \$4,517 in 2006, 2005 and 2004, respectively.

CARRYING VALUE OF LONG-LIVED ASSETS

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

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

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

In January 2005, the Company completed the third phase of the Galileo America joint venture transaction discussed in Note 5. The Company recognized a loss of \$1,947 on this transaction as an impairment of real estate assets in 2004 and reduced the carrying value of the related assets, which were classified as real estate assets held for sale as of December 31, 2004. The Company recognized an additional impairment loss of \$262 in the first quarter of 2005 related to these centers when certain estimated amounts were adjusted when the actual amounts became known.

During 2004, the Company recognized a loss of \$114 on the sale of one community center as a loss on impairment of real estate assets.

During 2004, the Company determined that the carrying value of a vacant community center exceeded the community center's estimated fair value by \$402. The Company recorded the reduction in the carrying value of the related real estate assets to their estimated fair value as a loss on impairment of real estate assets. The Company sold this community center in October 2005 and recognized an additional impairment of \$43.

In January 2005, the Company made the decision to sell five community centers and, as a result, recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004 to reduce the carrying values of these centers to their estimated fair values based on their selling prices.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

Restricted cash of \$34,814 and \$34,448 was included in other assets at December 31, 2006 and 2005, respectively. Restricted cash consists primarily of cash held in escrow accounts for debt service, insurance, real estate taxes, capital improvements and deferred maintenance as required by the terms of certain mortgage notes payable, as well as contributions from tenants to be used for future marketing activities.

JOINT VENTURES

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

The Company accounts for its investment in joint ventures where it owns a non-controlling interest or where it is not the primary beneficiary of a variable interest entity using the equity method of accounting. Under the equity method, the Company's cost of investment is adjusted for its share of equity in the earnings of the unconsolidated affiliate and reduced

by distributions received. Generally, distributions of cash flows from operations and capital events are first made to partners to pay cumulative unpaid preferences on unreturned capital balances and then to the partners in accordance with the terms of the joint venture agreements.

Any differences between the cost of the Company's investment in an unconsolidated affiliate and its underlying equity as reflected in the unconsolidated affiliate's financial statements generally result from costs of the Company's investment that are not reflected on the unconsolidated affiliate's financial statements, capitalized interest on its investment and the Company's share of development and leasing fees that are paid by the unconsolidated affiliate to the Company for development and leasing services provided to the unconsolidated affiliate during any development periods. At December 31, 2006 and 2005, the net difference between the Company's investment in unconsolidated affiliates and the underlying equity of unconsolidated affiliates was \$1,587 and \$4,323, respectively, which is generally amortized over a period of 40 years.

DEFERRED FINANCING COSTS

Net deferred financing costs of \$11,881 and \$10,849 were included in other assets at December 31, 2006 and 2005, respectively. Deferred financing costs include fees and costs incurred to obtain financing and are amortized on a straight-line basis to interest expense over the terms of the related notes payable. Amortization expense was \$4,178, \$5,031, and \$4,390 in 2006, 2005 and 2004, respectively. Accumulated amortization was \$10,385 and \$11,532 as of December 31, 2006 and 2005, respectively.

MARKETABLE SECURITIES

Other assets include marketable securities consisting of corporate equity securities that are classified as available for sale. Unrealized gains and losses on available-for-sale securities are recorded as a component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses and declines in value that are other than temporary are included in other income. Gains or losses on securities sold are based on the specific identification method. The following is a summary of the equity securities held by the Company as of December 31, 2006 and 2005:

		Gross Unrealized			
		Cost	Gains	Losses	Fair Value
December 31, 2006	\$	16,597	\$ 24	\$ (4)	\$ 16,617
December 31, 2005		1,332	289	-	1,621

REVENUE RECOGNITION

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

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

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

of the third-party partners' ownership interest. Development and leasing fees during the development period to the extent of the Company's ownership interest are recorded as a reduction to the Company's investment in the unconsolidated affiliate.

GAIN ON SALES OF REAL ESTATE ASSETS

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

INCOME TAXES

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State income taxes were not material in 2006, 2005 and 2004.

The Company has also elected taxable REIT subsidiary status for some of its subsidiaries. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. For these entities, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income. The Company recorded an income tax provision of \$5,902, \$0 and \$0 in 2006, 2005 and 2004, respectively. The income tax provision in 2006 consisted of a current income tax provision of \$5,751 and a deferred income tax provision of \$151.

The Company had a net deferred tax asset of \$4,291 and \$4,442 at December 31, 2006 and 2005, respectively. The net deferred tax asset at December 31, 2006 primarily consisted of operating expense accruals and differences between book and tax depreciation. The Company had recorded a valuation allowance to reduce the net deferred tax asset at December 31, 2005 to zero.

CONCENTRATION OF CREDIT RISK

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

The Company derives a substantial portion of its rental income from various national and regional retail companies; however, no single tenant collectively accounted for more than 10.0% of the Company's total revenues in 2006, 2005 and 2004.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of unrestricted common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their minority interest in the

Operating Partnership into shares of common stock are not dilutive (Note 9). The following summarizes the impact of potential dilutive common shares on the denominator used to compute earnings per share:

	Year Ended December 31,		
	2006	2005	2004
Weighted average common shares	64,225	63,004	61,878
Effect of nonvested stock awards	(340)	(283)	(276)
Denominator – basic earnings per share	63,885	62,721	61,602
Dilutive effect of:			
Stock options	1,189	1,741	1,970
Nonvested stock awards	138	223	232
Deemed shares related to deferred compensation arrangements	57	195	200
Denominator – diluted earnings per share	65,269	64,880	64,004

COMPREHENSIVE INCOME

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

USE OF ESTIMATES

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

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2005, the Financial Accounting Standards Board ("FASB") issued Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not result in any changes to the manner in which the Company accounts for its joint ventures.

In June 2005, the FASB issued FSP 78-9-1, *Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5*. The EITF acknowledged that the consensus in EITF Issue No. 04-5 conflicts with certain aspects of Statement of Position ("SOP") 78-9, *Accounting for Investments in Real Estate Ventures*. The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not result in any changes to the manner in which the Company accounts for its joint ventures.

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

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. The Company will adopt the provisions of SFAS No. 157 on January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin ("SAB") No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the rollover approach and the iron curtain approach, as those terms are defined in SAB No. 108. The rollover approach quantifies misstatements based on the amount of the error in the current year financial statements, whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. If a company determines that an adjustment to prior year financial statements is required upon adoption of SAB No. 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB No. 108 in fiscal 2006 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2006 opening balance in retained earnings. SAB No. 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. The Company adopted SAB No. 108 on December 31, 2006 and, in accordance with the initial application provisions of SAB No. 108, adjusted retained earnings as of January 1, 2006. This adjustment was considered to be immaterial individually and in the aggregate in prior years based on the Company's historical method of assessing materiality. See Note 20 for further discussion.

RECLASSIFICATIONS

Certain amounts in the 2005 and 2004 consolidated financial statements have been reclassified to conform to the current year presentation, including reclassifications of prior year amounts related to discontinued operations (see Note 4).

Note 3. Acquisitions

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

The Company did not complete any acquisitions in 2006.

2005 ACQUISITIONS

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

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

On July 14, 2005, the Company acquired The Mall of Acadiana, a super-regional mall in Lafayette, LA, for a cash purchase price, including transaction costs, of \$175,204. The Company also entered into ten-year lease agreements for 13.4 acres of land adjacent to The Mall of Acadiana, which provide the Company the right to purchase the land for a cash purchase price of \$3,327 during the first year of the lease term, \$3,510 during the second year and amounts increasing by 10% per year for each year of the lease term thereafter. After the first year, the seller may put the land to the Company for a price equal to the amounts set forth in the previous sentence. The Company also obtained a ten-year option to acquire another adjacent 14.9 acre tract of land for a cash purchase price of \$3,245 during the first six months of the option, which increases to \$3,407 during the second six months of the option and to \$3,570 during the remaining nine years of the option. The Company acquired the 13.4 acre tract of land in 2006.

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

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

Notes to Consolidated Financial Statements

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

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

The following unaudited pro forma financial information is for the years ended December 31, 2005 and 2004. It presents the results of the Company as if each of the 2005 acquisitions had occurred on January 1, 2004. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2004. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Total revenues	\$ 971,647	\$ 867,658
Total expenses	(549,938)	(499,451)
Income from operations	\$ 421,709	\$ 368,207
Income before discontinued operations	\$ 153,319	\$ 108,987
Net income available to common shareholders	\$ 123,526	\$ 93,149
Basic per share data:		
Income before discontinued operations, net of preferred dividends	\$ 1.96	\$ 1.47
Net income available to common shareholders	\$ 1.96	\$ 1.51
Diluted per share data:		
Income before discontinued operations, net of preferred dividends	\$ 1.89	\$ 1.42
Net income available to common shareholders	\$ 1.90	\$ 1.46

2004 ACQUISITIONS

On March 12, 2004, the Company acquired Honey Creek Mall in Terre Haute, IN, for a purchase price, including transaction costs, of \$83,114, which consisted of \$50,114 in cash and the assumption of \$33,000 of non-recourse debt that bears interest at a stated rate of 6.95% and matures in May 2009. The Company recorded a debt premium of \$3,146, 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.

On March 12, 2004, the Company acquired Volusia Mall in Daytona Beach, FL, for a purchase price, including transaction costs, of \$118,493, which consisted of \$63,686 in cash and the assumption of \$54,807 of non-recourse debt that bears interest at a stated rate of 6.70% and matures in March 2009. The Company recorded a debt premium of \$4,615, 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.

On April 8, 2004, the Company acquired Greenbrier Mall in Chesapeake, VA, for a cash purchase price, including transaction costs, of \$107,450. The purchase price was partially financed with a new recourse term loan of \$92,650 that bore interest at LIBOR plus 100 basis points. The Company retired this loan in July 2006.

On April 21, 2004, the Company acquired Fashion Square, a community center in Orange Park, FL, for a cash purchase price, including transaction costs, of \$3,961.

On May 20, 2004, the Company acquired Chapel Hill Mall and its associated center, Chapel Hill Suburban, in Akron, OH, for a cash purchase price, including transaction costs, of \$78,252. The purchase price was partially financed with a new recourse term loan of \$66,500 that bore interest at LIBOR plus 100 basis points. The Company retired this loan in July 2006.

On June 22, 2004, the Company acquired Park Plaza Mall in Little Rock, AR, for a purchase price, including transaction costs, of \$77,526, which consisted of \$36,213 in cash and the assumption of \$41,313 of non-recourse debt that bears interest at a stated rate of 8.69% and matures in May 2010. The Company recorded a debt premium of \$7,737, computed using an estimated market interest rate of 4.90%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On July 28, 2004, the Company acquired Monroeville Mall, and its associated center, the Annex, in the eastern Pittsburgh suburb of Monroeville, PA, for a total purchase price, including transaction costs, of \$231,621, which consisted of \$39,455 in cash, the assumption of \$134,004 of non-recourse debt that bears interest at a stated rate of 5.73% and matures in January 2013, an obligation of \$11,950 to pay for the fee interest in the land underlying the mall and associated center on or before July 28, 2007, and the issuance of 780,470 Series S Special Common Units (the "S-SCUs") in the Operating Partnership with a fair value of \$46,212. The Company recorded a debt premium of \$3,270, computed using an estimated market interest rate of 5.30%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On November 22, 2004, the Company acquired Mall del Norte in Laredo, TX, for a cash purchase price, including transaction costs, of \$170,413. The purchase price was partially financed with a new non-recourse, interest-only loan of \$113,400 that bears interest at 5.04% and matures in December 2014.

On November 22, 2004, the Company acquired Northpark Mall in Joplin, MO, for a purchase price, including transaction costs, of \$79,141. The purchase price consisted of \$37,619 in cash and the assumption of \$41,522 of non-recourse debt that bears interest at a stated rate of 5.75% and matures in March 2014. The Company recorded a debt premium of \$687, computed using an estimated market interest rate of 5.50%, 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 the acquired properties have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2004:

Land	\$ 81,673
Buildings and improvements	872,855
Above-market leases	8,329
In-place leases	33,921
Total assets	996,778
Mortgage note payables assumed	(304,646)
Premiums on mortgage note payables assumed	(19,455)
Below-market leases	(27,352)
Land purchase obligation	(11,950)
Net assets acquired	\$ 633,375

The following unaudited pro forma financial information is for the year ended December 31, 2004. It presents the results of the Company as if each of the 2004 acquisitions had occurred on January 1, 2004. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2004. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the year ended December 31, 2004 are as follows:

Total revenues	\$ 836,672
Total expenses	(470,833)
Income from operations	\$ 365,839
Income before discontinued operations	\$ 120,881
Net income available to common shareholders	\$ 105,043
Basic per share data:	
Income before discontinued operations, net of preferred dividends	\$ 1.67
Net income available to common shareholders	\$ 1.71
Diluted per share data:	
Income before discontinued operations, net of preferred dividends	\$ 1.60
Net income available to common shareholders	\$ 1.64

Note 4. Discontinued Operations

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

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

During 2005, the Company sold six community centers for an aggregate sales price of \$12,600. The Company previously recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004. Additionally, the Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of \$1,029.

During 2004, the Company sold three community centers for a total sales price \$7,250 and recognized a total gain of \$845 on two of the community centers that is recorded as gain on discontinued operations. The Company recognized a loss of \$114 in December 2004 on one of the community centers, which is included in loss on impairment of real estate assets in the consolidated statement of operations.

Total revenues of the centers described above that are included in discontinued operations were \$4,934, \$4,796 and \$3,004 in 2006, 2005 and 2004, respectively. All periods presented have been adjusted to reflect the operations of the centers described above as discontinued operations.

Note 5. Joint Ventures

UNCONSOLIDATED AFFILIATES

At December 31, 2006, the Company had investments in the following 14 partnerships and joint ventures, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest
Governor's Square IB	Governor's Plaza	50.00 %
Governor's Square Company	Governor's Square	47.50 %
High Pointe Commons, LP	High Pointe Commons	50.00 %
Imperial Valley Mall L.P.	Imperial Valley Mall	60.00 %
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.00 %
Imperial Valley Commons L.P.	Imperial Valley Commons	60.00 %
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.00 %
Mall of South Carolina L.P.	Coastal Grand – Myrtle Beach	50.00 %
Mall of South Carolina Outparcel L.P.	Coastal Grand – Myrtle Beach (vacant land)	50.00 %
Mall Shopping Center Company	Plaza del Sol	50.60 %
N. Dalton Bypass, LLC	Hammond Creek Commons	51.00 %
Parkway Place L.P.	Parkway Place	45.00 %
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.00 %
York Town Center, LP	York Town Center	50.00 %

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

	December 31,	
	2006	2005
Assets:		
Net investment in real estate assets	\$ 588,300	\$ 586,715
Other assets	37,047	37,759
Total assets	\$ 625,347	\$ 624,474
Liabilities:		
Mortgage and other notes payable	\$ 489,811	\$ 474,773
Other liabilities	18,526	17,270
Total liabilities	508,337	492,043
Owners' equity:		
The Company	80,413	88,461
Other investors	36,597	43,970
Total owners' equity	117,010	132,431
Total liabilities and owners' equity	\$ 625,347	\$ 624,474

	Year Ended December 31,		
	2006	2005	2004
Total revenues	\$ 94,785	\$ 118,823	\$ 109,696
Depreciation and amortization	(26,488)	(30,273)	(24,994)
Other operating expenses	(28,514)	(32,738)	(27,479)
Income from operations	39,783	55,812	57,223
Interest income	176	246	138
Interest expense	(34,731)	(35,083)	(27,353)
Gain on sales of real estate assets	5,244	6,717	4,555
Discontinued operations	–	55	1,945
Net income	\$ 10,472	\$ 27,747	\$ 36,508

All debt on these properties is non-recourse. See Note 16 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

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

In September 2004, Mall of South Carolina L.P. obtained a long-term, non-recourse, fixed-rate mortgage loan totaling \$118,000. The loan is comprised of a \$100,000 A-note to a financial institution that bears interest at 5.09%, which matures in September 2014, and two ten-year B-notes of \$9,000 each that bear interest at 7.75% and mature in September 2014. The Company and its third party partner in Mall of South Carolina L.P. each hold one of the B-notes. The total net proceeds from these loans were used to retire \$80,493 of outstanding borrowings under the construction loan that partially financed the development of Coastal Grand – Myrtle Beach.

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

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

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

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

GALILEO AMERICA JOINT VENTURE

On September 24, 2003, the Company formed Galileo America, a joint venture with Galileo America, Inc., the U.S. affiliate of Australia-based Galileo America Shopping Trust, to invest in community centers throughout the United States. The arrangement provided for the Company to sell, in three phases, its interests in 51 community centers for a total price of \$516,000 plus a 10% interest in Galileo America.

The first phase of the transaction closed on October 23, 2003, when the Company sold its interests in 41 community centers to Galileo America for \$393,925, which consisted of \$250,705 in cash, the retirement of \$24,922 of debt on one of the community centers, a note receivable of \$4,813, Galileo America's assumption of \$93,037 in debt and \$20,448 representing the Company's 10% interest in Galileo America. The Company used the net proceeds to fund escrow amounts used in like-kind exchange acquisitions and to reduce outstanding borrowings under the Company's credit facilities. The Company recognized a gain of \$71,886 from the first phase and recorded its investment in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest. The note receivable was paid subsequent to December 31, 2003.

The second phase of the Galileo America transaction closed on January 5, 2004, when the Company sold its interest in six community centers for \$92,375, which consisted of \$62,687 in cash, the retirement of \$25,953 of debt on one of the community centers, the joint venture's assumption of \$2,816 of debt and closing costs of \$919. The real estate assets and related mortgage notes payable of the properties in the second phase were reflected as held for sale from October 23, 2003, the date that it was determined these assets met the criteria to be reflected as held for sale. There was no depreciation expense recorded on these assets subsequent to October 23, 2003.

The Company sold a community center expansion to Galileo America during September 2004 for \$3,447 in cash. The Company recognized gain of \$1,316 to the extent of the third party partner's ownership interest and recorded an investment of \$147 in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest.

In October 2004, the Company sold its interests in one community center to Galileo America for a purchase price of \$17,900, which consisted of \$2,900 in cash, Galileo America's assumption of \$10,500 of debt and a limited partnership interest in Galileo America, Inc. The community center was originally scheduled to be included in the third phase of the transaction that closed in January 2005. The Company recognized a gain of \$2,840 on the sale of this property and recorded an investment of \$3,820 in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest in this property.

The third phase of the joint venture closed on January 5, 2005, when the Company sold its interests in two power centers, one community center and one community center expansion to Galileo America for \$58,600, which consisted of \$42,529 in cash, the joint venture's assumption of \$12,141 of debt, \$3,596 representing the Company's interest in Galileo America and closing costs of \$334. The real estate assets and related mortgage notes payable of the properties in the third phase were reflected as held for sale as of January 1, 2004, the date that it was determined these assets met the criteria to be reflected as held for sale. The Company did not record any depreciation expense on these assets during 2004. The Company recognized a loss on impairment of real estate assets of \$1,947 in December 2004 and an additional loss on impairment of real estate assets of \$262 during the year ended December 31, 2005 related to the properties included in the third phase.

The Company, as tenant, entered into separate master lease agreements with Galileo America, as landlord, covering certain spaces in certain of the properties sold to the joint venture. Under each master lease agreement, the Company was obligated to pay Galileo America an agreed-upon minimum annual rent, plus a pro rata share of common area maintenance expenses and real estate taxes, for each designated space for a term of five years from the applicable property's closing date. Two properties in the first phase and one in the second phase were subject to master lease agreements. During 2005 and 2004, the Company recognized gain of \$2,505 and \$7,206, respectively, as a result of being relieved of its obligation under the master lease arrangements as spaces were leased to third parties.

The Company also received \$8,000 of additional contingent consideration since, as the exclusive manager of the properties, it achieved certain leasing objectives related to spaces that were vacant, or projected to soon be vacant, at the time the first phase closed. The Company earned \$4,167 in 2004 for leasing objectives that were met during 2004, of which \$3,750 was recognized as gain on sales of real estate assets and \$417, representing the portion attributable to the Company's ownership interest, was recorded as a reduction of the Company's investment in Galileo America.

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

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

New Plan retained the Company to manage nine properties that Galileo America had recently acquired from a third party for a term of 17 years beginning on the third anniversary of the closing and will pay the Company a management fee of \$1,000 per year. At any time after November 22, 2007, New Plan may terminate the agreement by paying the Company a termination fee of \$7,000. The Company will recognize management fee income beginning on the third anniversary of the closing as it provides services under the management contract. If and when New Plan should terminate the management agreement with the Company, the Company will recognize the \$7,000 termination fee as gain.

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

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

VARIABLE INTEREST ENTITIES

The Company has a 10% ownership interest and is the primary beneficiary in a joint venture that owns and operates Willowbrook Plaza in Houston, TX, Massard Crossing in Ft. Smith, AR and Pemberton Plaza in Vicksburg, MS. At December 31, 2006 and 2005, this joint venture had total assets of \$54,516 and \$56,101, respectively, and a mortgage note payable of \$36,987 and \$37,407, respectively.

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

The joint venture arrangement provides the Company with the right to put its 50% ownership interest to Jacobs if certain approvals of tenants and government entities that are required for the continued development of the project are not obtained by the second anniversary of the joint venture agreement. The put right provides that Jacobs will acquire the Company's 50% ownership interest for an amount equal to the total unreturned equity funded by the Company plus any accrued and unpaid preferred return on that equity.

The Company determined that the joint venture is a variable interest entity in which it is the primary beneficiary in accordance with FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* and has consolidated this joint venture. At December 31, 2006 and 2005, this joint venture had total assets of \$153,022 and \$73,885, respectively, and recourse construction loans of \$124,058 and \$42,020, respectively.

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

In October 2006, the Company entered into a loan agreement with a third party under which the Company will loan the third party up to \$7,300 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that, in certain circumstances, the Company may convert the loan to a 25% ownership interest in the third party. The Company determined that its loan to the third party represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the Company consolidates this entity. At December 31, 2006, this joint venture had total assets of \$6,527.

Note 6. Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following:

	December 31, 2006		December 31, 2005	
	Amount	Weighted Average Interest Rate ⁽¹⁾	Amount	Weighted Average Interest Rate ⁽¹⁾
Fixed-rate debt:				
Non-recourse loans on operating properties	\$ 3,517,710	5.99 %	\$ 3,281,939	6.02 %
Variable-rate debt:				
Recourse term loans on operating properties	101,464	6.48 %	292,000	5.33 %
Lines of credit	830,932	6.19 %	690,285	5.29 %
Construction loans	114,429	6.61 %	76,831	5.76 %
Total variable-rate debt	1,046,825	6.26 %	1,059,116	5.33 %
Total	\$ 4,564,535	6.06 %	\$ 4,341,055	5.85 %

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

Non-recourse and recourse term loans include loans that are secured by properties owned by the Company that have a net carrying value of \$4,748,864 at December 31, 2006.

FIXED-RATE DEBT

At December 31, 2006, fixed-rate loans bear interest at stated rates ranging from 4.52% to 10.125%. Outstanding borrowings under fixed-rate loans include unamortized debt premiums of \$34,687 that were recorded when the Company assumed debt to acquire real estate assets that was at an above-market interest rate compared to similar debt instruments at the date of acquisition. Fixed-rate loans generally provide for monthly payments of principal and/or interest and mature at various dates from April 2007 through January 2017, with a weighted average maturity of 5.07 years.

In July 2006, the Company obtained four separate ten-year, non-recourse loans totaling \$317,000 that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted average rate of 5.96%. The proceeds were used to retire \$249,752 of mortgage notes payable that were scheduled to mature during the succeeding 12 months and to pay outstanding balances on the Company's credit facilities. The mortgage notes payable that were retired consisted of three variable rate term loans totaling \$189,150 and one fixed-rate loan of \$60,602. The Company recorded a loss on extinguishment of debt of \$935 related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

VARIABLE-RATE DEBT

Recourse term loans bear interest at variable interest rates indexed to the prime lending rate or LIBOR. At December 31, 2006, interest rates on recourse loans varied from 6.38% to 6.60%. These loans mature at various dates from February 2007 to May 2009, with a weighted average maturity of .9 years.

UNSECURED LINE OF CREDIT

On August 22, 2006, the Company amended its unsecured credit facility with Wells Fargo Bank to increase the availability from \$500,000 to \$560,000, extend the maturity date from August 27, 2006 to August 27, 2008 plus three one-year extension options, amend certain financial covenants to provide the Company with enhanced borrowing flexibility, increase the limit on the maximum availability that the Company may request from \$600,000 to \$700,000 and add a letter of credit feature to the credit facility. The credit facility bears interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage, as defined in the agreement. At December 31, 2006, the outstanding borrowings of \$330,000 under the unsecured credit facility had a weighted average interest rate of 6.25%. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

SECURED LINES OF CREDIT

The Company has four secured lines of credit that are used for construction, acquisition and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit had a weighted average interest rate of 6.15% at December 31, 2006. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of 0.125% or 0.250%, depending on the level of unused availability. The following summarizes certain information about the secured lines of credit as of December 31, 2006:

Total Available	Total Outstanding	Maturity Date
\$ 476,000	\$ 475,232	February 2009
100,000	7,500	June 2008
20,000	1,000	March 2007
17,200	17,200	April 2008
\$ 613,200	\$ 500,932	

In addition to the total borrowings outstanding on the secured credit facilities, there were letters of credit totaling \$2,071 that were outstanding at December 31, 2006.

In February 2006, the Company amended one of the secured credit facilities to increase the maximum availability from \$373,000 to \$476,000, extend the maturity date from February 26, 2006 to February 26, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1,000,000 to \$1,370,000 and increase the limit on the maximum availability that the Company may request from \$500,000 to \$650,000. In August 2006, the Company amended this secured credit facility to reduce the interest rate from LIBOR plus 0.90% to LIBOR plus 0.80% and to amend certain financial covenants to provide the Company with enhanced borrowing flexibility.

In June 2006, the Company amended its \$100,000 secured credit facility to change the maturity date from June 1, 2007 to June 1, 2008 and to substitute certain collateral under the facility.

In August 2006, the Company amended one of its secured credit facilities to increase the availability from \$10,000 to the greater of \$17,200 or the borrowing base (as defined), to reduce the interest rate from LIBOR plus 1.00% to LIBOR plus 0.80%, to extend the maturity date from April 1, 2007 to April 1, 2008 and to amend certain financial covenants to provide the Company with enhanced borrowing flexibility.

The secured lines of credit are secured by 22 of the Company's properties, which had an aggregate net carrying value of \$481,390 at December 31, 2006.

LETTERS OF CREDIT

At December 31, 2006, the Company had additional secured lines of credit with a total commitment of \$37,345 that can only be used for issuing letters of credit. The total amount outstanding under these lines of credit was \$16,837 at December 31, 2006.

COVENANTS AND RESTRICTIONS

The secured and unsecured line of credit agreements contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective properties. The Company was in compliance with all covenants and restrictions at December 31, 2006.

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

DEBT MATURITIES

As of December 31, 2006, the scheduled principal payments on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

2007	\$ 151,466
2008	822,124
2009	996,691
2010	456,826
2011	222,386
Thereafter	1,880,355
	4,529,848
Net unamortized premiums	34,687
	\$ 4,564,535

Of the \$151,466 of scheduled principal payments in 2007, \$91,795 is related to loans that are scheduled to mature in 2007. The Company intends to retire or refinance these loans.

Note 7. Loss on Extinguishment of Debt

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

	Year Ended December 31,		
	2006	2005	2004
Prepayment fees	\$ 557	\$ 6,524	\$ –
Unamortized deferred financing costs	378	976	–
Unamortized debt premiums	–	(1,329)	–
	\$ 935	\$ 6,171	\$ –

Note 8. Shareholders' Equity

COMMON STOCK REPURCHASE PLAN

In November 2005, the Company's board of directors approved a plan to repurchase up to \$60,000 of the Company's common stock by December 31, 2006. The Company had repurchased 1,371,034 shares of its common stock as of December 31, 2005 for a total of \$54,998, or a weighted average cost of \$40.11 per share. The Company has not repurchased any additional shares subsequent to December 31, 2005. The Company had a payable of \$6,706 at December 31, 2005, related to repurchased common stock, which was paid in January 2006.

PREFERRED STOCK

In June 2002, the Company completed an offering of 2,000,000 shares of 8.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), having a par value of \$.01 per share, at its liquidation preference of \$50.00 per share. The net proceeds of \$96,370 were used to reduce outstanding balances under the Company's credit facilities and to retire term loans on several properties. The dividends on the Series B Preferred Stock are cumulative and accrue from the date of issue and are payable quarterly in arrears at a rate of \$4.375 per share per annum. The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series B Preferred Stock cannot be redeemed by the Company prior to June 14, 2007. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$50.00 per share plus accrued and unpaid dividends.

On August 22, 2003, the Company issued 4,600,000 depositary shares in a public offering, each representing one-tenth of a share of 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") with a par value of \$.01 per share. The Series C Preferred Stock has a liquidation preference of \$250.00 per share (\$25.00 per depositary share). The dividends on the Series C Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of \$19.375 per share (\$1.9375 per depositary share) per annum. The Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series C Preferred Stock cannot be redeemed by the Company prior to August 22, 2008. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$250.00 per share (\$25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of \$111,227 were used to partially fund certain acquisitions discussed in Note 3 and to reduce outstanding borrowings on the Company's credit facilities.

On December 13, 2004, the Company issued 7,000,000 depositary shares in a public offering, each representing one-tenth of a share of 7.375% Series D Cumulative Redeemable Preferred Stock (the "Series D Preferred Stock") with a par value of \$.01 per share. The Series D Preferred Stock has a liquidation preference of \$250.00 per share (\$25.00 per depositary share). The dividends on the Series D Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of \$18.4375 per share (\$1.84375 per depositary share) per annum. The Series D Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series D Preferred Stock cannot be redeemed by the Company prior to December 13, 2009. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$250.00 per share (\$25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of \$169,333 were used to reduce outstanding borrowings on the Company's credit facilities.

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

DIVIDENDS

On November 2, 2006, the Company declared a cash dividend of \$0.5050 per share of common stock for the quarter ended December 31, 2006. The dividend was paid on January 16, 2007, to shareholders of record as of December 29, 2006. The total dividend of \$33,038 is included in accounts payable and accrued liabilities at December 31, 2006.

On October 5, 2005, the Company declared a special one-time cash dividend of \$0.09 per share of common stock as a result of the taxable gains generated from the sale of the Company's management contracts with Galileo America as discussed in Note 5. On October 27, 2005, the Company declared a cash dividend of \$0.4575 per share of common stock for the quarter ended December 31, 2005. Both dividends were paid on January 16, 2006, to shareholders of record as of December 30, 2005. The total dividend of \$34,228 is included in accounts payable and accrued liabilities at December 31, 2005.

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

	Year Ended December 31,		
	2006	2005	2004
Dividends declared:			
Common stock	\$ 1.8775	\$ 1.76625	\$ 1.49375
Series B preferred stock	\$ 4.375	\$ 4.375	\$ 4.37505
Series C preferred stock	\$ 19.375	\$ 19.375	\$ 19.375
Series D preferred stock	\$ 18.4375	\$ 19.359375	\$ –
Allocations: ⁽¹⁾			
Ordinary income	97.56 %	100.00 %	87.41 %
Capital gains 15% rate	2.22 %	0.00 %	11.27 %
Capital gains 20% rate	0.00 %	0.00 %	0.00 %
Capital gains 25% rate	0.22 %	0.00 %	1.32 %
Return of capital	0.00 %	0.00 %	0.00 %
Total	100.00 %	100.00 %	100.00 %

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

Note 9. Minority Interests

Minority interests represent (i) the aggregate partnership interest in the Operating Partnership that is not owned by the Company and (ii) the aggregate ownership interest in 16 of the Company's shopping center properties that is held by third parties.

MINORITY INTEREST IN OPERATING PARTNERSHIP

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

The assets and liabilities allocated to the Operating Partnership's minority interests are based on their ownership percentage of the Operating Partnership at December 31, 2006 and 2005. The ownership percentage is determined by dividing the number of Operating Partnership Units held by the minority interests at December 31, 2006 and 2005 by the total Operating Partnership Units outstanding at December 31, 2006 and 2005, respectively. The minority interest ownership percentage in assets and liabilities of the Operating Partnership was 43.7% and 45.8% at December 31, 2006 and 2005, respectively.

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

A change in the number of shares of common stock or Operating Partnership Units changes the percentage ownership of all partners of the Operating Partnership. An Operating Partnership Unit is considered to be equivalent to a share of common stock since it generally is redeemable for cash or shares of the Company's common stock. As a result, an allocation is made between shareholders' equity and minority interest in the Operating Partnership in the accompanying balance sheet to reflect the change in ownership of the Operating Partnership's underlying equity when there is a change in the number of shares and/or Operating Partnership Units outstanding. In 2006, the Company allocated \$1,785 from shareholders' equity to minority interest. During 2005 and 2004, the Company allocated \$37,157 and \$12,661, respectively, from minority interest to shareholders' equity.

The total minority interest in the Operating Partnership was \$550,905 and \$596,803 at December 31, 2006 and 2005, respectively.

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

On October 27, 2005, the Operating Partnership declared a distribution of \$29,014 to the Operating Partnership's limited partners. The distribution was paid on January 16, 2006. This distribution represented a distribution of \$0.5475 per unit for each common unit and \$0.6346 to \$.7125 per unit for certain special common units in the Operating Partnership. The total distribution is included in accounts payable and accrued liabilities at December 31, 2005.

MINORITY INTEREST IN OPERATING PARTNERSHIP-CONVERSION RIGHTS

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

As of January 31, 2004, holders of 26,318,804 Series J special common units ("J-SCUs") may exchange them for shares of common stock or cash. The J-SCUs receive a distribution equal to that paid on the common units.

In July 2004, the Company issued 1,560,940 S-SCUs in connection with the acquisition of Monroeville Mall, which is discussed in Note 3. The S-SCUs receive a minimum distribution of \$2.53825 per unit per year for the first three years, and a minimum distribution of \$2.92875 per unit per year thereafter.

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

In November 2005, the Company issued 1,144,924 K-SCUs in connection with the acquisition of Oak Park Mall, Eastland Mall and Hickory Point Mall, which is discussed in Note 3. The K-SCUs received a dividend at a rate of 6.0%, or \$2.85 per K-SCU, for the first year following the close of the transaction and will receive a dividend at a rate of 6.25%, or \$2.96875 per K-SCU, thereafter. When the quarterly distribution on the Operating Partnership's common units exceeds the quarterly K-SCU distribution for four consecutive quarters, the K-SCUs will receive distributions at the rate equal to that paid on the Operating Partnership's common units. At any time following the first anniversary of the closing date, the holders of the K-SCUs may exchange them, on a one-for-one basis, for shares of the Company's common stock or, at the Company's election, their cash equivalent.

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

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

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

During 2004, holders elected to exchange 62,392 special common units and 683,250 common units. The Company elected to exchange \$5,949 of cash and 525,636 shares of common stock for these units.

Outstanding rights to convert minority interests in the Operating Partnership to common stock were held by the following parties at December 31, 2006 and 2005:

	December 31,	
	2006	2005
The Company	65,421,311	62,512,816
Jacobs	23,066,680	23,796,796
CBL's Predecessor	17,493,676	17,511,224
Third parties	10,298,001	11,617,592
Total Operating Partnership Units	116,279,668	115,438,428

MINORITY INTEREST IN SHOPPING CENTER PROPERTIES

The Company's consolidated financial statements include the assets, liabilities and results of operations of 16 properties that the Company does not wholly own. The minority interests in shopping center properties represents the aggregate ownership interest of third parties in these properties. The total minority interests in shopping center properties was \$8,545 and \$12,672 at December 31, 2006 and 2005, respectively.

The assets and liabilities allocated to the minority interests in shopping center properties are based on the third parties' ownership percentages in each shopping center property at December 31, 2005 and 2004. Income is allocated to the minority interests in shopping center properties based on the third parties' weighted average ownership in each shopping center property during the year.

Note 10. Minimum Rents

The Company receives rental income by leasing retail shopping center space under operating leases. Future minimum rents are scheduled to be received under noncancellable tenant leases at December 31, 2006, as follows:

2007	\$ 546,893
2008	472,088
2009	415,491
2010	357,383
2011	296,946
Thereafter	1,016,814
	\$ 3,105,615

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

Note 11. Mortgage Notes Receivable

Mortgage notes receivable are collateralized by first mortgages, wrap-around mortgages on the underlying real estate and related improvements or by assignment of 100% of the partnership interests that own the real estate assets. Interest rates on notes receivable range from 5.0% to 10.0%, with a weighted average interest rate of 7.33% and 6.68% at December 31, 2006 and 2005, respectively. Maturities of notes receivable range from February 2007 to January 2047.

Note 12. Segment Information

The Company measures performance and allocates resources according to property type, which is determined based on differences such as nature of tenants, capital requirements, economic risks and leasing terms. Rental income and tenant reimbursements from tenant leases provide the majority of revenues from all segments. The accounting policies of the reportable segments are the same as those described in Note 2. Information on the Company's reportable segments is presented as follows:

Year Ended December 31, 2006	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$ 928,173	\$ 38,659	\$ 7,431	\$ 27,878	\$ 1,002,141
Property operating expenses ⁽¹⁾	(313,889)	(9,228)	(2,372)	28,399	(297,090)
Interest expense	(214,709)	(4,681)	(2,826)	(34,851)	(257,067)
Other expense	–	–	–	(18,623)	(18,623)
Gain on sales of real estate assets	4,405	1,033	34	9,033	14,505
Segment profit and loss	\$ 403,980	\$ 25,783	\$ 2,267	\$ 11,836	443,866
Depreciation and amortization expense					(230,323)
General and administrative expense					(39,522)
Interest and other income					8,804
Loss on extinguishment of debt					(935)
Loss on impairment of real estate assets					(480)
Equity in earnings of unconsolidated affiliates					5,295
Income tax provision					(5,902)
Minority interest in earnings					(74,459)
Income before discontinued operations					\$ 106,344
Total assets	\$ 5,823,890	\$ 317,708	\$ 53,457	\$ 323,755	\$ 6,518,810
Capital expenditures	\$ 285,560	\$ 42,952	\$ 3,606	\$ 157,399	\$ 489,517

Year Ended December 31, 2005	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$ 827,679	\$ 34,293	\$ 8,168	\$ 37,320	\$ 907,460
Property operating expenses ⁽¹⁾	(280,122)	(8,833)	(2,192)	21,564	(269,583)
Interest expense	(183,120)	(4,674)	(2,872)	(17,517)	(208,183)
Other expense	–	–	–	(15,444)	(15,444)
Gain on sales of real estate assets	18	–	3,802	49,763	53,583
Segment profit and loss	\$ 364,455	\$ 20,786	\$ 6,906	\$ 75,686	467,833
Depreciation and amortization expense					(179,474)
General and administrative expense					(39,197)
Interest and other income					6,831
Loss on extinguishment of debt					(6,171)
Gain on sale of management contracts					21,619
Loss on impairment of real estate assets					(1,334)
Equity in earnings of unconsolidated affiliates					8,495
Minority interest in earnings					(116,940)
Income before discontinued operations					\$ 161,662
Total assets	\$ 5,619,923	\$ 272,364	\$ 151,970	\$ 308,065	\$ 6,352,322
Capital expenditures	\$ 1,182,349	\$ 21,577	\$ 77,026	\$ 85,037	\$ 1,365,989

Table continued on page 80.

Notes to Consolidated Financial Statements

Year Ended December 31, 2004	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$ 720,106	\$ 30,000	\$ 14,782	\$ 16,255	\$ 781,143
Property operating expenses ⁽¹⁾	(250,512)	(6,672)	(4,791)	21,102	(240,873)
Interest expense	(159,998)	(4,804)	(3,154)	(9,263)	(177,219)
Other expense	–	–	–	(16,373)	(16,373)
Gain on sales of real estate assets	848	322	27,784	318	29,272
Segment profit and loss	\$ 310,444	\$ 18,846	\$ 34,621	\$ 12,039	375,950
Depreciation and amortization expense					(142,004)
General and administrative expense					(35,338)
Interest and other income					3,355
Loss on impairment of real estate assets					(3,080)
Equity in earnings of unconsolidated affiliates					10,308
Minority interest in earnings					(90,551)
Income before discontinued operations					\$ 118,640
Total assets	\$ 4,653,707	\$ 273,166	\$ 155,042	\$ 122,585	\$ 5,204,500
Capital expenditures	\$ 1,081,529	\$ 56,109	\$ 18,631	\$ 20,541	\$ 1,176,810

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

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

Note 13. Operating Partnership

Condensed consolidated financial statement information for the Operating Partnership is presented as follows:

	December 31,	
	2006	2005
Assets:		
Net investment in real estate assets	\$ 6,094,252	\$ 5,944,428
Investment in unconsolidated affiliates	78,826	84,137
Other assets	344,842	323,354
Total assets	\$ 6,517,921	\$ 6,351,919
Liabilities:		
Mortgage and other notes payable	\$ 4,564,534	\$ 4,341,055
Other liabilities	276,792	279,315
Total liabilities	4,841,326	4,620,370
Minority interests	8,959	12,672
Partners' capital	1,667,636	1,718,877
Total liabilities and partners' capital	\$ 6,517,921	\$ 6,351,919

	Year Ended December 31,		
	2006	2005	2004
Total revenues	\$ 1,002,141	\$ 907,459	\$ 781,143
Depreciation and amortization	(230,323)	(179,474)	(142,004)
Other operating expenses	(352,033)	(323,082)	(294,273)
Income from operations	419,785	404,903	344,866
Interest and other income	8,799	6,828	3,355
Interest expense	(257,065)	(208,180)	(177,191)
Loss on extinguishment of debt	(935)	(6,171)	–
Gain on sales of real estate assets	14,505	53,583	29,272
Gain on sale of management contracts	–	21,619	–
Equity in earnings of unconsolidated affiliates	5,295	8,495	10,308
Income tax provision	(5,902)	–	–
Minority interest in shopping center properties	(4,136)	(4,879)	(5,365)
Income before discontinued operations	180,346	276,198	205,245
Operating income of discontinued operations	2,765	857	1,626
Gain (loss) on discontinued operations	8,392	(82)	845
Net income	\$ 191,503	\$ 276,973	\$ 207,716

Note 14. Supplemental and Noncash Information

The Company paid cash for interest, net of amounts capitalized, in the amount of \$255,523, \$207,861 and \$174,496 during 2006, 2005 and 2004, respectively.

The Company's noncash investing and financing activities were as follows for 2006, 2005 and 2004:

	2006	2005	2004
Accrued dividends and distributions	\$ 59,305	\$ 63,242	\$ 46,644
Additions to real estate assets accrued but not yet paid	38,543	19,754	9,041
Conversion of Operating Partnership units into common stock	21,983	10,304	5,630
Note receivable from sale of real estate assets	3,366	2,627	–
Payable related to acquired marketable securities	1,078	–	–
Debt assumed to acquire property interests	–	385,754	304,646
Issuance of minority interest to acquire property interests	–	72,850	46,212
Purchase obligation related to acquired property	–	14,000	11,950
Premiums related to debt assumed to acquire property interests	–	10,552	19,455
Payable related to repurchased common stock	–	6,706	–
Debt consolidated from application of FIN 46(R)	–	–	38,147

Note 15. Related Party Transactions

CBL's Predecessor and certain officers of the Company have a significant minority interest in the construction company that the Company engaged to build substantially all of the Company's development properties. The Company paid approximately \$221,151, \$96,246 and \$81,153 to the construction company in 2006, 2005 and 2004, respectively, for construction and development activities. The Company had accounts payable to the construction company of \$31,243 and \$8,097 at December 31, 2006 and 2005, respectively.

The Management Company provides management, development and leasing services to the Company's unconsolidated affiliates and other affiliated partnerships. Revenues recognized for these services amounted to \$3,219, \$14,290 and \$5,970 in 2006, 2005 and 2004, respectively.

Note 16. Contingencies

The Company is currently involved in certain litigation that arises in the ordinary course of business. It is management's opinion that the pending litigation will not materially affect the financial position or results of operations of the Company. Additionally, management believes that, based on environmental studies completed to date, any exposure to environmental cleanup will not materially affect the financial position and results of operations of the Company.

GUARANTEES

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest. The total amount outstanding at both December 31, 2006 and 2005 was \$53,200, of which the Company had guaranteed \$26,600. The guaranty will expire when the related debt matures in June 2008. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

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

Under the terms of the partnership agreement of Mall of South Carolina L.P., an unconsolidated affiliate in which the Company owns a 50% interest, the Company had guaranteed 100% of the construction debt incurred to develop Coastal Grand – Myrtle Beach in Myrtle Beach, SC. The Company received a fee of \$1,572 for this guaranty when it was issued during 2003. The Company was recognizing one-half of this fee as revenue pro rata over the term of the guaranty until its scheduled expiration in May 2006, which represents the portion of the fee attributable to the third-party partner's ownership interest. As discussed in Note 5, Mall of South Carolina L.P. refinanced the construction loan with new mortgage loans in September 2004. As a result, the Company was released from the guaranty and recognized one-half of the unamortized balance of the guaranty fee, or \$328, as revenue when the construction loan was retired. The remaining \$328 attributable to the Company's ownership interest was recorded as a reduction to the Company's investment in the partnership. The Company recognized total revenue of \$568 related to this guaranty during 2004.

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 \$18,369 and \$24,100 at December 31, 2006 and 2005, respectively.

GROUND LEASES

The Company is the lessee of land at certain of its properties under long-term operating leases, which include scheduled increases in minimum rents. The Company recognizes these scheduled rent increases on a straight-line basis over the initial lease terms. Most leases have initial terms of at least 20 years and contain one or more renewal options, generally for a minimum of five- or ten-year periods.

The future obligations under these operating leases at December 31, 2006, are as follows:

2007	\$	626
2008		628
2009		632
2010		634
2011		737
Thereafter		34,937
	\$	38,194

Note 17. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage notes receivable is a reasonable estimate of fair value. The fair value of mortgage and other notes payable was \$4,608,682 and \$4,336,474 at December 31, 2006 and 2005, respectively. The fair value was calculated by discounting future cash flows for the notes payable using estimated rates at which similar loans would be made currently.

Note 18. Share-Based Compensation

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

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

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition method, compensation cost recognized during the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions

Notes to Consolidated Financial Statements

of SFAS No. 123 and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Under SFAS No. 123(R), share-based payments are not recorded as shareholders' equity until the related compensation expense is recognized. Accordingly, the Company reclassified \$8,895 from the deferred compensation line item in shareholders' equity to additional paid-in capital as of January 1, 2006. Results for prior periods have not been restated.

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

The compensation cost that has been charged against income for the plan was \$5,632, \$4,775 and \$2,890 for 2006, 2005 and 2004, respectively. Compensation cost resulting from share-based awards is recorded at the Management Company, which is a taxable entity. The income tax benefit resulting from stock-based compensation of \$5,750 in 2006 has been reflected as a financing cash flow in the consolidated statement of cash flows. As a result of recurring losses in 2005 and 2004, a full valuation allowance had been recorded against the Management Company's net deferred tax asset. Accordingly, the recognition of compensation cost or the tax deduction received upon the exercise or vesting of share-based awards resulted in no tax benefits to the Company in those years. Compensation cost capitalized as part of real estate assets was \$947, \$535 and \$275 in 2006, 2005 and 2004, respectively.

STOCK OPTIONS

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

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

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to all outstanding and unvested awards in 2005 and 2004:

	Year Ended December 31,	
	2005	2004
Net income available to common shareholders, as reported	\$ 131,907	\$ 102,802
Stock-based compensation expense included in reported net income available to common shareholders	4,775	2,890
Total stock-based compensation expense determined under fair value method	(5,186)	(3,398)
Pro forma net income available to common shareholders	\$ 131,496	\$ 102,294
Earnings per share:		
Basic, as reported	\$ 2.10	\$ 1.67
Basic, pro forma	\$ 2.10	\$ 1.66
Diluted, as reported	\$ 2.03	\$ 1.61
Diluted, pro forma	\$ 2.03	\$ 1.60

The Company's stock option activity for the year ended December 31, 2006 is summarized as follows:

	Weighted Average Exercise Shares	Weighted Average Remaining Contractual Price	Aggregate Intrinsic Term	Value
Outstanding at January 1, 2006	2,208,440	\$ 13.89		
Exercised	(700,120)	\$ 12.74		
Cancelled	(5,600)	\$ 18.27		
Outstanding at December 31, 2006	1,502,720	\$ 14.40	3.6	\$ 43,499
Vested or expected to vest at December 31, 2006	1,502,720	\$ 14.40	3.6	\$ 43,499
Options exercisable at December 31, 2006	1,357,920	\$ 13.99	3.5	\$ 39,867

No stock options have been granted since the adoption of SFAS No. 123 on January 1, 2003. The total intrinsic value of options exercised during 2006, 2005 and 2004 was \$19,898, \$23,055 and \$24,471, respectively.

STOCK AWARDS

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

A summary of the status of the Company's stock awards as of December 31, 2006, and changes during the year ended December 31, 2006, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2006	387,506	\$ 30.06
Granted	249,538	\$ 39.73
Vested	(167,840)	\$ 32.18
Forfeited	(11,860)	\$ 35.34
Nonvested at December 31, 2006	457,344	\$ 34.35

The weighted average grant-date fair value of shares granted during 2006, 2005 and 2004 was \$39.73, \$38.24 and \$26.37, respectively. The total fair value of shares vested during 2006, 2005 and 2004 was \$6,735, \$13,144 and \$3,990, respectively.

As of December 31, 2006, there was \$12,091 of total unrecognized compensation cost related to nonvested stock options and stock awards granted under the plan, which is expected to be recognized over a weighted average period of 3.6 years.

Note 19. Employee Benefit Plans

401(k) PLAN

The Management Company maintains a 401(k) profit sharing plan, which is qualified under Section 401(a) and Section 401(k) of the Code to cover employees of the Management Company. All employees who have attained the age of 21 and have completed at least 90 days of service are eligible to participate in the plan. The plan provides for employer matching contributions on behalf of each participant equal to 50% of the portion of such participant's contribution that does not exceed 2.5% of such participant's compensation for the plan year. Additionally, the Management Company has the discretion to make additional profit-sharing-type contributions not related to participant elective contributions. Total contributions by the Management Company were \$1,157, \$727 and \$657 in 2006, 2005 and 2004, respectively.

EMPLOYEE STOCK PURCHASE PLAN

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

DEFERRED COMPENSATION ARRANGEMENTS

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

In October 2005, the Company issued 174,403 shares of common stock to one officer as a result of the termination of that officer's deferred compensation agreement.

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

At December 31, 2006 and 2005, respectively, there were 47,813 and 63,882 shares that were deemed set aside in accordance with these arrangements.

For other officers, the deferred compensation arrangements provide that their bonus compensation is deferred in the form of a note payable to the officer. Interest accumulates on these notes at 7.0%. When an arrangement terminates, the note payable plus accrued interest is paid to the officer in cash. At December 31, 2006 and 2005, respectively, the Company had notes payable, including accrued interest, of \$165 and \$107 related to these arrangements.

Note 20. Staff Accounting Bulletin No. 108

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

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

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

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

Note 21. Subsequent Event

In February 2007, the Company entered into an agreement with Bain Capital, a global private investment firm, under which the Company acquired a minority interest in subsidiaries of Jhinseng Group, an established mall operating and real estate development company located in Nanjing, China, for \$15,000. The Company also received warrants to acquire an additional minority interest that can be exercised at the Company's option for a period of three years.

Note 22. Quarterly Information (unaudited)

The following quarterly information differs from previously reported results since the results of operations of long-lived assets disposed of subsequent to each quarter end in 2006 have been reclassified to discontinued operations for all periods presented.

	Year Ended December 31, 2006					Total ⁽¹⁾
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
Total revenues	\$ 245,319	\$ 236,981	\$ 246,549	\$ 273,292		\$ 1,002,141
Income from operations	104,102	97,567	93,915	120,519		416,103
Income before discontinued operations	26,156	20,601	22,150	37,437		106,344
Discontinued operations	2,099	7,969	(171)	1,260		11,157
Net income available to common shareholders	20,613	20,928	14,337	31,055		86,933
Basic per share data:						
Income before discontinued operations, net of preferred dividends	\$ 0.30	\$ 0.20	\$ 0.23	\$ 0.46		\$ 1.19
Net income available to common shareholders	\$ 0.33	\$ 0.33	\$ 0.22	\$ 0.48		\$ 1.36
Diluted per share data:						
Income before discontinued operations, net of preferred dividends	\$ 0.29	\$ 0.20	\$ 0.22	\$ 0.45		\$ 1.16
Net income available to common shareholders	\$ 0.32	\$ 0.32	\$ 0.22	\$ 0.47		\$ 1.33

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

Table continued on page 88.

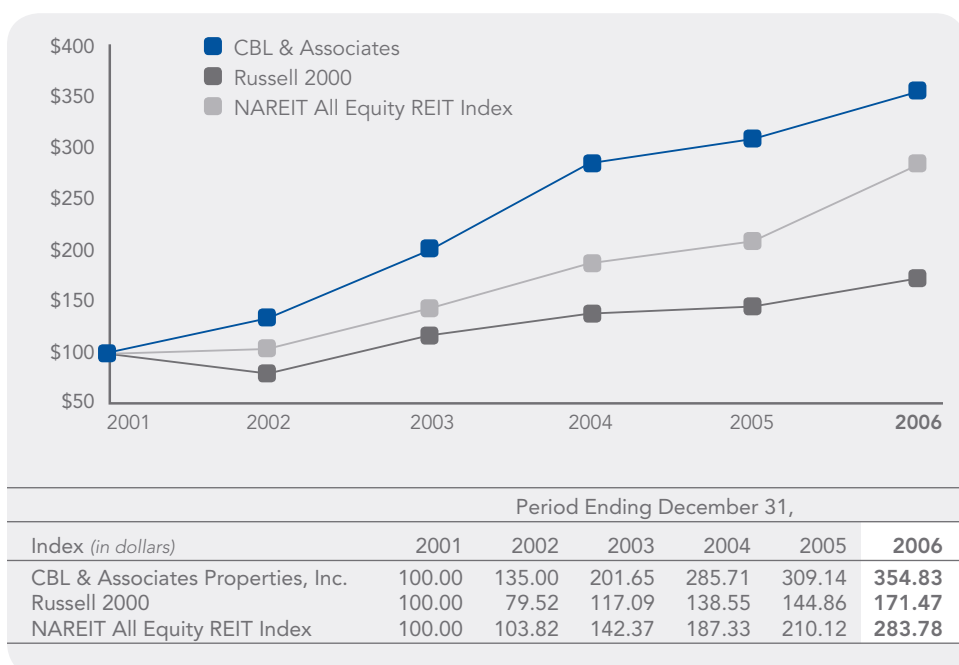
Notes to Consolidated Financial Statements

Year Ended December 31, 2005					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total ⁽¹⁾
Total revenues	\$ 214,711	\$ 203,033	\$ 227,780	\$ 261,936	\$ 907,460
Income from operations	97,180	87,088	99,638	118,522	402,428
Income before discontinued operations	32,640	28,419	67,443	33,160	161,662
Discontinued operations	373	6	292	142	813
Net income available to common shareholders	25,371	20,783	60,093	25,660	131,907
Basic per share data:					
Income before discontinued operations, net of preferred dividends	\$ 0.40	\$ 0.33	\$ 0.95	\$ 0.41	\$ 2.09
Net income available to common shareholders	\$ 0.41	\$ 0.33	\$ 0.95	\$ 0.41	\$ 2.10
Diluted per share data:					
Income before discontinued operations, net of preferred dividends	\$ 0.39	\$ 0.32	\$ 0.92	\$ 0.39	\$ 2.02
Net income available to common shareholders	\$ 0.39	\$ 0.32	\$ 0.92	\$ 0.40	\$ 2.03

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

End of Notes to Consolidated Financial Statements

The graph set forth below compares the cumulative stockholder return on the Common Stock of the Company with the cumulative total return of the Russell 2000 index of small companies ("Russell 2000") and the NAREIT All Equity REIT Total Return Index for the period commencing December 31, 2001, through December 31, 2006. The following graph assumes that the value of the investments in the Company and in each of the indices was \$100 at the beginning of the period and that dividends were reinvested. The stock price performance presented below is not necessarily indicative of future results:



Shareholder Information

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Chattanooga, Tennessee 37421-6000
(423) 855-0001

TRANSFER AGENT AND REGISTRAR

Computershare
P.O. Box 43078
Providence, RI 02940-3078
(800) 560-3476

DIVIDEND REINVESTMENT PLAN

Shareholders of record may automatically reinvest their dividends in additional shares of our Common Stock through our Dividend Reinvestment Plan, which also provides for purchase by voluntary cash contributions. For additional information, please contact Computershare.

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held on May 7, 2007, at 4:00 P.M. (EDT) at The Chattanooga, 1201 South Broad Street, Chattanooga, Tennessee.

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Atlanta, Georgia

COUNSEL

Husch & Eppenger, LLC
Chattanooga, Tennessee
Morrison & Foerster LLP
New York, New York

STOCK EXCHANGE LISTING

New York Stock Exchange
Symbols: CBL, CBLPrB, CBLPrC, CBLPrD

As required by the New York Stock Exchange under Section 303A.12 of the New York Stock Exchange's *Listed Company Manual*, an annual certification by the chief executive officer stating that he is not aware of any violations by the Company of the New York Stock Exchange Corporate Governance listing standards was provided on June 5, 2006. Additionally, certifications by the chief executive officer and chief financial officer, as required by Section 302 of the Sarbanes-Oxley Act were filed as an exhibit to our Form 10-K filed with the Securities and Exchange Commission on March 1, 2007.

FORM 10-K

Copies of the CBL & Associates Properties, Inc. Annual Report and Form 10-K are available, without charge, upon written request to:

Katie Reinsmidt, Director of Investor Relations
CBL & Associates Properties, Inc.
CBL Center, Suite 500
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Atrium at Office Center
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Irving, Texas 75038-2503
(214) 596-1195

QUARTERLY STOCK PRICE AND DIVIDEND INFORMATION

The following table presents the dividends declared and the high and low sale price of the common stock as listed on the New York Stock Exchange for each quarter of 2006 and 2005.

Market Quotations			
2006 Quarter Ended	High	Low	Dividends
March 31	\$ 44.30	\$ 39.32	\$ 0.4575
June 30	\$ 42.49	\$ 35.80	\$ 0.4575
September 30	\$ 42.79	\$ 37.32	\$ 0.4575
December 31	\$ 44.10	\$ 40.03	\$ 0.5050
2005 Quarter Ended	High	Low	Dividends
March 31	\$ 39.03	\$ 33.32	\$0.40625
June 30	\$ 44.05	\$ 35.33	\$0.40625
September 30	\$ 46.80	\$ 39.30	\$0.40625
December 31	\$ 42.15	\$ 35.15	\$0.54750*

*Includes special one-time cash dividend of \$0.09 per share.

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CBL & Associates Properties, Inc.

Corporate Office

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Chattanooga, TN 37421-6000
(423) 855-0001

Boston Regional Office

Watermill Center
Suite 395
800 South Street
Waltham, MA 02453-1457
(781) 647-3330

Dallas Regional Office

Atrium at Office Center
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The background of the entire page is a light blue architectural floor plan of a large commercial building. The plan shows various rooms, corridors, and parking areas. The letters 'CBL' are superimposed in a large, white, sans-serif font over the central part of the plan.

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