CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 09, 2009

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

OR

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

FOR THE TRANSITION PERIOD FROM ____________ TO _______________

COMMISSION FILE NO. 1-12494

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

DELAWARE　　　　62-1545718

(State or other jurisdiction of incorporation or organization)　　　　(I.R.S. Employer Identification Number)

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000

(Address of principal executive office, including zip code)

423.855.0001

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of November 2, 2009, there were 137,877,757 shares of common stock, par value $0.01 per share, outstanding.

CBL & Associates Properties, Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	September 30, 2009	December 31, 2008
ASSETS		
Real estate assets:		
Land	$936,617	$902,504
Buildings and improvements	7,584,632	7,503,334
	8,521,249	8,405,838
Accumulated depreciation	(1,499,619)	(1,310,173)
	7,021,630	7,095,665
Developments in progress	246,191	225,815
Net investment in real estate assets	7,267,821	7,321,480
Cash and cash equivalents	63,502	51,227
Cash held in escrow	-	2,700
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,373 in 2009 and $1,910 in 2008	73,833	74,402
Other	11,088	12,145
Mortgage and other notes receivable	41,962	58,961
Investments in unconsolidated affiliates	193,655	207,618
Intangible lease assets and other assets	281,823	305,802
	$7,933,684	$8,034,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other notes payable	$5,678,561	$6,095,676
Accounts payable and accrued liabilities	288,206	329,991
Total liabilities	5,966,767	6,425,667
Commitments and contingencies (Notes 3, 5, 10 and 14)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	96,120	18,393
Redeemable noncontrolling preferred joint venture interest	421,514	421,279
Total redeemable noncontrolling interests	517,634	439,672
Shareholders’ equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2009 and 2008	5	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2009 and 2008	7	7
Common Stock, $.01 par value, 180,000,000 shares	1,379	664

authorized, 137,876,744 and 66,394,844 issued and outstanding in 2009 and 2008, respectively		
Additional paid-in capital	1,409,580	993,941
Accumulated other comprehensive loss	(2,386)	(12,786)
Accumulated deficit	(218,954)	(193,307)
Total shareholders’ equity	1,189,631	788,524
Noncontrolling interests	259,652	380,472
Total equity	1,449,283	1,168,996
	$7,933,684	$8,034,335

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
REVENUES:				
Minimum rents	$168,765	$175,796	$511,193	$528,270
Percentage rents	2,851	3,260	9,259	9,866
Other rents	3,382	4,297	11,804	13,515
Tenant reimbursements	78,577	84,615	241,756	250,990
Management, development and leasing fees	1,312	11,512	5,392	16,934
Other	7,881	5,925	20,948	19,245
Total revenues	262,768	285,405	800,352	838,820
EXPENSES:				
Property operating	40,379	48,488	123,751	140,874
Depreciation and amortization	71,261	81,962	225,365	230,106
Real estate taxes	25,812	23,658	74,415	71,735
Maintenance and repairs	13,219	15,440	42,629	48,359
General and administrative	8,808	9,623	31,180	33,268
Other	7,714	5,150	18,785	18,690
Total expenses	167,193	184,321	516,125	543,032
Income from operations	95,575	101,084	284,227	295,788
Interest and other income	1,246	2,225	4,189	7,134
Interest expense	(71,120)	(77,057)	(215,847)	(233,736)
Impairment of investments	(1,143)	(5,778)	(8,849)	(5,778)
Gain on sales of real estate assets	1,535	4,777	1,468	12,122
Equity in earnings of unconsolidated affiliates	271	515	1,867	1,308
Income tax benefit (provision)	1,358	(8,562)	603	(12,757)
Income from continuing operations	27,722	17,204	67,658	64,081
Operating income of discontinued operations	112	126	132	1,462
Gain (loss) on discontinued operations	10	676	(62)	3,788
Net income	27,844	18,006	67,728	69,331
Net income attributable to noncontrolling interests:				
Operating Partnership	(4,758)	(3,068)	(11,173)	(15,195)
Other consolidated subsidiaries	(6,497)	(5,498)	(19,208)	(17,949)
Net income attributable to the Company	16,589	9,440	37,347	36,187
Preferred dividends	(5,455)	(5,455)	(16,364)	(16,364)
Net income available to common shareholders	$11,134	$3,985	$20,983	$19,823

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic per share data:				
Income from continuing operations, net of preferred dividends	$0.08	$0.05	$0.21	$0.24
Discontinued operations	-	0.01	0.01	0.04
Net income available to common shareholders	$0.08	$0.06	$0.22	$0.28
Weighted average common shares outstanding	137,860	71,078	97,557	71,044
Diluted per share data:				
Income from continuing operations, net of preferred dividends	$0.08	$0.05	$0.21	$0.24
Discontinued operations	-	0.01	0.01	0.04
Net income available to common shareholders	$0.08	$0.06	$0.22	$0.28
Weighted average common and potential dilutive common shares outstanding	137,899	71,215	97,593	71,227
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	$11,059	$3,521	$20,941	$16,797
Discontinued operations	75	464	42	3,026
Net income available to common shareholders	$11,134	$3,985	$20,983	$19,823
Dividends declared per common share	$0.0500	$0.5450	$0.5300	$1.6350

The accompanying notes are an integral part of these statements.

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

		Equity								
		Shareholders' Equity								
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total	Compre Inc
Balance, January 1, 2008	43,145	$12	$662	$964,676	$(13)	$(70,154)	$895,183	$482,217	$1,377,400	$-
Net income	3,676	-	-	-	-	36,187	36,187	14,374	50,561	69
Impairment of marketable securities	77	-	-	-	3,269	-	3,269	2,432	5,701	5,7
Net unrealized loss on available-for-sale securities	(77)	-	-	-	(3,256)	-	(3,256)	(2,421)	(5,677)	(5,
Unrealized loss on hedging instruments	(40)	-	-	-	(1,676)	-	(1,676)	(1,247)	(2,923)	(2,
Unrealized loss on foreign currency translation adjustment	(38)	-	-	-	(1,639)	-	(1,639)	(1,219)	(2,858)	(2,
Dividends declared - common stock	-	-	-	-	-	(108,354)	(108,354)	-	(108,354)	-
Dividends declared - preferred stock	-	-	-	-	-	(16,363)	(16,363)	-	(16,363)	-
Issuance of common stock and restricted common stock	-	-	1	606	-	-	607	-	607	-
Cancellation of restricted common stock	-	-	-	(507)	-	-	(507)	-	(507)	
Exercise of stock options	-	-	-	584	-	-	584	-	584	-
Accelerated vesting of share-based compensation	-	-	-	35	-	-	35	-	35	-
Accrual under deferred compensation arrangements	-	-	-	302	-	-	302	-	302	-
Amortization of deferred compensation	-	-	-	3,349	-	-	3,349	-	3,349	-
Additions to deferred financing costs	-	-	-	-	-	-	-	34	34	
Income tax benefit from share-based compensation	119	-	-	3,703	-	-	3,703	3,650	7,353	-
Distributions to noncontrolling interests	(5,014)	-	-	-	-	-	-	(83,563)	(83,563)	-
Contributions from noncontrolling interests in Operating Partnership	-	-	-	-	-	-	-	2,832	2,832	-
Adjustment for noncontrolling interests	(1,477)	-	-	196	-	-	196	1,281	1,477	-

Reclassification of noncontrolling interests related to deconsolidation	-	-	-	-	-	-	-	(3,257)	(3,257)	-
Adjustment to record redeemable noncontrolling partnership interest at redemption value	(2,686)	-	-	2,686	-	-	2,686	-	2,686	-
Balance, September 30, 2008	$37,685	$12	$663	$975,630	$(3,315)	$(158,684)	$814,306	$415,113	$1,229,419	$63

The accompanying notes are an integral part of these statements.

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

		Equity							
		Shareholders' Equity							
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total
Balance, January 1, 2009	$18,393	$12	$664	$993,941	$(12,786)	$(193,307)	$788,524	$380,472	$1,168,99
Net income	5,210	-	-	-	-	37,347	37,347	9,658	47,005
Net unrealized gain (loss) on available-for-sale securities	273	-	-	-	1,023	-	1,023	(16)	1,007
Unrealized gain on hedging instruments	574	-	-	-	5,459	-	5,459	2,402	7,861
Realized gain (loss) on foreign currency translation adjustment	3	-	-	-	44	-	44	(249)	(205
Unrealized gain on foreign currency translation adjustment	480	-	-	-	3,874	-	3,874	1,954	5,828
Dividends declared - common stock	-	-	-	-	-	(46,630)	(46,630)	-	(46,630
Dividends declared - preferred stock	-	-	-	-	-	(16,364)	(16,364)	-	(16,364
Issuance of common stock and restricted common stock	-	-	1	562	-	-	563	-	563
Issuance of common stock for dividend	-	-	48	14,691	-	-	14,739	-	14,739
Issuance of common stock in equity offering	-	-	666	381,157	-	-	381,823	-	381,823
Cancellation of restricted common stock	-	-	-	(117)	-	-	(117)	-	(117
Accrual under deferred compensation arrangements	-	-	-	46	-	-	46	-	46
Amortization of deferred compensation	-	-	-	1,877	-	-	1,877	-	1,877
Additions to deferred financing costs	-	-	-	-	-	-	-	35	35
Transfer from noncontrolling interests to redeemable noncontrolling interests	82,970	-	-	-	-	-	-	(82,970)	(82,970
Issuance of noncontrolling interests for distribution	-	-	-	-	-	-	-	4,140	4,140

Distributions to noncontrolling interests	(11,271)	-	-	-	-	-	-	(38,363)	(38,363
Purchase of noncontrolling interests in other consolidated subsidiaries	-	-	-	217	-	-	217	(717)	(500
Adjustment for noncontrolling interests	(4,521)	-	-	21,215	-	-	21,215	(16,694)	4,521
Adjustment to record redeemable noncontrolling partnership interest at redemption value	4,009	-	-	(4,009)	-	-	(4,009)	-	(4,009
Balance, September 30, 2009	$96,120	$12	$1,379	$1,409,580	$(2,386)	$(218,954)	$1,189,631	$259,652	$1,449,28

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$67,728	$69,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	145,389	135,314
Amortization	87,017	102,703
Net amortization of debt premiums and discounts	(5,357)	(5,918)
Net amortization of above- and below-market leases	(4,511)	(6,896)
Gain on sales of real estate assets	(1,468)	(12,122)
Realized foreign currency loss	76	-
(Gain) loss on discontinued operations	62	(3,788)
Write-off of development projects	1,346	2,944
Share-based compensation expense	2,363	4,028
Income tax benefit from share-based compensation	-	7,472
Impairment of investments	8,849	5,778
Equity in earnings of unconsolidated affiliates	(1,867)	(1,308)
Distributions of earnings from unconsolidated affiliates	8,175	10,904
Changes in:		
Tenant and other receivables	1,619	(2,601)
Other assets	(5,643)	(7,104)
Accounts payable and accrued liabilities	(5,931)	15,361
Net cash provided by operating activities	297,847	314,098
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(174,163)	(359,170)
Cash removed from (placed in) escrow	2,700	(2,700)
Proceeds from sales of real estate assets	7,183	67,997
Additions to mortgage notes receivable	(3,851)	(544)
Payments received on mortgage notes receivable	14,297	105,327
Additional investments in and advances to unconsolidated affiliates	(56,895)	(95,003)
Distributions in excess of equity in earnings of unconsolidated affiliates	60,614	49,073
Purchase of noncontrolling interests in other consolidated subsidiary	(500)	-
Changes in other assets	27,424	(9,243)
Net cash used in investing activities	(123,191)	(244,263)

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	$456,362	$1,023,692
Principal payments on mortgage and other notes payable	(868,120)	(854,285)
Additions to deferred financing costs	(13,422)	(5,303)
Proceeds from issuances of common stock	381,928	261
Proceeds from exercises of stock options	-	584
Income tax benefit from share-based compensation	-	(7,472)
Contributions from noncontrolling interests in other consolidated subsidiaries	-	2,832
Distributions to noncontrolling interests	(54,530)	(102,749)
Dividends paid to holders of preferred stock	(16,364)	(16,364)
Dividends paid to common shareholders	(49,564)	(108,349)
Net cash used in financing activities	(163,710)	(67,153)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	1,329	(1,023)
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,275	1,659
CASH AND CASH EQUIVALENTS, beginning of period	51,227	65,826
CASH AND CASH EQUIVALENTS, end of period	$63,502	$67,485
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$218,911	$239,828

The accompanying notes are an integral part of these statements.

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

Note 1 – Organization and Basis of Presentation

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

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

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2009, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 71.6% limited partner interest for a combined interest held by CBL of 72.6%.

The noncontrolling interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively "CBL's Predecessor") and by affiliates of The Richard E. Jacobs Group, Inc. ("Jacobs"). CBL's Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner 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 September 30, 2009, CBL's Predecessor owned a 9.8% limited partner interest, Jacobs owned a 12.1% limited partner interest and third parties owned a 5.5% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 7.2 million shares of CBL's common stock at September 30, 2009, for a total combined effective interest of 13.6% in the Operating Partnership.

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

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

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

Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Material intercompany transactions have been eliminated. The results for the interim period ended September 30, 2009, are not necessarily indicative of the results to be obtained for the full fiscal year.

Certain historical amounts have been reclassified to conform to the current year presentation. Certain properties for which the financial results were originally reported as discontinued operations in the condensed consolidated financial statements for the three and nine month periods ended September 30, 2008 no longer meet the criteria to be classified as held for sale and are, thus, currently reflected in continuing operations for all periods presented. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations. See Note 6 for further discussion. Also see Notes 4 and 8 for discussion regarding the impact on the presentation of the condensed consolidated financial statements and share information related to the adoption of certain accounting pronouncements as of January 1, 2009.

In April 2009, the Company paid its first quarter dividend on its common stock. The Company issued 4,754,355 shares of its common stock in connection with the dividend, which resulted in an increase of 7.2% in the number of shares outstanding. The Company elected to treat the issuance of its common stock as a stock dividend for earnings per share purposes. Therefore, all share and per share information related to earnings per share for all periods presented have been adjusted proportionately to reflect the additional common stock issued. See Note 8 for further discussion.

The Company has evaluated subsequent events through November 9, 2009, which is the date these financial statements were issued. See Note 14 for further discussion.

These condensed consolidated financial statements should be read in conjunction with CBL's audited consolidated financial statements and notes thereto included in its Current Report on Form 8-K dated July 27, 2009.

Note 2 – New Accounting Guidance

Accounting Guidance Adopted

Effective January 1, 2009, the Company adopted new accounting guidance related to fair value measurements of nonfinancial assets and liabilities. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements. See Note 3 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to noncontrolling interests in consolidated financial statements. See Noncontrolling Interests in Note 4 for further information regarding the adoption of this guidance, which did have an impact on the Company's condensed consolidated financial statements.

Effective January 1, 2009, the Company adopted new accounting guidance related to disclosures about derivative instruments and hedging activities. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements, but did require additional disclosures regarding the Company's hedging activities. See Interest Rate Hedge Instruments in Note 5 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to determining whether instruments granted in share-based payment transactions are participating securities. The adoption did not have a material impact on the Company's earnings per share. See Note 8 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to business combinations that changes certain aspects of current business combination accounting for business combinations entered into subsequent to December 31, 2008. The guidance requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Shares issued as consideration for a business combination are to be measured at fair value on the acquisition date and contingent consideration arrangements are to be recognized at their fair values on the date of acquisition, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition gain and loss contingencies generally are to be recognized at their fair values on the acquisition date and any acquisition-related transaction costs are to be expensed as incurred. The Company will apply the provisions of this guidance to future business combinations.

Effective January 1, 2009, the Company adopted new accounting guidance related to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The new accounting guidance amends previous guidance regarding accounting for pre-acquisition contingencies to more closely resemble the guidance originally issued for business combinations. According to the new guidance, an acquirer is required to recognize assets or liabilities arising from contingencies at fair value if fair value can be reasonably estimated. Otherwise, the asset or liability would generally be recognized in accordance with guidance related to accounting for contingencies. The provisions of the new accounting guidance are prospectively applied to business combinations completed subsequent to December 31, 2008. The Company will apply the provisions of this guidance to future business combinations.

Effective April 1, 2009, the Company adopted new accounting guidance related to determining fair value when the volume and level of activity for an asset or liability have significantly decreased and regarding identifying transactions that are not orderly. The new accounting guidance provides additional clarification on estimating fair value when the volume and level of activity for an asset or liability has significantly decreased or when circumstances indicate that a transaction is not orderly. The adoption did not have an impact on the Company’s condensed consolidated financial statements.

Effective April 1, 2009, the Company adopted new accounting guidance related to recognition and presentation of other-than-temporary impairments to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in an entity’s financial statements. The new accounting guidance does not amend the existing recognition and measurement guidance on other-than-temporary impairments of debt and equity securities. The adoption did not have an impact on the Company’s condensed consolidated financial statements, but did require additional disclosures regarding the Company’s other-than-temporary impairments. See Notes 3 and 4 for further information.

Effective April 1, 2009, the Company adopted new accounting guidance related to interim disclosures about fair value of financial instruments that amends existing fair value disclosure and interim reporting requirements to require disclosures about fair value of financial instruments for interim reporting periods. The adoption did not have an impact on the Company’s condensed consolidated financial statements, but did require additional disclosures regarding the fair value of the Company’s financial instruments. See Note 3 for further information.

Effective April 1, 2009, the Company adopted new accounting guidance related to subsequent events that establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date, but before the issuance of the financial statements. The guidance requires entities to disclose the date through which an entity has evaluated subsequent events, which for public companies, shall be the date the financial statements are issued. The adoption did not have an impact on the Company’s condensed consolidated financial statements.

Effective July 1, 2009, the Company adopted the "Financial Accounting Standards Board ("FASB") Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP. The Codification did not result in changes to current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one area. All existing accounting standard documents have been superseded and all other accounting literature not included in the Codification is considered nonauthoritative. Subsequent to the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Rather, it is issuing Accounting Standard Updates ("ASUs"), which are to serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. The adoption of the Codification did not have an impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In June 2009, the FASB issued new accounting guidance regarding accounting for transfers of financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional related disclosures. The new accounting guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently assessing the potential impact, if any, of the adoption of this guidance on its condensed consolidated financial statements.

In June 2009, the FASB issued new accounting guidance which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting, or similar, rights should be consolidated. The guidance clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This guidance requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. It also requires additional disclosure about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. The guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently assessing the potential impact of the adoption of this guidance on its condensed consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, Fair Value Measurements and Disclosures ("ASU 2009-05"). ASU 2009-05 provides clarification on measuring the fair value of a liability. In circumstances in which a quoted market price in an active market for the identical liability is not available, a reporting entity is required to measure fair value by using either (i) a valuation technique that uses quoted prices for identical or similar liabilities or (ii) another valuation technique, such as present value calculations or a technique based on the amount paid or received by the reporting entity to transfer an identical liability. ASU 2009-05 is effective for interim periods beginning after its issuance. The Company is currently assessing the potential impact, if any, of the adoption of this guidance on its condensed consolidated financial statements.

Note 3 – Fair Value Measurements

The Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy contains three levels of inputs that may be used to measure fair value as follows:

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

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

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

The following tables set forth information regarding the Company's financial instruments that are measured at fair value in the condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008:

		Fair Value Measurements at September 30, 2009 Using		
	Fair Value at September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$5,490	$5,490	$-	$ -
Privately held debt and equity securities	2,475	-	-	2,475
Interest rate cap	23	-	23	-
Liabilities:				
Interest rate swaps	$7,101	$-	$7,101	$ -

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

Interest rate swaps	$15,570	$-	$ 15,570	$ -

Other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities that are classified as available for sale. Net unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive loss in redeemable noncontrolling interests, shareholders' equity and noncontrolling interests. If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. During the three and nine months ended September 30, 2009, the Company did not recognize any realized gains or losses related to sales or disposals of marketable securities or other-than-temporary impairments. The fair value of the Company's available-for-sale securities is based on quoted market prices and, thus, is classified under Level 1. The following is a summary of the available-for-sale securities held by the Company as of September 30, 2009 and December 31, 2008:

	Adjusted Cost	Gross Unrealized		Fair Value
		Gains	Losses	
September 30, 2009	$4,207	$1,291	$(8)	$5,490
December 31, 2008	$4,207	$2	$-	$4,209

The Company holds a secured convertible promissory note from, and a warrant to acquire shares of, Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, in which the Company also holds a cost-method investment. The secured convertible note is non-interest bearing and is secured by shares of Jinsheng. Since the secured convertible note is non-interest bearing and there is no active market for Jinsheng's debt, the Company performed an analysis on the note considering credit risk and discounting factors to determine the fair value. The warrant was initially valued using estimated share price and volatility variables in a Black Scholes model. Due to the significant estimates and assumptions used in the valuation of the note and warrant, the Company has classified these under Level 3. As part of its investment review as of March 31, 2009, the Company determined that its investment in Jinsheng was impaired on an other-than-temporary basis due to a decline in expected future cash flows as a result of declining occupancy and sales related to the downturn of the real estate market in China. An impairment charge of $2,400 is recorded in the Company's condensed consolidated statement of operations for the nine month period ended September 30, 2009 to reduce the carrying values of the secured convertible note and warrant to their estimated fair values. The Company performed a quantitative and qualitative analysis of its investment as of September 30, 2009 and determined that the current balance of the secured convertible note and warrant of $2,475 is not impaired. A rollforward of the Company's secured convertible note and warrant is as follows:

Balance at January 1, 2009	$4,875
Impairment loss recognized in earnings	(2,400)
Balance at September 30, 2009	$2,475

See Note 4 for further discussion.

The Company uses interest rate swaps to mitigate the effect of interest rate movements on its variable-rate debt. The Company currently has four interest rate swap agreements included in Accounts Payable and Accrued Liabilities that qualify as hedging instruments and are designated as cash flow hedges. The swaps have met the effectiveness test criteria since inception. Thus, changes in the fair values of the swaps are reported in other comprehensive income (loss) and will be reclassified into earnings in the same period or periods during which the hedged item affects earnings. The fair values of the Company's interest rate swaps, classified under Level 2, are determined using a proprietary model which is based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage notes receivable is a reasonable estimate of fair value. The estimated fair value of mortgage and other notes payable was $5,198,063 and $5,506,725 at September 30, 2009 and December 31, 2008, respectively. The estimated fair value was calculated by discounting future cash flows for the notes payable using estimated market rates at which similar loans would be made currently.

Assets and liabilities measured at fair value on a recurring basis must be disclosed separately from those measured at fair value on a nonrecurring basis. As of September 30, 2009, no assets or liabilities were measured at fair value on a nonrecurring basis.

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

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

Unconsolidated Affiliates

At September 30, 2009, the Company had investments in the following 22 entities, which are accounted for using the equity method of accounting:

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

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

	Total for the Nine Months Ended September 30,		Company's Share for the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$124,074	$116,381	$71,173	$60,751
Depreciation and amortization of real estate assets	(38,925)	(40,851)	(22,492)	(21,112)
Interest expense	(38,794)	(40,898)	(22,760)	(20,872)
Other operating expenses	(42,057)	(38,240)	(24,931)	(20,175)
Gain on sales of real estate assets	1,687	4,087	877	2,716
Net income	$5,985	$479	$1,867	$1,308

	Total for the Three Months Ended September 30,		Company's Share for the Three Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$41,695	$38,462	$23,181	$20,377
Depreciation and amortization of real estate assets	(13,051)	(14,848)	(7,428)	(7,741)
Interest expense	(13,275)	(13,619)	(7,398)	(7,038)
Other operating expenses	(14,395)	(13,674)	(8,315)	(7,370)
Gain (loss) on sales of real estate assets	(2)	3,621	231	2,287
Net income (loss)	$972	$(58)	$271	$515

In October 2007, the Company entered into a condominium partnership agreement with several individual investors and a former land owner to acquire a 60% interest in a new retail development in Macaé, Brazil. The retail center opened in September 2008. As of September 30, 2009, the Company had incurred total funding of $24,979, net of distributions received of $841. In October 2009, the Company entered into an agreement to sell its interest in this partnership, subject to satisfaction of certain requirements customary to transactions of this nature, for a gross sales price of $24,200, less brokerage commissions and other closing costs for a net sales price of $23,836. The sale is expected to close during the fourth quarter of 2009, subject to due diligence and customary closing conditions. As part of its review process as of September 30, 2009, the Company determined that the partnership investment is impaired due to the net loss that is projected at the time of closing on the sale. The Company performed a quantitative and qualitative analysis of its investment as of September 30, 2009 and determined that the impairment is other than temporary. As a result, the Company recorded an impairment charge of $1,143 during the three month period ended September 30, 2009.

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

In September 2008, the Company entered into a condominium partnership agreement with several individual investors to acquire a 60% interest in a new retail development in Macapa, Brazil. In February 2009, the Company negotiated a divestment agreement with its Macapa partners obligating the Company to fund an additional $592 to reimburse the

other partners for previously incurred land acquisition costs in exchange for the termination of any future obligations on the part of the Company to fund development costs, and to provide the other partners the option to purchase the Company's interest in this partnership for an amount equal to its investment balance. As of September 30, 2009, the Company had incurred total funding of $1,189, including the $592 of reimbursements noted above.

Noncontrolling Interests

Effective January 1, 2009, the Company adopted new accounting guidance regarding noncontrolling interests in consolidated financial statements. The new accounting guidance requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to a noncontrolling interest be presented separately, net of tax, below net income on the Company's condensed consolidated statements of operations. These changes are to be applied on a retrospective basis. As a result, the adoption resulted in certain presentation reclassifications and adjustments in the Company's condensed consolidated financial statements for all periods presented. Any previous minority interests for which the related partnership agreements either do not include redemption provisions or may be redeemed with the Company's stock, at its election, were reclassified to noncontrolling interests in the equity section of the Company's condensed consolidated balance sheets at their carrying value. The presentation of net income attributable to noncontrolling interests was reclassified in the condensed consolidated statements of operations for all periods presented and is included as a reduction to net income to derive net income attributable to the Company.

On a prospective basis, the new accounting guidance also requires that after control of an investment or subsidiary is obtained, a change in ownership interest that does not result in a loss of control should be accounted for as an equity transaction. A change in ownership of a consolidated subsidiary that results in a loss of control and deconsolidation is a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests. During the second quarter of 2009, the Company purchased the outstanding ownership interest of a noncontrolling investor for $500. This purchase did not result in a loss of control and, thus, was accounted for as an equity transaction.

The FASB has amended certain accounting guidance regarding the classification and measurement of redeemable securities to reflect the issuance of the new accounting pronouncement on noncontrolling interests. In connection with the Company's retrospective adoption of the noncontrolling interests accounting guidance, a concurrent review of the measurement provisions of the guidance regarding redeemable securities was performed and retrospectively adopted. The Company initially identified one limited partner in the Operating Partnership and partners in five other consolidated subsidiaries that can require the Company to redeem their interests in the future with cash or real property. Accordingly, pursuant to the provisions of the guidance regarding redeemable securities, the Company's redeemable noncontrolling interests were recorded for all periods presented at the higher of their redemption values or their values pursuant to previous guidance as of the end of the period, with any changes in value being reflected in retained earnings, or in the event of a deficit, in additional paid-in capital, and continue to be reported within temporary equity in the Company's condensed consolidated balance sheets. Subsequent adjustments to the carrying amounts of these redeemable noncontrolling interests to reflect any changes in their redemption values at the end of each reporting period are to be recorded in the same manner. Adoption of the amended guidance resulted in a decrease to additional paid-in capital of $14,942 as of December 31, 2008.

In contemplation of the common stock offering (see Note 8), certain holders of units in the Operating Partnership, including certain affiliates of CBL's Predecessor and certain affiliates of Jacobs (collectively, the "Deferring Holders"), entered into a Forbearance and Waiver Agreement, dated June 2, 2009 (the "Forbearance Agreement"), with the Company. The Deferring Holders agreed to defer their right to exchange an aggregate of 37,000,000 of their Operating Partnership units for shares of our common stock or cash (at our election), until the earlier of (A) the close of business on the date upon which the Company effectively amends its Certificate of Incorporation to increase its authorized share capital to include at least 217,000,000 shares of common stock (the "Replenishment Date") or (B) December 31, 2009. The Deferring Holders also agreed to waive the Company's obligation under the Operating Partnership Agreement to reserve a sufficient number of shares of common stock to satisfy the Operating Partnership exchange rights with respect to such units until the Replenishment Date, regardless of when such date occurs.

If, following the deferral period described above, the Deferring Holders were to exercise their exchange rights before the Company had available a sufficient number of authorized shares of its common stock to deliver in satisfaction of such exchange rights, the Company would be compelled to satisfy such rights with cash payments to the extent it did not have sufficient shares of common stock available. As a result, the portion of the noncontrolling interests in the Operating Partnership attributable to the Deferring Holders' Operating Partnership units that are in excess of the authorized number of shares of common stock has been reclassified to redeemable noncontrolling interests as of September 30, 2009 and recorded pursuant to the provisions of the amended guidance regarding redeemable securities.

On October 7, 2009, the Company reconvened its special meeting of stockholders, previously convened on September 21, 2009, during which stockholder approval was obtained to amend the Certificate of Incorporation to reflect an increase in the number of authorized shares of common stock from 180,000,000 shares to 350,000,000 shares. As such, subsequent to September 30, 2009, the Forbearance Agreement of the Deferring Holders expired in accordance with its terms and the units subject to that agreement will be reclassified to noncontrolling interests in the fourth quarter of 2009.

The total redeemable noncontrolling interest in the Operating Partnership was $85,320 and $12,072 at September 30, 2009 and December 31, 2008, respectively. The total noncontrolling interest in the Operating Partnership was $259,024 and $379,408 at September 30, 2009 and December 31, 2008, respectively.

The redeemable noncontrolling partnership interests includes the third party interest in the Company's investment interest in an entity that provides security and maintenance services. The redeemable noncontrolling preferred joint venture interest includes the perpetual preferred joint venture units ("PJV units") issued to Westfield Group ("Westfield") for the acquisition of certain properties as more fully described in Note 10. Activity related to the redeemable noncontrolling preferred joint venture interest represented by the PJV units is as follows:

	Nine Months Ended September 30,	
	2009	2008
Beginning Balance	$421,279	$420,300
Net income attributable to redeemable noncontrolling preferred joint venture interest	15,513	15,094
Distributions to redeemable noncontrolling preferred joint venture interest	(15,278)	(14,172)
Ending Balance	$421,514	$421,222

Cost Method Investments

In February 2007, the Company acquired a 6.2% minority interest in subsidiaries of Jinsheng for $10,125. As of September 30, 2009, Jinsheng owns controlling interests in four home decoration shopping centers, two general retail shopping centers and four development sites.

Jinsheng also issued to the Company a secured convertible promissory note in exchange for cash of $4,875. The note is secured by 16,565,534 Series 2 Ordinary Shares of Jinsheng. The secured note is non-interest bearing and matures upon the earlier to occur of (i) January 22, 2012, (ii) the closing of the sale, transfer or other disposition of substantially all of Jinsheng's assets, (iii) the closing of a merger or consolidation of Jinsheng or (iv) an event of default, as defined in the secured note. In lieu of the

Company's right to demand payment on the maturity date, at any time commencing upon the earlier to occur of January 22, 2010 or the occurrence of a Final Trigger Event, as defined in the secured note, the Company may, at its sole option, convert the outstanding amount of the secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng (which equates to a 2.275% ownership interest).

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

The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. The Company initially recorded the secured note at its estimated fair value of $4,513, which reflects a discount of $362 due to the fact that it is non-interest bearing. The discount is amortized and recognized as interest income over the term of the secured note using the effective interest method. The noncontrolling interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets. The Company initially recorded the warrant at its estimated fair value of $362, which is included in other assets in the accompanying condensed consolidated balance sheets. See Note 3 for information regarding the current fair value of the secured note and warrant.

As part of its investment review as of March 31, 2009, the Company determined that its noncontrolling interest in Jinsheng was impaired on an other-than-temporary basis due to a decline in expected future cash flows. The decrease resulted from declining occupancy rates and sales due to the then downturn of the real estate market in China. An impairment charge of $5,306 is recorded in the Company's condensed consolidated statement of operations for the nine months ended September 30, 2009 to reduce the carrying value of the Company's cost-method investment to its estimated fair value. The Company performed a quantitative and qualitative analysis of its noncontrolling investment as of September 30, 2009 and determined that the current balance of its investment is not impaired. A rollforward of the Company's noncontrolling interest is as follows:

Balance at January 1, 2009	$10,125
Impairment loss recognized in earnings	(5,306)
Balance at September 30, 2009	$4,819

Note 5 – Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following at September 30, 2009 and December 31, 2008, respectively:

	September 30, 2009		December 31, 2008	
	Amount	Weighted Average Interest Rate (1)	Amount	Weighted Average Interest Rate (1)
Fixed-rate debt:				
Non-recourse loans on operating properties	$3,959,656	6.02 %	$4,046,653	6.14 %
Recourse loans on operating properties (2)	161,606	5.71 %	161,694	5.71 %
Secured line of credit (3)	400,000	4.45 %	400,000	4.45 %
Total fixed-rate debt	4,521,262	5.86 %	4,608,347	5.99 %
Variable-rate debt:				
Recourse loans on operating properties	283,138	1.69 %	262,946	2.49 %
Unsecured line of credit	200,000	1.17 %	522,500	1.92 %
Secured lines of credit	126,050	3.81 %	149,050	1.45 %
Unsecured term facilities	437,494	1.61 %	437,494	1.88 %
Construction loans	110,617	2.46 %	115,339	1.74 %
Total variable-rate debt	1,157,299	1.80 %	1,487,329	1.95 %
Total	$5,678,561	5.03 %	$6,095,676	5.01 %

(1) Weighted-average interest rate including the effect of debt premiums (discounts), but excluding amortization of deferred financing costs.
(2) The Company has entered into interest rate swaps on notional amounts totaling $127,500 as of September 30, 2009 and December 31, 2008 related to two of its variable-rate recourse loans on operating properties to effectively fix the interest rates on those loans. Therefore, these amounts are currently reflected in fixed-rate debt.
(3) The Company has entered into interest rate swaps on notional amounts totaling $400,000 as of September 30, 2009 and December 31, 2008 related to its largest secured credit facility to effectively fix the interest rate on that portion of the line of credit. Therefore, this amount is currently reflected in fixed-rate debt.

Unsecured Line of Credit

As of September 30, 2009, the Company had an unsecured credit facility with total capacity of $560,000, bearing interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage ratio, as defined in the agreement to the facility. Additionally, the Company was required to pay an annual fee of 0.1% of the amount of total capacity of the unsecured credit facility. The credit facility had an original maturity in August 2010 and had a one-year extension option, which was at the Company's election, for an outside maturity date of August 2011. At September 30, 2009, the outstanding borrowings of $200,000 under the unsecured credit facility had a weighted average interest rate of 1.17%.

On November 2, 2009, the Company closed on an extension and modification of its unsecured facility, which provides for maintaining the total capacity of $560,000 (the "$560,000 new secured facility"). The facility will be converted over an 18-month period into a new secured facility and the maturity of the facility was extended to August 2011, with an extension option at the Company's election (subject to continued compliance with the terms of the facility), for an outside maturity date of April 2014. The conversion of the unsecured facility to a secured facility will take place as the Company uses availability under the facility to retire several non-recourse, property-specific commercial

mortgage-backed securities (“CMBS”) mortgages that mature in 2009, 2010 and 2011. The Company intends to retire these mortgages at the earliest dates on which they may be prepaid at par or their scheduled maturity dates in order to avoid any prepayment fees. The real estate assets securing these mortgages will then be pledged as collateral to secure the facility. Certain assets were pledged as collateral as of the closing.

The modified facility will bear interest at an annual rate equal to one-month, three-month or six-month LIBOR (at the Company’s option) with LIBOR subject to a minimum of 1.50% plus a spread that increases over the facility’s term, commencing with a margin of 0.75% to 1.20%, based on the Company’s leverage ratio, through August 2010, a margin of 1.45% to 1.90% through August 2011 and increasing thereafter to 3.25% to 4.25% until April 2014. Additionally, the Company must pay an annual fee of 0.35%, to be paid quarterly, based upon any unused commitment of the credit facility and will pay a one-time fee of 1.067% of the total capacity of the facility should the Company exercise its option to extend the maturity date to April 2014. There were no significant changes to the facility’s debt covenants.

Unsecured Term Facilities

In April 2008, the Company entered into an unsecured term facility with total capacity of $228,000 that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on the Company's leverage ratio, as defined in the agreement to the facility. At September 30, 2009, the outstanding borrowings of $228,000 under the unsecured term facility had a weighted average interest rate of 1.85%. The facility matures in April 2011 and has two one-year extension options, which are at the Company's election, for an outside maturity date of April 2013.

The Company has an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At September 30, 2009, the outstanding borrowings of $209,494 under this facility had a weighted average interest rate of 1.35%. The Company completed its acquisition of the properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured term facility bears interest at LIBOR plus a margin of 0.95% to 1.40% based on the Company's leverage ratio, as defined in the agreement to the facility. Net proceeds from a sale, or the Company's share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured term facility must be used to pay down any remaining outstanding balance. The facility matures in November 2010 and has two one-year extension options, which are at the Company's election, for an outside maturity date of November 2012.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit bear interest at LIBOR plus a margin ranging from 0.80% to 4.25% and had a weighted average interest rate of 4.14% at September 30, 2009, including the portion with a receive-variable/pay-fixed interest rate swap. 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%. The following summarizes certain information about the secured lines of credit as of September 30, 2009:

Total Capacity	Total Outstanding	Maturity Date
$ 525,000	$ 483,850	February 2012
105,000	5,000	June 2011
20,000	20,000	March 2010
17,200	17,200	April 2010
$ 667,200	$ 526,050	

In September 2009, the Company extended and modified its $525,000 secured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. The facility's maturity date was extended from February 2010 to February 2012, with an option to extend the maturity date for one additional year to February 2013 (subject to continued compliance with the terms of the facility). The interest rate on the facility was modified to bear interest at an annual rate equal to the one-month, three-month, or six-month LIBOR (at the Company's option) plus 325 to 425 basis points, with LIBOR subject to a minimum of 1.50% for periods commencing on or after December 31, 2009. The Company paid aggregate fees of approximately $7,510, reflected in intangible lease assets and other assets in the Company's condensed consolidated balance sheet as of September 30, 2009, in connection with the extension

and modification of the credit facility and is required to pay an annual fee of 35 basis points, to be paid quarterly, based upon any unused commitment. The Company must pay a one-time extension fee of 35 basis points should it exercise its option to extend the maturity date to February 2013. There were no significant changes to the facility's debt covenants.

The agreements to the Company's $560,000 new secured line of credit and $525,000 secured line of credit and the unsecured term facilities with balances of $209,494 and $228,000 as of September 30, 2009, each with the same lender, and agreements to the Company's $20,000 and $17,200 secured lines of credit contain default provisions customary for transactions of this nature and also contain cross-default provisions.

Letters of Credit

At September 30, 2009, the Company had additional secured and unsecured lines of credit with a total commitment of $38,410 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $17,586 at September 30, 2009.

Covenants and Restrictions

The $560,000 new secured line of credit and $525,000 secured 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. The agreements to these credit facilities contain default provisions customary for transactions of their nature (with applicable customary grace periods), and also contain cross-default provisions in the event (i) there is a default in the payment of any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders' commitments may be terminated. The Company was in compliance with all covenants and restrictions at September 30, 2009.

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

Scheduled Principal Maturities

As of September 30, 2009, the scheduled principal maturities of the Company's consolidated debt, excluding extensions available at the Company's option, on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

2009	$ 68,106
2010	1,239,229
2011	673,113
2012	1,075,988
2013	450,554
Thereafter	2,161,910
	5,668,900
Net unamortized premiums	9,661

	$ 5,678,561

Of the $68,106 of scheduled principal maturities in 2009, one loan in the amount of $15,600 has a one-year extension available at the Company's option, leaving a maturity of $52,506 in 2009 that must be retired or refinanced. The $52,506 represents a non-recourse, property-specific CMBS loan that matures in December 2009. The Company intends to pay off this loan with availability on its $560,000 new secured credit facility, at which time the property will be pledged as collateral to secure the credit facility.

Of the $1,239,229 of scheduled principal maturities in 2010, maturities representing $725,090 have extensions available at the Company's option, leaving maturities of $514,139 in 2010 that must be retired or refinanced. These maturities consist of two secured facilities totaling $37,200 and eleven operating property loans totaling $476,939. The Company paid off the two secured facilities on November 2, 2009, upon closing of the extension and modification of its $560,000 new secured credit facility and intends to pay off several of the operating property loans with remaining availability as they become due or at any such earlier time when the loans may be prepaid at par without penalty, at which time the properties supporting these loans will be pledged as collateral to secure the credit facility. The Company also intends to refinance certain of the maturing operating property loans.

Interest Rate Hedge Instruments

Effective January 1, 2009, the Company adopted new accounting guidance that improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. In accordance with the new guidance, the Company records its derivative instruments on its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

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

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in Accumulated Other Comprehensive Loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2009, such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

As of September 30, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

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

The Company has an $80,000 interest rate cap agreement to hedge the risk of changes in cash flows on certain letter of credit-enhanced municipal bonds equal to the then-outstanding cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in the USD-SIFMA Municipal Swap Index above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 4.00%. The interest rate cap had a nominal fair value as of September 30, 2009 and December 31, 2008 and matures on December 3, 2010.

The Company has a $40,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.175%. The fair value of the swap was $(754) and $(772) as of September 30, 2009 and December 31, 2008, respectively, and matures on November 7, 2010.

The Company has an $87,500 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 5.85%. The fair value of the swap was $(2,867) and $(3,787) as of September 30, 2009 and December 31, 2008, respectively, and matures on September 23, 2010.

The Company has a $150,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The fair value of the swap was $(1,268) and $(3,989) as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The Company has a $250,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%. The fair value of the swap was $(2,212) and $(7,022) as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The above interest rate swaps' total fair value of $(7,101) and $(15,570) as of September 30, 2009 and December 31, 2008, respectively, is included in Accounts Payable and Accrued Liabilities in the accompanying condensed consolidated balance sheets.

In January 2009, the Company entered into a $129,000 interest rate cap agreement to hedge the risk of changes in cash flows on the construction loan of one of its properties equal to the then-outstanding cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in 1-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.25%. The Company did not designate this cap as a hedge because it did not meet the hedge accounting requirements of SFAS No. 133. Changes in the fair value of this cap are recorded directly in earnings and totaled $6 and $78 for the three and nine month periods ended September 30, 2009, respectively. The interest rate cap had a nominal fair value as of September 30, 2009 and matures on July 12, 2010.

Note 6 – Discontinued Operations

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

In April 2008, the Company completed the sale of five of the community centers located in Greensboro, NC to three separate buyers. In June 2008, the Company completed the sale of one of the office properties. The Company completed the sale of an additional community center located in Greensboro, NC in August 2008. In December 2008, we completed the sale of an additional office property and adjacent, vacant development land located in Greensboro, NC. The results of operations of these properties are included in discontinued operations for the three and nine month periods ended September 30, 2008.

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

During June 2008, the Company sold Chicopee Marketplace III in Chicopee, MA. The results of operations of this property are included in discontinued operations for the three and nine month periods ended September 30, 2008.

Total revenues of the centers described above that are included in discontinued operations were $560 and $3,996 during the three and nine month periods ended September 30, 2008. Discontinued operations during the three and nine month periods ended September 30, 2009 and 2008 also include true-ups of estimated expenses to actual amounts for properties sold during previous years.

Note 7 – Segment Information

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

Three Months Ended September 30, 2009	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$237,577	$9,904	$4,579	$10,708	$262,768
Property operating expenses (1)	(82,543)	(2,600)	(1,488)	7,221	(79,410)
Interest expense	(61,364)	(2,073)	(977)	(6,706)	(71,120)
Other expense	2	-	-	(7,716)	(7,714)
Gain (loss) on sales of real estate assets	1,525	-	(2)	12	1,535
Segment profit	$95,197	$5,231	$2,112	$3,519	106,059
Depreciation and amortization expense					(71,261)
General and administrative expense					(8,808)
Interest and other income					1,246
Impairment of investments					(1,143)
Equity in earnings of unconsolidated affiliates					271
Income tax benefit					1,358
Income from continuing operations					$27,722
Capital expenditures (3)	$23,448	$916	$20,432	$51,301	$96,097

Three Months Ended September 30, 2008	Total

	Malls	Associated Centers	Community Centers	All Other (2)	
Revenues	$249,882	$10,858	$4,759	$19,906	$285,405
Property operating expenses (1)	(89,393)	(2,671)	(1,473)	5,951	(87,586)
Interest expense	(63,194)	(2,278)	(1,044)	(10,541)	(77,057)
Other expense	-	-	-	(5,150)	(5,150)
Gain (loss) on sales of real estate assets	3,269	(2)	708	802	4,777
Segment profit	$100,564	$5,907	$2,950	$10,968	120,389
Depreciation and amortization expense					(81,962)
General and administrative expense					(9,623)
Interest and other income					2,225
Impairment of investments					(5,778)
Equity in earnings of unconsolidated affiliates					515
Income tax provision					(8,562)
Income from continuing operations					$17,204
Capital expenditures (3)	$41,623	$5,824	$475	$44,897	$92,819

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Nine Months Ended September 30, 2009	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$722,609	$30,662	$13,636	$33,445	$800,352
Property operating expenses (1)	(246,893)	(8,113)	(4,560)	18,771	(240,795)
Interest expense	(183,924)	(6,413)	(2,997)	(22,513)	(215,847)
Other expense	-	-	-	(18,785)	(18,785)
Gain (loss) on sales of real estate assets	1,524	-	96	(152)	1,468
Segment profit	$293,316	$16,136	$6,175	$10,766	326,393
Depreciation and amortization expense					(225,365)
General and administrative expense					(31,180)
Interest and other income					4,189
Impairment of investments					(8,849)
Equity in earnings of unconsolidated affiliates					1,867
Income tax benefit					603
Income from continuing operations					$67,658
Total assets	$6,878,826	$334,259	$70,127	$650,472	$7,933,684
Capital expenditures (3)	$94,524	$9,763	$21,816	$115,663	$241,766

Nine Months Ended September 30, 2008	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$749,683	$32,583	$15,303	$41,251	$838,820
Property operating expenses (1)	(268,047)	(8,161)	(4,584)	19,824	(260,968)
Interest expense	(189,031)	(6,885)	(3,219)	(34,601)	(233,736)
Other expense	-	-	-	(18,690)	(18,690)
Gain on sales of real estate assets	8,620	27	1,121	2,354	12,122
Segment profit	$301,225	$17,564	$8,621	$10,138	337,548
Depreciation and amortization expense					(230,106)
General and administrative expense					(33,268)
Interest and other income					7,134
Impairment of investments					(5,778)
Equity in earnings of unconsolidated affiliates					1,308
Income tax provision					(12,757)
Income from continuing operations					$64,081
Total assets	$7,015,922	$344,392	$74,188	$644,412	$8,078,914
Capital expenditures (3)	$152,971	$7,736	$23,219	$198,265	$382,191

(1) Property operating expenses include property operating expenses, real estate taxes and maintenance and repairs.
(2) The All Other category includes mortgage and other notes receivable, office buildings, the Management Company and the Company's controlling investment interest in an entity that provides security and maintenance services.
(3) Amounts include acquisitions of real estate assets and investments in unconsolidated affiliates. Developments in progress are included in the All Other category.

Note 8 – Earnings Per Share

In June 2009, the Company completed an equity offering of 66,630,000 shares of its $0.01 par value common stock at $6.00 per share. The net proceeds, after underwriting costs and related expenses, of approximately $381,602 were used to repay outstanding borrowings under the Company's credit facilities.

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

Effective January 1, 2009, the Company adopted new accounting guidance on determining whether instruments granted in share-based payment transactions are participating securities. The new guidance requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or their equivalent be treated as participating securities for purposes of inclusion in the computation of earnings per share ("EPS") pursuant to the two-class method. Pursuant to the provisions of the new accounting guidance, all prior-period EPS data presented has been adjusted accordingly. The adoption did not have a material impact on the Company's reported earnings per share. The net income attributable to participating, nonvested stock awards is immaterial.

Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their noncontrolling interests in the Operating Partnership into shares of common stock are not dilutive. The following summarizes the impact of potential dilutive common shares on the denominator used to compute earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Weighted average shares outstanding	137,699	66,047	95,546	65,948
Effect of participating, nonvested stock awards	161	282	200	349
Effect of stock dividend	-	4,749	1,811	4,747
Denominator – basic earnings per share	137,860	71,078	97,557	71,044
Dilutive effect of:				
Stock options	-	98	-	150
Deemed shares related to deferred compensation arrangements	39	39	36	33
Denominator – diluted earnings per share	137,899	71,215	97,593	71,227

Note 9 – Comprehensive Income

The computation of comprehensive income for the three and nine months ended September 30, 2009 and 2008 is as follows:

	Total for the Three Months Ended September 30,		Total for the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	$27,844	$18,006	$67,228	$69,331
Net unrealized gain (loss) on hedging agreements	3,312	135	8,435	(2,963)
Net unrealized gain (loss) on available-for-sale securities	1,144	(1,103)	1,280	(5,754)
Impairment of marketable securities	-	5,778	-	5,778
Net unrealized gain (loss) on foreign currency translation adjustment	2,129	(4,473)	6,308	(2,896)
Realized loss on foreign currency translation adjustment	(277)	-	(202)	-
Total other comprehensive income (loss)	6,308	337	15,821	(5,835)
Comprehensive income	$34,152	$18,343	$83,049	$63,496

Note 10 – Contingencies

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

operations of the Company.

The Company consolidates its investment in a joint venture, CW Joint Venture, LLC (“CWJV”), with Westfield. The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0% (increasing to 6.0% beginning July 1, 2013) on the $416,113 of preferred liquidation value of the PJV units of CWJV that are held by Westfield. Subsequent to October 16, 2008, Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property, then the annual preferred distribution rate on the PJV units increases to 9.0%. The Company will have the right, but not the obligation, to offer to redeem the PJV units after January 31, 2013 at their preferred liquidation value, plus accrued and unpaid distributions. If the Company fails to make such offer, the annual preferred distribution rate on the PJV units increases to 9.0%. If, upon redemption of the PJV units, the fair value of the Company’s common stock is greater than $32.00 per share, then such excess (but in no case greater than $26,000 in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. The Company accounts for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, the Company will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

The Company has guaranteed 100% of the construction and land loans of West Melbourne I, LLC (“West Melbourne”), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $55,027. West Melbourne recently completed the development of Hammock Landing, an open-air shopping center in West Melbourne, FL. The total amount outstanding at September 30, 2009 on the loans was $46,997. The guaranties will terminate upon repayment of the debt. The construction loan matures in August 2010, and has three one-year extension options, which are at the Company’s election, for an outside maturity date of August 2013. The land loan matures in August 2010, and has one one-year extension option, which is at the Company’s election, for an outside maturity date August 2011. The Company has recorded an obligation of $670 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed 100% of the construction and land loans of Port Orange I, LLC ("Port Orange"), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $120,300. Port Orange is currently developing The Pavilion at Port Orange, an open-air shopping center in Port Orange, FL. The total amount outstanding at September 30, 2009 on the loans was $71,425. The guaranties will terminate upon repayment of the debt. The construction loan matures in June 2011, and has two one-year extension options, which are at the Company's election, for an outside maturity date of June 2013. The land loan matures in June 2011, and has one one-year extension option, which is at the Company's election, for an outside maturity date of June 2012. The Company has recorded an obligation of $1,120 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed the lease performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC's performance under this agreement up to a maximum of $22,000, which decreases by $800 annually until the guaranteed amount is reduced to $10,000. The guaranty terminates on December 31, 2020. The maximum guaranteed obligation was $19,600 as of September 30, 2009. The Company has entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts the Company is obligated to fund under the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company owns a parcel of land that it is ground leasing to a third party developer for the purpose of developing a shopping center. The Company has guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount is $31,554. The total amount outstanding at September 30, 2009 on the loans was $64,332 of which the Company has guaranteed $17,370. The Company has recorded an obligation of $315 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of the guaranty.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At September 30, 2009, the total amount outstanding on these bonds was $35,334.

Note 11 – Share-Based Compensation

The share-based compensation cost that was charged against income was $488 and $1,301 for the three months ended September 30, 2009 and 2008, respectively, and $2,363 and $4,028 for the nine months ended September 30, 2009 and 2008, respectively. Share-based compensation cost capitalized as part of real estate assets was $60 and $174 for the three months ended September 30, 2009 and 2008, respectively, and $192 and $696 for the nine months ended September 30, 2009 and 2008, respectively.

Stock Options

Stock options issued under the Company's Stock Incentive Plan allow for the purchase of common stock at the fair market value of the stock on the date of grant. Stock options granted to officers and employees vest and become exercisable in equal installments on each of the first five anniversaries of the date of grant and expire 10 years after the date of grant. Stock options granted to independent directors are fully vested upon grant. No stock options have been granted since 2002.

The Company's stock option activity for the nine months ended September 30, 2009 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2009	608,015	$ 15.89
Expired	(32,881)	