GOTTSCHALKS INC
Form 10-K
April 29, 2005

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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended January 29, 2005

OR

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

FOR THE TRANSITION PERIOD FROM ___________ TO _____________

Commission file number 1-09100

Gottschalks Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware	**77-0159791**

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification Number)

7 River Park Place East
Fresno, California 93720

(Address of Principal Executive Offices including Zip Code)

(559) 434-4800

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange Pacific Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes o No x

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 31, 2004: Common Stock, $.01 par value: $61,239,760.

On March 31, 2005, the Registrant had outstanding 13,093,269 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement with respect to its Annual Stockholders' Meeting scheduled to be held on June 23, 2005, which will be filed pursuant to Regulation 14A, are incorporated by reference into Part III of this Form 10-K.

Gottschalks Inc.

2004 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. BUSINESS

GENERAL

Gottschalks Inc. (the "Company") is a regional department and specialty store chain based in Fresno, California. As of January 29, 2005, the Company operated 63 full-line "Gottschalks" department stores located in 6 Western states, with 39 stores located in California, 12 in Washington, 6 in Alaska, and 2 in each of Oregon, Nevada and Idaho. The Company also operates 6 "Village East" and "Gottschalks" specialty stores which carry a limited selection of merchandise. The Company is incorporated in the state of Delaware.

The Company's department stores typically offer a wide range of better to moderate brand-name and private-label merchandise, including mens, womens, juniors and childrens apparel; cosmetics, shoes, fine jewelry and accessories; and home furnishings including china, housewares, domestics, small electric appliances and, in selected locations, furniture and mattresses. The majority of the Company's department stores range from 40,000 to 150,000 in gross square feet, and are generally anchor tenants of regional shopping malls or strategically located strip centers.

The Company has operated continuously for 100 years since it was founded by Emil Gottschalk in 1904. At the time the Company initially offered its stock to the public in 1986, the Company operated 10 department stores. Since then, a net total of 53 department stores have been added. Twenty-six stores were added through acquisitions.

Gottschalks Inc. dissolved its wholly-owned subsidiary, Gottschalks Credit Receivables Corporation ("GCRC"), on July 30, 2003. This subsidiary was formed in 1994 in connection with a receivables securitization program. As more fully described in Note 2 to the Consolidated Financial Statements, on January 31, 2003 the Company sold its credit card accounts and accounts receivable to Household Bank (SB), N.A., which has subsequently been acquired by HSBC Group ("HSBC").

OPERATING STRATEGY

Merchandising Strategy

The Company's merchandising strategy is directed at offering and promoting moderate to better priced brand-name merchandise recognized by its customers for style and value. Brand-name merchandise is complemented with offerings of private-label. Brand-name apparel, shoes, cosmetics and accessories lines carried by the Company include Estee Lauder, Lancome, Clinique, Chanel, Dooney & Bourke, Nine West, Liz Claiborne, Calvin Klein, Guess?, Nautica, Karen Kane, Tommy Hilfiger, Ralph Lauren, Haggar, Koret and Levi Strauss. Brand-name merchandise carried for the home includes Waterford, Lenox, Lladro, Krups, Kitchenaid, Calphalon and Samsonite.

The Company has also directed considerable effort towards improving the quality and increasing the penetration of private-label merchandise in its overall merchandise mix. The Company's most well recognized private-label is "Shaver Lake," currently carried in the womens, mens and childrens departments, as well as in certain departments in the home division. The "Shaver Lake" brand is exclusively offered in Gottschalks stores, and provides an opportunity

to increase Gottschalks' brand acceptance and promote competitive differentiation. The Company plans to expand its private label offerings in mens and womens casual clothing in 2005 through additional brand names such as Methode.

The Company purchases merchandise from numerous suppliers. In no instance did purchases from any single vendor amount to more than 5.0% of the Company's net purchases in fiscal 2004. The Company's merchandising activities are conducted centrally from its corporate offices in Fresno, California.

The Company's merchandise mix as a percentage of total sales (including leased department sales) is reflected in the following table:

	Fiscal Years				
	2004	2003	2002	2001	2000
Women's Apparel........	28.6 %	28.1 %	29.0 %	29.3 %	28.0 %
Cosmetics, Shoes & Accessories........	25.3	24.3	23.6	22.5	22.5
Home...................	18.9	20.1	20.4	20.1	20.8
Men's Apparel..........	12.8	13.3	13.0	13.8	14.0
Junior's and Children's Apparel....	10.8	10.6	10.5	10.5	10.7
Leased Departments.....	3.6	3.6	3.5	3.8	4.0
Total Sales..........	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Store Locations

The Company's stores are located primarily in diverse, growing, non-major metropolitan or suburban areas in the western United States where management believes there is strong demand and fewer competitors offering similar better to moderate brand-name merchandise and a high level of customer service. The Company has historically avoided expansion into the center of major metropolitan areas that are served by the Company's larger competitors and has instead sought to open new stores in nearby suburban or secondary market areas.

The Company's department stores are generally anchor tenants of regional shopping malls or strategically located strip centers. Other anchor tenants in the malls or strip centers generally complement the Company's goods with a mixture of competing and non-competing merchandise and serve to increase customer foot traffic. With new enclosed, regional shopping mall construction on the decline, the Company's strategy is to open stores in smaller and more diverse locations that may not be served by its larger competitors that adopt a more standardized approach to expansion and "Lifestyle Centers" that feature a variety of retailers, upscale restaurants and typically a major, multi-screen movie theatre.

The Company currently has 2 new stores opening in 2005. On April 15, 2005 the Company opened a 43,260 square foot store in the Heritage Mall in Albany, Oregon. This will represent the third store the Company operates in the State of Oregon. In early August 2005 the Company plans to open a 100,000 square foot 2 level store in a Lifestyle Center located in a high growth area in the northern part of Fresno, CA. This store is being developed as a new prototype for the Company that will feature a balanced merchandise presentation that will focus on the 35 to 45 year old customer, as well as, appealing to the traditional 55 year old customer base. Future new store openings will focus on sites that will serve to "fill in" geographical areas between existing stores. Management believes this strategy will improve the Company's ability to leverage advertising, transportation and other operating costs more effectively. In addition to opening individual store locations, the Company may also pursue additional selective strategic acquisitions as stores may become available as a result of competitor consolidations.

The Company has continued to invest in the renovation and refixturing of its existing store locations in an attempt to maintain and improve market share in those market areas. In fiscal 2002 and 2003, the Company reduced its expenditures for renovation and refixturing primarily because of liquidity concerns. However, the Company increased such capital expenditures in fiscal 2004 and will initiate further remodel activity at a number of store locations in fiscal 2005.

Store renovation projects can range from updating décor and improving in-store lighting, fixturing, wall merchandising and signage, to more extensive remodeling and expansion projects. The Company sometimes receives reimbursement from mall owners and vendors for certain of its new store construction costs and costs associated with the renovation and refixturing of existing store locations. Such contributions have enhanced the Company's ability to enter into attractive market areas that are consistent with the Company's long-term expansion plans.

Additionally, in April 2005 the Company closed a 36,000 square foot store in Fig Garden Village in Fresno, CA, the impact of which will be more than offset by the August 2005 opening of the 100,000 square foot store in northern Fresno, CA.

During 2004, the Company closed 5 specialty stores and integrated their merchandise into the nearby Gottschalks stores in the malls where they reside.

The following tables present selected data related to the Company's stores for the fiscal years indicated:

	Fiscal Years				
	2004	2003	2002	2001	2000
Stores open at year-end:					
Department stores.........	63	63 (1)	69 (1)	73 (1)	79 (2)
Specialty stores (3)......	6	11	12	13	17
Total	69	74	81	86	96
Gross store square footage(4) (in thousands):					
Department stores.........	5,406	5,406	5,665	5,876	6,139
Specialty stores..........	30	42	54	54	63
Total	5,436	5,448	5,719	5,930	6,202

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(1) The Company closed 6 stores in fiscal 2003, 4 stores in fiscal 2002 and 6 stores in fiscal 2001, all of which were acquired in the Lamonts acquisition in July 2000.

(2) The Company opened 37 new department stores in fiscal 2000, including the 34 store locations acquired from Lamonts on July 24, 2000, and three additional new stores opened during the third and fourth quarter of the year.

(3) The Company has continued to close certain free-standing Village East stores as their leases expire and incorporate those stores as separate departments into nearby Gottschalks department stores.

(4) Reflects total store square footage, including office space, storage, service and other support space, and selling space.

Following is a summary of the Company's department store locations, by store size:

	# of stores open
Larger than 200,000 gross square feet.....	3
150,000 - 199,999 gross square feet.......	6
100,000 - 149,999 gross square feet.......	9
40,000 - 99,999 gross square feet.......	38
20,000 - 39,999 gross square feet.......	7
Total..............................	63

Marketing Strategy

The Company's marketing strategy is based on a multi-media approach, using newspapers, television, radio, direct mail, internet, and catalogs to highlight seasonal promotions, selected brand-name merchandise and frequent storewide sales events. Advertising efforts are focused on communicating the branded merchandise offered by the Company, and the high levels of quality, value and customer service available in the Company's stores. In its efforts to improve the effectiveness of its advertising expenditures, the Company uses data captured through its private-label credit card to develop segmented advertising and promotional events targeted at specific customers who have established purchasing patterns for certain brands, departments or store locations.

The Company's sales promotion strategy also focuses on special events such as fashion shows, bridal shows and wardrobing seminars in its stores and in the communities in which they are located to convey fashion trends to its customers. The Company receives reimbursement for certain of its promotional activities from some of its vendors.

In 2004, the Company celebrated its 100th year of operation under the Gottschalks name. This unique event was the focal point of marketing and merchandising strategies throughout the year culminating in a gala and the ringing of the closing bell of the New York Stock Exchange on September 17, 2004, the actual date of the 100th Year Anniversary.

The Company offers selected merchandise, a Bridal & Gift Registry service, and other general corporate information on the World Wide Web at http://www.gottschalks.com

, and sells merchandise through its mail order department. The information on the Company's website is not part of this annual report.

Customer Service

Management believes one way the Company can differentiate itself from its competitors is to provide a consistently high level of customer service. The Company has a "Four Star" customer service program, designed to continually emphasize and reward high standards of customer service in the Company's stores. Sales associates are encouraged to keep notebooks of customers' names, clothing sizes, birthdays, and major purchases, to telephone customers about promotional sales and to send thank-you notes and other greetings to their customers during their normal working hours. Product seminars and other training programs are frequently conducted in the Company's stores and its corporate headquarters to ensure that sales associates will be able to provide useful product information to customers. The Company also offers opportunities for management training and leadership classes for those associates identified

for promotion within the Company. Various financial incentives are offered to the Company's sales associates for reaching sales performance goals.

In addition to providing a high level of personal sales assistance, management believes that well-stocked stores, a liberal return and exchange policy, frequent sales promotions and a conveniently located and attractive shopping environment enhance its customers' shopping experience and increase customer loyalty. Management also believes that maintaining appropriate staffing levels in its stores, particularly at peak selling periods, is essential for providing a high level of customer service.

Management focus for 2005 will also include an increased effort to attract and service the 30 to 55 year old age group, as well as, the Hispanic customer that continues to be a growing segment of the customer base in many current markets.

Distribution of Merchandise

The Company operates a 420,000 square foot distribution center located in Madera, California. The facility, constructed in 1989, is located in close proximity to the Company's corporate headquarters in Fresno, California. The facility serves all of the Company's store locations, with daily distributions of merchandise to all stores, including its stores located in states outside California.

The Company has continued to improve its logistical systems, focusing on the adoption of new technology and operational best practices, with the goals of receiving, processing and distributing merchandise to stores at a faster rate and at a lower cost per unit. The Company's logistical systems enable the Company to "cross dock" the majority of its merchandise, thereby processing merchandise through the distribution center in several minutes as compared to the several day timeframe required in the past. The Company has formal guidelines for vendors with respect to shipping, receiving and invoicing for merchandise. Vendors that do not comply with the guidelines are charged specified fees depending upon the degree of non-compliance. Such fees are intended to offset higher costs associated with the processing of and payment for such merchandise.

Private-Label Credit Card

Sale of Receivables

On January 31, 2003, pursuant to the terms of a Purchase and Sale Agreement, the Company sold its proprietary credit card accounts and accounts receivable to HSBC. The $102.8 million proceeds consisted of $100.3 million for the sale of the accounts and receivables and $2.5 million in prepaid program revenues. Proceeds from the sale were used to pay in full $73.2 million principal and interest due to certificateholders under the Company's accounts receivable securitization program plus $3.4 million in prepayment penalties. The remaining proceeds of $26.2 million were applied as a reduction of outstanding borrowings under the Company's revolving credit facility.

In connection with the sale, the Company entered into two additional agreements, an Interim Servicing Agreement (the "ISA") and a Credit Card Program Agreement (the "CCA"). Under the terms of the ISA, the Company continued to service the credit card receivables until May 14, 2003. HSBC compensated the Company for providing the interim servicing. The compensation was equal to the costs of providing such services during the interim period.

The CCA sets forth the terms and conditions under which HSBC will issue Gottschalks private-label credit cards and pay the Company for sales made on the cards. The CCA has a term of five (5) years and is cancellable by either party under certain circumstances. The CCA further provides for the Company to be paid a percentage of Net Cardholder Charges and a percentage of other Revenue (such terms as defined in the CCA). The Company has determined during the course of 2003 that the amounts received under the CCA approximately equal the net revenues from its former in-house credit card operations, net of operating expenses and interest expense. No assurances can be given that the

amounts under the CCA will continue at those levels or at all.

Credit Card Program

Management believes the private-label credit card enhances the Company's ability to generate and retain market share as well as increase sales. Private-label credit card sales as a percentage of total sales were 40.1%, 41.2%, and 43.2% in fiscal 2004, 2003, and 2002, respectively. The decline in the private card penetration is due to the transition of service from the Company to HSBC. Efforts are underway between the Company and HSBC to increase the private card penetration in 2005.

The Company has a variety of credit-related programs which management believes have improved customer service and will increase credit-sales. Such programs include:

- An "Instant Credit" program, through which successful credit applicants receive a discount ranging from 10% to 50% (depending on the results of the Instant Credit scratch-off card) on their first purchase and 10% on additional purchases made the remainder of the day the account is opened;
- A "55-Plus" charge account program, which offers additional merchandise and service discounts to customers 55 years of age and older; and
- Various credit-card related promotional events throughout the year.

A key element to the re-vitalizaiton of the Company's private label credit card relates to the re-structured Rewards program, which was redesigned in 2004, as described below:

> The "Gottschalks Rewards" program offers one point for every one dollar in net annual spending using the Company's private label credit card. At the end of each calendar year qualifying customers are sent a merchandise certificate for up to 5% of the total points accumulated, up to a maximum of 10,000 points. Using a "points-based" system allows the Company to offer "double point" opportunities for opening new accounts and other promotions periodically throughout each year.

Competition and Seasonality

See Part I, Item I, "Risk Factors - We Face Significant Competition from Other Retailers" and "Risk Factors - The Company's Business is Susceptible to Economic Conditions and Other Factors That Affect Its Markets, Some of Which are Beyond Its Control".

Employees

As of January 29, 2005, the Company had approximately 5,700 employees, including 3,420 employees working part-time (less than 32 hours per week on a regular basis). As of January 31, 2004, the Company had 5,800 employees (including 3,490 working part-time). The decrease in the number of employees from the prior year is partially attributable to the store closures in fiscal 2003. The Company hires additional temporary employees and increases the hours of part-time employees during seasonal peak selling periods. Approximately 57 employees in two former Lamonts locations in King County, Washington are covered by a collective bargaining agreement with the United Food and Commercial Worker's Union (UFCW). Management does not believe that the agreement will have a material affect on the Company's business, financial condition or results of operations. Management considers its employee relations to be good.

ACQUISITIONS

The Company has completed two significant acquisitions in its operating history, including the acquisition of 8 stores from The Harris Company ("Harris") in fiscal 1998, and an additional 34 store locations from Lamont's Apparel, Inc.

("Lamonts") in fiscal 2000.

The Harris Acquisition

On August 20, 1998, the Company acquired substantially all of the assets and assumed certain liabilities of Harris, a wholly-owned subsidiary of El Corte Ingles ("ECI") of Spain. Harris operated nine full-line department stores located in the Southern California area. As planned, the Company closed one of the acquired stores on January 31, 1999. The purchase price for the assets consisted of 2,095,900 shares of common stock of the Company and a $22.2 million 8% Extendable Subordinated Note, due August 2003 (subsequently extended to May 2009) (the "Subordinated Note"). As a result of the acquisition, Harris became a significant stockholder of the Company, and both Harris and ECI became affiliates of the Company. The Company also leases three of its store locations from ECI. (See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - "Liquidity and Capital Resources - Transactions with Affiliate.")

The Lamonts Acquisition

The Company completed the largest acquisition in its operating history on July 24, 2000, significantly expanding its presence throughout the Pacific Northwest and Alaska. Under the transaction (hereinafter the "Lamonts acquisition"), the Company acquired 37 department store leases, related store fixtures and equipment and one store building from Lamonts, a bankrupt specialty apparel store chain, for a cash purchase price of $20.1 million. Concurrent with the closing of the transaction, the Company sold one of the store leases for $2.5 million, and subsequently terminated two other store leases, resulting in a net cash purchase price of $17.6 million for 34 store leases, related store fixtures and equipment and one store building. The Company did not acquire any of Lamonts' merchandise inventory, customer credit card receivables or other corporate assets in the transaction, nor did the Company assume any material liabilities, other than the 34 store leases. The 34 stores acquired were located in 5 Western states, with 19 stores in Washington, 7 in Alaska, 5 in Idaho, 2 in Oregon and 1 in Utah. The Company converted the acquired stores to the Gottschalks banner and re-opened the stores in late August and early September 2000. In fiscal 2001, the Company closed 6 of the acquired stores that were determined to be either underperforming or inconsistent with the long-term operating strategy of the Company. In fiscal 2002, the Company closed another 4 of the acquired stores and an additional 6 stores were closed in fiscal 2003. The Company continues to operate 18 of the original 34 stores acquired from Lamonts some of which have continued to perform below expectations. In the event the Company is unable to improve the performance of such underperforming stores, the Company may consider the sale, sublease or closure of these stores in the future.

Available Information

Gottschalks' internet address is http://www.gottschalks.com. We have made available, free of charge through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Forms 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission.

Executive Officers of the Registrant

Information relating to the Company's executive officers is included in Part III, Item 10 of this report and is incorporated herein by reference.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain "forward-looking statements" regarding activities, developments and conditions that the Company anticipates may occur or exist in the future relating to things such as:

- the Company's ability to meet debt obligations and adhere to the restrictions and covenants imposed under its various debt agreements;
- the timely receipt of merchandise and the Company's ability to obtain adequate trade credit from its key factors and vendors;
- the Company's ability to either improve the operating results and cash flows of certain of the stores acquired in the Lamonts acquisition, or to sell, sublease or close those stores that continue to be underperforming;
- the impact of higher interest rates;
- the impact of higher operating costs, including workers' compensation, unemployment compensation, health care and energy costs;
- future capital expenditures;
- the Company's competitive strategy, competitive pricing and other competitive pressures;
- the effect of the adoption of new accounting standards by the Company;
- the realization of the Company's deferred tax assets;
- the Company's assumptions and expectations underlying its critical accounting policies (see "Management's Discussion and Analysis of Financial Condition and Results of Operations");
- the overall level of consumer spending and demand for the products offered;
- general economic conditions;
- the impact of sales promotions and customer service programs on consumer spending;
- lease extensions and suitable alternative store locations; and
- the future cost and utilization of consumer credit programs under the CCA.

Such forward-looking statements can be identified by words such as: "believes," "anticipates," "expects," "intends," "seeks," "may," "will," "projects," "forecasts," "plans" and "estimates". The Company bases its forward-looking statements on its current views and assumptions. As a result, those statements are subject to risks and uncertainties that could cause actual results to differ materially from those predicted. Some of the factors that could cause the Company's results to differ from those predicted include the following risk factors, as well as other risks and uncertainties discussed in other documents filed by the Company with the Securities and Exchange Commission. In addition, the Company typically earns a disproportionate share of its operating income in the fourth quarter due to seasonal buying patterns, which are difficult to forecast with certainty. While the Company believes that its assumptions are reasonable, it cautions that it is impossible to predict the impact of such factors which could cause actual results to differ materially from predicted results.

THE FOLLOWING LIST OF IMPORTANT FACTORS IS NOT EXCLUSIVE AND THE COMPANY DOES NOT UNDERTAKE TO REVISE OR UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES THAT OCCUR AFTER THE STATEMENT IS MADE.

RISK FACTORS

The Company's business is subject to certain risks, and those risks should be considered while evaluating its business and financial results. Any of the risks discussed below could materially and adversely affect the Company's operating results and financial condition, as well as the projections and beliefs about its future performance. Accordingly, the Company's results could differ materially from those projected in its forward-looking statements. In addition, the preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts and timing of revenue and expenses, the reported amounts and classification of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ materially from the Company's estimates and assumptions. (See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies".)

The Company's Sources of Liquidity Are Limited

The Company's working capital requirements are currently met through a combination of cash generated by operations, borrowings under its senior revolving credit facility, short-term trade and factor credit, and by proceeds from external financings and sale transactions. In the event these sources of liquidity are not adequate, the Company may be required to pursue one or more alternative sources, which could include the sale of additional stores or the issuance of additional equity or equity-linked securities. If the estimates or assumptions relative to any one of these sources of liquidity are not realized, the Company's business, financial condition and results of operations may be materially adversely affected.

Although the Company has significantly improved its leverage position, the ability to obtain additional or alternative sources of financing in the future for working capital, capital expenditures, new store openings, acquisitions and other general corporate purposes may be limited. This limited financial flexibility may result in increased vulnerability to general adverse economic and industry conditions, a more limited ability to react to changes in the business environment and the industry in which the Company competes, and the Company being at a competitive disadvantage with competitors that have less debt and greater access to capital resources.

The Company's existing debt agreements impose operating and financial restrictions that limit the Company's ability to make dividend payments and grant liens, among other matters.

The Company Is Highly Dependent On Key Relationships With Factors And Vendors

The success of the Company's business is highly dependent upon the adequacy of trade credit offered by key factors and vendors, the vendors' ability and willingness to sell its products at favorable prices and terms, and the willingness of vendors to ship merchandise on a timely basis. Restrictions to the amount of trade credit granted by key factors and vendors can adversely impact the volume of merchandise the Company is able to purchase. Any significant reduction in the volume of merchandise the Company is able to purchase, or a prolonged disruption in the timing of when merchandise is received, would have a material adverse affect on the Company's business, liquidity position, and results of operations.

The Company Faces Significant Competition From Other Retailers

The retail business is highly competitive, and if the Company fails to compete effectively, it could lose market share. The Company's primary competitors include national, regional and local chain department and specialty stores, general merchandise stores, discount and off-price retailers and outlet malls. Increased use and acceptance of the internet and other home shopping formats also creates increased competition. Some of these competitors offer similar or better-branded merchandise and have greater financial resources to purchase larger quantities of merchandise at lower prices. The Company's ability to counteract these competitive pressures depends on its ability to:

- offer merchandise which reflects the different regional and local needs of its customers;

- differentiate and market the Company as a home-town, locally-oriented store (as opposed to its more nationally focused competitors); and
- continue to offer adequate quantities of better to moderately priced branded and private label merchandise at comparable profit margins.

The Company's Business Is Susceptible To Economic Conditions And Other Factors That Affect Its Markets, Some Of Which Are Beyond Its Control

General Economic and Market Conditions

. The Company's stores are located primarily in non-major metropolitan, suburban and agricultural areas in the western United States. A substantial portion of the stores are located in California and Washington. The Company's success depends upon consumer spending, which may be materially and adversely affected by any of the following events or conditions:

- a downturn in the national, California or Pacific Northwest economies;
- a downturn in the local economies where the stores are located;
- a decline in consumer confidence;
- an increase in interest rates;
- inflation or deflation;
- consumer credit availability;
- consumer debt levels;
- higher energy costs in California and the Pacific Northwest;
- higher healthcare and workers' compensation insurance costs;
- higher property and casualty insurance costs;
- tax rates and policy; and
- unemployment trends.

Seasonality and Weather

. Seasonal influences affect the Company's sales and profits. The Company experiences its highest levels of sales and profits during the Christmas selling months of November and December, and, to a lesser extent, during the Easter holiday and Back-to-School seasons. The Company has increased working capital needs prior to the Christmas season to carry significantly higher inventory levels and generally increases its selling staff levels to meet anticipated demands. Any substantial decrease in sales during its traditional peak selling periods could materially adversely impact the Company's business, financial condition and results of operations.

The Company also depends on normal weather patterns across its markets. Historically, unusual weather patterns have significantly impacted its business.

Consumer Trends.

The Company's success partially depends on its ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. However, it is difficult to predict what merchandise consumers will demand, particularly merchandise that is trend driven. Failure to accurately predict constantly changing consumer tastes, preferences and spending patterns could adversely affect short and long-term results.

War and Acts of Terrorism.

The involvement of the United States in war or other conflicts have had an adverse impact on the Company by, among other things, adversely affecting retail sales as a result of reduced consumer spending, and by causing substantial increases in fuel prices thereby increasing the costs of doing business. Any future war, political conflict or significant act of terrorism on U.S. soil or elsewhere could have an adverse effect from the foregoing and by impeding the flow of imports or domestic products to the Company.

The Company May Face Higher Operating Costs

Approximately 52.3% of the Company's debt at January 29, 2005 has underlying variable interest rates, which may result in higher interest expense in the event interest rates are raised. (See Item 7A "Qualitative and Quantitative Disclosures about Market Risk.")

A substantial portion of the Company's stores are located in California and Washington. As a result, the Company is particularly sensitive to negative occurrences in those states. In mid-fiscal 2001, problems associated with the deregulation of the electric industry in California resulted in intermittent service interruptions and higher utility rates. The Company may face similar situations in the future. The Company's inability to adequately address these problems could have a material adverse affect on its financial position and results of operations. In addition, the Company is facing higher workers' compensation, unemployment compensation, health insurance and property and casualty insurance costs in the market areas in which it operates. There can be no assurance that the Company will be able to fully offset the negative impact of such higher costs.

The Company Depends On Key Personnel

The Company's success depends to a large extent on its executive management team. The loss of the services of certain of its executives could have a material adverse effect on the Company. The Company cannot guarantee that it will be able to retain such key personnel or attract additional qualified members to its management team in the future.

The Company also depends on attracting and retaining a large number of qualified employees to maintain and increase sales and to execute its customer service programs. Many of its employees are in entry level or part-time positions with historically high levels of turnover. The Company's ability to meet its employment needs is dependent on a number of factors, including the following factors which affect its ability to hire or retain qualified employees:

- unemployment levels;
- minimum wage legislation;
- rising health care costs; and
- changing demographics in the local economies where stores are located.

Item 2. PROPERTIES

Corporate Office and Distribution Center

The Company's corporate headquarters is located in an office building in Fresno, California. The building was constructed in 1991 and is owned by a limited partnership in which the Company holds a 36% interest as the sole limited partner. The Company leases 89,000 square feet of the 176,000 square foot building under a twenty-year lease expiring in 2011. The lease contains two consecutive ten-year renewal options and the Company receives favorable rental terms under the lease. As described in Note 6 to the Consolidated Financial Statements, the Company has financed its interest in the partnership with a three-year promissory note maturing in May 2005. Because of the favorable interest rate environment, on March 15, 2005 the Company extended the financing of its interest in the partnership through an amortizing five-year note at a fixed interest rate of 7.5%. The Company believes that its current office space is adequate to meet its office space requirements for the foreseeable future.

The Company's distribution center, constructed in 1989, is a 420,000 square foot distribution facility located in Madera, California, which is in close proximity to the Company's corporate headquarters. The facility was originally designed to provide for the future growth of the Company and its processing capacity and physical size is readily expandable. The Company leases the distribution facility from an unrelated party under a 20-year lease expiring in the year 2009, with six consecutive five-year renewal options.

Store Leases and Locations

The Company owns seven of its 63 department stores, all but one of which are subject to mortgage loans, and leases the remaining 56 department stores and all of its 6 specialty stores, and remains obligated under the lease for one of the department stores closed in fiscal 2001. Most of the Company's department store leases expire in various years through 2021, and have renewal options for one or more periods ranging from five to 20 years. Leases for specialty store locations generally do not contain renewal options. While there is no assurance that the Company will be able to negotiate further extensions of any particular lease, management believes that satisfactory extensions or suitable alternative store locations will be available.

Certain of the department and specialty store leases provide for the payment of additional contingent rentals based on a percentage of sales, require the payment of property taxes, insurance and maintenance costs, and, in certain cases, also provide for rent abatements and scheduled rent increases during the lease terms. The Company leases three of its department stores from ECI, an affiliate of the Company. Additional information pertaining to the Company's store leases is included in Note 7 to the Consolidated Financial Statements.

The following table contains additional information about the Company's stores open as of the end of fiscal 2004:

State	# of Stores	Gross Square Footage(1)
Department Stores:		
California.............	39	4,048,636
Washington.............	12	627,102
Alaska.................	6	339,987
Oregon.................	2	110,400
Nevada.................	2	199,300
Idaho..................	2	80,054
Total	63	5,405,479

Specialty Stores:		
California............	5	26,856
Nevada................	1	3,211
Total	6	30,067

(1) Reflects total store square footage, including office space, storage, service and other support space, and selling space

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Item 3. LEGAL PROCEEDINGS

On March 5, 2004, AT&T filed a breach of contract complaint in the United States District Court in Fresno, California demanding the payment of approximately $768,000 for telecommunication services allegedly supplied to the Company in 2002 and 2003. The Company has answered and denied the AT&T allegations and demand. At this time it is not possible to predict the outcome of this dispute. The Company believes that it is not liable for the amounts demanded by AT&T, however, it has accrued liabilities for estimated settlement costs that management believes are reasonable. Although the final resolution of these matters may be greater than the Company's recorded liability, management does not believe the ultimate resolution will have a material adverse effect on the Company's business, financial condition or results of operations.

The Company is party to other legal proceedings and claims which have arisen during the ordinary course of business. In the opinion of management, the ultimate outcome of such litigation and claims is not expected to have a material adverse effect on the Company's financial position or results of its operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

No matters were submitted to a vote of security holders of the Company during the fourth quarter of the fiscal year covered in this report.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is listed for trading on both the New York Stock Exchange ("NYSE") and the Pacific Stock Exchange. The following table sets forth the high and low sales prices per share of common stock as reported on the NYSE Composite Tape under the symbol "GOT" during the periods indicated:

	2004		2003	
Fiscal Quarters	High	Low	High	Low
1st Quarter.......	$ 6.48	$ 4.73	$ 1.58	$ 0.94
2nd Quarter.......	$ 6.10	$ 4.66	$ 2.17	$ 1.15
3rd Quarter.......	$ 6.89	$ 3.85	$ 4.00	$ 1.80
4th Quarter.......	$ 9.15	$ 6.03	$ 4.68	$ 3.14

On March 31, 2005, the Company had 705 stockholders of record, some of which were brokerage firms or other nominees holding shares for multiple stockholders. The closing price of the Company's common stock as reported by the NYSE on March 31, 2005 was $10.35 per share.

The Company has not paid a cash dividend since its initial public offering in 1986. The Board of Directors has no present intention to pay cash dividends in the foreseeable future, and will determine whether to declare cash dividends in the future depending on the Company's earnings, financial condition and capital requirements. In addition, the Company's senior revolving credit agreement and certain of its other debt agreements prohibit the Company from paying dividends without prior written consent from those lenders. (See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

The following table provides information as of January 29, 2005 about the Company's common stock that may be issued upon the exercise of options granted to employees or members of the Board of Directors under all of the Company's existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,547,750	$4.96	594,500
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	1,547,750	$4.96	594,500

Item 6. SELECTED FINANCIAL DATA

The Company reports on a 52/53 week fiscal year ending on the Saturday nearest to January 31. The fiscal years ended January 29, 2005, January, 31, 2004, February 1, 2003, February 2, 2002 and February 3, 2001 are referred to herein as fiscal 2004, 2003, 2002, 2001 and 2000, respectively. All fiscal years noted include 52 weeks, except for fiscal 2000, which includes 53 weeks. Management believes the Company's results of operations for fiscal 2000 were not materially affected by results applicable to the 53rd week.

The selected financial data below should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements of the Company and related notes included elsewhere herein.

Subsequent to the issuance of its financial statements for the year ended January 31, 2004, as a result of a letter issued on February 7, 2005 by the Office of the Chief Accountant of the Securities and Exchange Commission ("SEC") to the American Institute of Certified Public Accountants regarding certain operating lease-related accounting issues and their applications under generally accepted accounting principles in the United States of America ("GAAP"), the Company determined that its then current manner in which it accounted for certain lease related matters was not in accordance with GAAP. Corrections to the Company's lease accounting policies include an adjustment to depreciation

expense to correct the depreciable lives being used for certain leasehold costs and improvements, and to correct the recording of certain tenant allowances and construction reimbursements, as reductions in rent expense, which are included in selling general and administration expenses, that had previously been recorded as reductions in the cost of the underlying constructed assets. In addition, the restatement includes adjusting lease terms of certain leases to include bargain renewal option periods where exercise of the options would be reasonably assured, and recognizing the straight-line effect over the lease term of such changes in rents during the options periods. Accordingly, fiscal years 2000 through 2003 have been restated from amounts previously reported. See Note 16 of the accompanying consolidated financial statements.

In addition, the Company had previously classified newly generated receivables and payments on receivables under the securitization program as investing activities, and classified the gross proceeds from the sale of its proprietary credit card portfolio and the repayment of the 1999-1 and 2000-1 Series Certificates as financing activities in its consolidated statement of cash flows. To correct this error, the Company has restated its fiscal 2002 consolidated statements of cash flows to reflect the change in receivables and the net proceeds received by the Company from the sale of its proprietary credit card portfolio as operating activities, since the credit card receivables originated from the sale of the Company's merchandise. See Note 16 of the accompanying consolidated financial statements.

	Fiscal Years				
	2004	2003(1)	2002(1)	2001(1)	2000(1)
(In thousands of dollars, except share data)		(as restated)	(as restated)	(as restated)	(as restat
RESULTS OF OPERATIONS:					
Net sales	$ 661,992	$ 660,574	$ 665,916	$ 678,866	$ 643,385
Net credit revenues	3,106	3,729	8,225	8,420	9,150
Net leased department revenues (2)	3,515	3,525	3,557	3,965	3,853
Total revenues	668,613	667,828	677,698	691,251	656,388
Costs and expenses:					
Cost of sales	432,128	435,370	441,426	450,723	421,329
Selling, general and administrative expenses	206,897	203,448	207,367	210,147	193,883
Depreciation and amortization (3)	13,325	14,497	14,633	14,330	11,918
Asset impairment charges (4)	--	--	9,502	--	--
Store closure costs (5)	--	--	--	729	
Receivables sale costs (6)	--	--	1,749	--	--
New store pre-opening costs (7)	--	--	--	--	4,684
Total costs and expenses	652,350	653,315	674,677	675,929	631,814
Operating income	16,263	14,513	3,021	15,322	24,574
Other (income) expense:					
Interest expense	9,509	13,296	15,883	14,364	13,750
Losses on early extinguishment of debt (8)	--	--	3,695	696	--
Miscellaneous income	(1,565)	(2,262)	(1,802)	(1,587)	(1,408
	7,944	11,034	17,776	13,473	12,342
Income (loss) from continuing operations before income taxes	8,319	3,479	(14,755)	1,849	12,232
Income tax expense (benefit)	3,018	1,243	(6,838)	634	4,622
Income (loss) from continuing operations	5,301	2,236	(7,917)	1,215	7,610

Discontinued operations:					
Loss from operation of closed stores.....		(547)	(1,948)	(1,721)	(1,180
Loss on store closures (9)...............	(31)	(789)	(4,801)		
Income tax benefit.......................	(11)	(454)	(2,295)	(585)	(401
Loss on discontinued operations............	(20)	(882)	(4,454)	(1,136)	(779
Net income (loss)..........................	$ 5,281	$ 1,354	$ (12,371)	$ 79	$ 6,831
Net income (loss) per common share					
Basic:					
Income (loss) from continuing operations............................	$ 0.41	$ 0.17	$ (0.62)	$ 0.10	$ 0.60
Loss on discontinued operations.........	0.00	(0.07)	(0.35)	(0.09)	(0.06
Net income (loss) per common share......	0.41	0.10	(0.97)	0.01	0.54
Diluted:					
Income (loss) from continuing operation.............................	0.40	0.17	(0.62)	0.10	0.60
Loss on discontinued operations.........	0.00	(0.07)	(0.35)	(0.09)	(0.06
Net income (loss) per common share......	$ 0.40	$ 0.10	$ (0.97)	$ 0.01	$ 0.54
Weighted-average number of common shares outstanding:					
Basic................................	12,905	12,830	12,747	12,681	12,614
Diluted..............................	13,352	12,919	12,747	12,691	12,632

	Fiscal Years				
	2004	2003(1)	2002(1)	2001(1)	2000(1)
(In thousands of dollars)		(as restated)	(as restated)	(as restated)	(as restat
SELECTED BALANCE SHEET DATA:					
Retained interest in receivables sold........................	$ --	$ --	$ --	$ 19,222	$ 19,853
Receivables, net..........................	6,920	9,145	10,641	11,331	9,248
Merchandise inventories (10)..............	152,753	156,552	164,615	161,041	185,226
Property and equipment, net...............	126,509	127,561	138,910	152,804	148,440
Total assets..............................	315,575	322,199	347,849	392,336	410,775
Working capital...........................	94,439	58,444	50,241	29,188	31,011
Long-term obligations, less current portion.....................	71,403	41,302	45,097	35,216	33,012
Subordinated note payable to affiliate.....................	21,180	22,180	21,989	21,646	21,303
Stockholders' equity......................	112,356	106,368	104,886	117,132	116,878

	Fiscal Years				
	2004	2003	2002	2001	2000
	(In thousands of dollars, except percentages, ratios and per square f				
OTHER SELECTED DATA:					
Sales growth:					
Total store sales (11)....................	(0.7)%	(3.5)%	(2.7)%	8.5%(12)	22.6
Comparable store sales (14)..............	0.2%	(0.7)%	(0.8)%	0.4%(12)	5.6
Comparable stores data (14)(17):					
Sales per selling square foot............	$ 149	$ 149	$ 148 (18)	$ 173 (18)	$ 176
Selling square footage...................	4,451	4,451	4,654 (18)	3,478 (18)	3,384
Capital expenditures.......................	$ 13,745	$ 4,363	$ 8,279	$ 18,683	$ 29,635
Current ratio..............................	2.18:1	1.47:1	1.35:1	1.16:1	1.15:

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(1) Fiscal years 2000 through 2003 have been restated from amounts previously reported as discussed in Note 16 of the accompanying consolidated financial statements.

(2) Net leased department revenues consist of sales totaling $24.3 million, $24.5 million, $24.9 million, $28.9 million, and $27.7 million in fiscal 2004, 2003, 2002, 2001, and 2000, respectively, less cost of sales.

(3) Depreciation and amortization includes the amortization of goodwill totaling $570,000 and $553,000 in fiscal 2001 and 2000, respectively, and the (amortization) accretion of leasehold interests totaling $37,200 in each of fiscal 2004, 2003, 2002, and 2001 and $18,600 in fiscal 2000. Effective the beginning of fiscal 2002, the Company implemented the provisions of SFAS No. 142. As a result, the Company no longer amortizes goodwill and instead tests it annually for impairment. The Company continues to amortize leasehold interests (see Note 1 to the Consolidated Financial Statements).

(4) The fiscal 2002 charge consists of non-cash asset impairment charges to write down long-lived assets related to certain underperforming stores (see Note 9 to the Consolidated Financial Statements).

(5) The fiscal 2001 amount represents costs incurred in connection with (i) the closure of six stores in fiscal 2001, net of proceeds from the sale or favorable termination of the related store leases, and (ii) the discontinuation of the use of an outsourced distribution center facility located in Kent, Washington.

(6) Represents receivable sale transaction costs, net of an interest only strip. The interest only strip represents the portion of the initial program fees to be received that is considered a residual interest in the assets sold. See Note 2 to the Consolidated Financial Statements.

(7) Fiscal 2000 includes $4.1 million pre-tax of non-recurring costs associated with the re-opening of the continuing stores acquired in the Lamonts acquisition.

(8) The 2002 amount represents securitization program prepayment penalties and the write-off of unamortized loan fees (see Note 2 to the Consolidated Financial Statements). The 2001 amount consists of the prepayment penalty and the write-off of unamortized loan fees related to the early retirement of the Company's previous revolving credit facility (see Note 5 to the Consolidated Financial Statements).

(9) The fiscal 2004 amount consists of incremental costs associated with the closure of one store at January 31, 2004. The fiscal 2003 amount represents costs related to the closure of seven stores primarily consisting of lease termination costs, severance, and other incremental costs associated with the store closings. The fiscal 2002 amount represents costs associated with the closure of four stores in fiscal 2002 including lease termination costs, severance, and other incremental costs associated with the store closings, asset impairment charges related to stores closed in fiscal 2003 and fiscal 2002, and a gain on sale of two store leases and certain fixtures in fiscal 2002. See Note 8 to the Consolidated Financial Statements.

(10) The decrease in inventory from fiscal 2003 to 2004 is primarily due to the reduction of inventory levels to more closely reflect selling trends, and to store closures. The decrease in inventory from fiscal 2000 to fiscal 2001 and from fiscal 2002 to 2003 is primarily due to store closures.

(11) Total store sales include sales from stores closed which are reported net of expenses in discontinued operations.

(12) Represents total sales and comparable store sales growth percentages for fiscal 2001 as compared to the comparable 52 week period in fiscal 2000. Total sales and comparable store sales for the 52 week period in fiscal 2001 increased by 7.1% and decreased by 0.9%, respectively, as compared to the 53 week period in fiscal 2000.

(13) The increase in total store sales in fiscal 2000 is primarily due to the addition of 37 stores in the second half of fiscal 2000, including the 34 stores acquired in the Lamonts acquisition.

(14) Comparable stores are defined as stores which have been open for at least 12 full months and which remain open as of the applicable reporting date.

(15) Represents comparable store sales growth for the first 52 weeks of fiscal 2000 as compared to the same period of fiscal 1999. Comparable store sales for the 53 week period in fiscal 2000 increased by 6.9% as compared to the 52 week period in fiscal 1999.

(16) The comparable store sales increases in fiscal 2000 were favorably impacted by the conversion of leased shoe departments to owned departments in 28 department stores effective August 1, 1999.

(17) Includes leased department sales in order to facilitate an understanding of the Company's sales relative to its selling square footage.

(18) The decrease in sales per selling square foot and the increase in selling square footage from 2001 to 2002 are attributable to the inclusion in 2002 comparable stores of the less productive former Lamonts stores.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Following is management's discussion and analysis of significant factors that have affected the Company's financial position and its results of operations for the periods presented in the accompanying consolidated financial statements.

Fiscal 2004, 2003 and 2002 results all include 52 weeks.

Overview

The Company is a regional department and specialty store chain completing its 100th year of operation. As of January 29, 2005, the Company operated 63 full-line "Gottschalks" department stores located in six Western states, with the majority of those stores located in California. The Company also operates 6 "Village East" and "Gottschalks" specialty stores which carry a limited selection of merchandise.

The Company's department stores typically offer a wide range of better to moderate brand-name and private-label merchandise, including mens, womens, juniors and childrens apparel; cosmetics, shoes, fine jewelry and accessories; and home furnishings including china, housewares, domestics, small electric appliances and, in selected locations, furniture and mattresses.

The Company's operations are significantly impacted by competitive pressures from department stores, specialty stores, mass merchandisers and other retail channels, as well as general consumer-spending levels, including the impact of employment levels and other economic conditions. Such pressures during fiscal 2004 were partially offset by promotional activities surrounding the celebration of the Company's 100th anniversary resulting in a marginal increase in comparable store sales for fiscal 2004 of 0.2% as compared to fiscal 2003.

The Company's fiscal 2000 acquisition of 34 stores from the former Lamont's chain put significant pressure on the Company's operating performance and liquidity position. The Company subsequently closed 16 of the acquired stores

and charged off the related assets and leasehold intangibles. In January 2003 the Company terminated its private label credit card receivables securitization program and sold the accounts and receivables to a third party, resulting in the payoff of $73.2 million in off balance sheet debt and reduction in outstanding borrowings on the Company's revolving line of credit of approximately $30.0 million. In March 2004 the Company amended and extended its revolving line of credit reducing the interest margin paid on outstanding borrowings and replacing certain higher variable interest debt with lower fixed interest debt. The Company was able to reduce its debt by an additional $22.4 million during fiscal 2004.

As a result of this strategic repositioning the Company has been able to refocus on its marketing and merchandising strategies. In addition, the Company has resumed its "raise the bar" programs in its existing stores and is beginning to enhance top line growth through new store openings. On April 15, 2005 the Company opened a new 43,000 square foot store in Albany, Oregon and plans to open a 100,000 square foot lifestyle store in August 2005 in Fresno, California.

Subsequent to the issuance of its financial statements for the year ended January 31, 2004, as a result of views expressed in a letter on February 7, 2005 by the Office of the Chief Accountant of the Securities and Exchange Commission ("SEC") to the American Institute of Certified Public Accountants regarding certain operating lease-related accounting issues and their applications under generally accepted accounting principles in the United States of America ("GAAP"), the Company determined that its then current manner in which it accounted for certain lease related issues was not in accordance with GAAP. Corrections to the Company's lease accounting policies include an adjustment to depreciation expense to correct the depreciable lives for certain leasehold improvements, and to correct the recording of certain tenant allowances and construction reimbursements, as reductions in rent expense, which are included in selling general and administration expenses, that had previously been recorded as reductions in the cost of the underlying constructed assets. In addition, the restatement includes adjusting lease terms of certain leases to include bargain renewal option periods where exercise of the options would be reasonably assured, and recognizing the straight-line effect over the lease term of such changes in rents during the option periods. As a result, the Company restated its consolidated financial statements for the fiscal years ended January 31, 2004 and February 1, 2003. Accordingly, the accompanying management's discussion and analysis of financial condition and results of operations gives effect to the restatement discussed in Note 16 of the accompanying consolidated financial statements.

In addition, the Company had previously classified newly generated receivables and payments on receivables under the securitization program as investing activities, and classified the gross proceeds from the sale of its proprietary credit card portfolio and the repayment of the 1999-1 and 2000-1 Series Certificates as financing activities in its consolidated statement of cash flows for the fiscal year ended February 1, 2003. To correct this error, the Company has restated its fiscal 2002 consolidated statement of cash flows to reflect the change in receivables and the net proceeds received by the Company from the sale of its proprietary credit card portfolio as operating activities, since the credit card receivables originated from the sale of the Company's merchandise. See Note 16 of the accompanying consolidated financial statements.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Part IV, Item 15 of this Form 10-K. The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to its revenue recognition policy, the carrying value of its merchandise inventories, the adequacy of its store closure reserves, and the valuation of its long-lived assets and deferred tax assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. In the past, actual results have not been materially different

from the Company's estimates.

Some of the Company's significant accounting policies involve a higher degree of judgment or complexity than its other accounting policies. The policies described below have been identified as critical to the Company's business operations and the understanding of its results of operations. The impact and associated risks related to these policies on the Company's business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations.

Revenue Recognition Policy

Net retail sales are recognized at the point-of-sale, net of estimated sales returns and allowances and exclusive of sales tax. Net retail sales also include all amounts billed to a customer in a sale transaction for shipping and handling, including customer delivery charges. Revenues on special order sales are recognized when the merchandise is delivered to the customer and the merchandise has been paid for in its entirety.

The Company records an allowance for estimated sales returns in the period in which the related sale occurs. These estimates are based primarily on historical sales returns. If the historical data used to calculate these estimates does not properly reflect future returns, adjustments to the allowance for estimated sales returns may be necessary.

Inventory Valuation

Merchandise inventory, which consists of merchandise held for resale, is valued at the lower of LIFO (last-in, first-out) cost or market using the retail inventory method ("RIM") of accounting. Inherent in the RIM calculation are various judgments and estimates including, among others, merchandise markon, markups, markdowns and shrinkage, which significantly impact the ending inventory valuation at cost, as well as resulting gross margins. The Company applies various methodologies to ensure that the application of the RIM is consistent for all periods presented. Such methodologies include the development of consistent cost-to-retail ratios and the grouping of homogenous classes of merchandise. Estimated inventory shrinkage between physical inventory dates is based on historical experience. Should actual inventory shrinkage results differ from the Company's estimate, year-end revisions to inventory shrinkage expense recognized on an interim basis may be required.

Estimating the market value of the Company's merchandise inventory requires assumptions about future demand and market conditions. Such estimates are based on actual and forecasted sales trends, current inventory levels and aging information by merchandise categories. The Company records markdowns to value merchandise inventories at net realizable value. If forecasted sales are not achieved, or if other indicators of impairment are present, additional markdowns may be needed in future periods to clear excess or slow-moving merchandise, which may result in lower gross margins.

Reserve for Store Closure Costs

In the event a store is closed before its lease has expired, the remaining lease obligation after the closing date (less anticipated sublease rental income or proceeds from lease settlements, if any) is expensed at the date the store ceases operations. Asset impairment charges related to furniture, fixtures and equipment, leasehold improvements, goodwill and leasehold interests are expensed in the period in which management adopts a plan to close the store if impairment is considered likely as a result of such planned closure, or at such other time as impairment becomes likely. Severance and other incremental costs associated with a store closure are expensed as incurred.

As of January 29, 2005, the Company had no reserves for store closure costs. In the event the Company decides to close additional store locations in fiscal 2005 or beyond, additional reserves for store closure costs, which may be material, may be incurred.

Impairment of Long-Lived Assets

The Company's long-lived assets consist primarily of property and equipment, goodwill, leasehold interests and other long-term assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. With respect to store locations, the Company performs an evaluation of whether an impairment charge should be recorded whenever a store experiences unfavorable operating performance. A store's assets are evaluated for impairment by comparing its estimated undiscounted cash flows over its estimated remaining lease term to its carrying value. If the cash flows are not sufficient to recover the carrying value, a loss equal to the difference between the carrying value and the estimated fair value of the asset is recognized. Estimates of future cash flows are based on a variety of factors, including historical experience in similar locations, changes in merchandising, promotional or operating strategy that may affect the profitability of a particular location, knowledge of the market area and in some cases, expected sale proceeds or sublease income, and independent appraisals. In addition, the analysis assumes that new store locations typically take three years to achieve their full profit potential. Various uncertainties, including but not limited to changes in consumer preferences, increased competition or a general deterioration in economic conditions could adversely impact the expected cash flows to be generated by an asset or group of assets. In fiscal 2002, the Company recorded asset impairment charges in connection with store closures, and such charges are included in loss on store closures in the accompanying consolidated statement of operations. In addition, asset impairment charges were recorded for certain underperforming store locations which continue to be operated. If actual performance or fair value estimates for other locations are less favorable than management's projections, future asset impairment charges may be necessary. Similar procedures are used when analyzing other corporate assets for impairment.

Income Taxes

The carrying value of the Company's net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income to realize the value of these assets. In determining the appropriate valuation allowance, management considers all available evidence for certain tax credit, net operating loss and capital loss carryforwards that would likely expire prior to their utilization. Management believes it is more likely than not that the Company will generate sufficient future taxable income in the appropriate carryforward periods to realize the benefit of its remaining net deferred tax assets. However, if the available evidence were to change in the future, an adjustment to the valuation allowance may be required, resulting in additional income tax expense.

The accompanying management's discussion and analysis of financial condition and results of operations gives effect to the restatement discussed in Note 16 of the accompanying consolidated financial statements.

Results of Operations

The following table sets forth for the periods indicated certain items from the Company's Consolidated Statements of Operations, expressed as a percent of net sales:

	Fiscal Years		
	2004	2003	2002
Net sales	100.0 %	100.0 %	100.0 %
Net credit revenues	0.5	0.6	1.2
Net leased department revenues	0.5	0.5	0.5
Total revenues	101.0	101.1	101.7
Costs and expenses:			
Cost of sales	65.3	65.9	66.3

Selling, general and administrative expenses	31.2	30.8	31.1
Depreciation and amortization	2.0	2.2	2.2
Asset impairment charges	--	--	1.4
Store closure costs	--	--	--
Receivables sale costs	--	--	0.3
Total costs and expenses	98.5	98.9	101.3
Operating income	2.5	2.2	0.4
Other (income) expense:			
Interest expense	1.4	2.0	2.3
Losses on early extinguishment of debt	--	--	0.5
Miscellaneous income	(0.2)	(0.3)	(0.3)
	1.2	1.7	2.5
Income (loss) before income taxes	1.3	0.5	(2.1)
Income tax expense (benefit)	0.5	0.2	(1.0)
Income (loss) from continuing operations	0.8	0.3	(1.1)
Discontinued operations:			
Income (loss) from operation of closed stores	--	(0.1)	(0.3)
Loss on store closures	--	(0.1)	(0.7)
Income tax benefit	--	(0.1)	(0.3)
Loss on discontinued operations	--	(0.1)	(0.7)
Net income (loss)	0.8 %	0.2 %	(1.8)%

Fiscal 2004 Compared to Fiscal 2003

Net Sales

Net sales from continuing operations increased by approximately $1.4 million, or 0.2%, to $662.0 million in fiscal 2004 as compared to $660.6 million in fiscal 2003. The fiscal 2004 sales increase is primarily attributable to promotional activity related to the celebration of the Company's 100th anniversary, but was tempered by a continuing soft general economic environment in much of the Company's market areas and additional competitive pressures in the Central California markets. Comparable store sales for fiscal 2004, which includes sales for stores open for the full period in both years, increased by 0.2% as compared to the same 52-week period of the prior year.

The Company operated 63 department stores and 6 specialty stores as of the end of fiscal 2004 as compared to 63 department stores and 11 specialty stores as of the end of fiscal 2003. During 2004 the Company closed 5 specialty apparel stores and integrated their merchandise into the nearby Gottschalks store in the malls where they reside. As described more fully in Note 8 to the accompanying financial statements, during fiscal 2003 the Company closed six department stores. Two such stores were closed in February 2003, and one store was closed in each of March 2003, April 2003, July 2003 and January 2004.

Net Credit Revenues

As described more fully in Note 2 to the accompanying financial statements, in January 2003, pursuant to the terms of a Purchase and Sale Agreement between the Company and Household Bank SB (N.A.), which has subsequently been acquired by HSBC Group ("HSBC"), the Company sold its private label credit card accounts and accounts receivable to HSBC. In connection with the sale, the Company entered into two additional agreements with HSBC: an Interim Servicing Agreement (the "ISA") and a Credit Card Program Agreement (the "CCA"). Under the terms of the ISA, the Company continued to service the credit card receivables until HSBC assumed their servicing on May 14, 2003, as planned. HSBC compensated the Company for providing the services during the interim servicing period. The CCA provides that the Company will be paid a percentage of Net Cardholder Charges and a percentage of Other Revenue (each as defined in the CCA). All amounts received under the CCA, including amortization of prepaid program revenue, are reflected in the table below as service charge revenues. In connection with the sale, the Company also terminated its receivables securitization program.

Net credit revenues related to the Company's credit card receivables portfolio decreased by approximately $0.6 million or 16.7%, to $3.1 million in fiscal 2004 as compared to $3.7 million in fiscal 2003. As a percent of net sales, net credit revenues were 0.5% of net sales in fiscal 2004 as compared to 0.6% in fiscal 2003. Net credit revenues consist of the following:

(In thousands)	2004	2003
Service charge revenues................................	$ 2,955	$ 2,649
Interim servicing compensation - net...................		1,088
Amortization of interest-only strip....................		(313)
Recoveries of previously charged off receivables........	151	305
	$ 3,106	$ 3,729

The interim servicing compensation amount represents servicing fees under the ISA attributable to general corporate activities that were not offset by direct costs of servicing the portfolio during the interim period. These revenues ceased at the end of the interim servicing period on May 14, 2003.

In connection with the sale of the receivables, on January 31, 2003, the Company recorded a $313,000 interest-only strip that was amortized over the estimated life of the underlying assets sold (approximately five months). The interest-only strip represented the portion of the initial revenues under the CCA that is considered a residual interest in the assets sold. The interest-only strip was fully amortized at the end of 2003.

Net Leased Department Revenues

Net rental income generated by the Company's various leased departments was $3.5 million in fiscal 2004, essentially equal to fiscal 2003. Leased department sales are presented net of the related costs for financial reporting purposes. Sales generated in the Company's leased departments, consisting primarily of fine jewelry departments and beauty salons, totaled $24.3 million in fiscal 2004 as compared to $24.5 million in fiscal 2003.

Cost of Sales

Cost of sales from continuing operations, which includes costs associated with the buying, handling and distribution of merchandise, decreased by approximately $3.3 million to $432.1 million in fiscal 2004 as compared to $435.4 million in fiscal 2003, a decrease of 0.7%. The decrease is primarily due to the decrease in sales volume. The Company's gross margin percentage increased to 34.7% in fiscal 2004 as compared to 34.1% in fiscal 2003. The increase in the gross margin percentage was primarily due to reductions in comparable store average inventory which enabled the Company to increase turnover and better manage its markdown strategies .

Selling, General and Administrative Expenses

Selling, general and administrative expenses from continuing operations increased approximately $3.5 million, or 1.7%, to $207.0 million in fiscal 2004 as compared to $203.5 million in fiscal 2003. As a percentage of net sales, selling, general and administrative expenses increased 0.4% to 31.2% in fiscal 2004 as compared to 30.8% in fiscal 2003. The increase is primarily attributable to recent increases in unemployment insurance contribution rates and worker's compensation loss development rates in California. The Company is continuing to experience benefits from its cost control initiatives, but expects to see offsetting pressures from such rate increases in the foreseeable future.

Depreciation and Amortization

Depreciation and amortization expense, which includes the (amortization) accretion of intangible assets other than goodwill, decreased by approximately $1.2 million or 8.1%, to $13.3 million in fiscal 2004 as compared to $14.5 million in fiscal 2003. As a percent of net sales, depreciation and amortization expense was 2.0% in fiscal 2004 and 2.2% in fiscal 2003. The dollar decrease is primarily the result of impairment charges taken during fiscal 2002 related to certain underperforming stores, partially offset by additional depreciation related to information systems placed in service during 2002 and capital expenditures for the renovation and expansion of certain existing stores.

Interest Expense

Interest expense, which includes the amortization of deferred financing costs, decreased by approximately $3.8 million to $9.5 million in fiscal 2004 as compared to $13.3 million in fiscal 2003, a decrease of 28.5%. As a percent of net sales, interest expense decreased to 1.4% in fiscal 2004 as compared to 2.0% in fiscal 2003. These decreases are primarily due to lower outstanding borrowings on the Company's revolving credit facility and the elimination of certain higher interest debt facilities resulting from the amendment and extension of the Company's revolving credit facility. Total debt was $22.4 million lower at the end of fiscal 2004 as compared to the end of fiscal 2003. The weighted-average interest rate applicable to the facility was 4.6% in fiscal 2004 as compared to 5.2% in fiscal 2003.

Miscellaneous Income

Miscellaneous income, which includes the amortization of deferred income and other miscellaneous income and expense amounts, decreased by approximately $0.7 million to $1.6 million in fiscal 2004 as compared to $2.3 million in fiscal 2003. As a percent of net sales, miscellaneous income was 0.2% in fiscal 2004 and 0.3% in fiscal 2003. Fiscal 2003 included recovery of reserves related to the final settlement of certain net operating loss carry-back claims.

Income Taxes

The Company's effective tax rate for continuing operations is 36.3% in fiscal 2004 as compared to 35.7% in fiscal 2003. Including the tax benefit reported in discontinued operations, the Company's effective tax rate is 36.3% in fiscal 2004 as compared to 36.8% in fiscal 2003.

Income From Continuing Operations

As a result of the foregoing, the Company reported income from continuing operations of $5.3 million, or $0.40 per diluted share, in fiscal 2004 as compared $2.2 million, or $0.17 per diluted share, in fiscal 2003.

Discontinued Operations

As described more fully in Note 8 to the accompanying financial statements, during fiscal 2003 the Company closed six store locations. These stores were determined to be either underperforming or inconsistent with the Company's long-term operating strategy. The net loss from operating these stores was $0.5 million in fiscal 2003. The loss from

operation of discontinued stores consists of the following:

(In thousands)	2004	2003
Net sales from closed stores	$	$ 6,973
Cost of sales		4,437
Selling, general and administrative expenses		3,013
Depreciation and amortization		70
Total costs and expenses	--	7,520
Loss from operations of closed stores	$ --	$ (547)

Net costs associated with the closure of stores were minor in fiscal 2004 primarily consisting of incremental costs associated with the closure of one store at January 31, 2004. Net costs associated with the closure of stores totaled $0.8 million in fiscal 2003 consisting of lease termination costs, severance and other incremental costs associated with the store closings.

Certain of the Company's stores may perform below expectations from time to time. In the event the Company is unable to improve the operating performance of such underperforming stores, the Company may consider the sale, sublease or closure of those stores in the future.

Net Income

As a result of the foregoing, the Company reported net income of $5.3 million in fiscal 2004 as compared $1.4 million in fiscal 2003. On a per diluted share basis the 2004 net income was $0.40 per share as compared to net loss of $0.10 per share in fiscal 2003.

Fiscal 2003 Compared to Fiscal 2002

Net Sales

Net sales from continuing operations decreased by approximately $5.3 million, or 0.8%, to $660.6 million in fiscal 2003 as compared to $665.9 million in fiscal 2002. The fiscal 2003 sales decrease is primarily attributable to continued downturn in the general economic environment in much of the Company's market areas resulting in lower consumer spending during the first half of the fiscal period. Comparable store sales for fiscal 2003, which includes sales for stores open for the full period in both years, decreased by 0.7% as compared to the same 52-week period of the prior year.

The Company operated 63 department stores and 11 specialty stores as of the end of fiscal 2003 as compared to 69 department stores and 12 specialty stores as of the end of fiscal 2002. As described more fully in Note 8 to the accompanying financial statements, during fiscal 2003 the Company closed six department stores. Two such stores were closed in February 2003, and one store was closed in each of March 2003, April 2003, July 2003 and January 2004. During fiscal 2002 the Company closed two stores in each of June 2002 and January 2003.

Net Credit Revenues

As described more fully above and in Note 2 to the accompanying financial statements, in January 2003 the Company sold its private label credit card accounts and accounts receivable to HSBC In connection with the sale, the Company

also terminated its receivables securitization program. As a result, net credit revenues related to the Company's credit card receivables portfolio decreased by approximately $4.5 million or 54.7%, to $3.7 million in fiscal 2003 as compared to $8.2 million in fiscal 2002. As a percent of net sales, net credit revenues were 0.6% of net sales in fiscal 2003 as compared to 1.2% in fiscal 2002. Net credit revenues consist of the following:

(In thousands)	2003	2002
Service charge revenues	$ 2,649	$ 17,813
Interim servicing compensation - net	1,088	
Amortization of interest-only strip	(313)	
Interest expense on securitized receivables		(4,863)
Charge-offs on receivables sold and provision for credit losses on receivables ineligible for sale	305	(4,821)
Gain on sale of receivables		96
	$ 3,729	$ 8,225

The interim servicing compensation amount represents servicing fees under the ISA attributable to general corporate activities that were not offset by direct costs of servicing the portfolio during the interim period. These revenues ceased at the end of the interim servicing period on May 14, 2003.

In connection with the sale of the receivables, on January 31, 2003, the Company recorded a $313,000 interest-only strip that was amortized over the estimated life of the underlying assets sold (approximately five months). The interest-only strip represented the portion of the initial revenues under the CCA that is considered a residual interest in the assets sold. The interest-only strip has been fully amortized.

As expected, the Company experienced a substantial decrease in net credit revenues in fiscal 2003 as a result of the receivables sale to HSBC, as well as a reduction in selling, general and administrative expenses as a result of outsourcing the credit card servicing to HSBC and a reduction in interest expense arising from reduced line of credit borrowings resulting from the application of the proceeds from the HSBC transaction. The net credit revenues the Company received under the CCA approximately equaled the net revenues from its former in-house credit card operations, net of operating expenses and interest expense.

Net Leased Department Revenues

Net rental income generated by the Company's various leased departments decreased by approximately $0.03 million, or 0.9%, to $3.53 million in fiscal 2003 as compared to $3.56 million in fiscal 2002. This decrease is primarily due to a continued downturn in the general economic environment in much of the Company's market areas resulting in lower consumer spending during the first three quarters of the fiscal year.

Leased department sales are presented net of the related costs for financial reporting purposes. Sales generated in the Company's leased departments, consisting primarily of fine jewelry departments and beauty salons, totaled $24.5 million in fiscal 2003 as compared to $24.9 million in fiscal 2002.

Cost of Sales

Cost of sales from continuing operations, which includes costs associated with the buying, handling and distribution of merchandise, decreased by approximately $6.0 million to $435.4 million in fiscal 2003 as compared to $441.4 million in fiscal 2002, a decrease of 1.4%. The dollar decrease is primarily due to the decrease in sales volume. The Company's gross margin percentage increased to 34.1% in fiscal 2003 as compared to 33.7% in fiscal 2002. The

increase in the gross margin percentage was primarily due to a change in accounting for certain allowances received from vendors as a result of the Company's adoption of Emerging Issues Task Force ("EITF") Issue No. 02-16 Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor that previously would have been reported as reductions in advertising expense, in addition to lower markdowns as a percentage of sales as compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses from continuing operations decreased by approximately $3.9 million, or 1.9%, to $203.5 million in fiscal 2003 as compared to $207.4 million in fiscal 2002. As a percentage of net sales, selling, general and administrative expenses decreased 0.3% to 30.8% in fiscal 2003 as compared to 31.1% in fiscal 2002. The dollar decrease is primarily attributable to the elimination of the in-house credit card operations in connection with the sale of receivables to HSBC and cost reduction efforts initiated throughout all areas of the Company, particularly in the areas of payroll and related fringe benefits, reduced advertising expenditures resulting from an increased reliance on more effective targeted marketing efforts (partially offset by the change in accounting for certain allowances previously mentioned), and reduced communications costs. Such cost savings were partially offset by increased professional fees and insurance costs. The Company is continuing to implement programs aimed at reducing operating costs throughout all areas of the Company. Although the Company anticipates it will be successful in achieving its cost reduction initiatives, there can be no assurance that the Company will be able to fully offset the impact of increases in certain of these costs in the future.

Depreciation and Amortization

Depreciation and amortization expense, which includes the (amortization) accretion of intangible assets other than goodwill, decreased by approximately $0.1 million or 1.0%, to $14.5 million in fiscal 2003 as compared to $14.6 million in fiscal 2002. As a percent of net sales, depreciation and amortization expense was 2.2% in fiscal 2003 and fiscal 2002. The dollar decrease is primarily the result of impairment charges taken during fiscal 2002 related to certain underperforming stores, partially offset by additional depreciation related to information systems placed in service during 2002 and capital expenditures for the renovation and expansion of certain existing stores.

Asset Impairment Charges

No asset impairment charges related to continuing operations were recorded during fiscal 2003. During fiscal 2002, the Company recorded non-cash asset impairment charges of $9.5 million to write down long-lived assets related to certain underperforming stores that the Company continues to operate, primarily former Lamonts locations. These charges consisted of $3.6 million of property and equipment, $5.8 million of leasehold interests and $0.1 million of goodwill. The charges were determined by comparing projected net operating cash flows, including estimated proceeds from the sale of certain assets, to the carrying value of the stores' long-lived assets.

Receivables Sale Costs

In connection with the sale of accounts receivable to HSBC in fiscal 2002, the Company recorded receivable sale transaction costs of $2.0 million including consulting, legal, and other fees, and the net non-cash write-off of the remaining accounts of GCRC. These charges are partially offset by a $0.3 million retained interest only strip that was amortized over the estimated life of the underlying assets sold (estimated to be approximately five months). The interest only strip represents the portion of the initial program fees to be paid that is considered a residual interest in the assets sold.

Interest Expense

Interest expense, which includes the amortization of deferred financing costs, decreased by approximately $2.6 million to $13.3 million in fiscal 2003 as compared to $15.9 million in fiscal 2002, a decrease of 16.3%. As a percent of net sales, interest expense decreased to 2.0% in fiscal 2003 as compared to 2.3% in fiscal 2002. These decreases are primarily due to lower outstanding borrowings on the Company's revolving credit facility as a result of the repayment of some borrowings with part of the net proceeds from the sale of the receivables to HSBC. The weighted-average interest rate applicable to the facility was 5.2% in fiscal 2003 as compared to 5.5% in fiscal 2002.

Interest expense related to securitized receivables is reflected as a reduction of net credit revenues and is not included in interest expense for financial reporting purposes.

Losses on Early Extinguishment of Debt

In fiscal 2002, in connection with the termination of its receivables securitization program, the Company recorded a loss on extinguishment of debt of $3.7 million representing prepayment penalties and the write-off of unamortized deferred loan fees related to the program.

Miscellaneous Income

Miscellaneous income, which includes the amortization of deferred income and other miscellaneous income and expense amounts, increased by approximately $0.5 million to $2.3 million in fiscal 2003 as compared to $1.8 million in fiscal 2002. As a percent of net sales, miscellaneous income was 0.3% in fiscal 2003 and fiscal 2002. This increase was primarily due to an increase in the net income of the partnership which owns the Company's corporate headquarters building. The Company has a 36% interest in the partnership and accounts for its investment using the equity method of accounting. Fiscal 2002 includes recoveries of prior interest charges arising from the partial settlement of certain net operating loss carryback claims, partially offset by charges to the Company's partnership investment in its corporate offices related to the partnership's implementation of SFAS No. 133.

Income Taxes

The Company's effective tax rate for continuing operations is an expense of 35.7% in fiscal 2003 as compared to a benefit of 46.3% in fiscal 2002. Including the tax benefit reported in discontinued operations, the Company's effective tax rate is an expense of 36.8% in fiscal 2003 as compared to a benefit of 42.5% in fiscal 2002. The fiscal 2002 tax benefit includes $0.8 million arising from the realization of net operating loss carryback claims.

Income From Continuing Operations

As a result of the foregoing, the Company reported income from continuing operations of $2.2 million, or $0.17 per diluted share, in fiscal 2003 as compared to a net loss of $7.9 million, or $0.62 per diluted share, in fiscal 2002.

Discontinued Operations

As described more fully in Note 8 to the accompanying financial statements, during fiscal 2003 the Company closed six store locations. During fiscal 2002 the Company closed four store locations. These stores were determined to be either underperforming or inconsistent with the Company's long-term operating strategy. The net loss from operating these stores was $0.5 million in fiscal 2003 and $1.9 million in fiscal 2002. The loss from operation of discontinued stores consists of the following:

(In thousands)	2003	2002
Net sales from closed stores..........................	$ 6,973	$ 25,512

Cost of sales	4,437	15,669
Selling, general and administrative expenses	3,013	10,906
Depreciation and amortization	70	885
Total costs and expenses	7,520	27,460
Loss from operations of closed stores	$ (547)	$ (1,948)

Net costs associated with the closure of stores totaled $0.8 million in fiscal 2003 primarily consisting of lease termination costs, severance, and other incremental costs associated with the store closings. Net costs associated with the closure of stores totaled $4.8 million in fiscal 2002 consisting of lease termination costs, severance and other incremental costs associated with the store closings of approximately $0.6 million and non-cash asset impairment charges related to stores closed in fiscal 2003 and fiscal 2002 of $4.5 million, partially offset by a gain of $0.3 million from the sale of lease rights and fixtures and equipment related to two of the closed locations.

Net Income

As a result of the foregoing, the Company reported net income of $1.4 million in fiscal 2003 as compared to a net loss of $12.4 million in fiscal 2002. On a per diluted share basis the 2003 net income was $0.10 per share as compared to net loss of $0.97 per share in fiscal 2002.

Liquidity and Capital Resources

The Company's working capital requirements are currently met through a combination of cash provided by operations, borrowings under its senior revolving credit facility, short-term trade and factor credit and by proceeds from external financings and sale transactions. As described more fully below and in Note 2 to the accompanying financial statements, on January 31, 2003 the Company sold its credit card accounts and accounts receivable to HSBC. Proceeds from the sale were used to reduce the Company's debt, including off-balance sheet securitization obligations, by over $100 million. At the closing date, the Company's availability under its revolving credit facility increased by approximately $30 million and the Company experienced increases in availability from $7 million to $33 million during fiscal 2003 as compared to fiscal 2002. As of March 1, 2004, the Company re-negotiated its senior revolving credit facility (the "GE facility"). The GE facility provides for borrowings of up to $165.0 million and has been extended through February 28, 2009. The GE facility provides for lowerw roman">%

New York & Company, Inc.	55	391,967	1.22%
Dress Barn, Inc. (6)	99	435,007	1.09%
Charlotte Russe Holding, Inc.	51	353,385	1.06%
Aeropostale, Inc.	76	261,199	1.06%
Pacific Sunwear of California	67	248,824	0.96%
The Buckle, Inc.	49	244,601	0.95%
Forever 21 Retail, Inc.	21	304,522	0.95%
Sun Capital Partners, Inc. (7)	55	614,044	0.92%

Barnes & Noble Inc.	20	704,452	0.91%
The Regis Corporation	154	185,467	0.86%
The Children's Place Retail Stores, Inc.	54	228,965	0.86%
Claire's Stores, Inc.	116	136,801	0.86%
	2,214	19,053,090	35.76%

(1) Limited Brands, LLC operates Victoria's Secret and Bath & Body Works.
(2) Signet Group plc operates Kay Jewelers, Marks & Morgan, JB Robinson, Shaw's Jewelers, Osterman's Jewelers, LeRoy's Jewelers, Jared Jewelers, Belden Jewelers and Rogers Jewelers.
(3) Genesco Inc. operates Journey's, Jarman, Underground Station, Hat World, Lids, Hat Zone, and Cap Factory stores.
(4) Luxottica Group, S.P.A. operates Lenscrafters, Sunglass Hut, and Pearl Vision.
(5) JC Penney Co., Inc. owns 36 of these stores.
(6) Dress Barn, Inc. operates Justice, dressbarn and maurices.
(7) Sun Capital Partners, Inc. operates Gordmans, Limited Stores, Fazoli's, Anchor Blue, Smokey Bones, Souper Salad and Bar Louie Restaurants.

Growth Strategy

Our objective is to achieve growth in funds from operations by maximizing cash flows through a variety of methods as further discussed below.

Leasing, Management and Marketing

Our objective is to maximize cash flows from our existing Properties through:

§ aggressive leasing that seeks to increase occupancy and facilitate an optimal merchandise mix,

§ originating and renewing leases at higher base rents per square foot compared to the previous lease,

§ merchandising, marketing, sponsorship and promotional activities and

§ actively controlling operating costs and resulting tenant occupancy costs.

Redevelopments and Renovations

Redevelopments represent situations where we capitalize on opportunities to add incremental square footage or increase the productivity of previously occupied space through aesthetic upgrades, retenanting and/or changing the retail use of the space. Many times, redevelopments result from acquiring possession of anchor space and subdividing it into multiple spaces. There are no redevelopments currently under construction or scheduled to be completed in 2011.

Renovations usually include renovating existing facades, uniform signage, new entrances and floor coverings, updating interior décor, resurfacing parking lots and improving the lighting of interiors and parking lots. Renovations can result in attracting new retailers, increased rental rates, sales and occupancy levels and maintaining the Property's market dominance. We did not complete any renovations in 2010 and there are no renovations currently under construction. Renovations are scheduled to be completed at Burnsville Center in Burnsville, MN, Hamilton Place Mall in Chattanooga, TN, Oak Park Mall in Kansas City, KS and RiverGate Mall in Nashville, TN during 2011. Our total anticipated net investment in these renovations is approximately $15.0 million.

Development of New Retail Properties and Expansions

In general, we seek development opportunities in middle-market trade areas that we believe are under-served by existing retail operations. These middle-markets must also have sufficient demographics to provide the opportunity to effectively maintain a competitive position. The following presents the new developments we opened during 2010 and those under construction at December 31, 2010:

Property	Location	Total Project Square Feet	Opening Date
Completed in 2010:			
The Forum at Grandview (Phase I) (a)	Madison, MS	110,690	Fall-10
The Pavilion at Port Orange (Phase I and Phase 1A) (b)	Port Orange, FL	494,025	Fall-09/Spring-10
		604,715	
Currently under construction:			
The Outlet Shoppes at Oklahoma City (c)	Oklahoma City, OK	325,190	Summer-11

(a) The Forum at Grandview is a 75/25 joint venture.
(b) The Pavilion at Port Orange is a 50/50 joint venture.
(c) The Outlet Shoppes at Oklahoma City is a 75/25 joint venture.

We can also generate additional revenues by expanding a Property through the addition of department stores, mall stores and large retail formats. An expansion also protects the Property's competitive position within its market. The following presents the expansions that are under construction at December 31, 2010:

Property	Location	Total Project Square Feet	Opening Date
Currently under construction:			
Alamance West	Burlington, NC	236,438	Fall 2011
Settlers Ridge (Phase II)	Robinson Township, PA	86,617	Summer 2011
		323,055	

Our total investment in the new Properties opened in 2010 was $88.3 million and our total investment upon completion in the Properties under construction as of December 31, 2010 is projected to be $89.5 million.

Acquisitions

We believe there is opportunity for growth through acquisitions of regional malls and other associated properties. We selectively acquire properties where we believe we can increase the value of the property through our development, leasing and management expertise. In October 2010, we entered into a 75/25 joint venture, OK City Outlets, LLC, with Horizon Group Properties, Inc. to develop The Outlet Shoppes at Oklahoma City in Oklahoma City, OK. Also in October 2010, we acquired the remaining 50% interest in Parkway Place in Huntsville, AL, from our joint venture partner.

Environmental Matters

A discussion of the current effects and potential future impacts on our business and Properties of compliance with federal, state and local environmental regulations is presented in Item 1A of this Annual Report on Form 10-K under the subheading “Risks Related to Real Estate Investments.”

Competition

The Properties compete with various shopping facilities in attracting retailers to lease space. In addition, retailers at our Properties face competition from discount shopping centers, outlet malls, wholesale clubs, direct mail, television shopping networks, the internet and other retail shopping developments. The extent of the retail competition varies from market to market. We work aggressively to attract customers through marketing promotions and campaigns.

Seasonality

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

Recent Developments

Impairment Losses

During the course of our normal quarterly impairment review process for the second quarter of 2010, we determined that it was necessary to write down the depreciated book value of Oak Hollow Mall in High Point, NC, to its estimated fair value, resulting in a non-cash loss on impairment of real estate assets of $25.4 million for the year ended December 31, 2010. Subsequent to December 31, 2010, we entered into a contract for, and closed on, the sale of this

Property.

During the fourth quarter of 2010, we also incurred losses on impairment of real estate assets of $12.4 million related to the sale of Milford Marketplace in Milford, CT, and the conveyance of ownership interest in phase I of Settlers Ridge in Pittsburg, PA, $1.3 million attributable to the sale of Lakeview Point in Stillwater, OK and $1.1 million related to the sale of a land parcel.

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Acquisitions

In October 2010, we formed a 75/25 joint venture, OK City Outlets, LLC, with Horizon Group Properties, Inc. to develop The Outlet Shoppes at Oklahoma City in Oklahoma City, OK. The partners contributed aggregate equity of $16.2 million at formation, of which we contributed $12.1 million. The joint venture has received a construction loan commitment of $48.9 million and we have guaranteed the entire amount for which we are entitled to receive a guaranty fee.

Also in October 2010, we acquired the remaining 50% interest in Parkway Place in Huntsville, AL, from our joint venture partner. The interest was acquired for total consideration of $38.8 million, which consisted of $17.8 million in cash and the assumption of the remaining $21.0 million interest in the loan secured by Parkway Place. We recorded a gain of $0.9 million related to the purchase.

Dispositions

In September 2008, we entered into an unconsolidated condominium partnership with several individual investors to acquire a 60% interest in a new retail development in Macapa, Brazil. In December 2009, we entered into an agreement to sell our 60% interest to one of the individual investors for a gross sales price of $1.3 million, less closing costs for a net sales price of $1.2 million. The sale closed in March 2010. There was no gain or loss on this sale.

In June 2010, our 50.6% owned unconsolidated joint venture, Mall Shopping Center Company, sold Plaza del Sol in Del Rio, TX. The joint venture recognized a gain of $1.2 million from the sale, of which our share was $0.1 million, net of the excess of our basis over our underlying equity in the amount of $0.6 million.

In October, 2010, we completed the sale of Pemberton Square, located in Vicksburg, MS, for a sales price of $1.9 million less commissions and customary closing costs for a net sales price of $1.8 million. We recognized a gain of $0.4 million attributable to the sale. Proceeds from the sale were used to reduce the outstanding borrowings on our $525.0 million secured credit facility.

In December, 2010, we completed the sale of Milford Marketplace, located in Milford, CT, and the conveyance of ownership interest in phase I of Settlers Ridge, located in Robinson Township, PA, for a combined sales price of $111.8 million less commissions and customary closing costs for a net sales price of $110.7 million. We recognized a loss on impairment of real estate of $12.4 million attributable to the sale.

In December 2010, we completed the sale of Lakeview Pointe, located in Stillwater, OK, for a sales price of $21.0 million less commissions and customary closing costs for a net sales price of $20.6 million. We recognized a loss on impairment of real estate of $1.3 million attributable to the sale.

Results of operations of Pemberton Square, Milford Marketplace, Settlers Ridge and Lakeview Pointe have been reclassified to discontinued operations for all periods presented.

Financings

In December 2010, we retired a $10.9 million loan secured by Wausau Center in Wausau, WI.

In November 2010, we closed on the extension of our unsecured term loan that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. The loan's maturity date was extended to November 2011 at its existing interest rate of LIBOR plus a margin of 0.95% to 1.40% based on our leverage ratio, as defined in the loan agreement. The loan has a one-year extension option, which is at our election, for an outside maturity date of November 2012. Outstanding borrowings under this loan were $209.5 million at December 31, 2010.

In October 2010, Wells Fargo Bank NA, serving as administrative agent, and the lender group of the Company's $560.0 million secured credit facility agreed to waive the requirement that Wausau Mall be added to the collateral pool securing that facility. As a result, the Company voluntarily reduced the total capacity of the secured line of credit to $520.0 million in order to maintain the loan-to-value ratio set forth in the credit facility agreement.

In July 2010, we closed on the extension and modification of our secured credit facility with total capacity of $105.0 million. The facility's maturity date was extended to June 2012 at its existing interest rate of LIBOR, subject to a floor of 1.50%, plus a margin of 300 basis points.

During the third quarter of 2010, we repaid four CMBS loans with aggregate principal balances of $132.5 million that were secured by Stroud Mall in Stroudsburg, PA, York Galleria in York, PA, and Parkdale Mall and Parkdale Crossing in Beaumont, TX with borrowings from the $520.0 million credit facility. The properties were added to the collateral pool securing that facility.

Also during the third quarter of 2010, we closed on a $65.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.50% secured by Valley View Mall in Roanoke, VA. The new loan replaced an existing loan with a principal balance of $40.6 million that was scheduled to mature in September 2010. The excess proceeds received from the refinancing were used to pay down our secured credit facilities.

During the second quarter of 2010, we entered into an $83.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.00% secured by Burnsville Center in Minneapolis, MN. The loan replaced an existing $60.7 million loan that was scheduled to mature in August 2010. We also entered into an eight-year $115.0 million loan with a fixed interest rate of 6.98% secured by CoolSprings Galleria in Nashville, TN. Proceeds from the new loan, plus cash on hand, were used to retire an existing loan of $120.5 million that was scheduled to mature in September 2010. Additionally, we closed on a new ten-year $14.8 million loan with a fixed interest rate of 7.25% secured by The Terrace in Chattanooga, TN. Excess proceeds from these financing activities were used to pay down our secured credit facilities.

Also during the second quarter, we repaid a CMBS loan with a principal balance of $9.0 million secured by WestGate Crossing in Spartanburg, SC with borrowings from the $520.0 million credit facility and the Property was added to the collateral pool securing that facility.

In addition, we entered into a $21.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.50% secured by Parkway Place in Huntsville, AL. The $21.0 million loan represented our 50% share of the total $42.0 million loan obtained on the Property. The loan replaced an existing $51.0 million loan that was scheduled to mature in June 2010, of which our 50% share was $25.5 million. In October 2010, we acquired our joint venture partner's 50% ownership interest in Parkway Place and, as a result, assumed their $21.0 million share of this loan.

During the first quarter of 2010, we closed on a variable-rate $72.0 million non-recourse loan that bears interest at LIBOR plus a margin of 400 basis points secured by St. Clair Square in Fairview Heights, IL. The new loan replaced an existing loan with a principal balance of $57.2 million. We have an interest rate cap in place on this loan to limit the LIBOR rate to a maximum of 3.00%. The cap matures in January 2012. The excess proceeds received from the refinancing were used to pay down our secured credit facilities. Also during the first quarter, we repaid a CMBS loan secured by Park Plaza Mall in Little Rock, AK with a principal balance of $38.9 million with borrowings from the $520.0 million credit facility and the Property was added to the collateral pool securing that facility.

In addition to the above financing activity, we exercised extension options available on outstanding debt, at our election, to extend the maturity dates on certain maturing loans, with no other modifications to the loan terms.

Of the $1,758.3 million of our pro rata share of consolidated and unconsolidated debt that is scheduled to mature during 2011, excluding debt premiums, we have extensions available on $1,409.7 million of debt at our option that we intend to exercise, leaving $348.6 million of debt representing eight operating property loans. We currently have term sheets executed on three of the Properties.

We are making progress in securing property-specific, non-recourse loans for the majority of the Properties included in the collateral pool of our $520.0 million secured credit facility. We currently have term sheets executed on nine assets that are included in the collateral pool. As we refinance these loans, we intend to use the $520.0 million secured credit facility to retire future loans maturing in 2011 and 2012, as well as to provide additional flexibility for liquidity purposes. At December 31, 2010, we had collective availability of $551.8 million on our lines of credit.

Subsequent to December 31, 2010, we retired a $78.7 million loan secured by Mid Rivers Mall in St. Charles, MO.

Equity

In March 2010, we completed a public offering of 6,300,000 depositary shares representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per share. The depositary shares were sold at $20.30 per share including accrued dividends of $0.37 per share. The net proceeds, after underwriting costs and related expenses, of approximately $123.6 million were used to reduce outstanding borrowings under our credit facilities and for general corporate purposes. The net proceeds included accrued dividends of $2.3 million that were received as part of the offering price.

In October, 2010, we completed an underwritten public offering of 4,400,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per share. The depositary shares were sold at $23.1954 per share including accrued dividends of $0.1485 per share. Subsequent thereto, the underwriters of the offering exercised their option to purchase an additional 450,000 depositary shares. As a result of the exercise of this option, we sold a total of 4,850,000 depositary shares in the offering for net proceeds of approximately $108.8 million after underwriting costs and related expenses. The net proceeds included aggregate accrued dividends of $0.7 million that were received as part of the offering price. The net proceeds were used to reduce outstanding borrowings under our credit facilities and for general corporate purposes.

Including the shares issued in these offerings, we now have 18,150,000 depositary shares outstanding, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock. The securities are redeemable at liquidation preference, plus accrued and unpaid dividends, at any time at our option. These securities have no stated maturity, sinking fund or mandatory redemption provisions and are not convertible into any of our other securities.

We paid first, second and third quarter 2010 cash dividends on our common stock of $0.20 per share on April 16th, July 15th and October 15th 2010, respectively. On December 1, 2010, we announced a fourth quarter 2010 cash dividend of $0.20 per share that was paid on January 18, 2011. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration.

Other

Subsequent to December 31, 2010, Leo Fields announced that he would not stand for re-election to our Board of Directors when his term expires at our Annual Meeting of Stockholders to be held on May 2, 2011, citing that his decision to retire was based solely on personal reasons.

Financial Information About Segments

See Note 11 to the consolidated financial statements for information about our reportable segments.

Employees

CBL does not have any employees other than its statutory officers. Our Management Company currently has 646 full-time and 259 part-time employees. None of our employees are represented by a union.

Corporate Offices

Our principal executive offices are located at CBL Center, 2030 Hamilton Place Boulevard, Suite 500, Chattanooga, Tennessee, 37421 and our telephone number is (423) 855-0001.

Available Information

There is additional information about us on our web site at cblproperties.com. Electronic copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge by visiting the "investor relations" section of our web

site. These reports are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the web site is not, and should not be considered, a part of this Form 10-K.

ITEM 1A. RISK FACTORS

Set forth below are certain factors that may adversely affect our business, financial condition, results of operations and cash flows. Any one or more of the following factors may cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. See "Cautionary Statement Regarding Forward-Looking Statements" contained herein on page 1.

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- National, regional and local economic climates, which may be negatively impacted by loss of jobs, production slowdowns, adverse weather conditions, natural disasters, acts of violence, war or terrorism, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods.

- Adverse changes in levels of consumer spending, consumer confidence and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual profits).

- Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.

- Increased operating costs, such as increases in repairs and maintenance, real property taxes, utility rates and insurance premiums.

- Delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control.

- Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.

- The willingness and ability of the shopping center's owner to provide capable management and maintenance services.

- The convenience and quality of competing retail properties and other retailing options, such as the Internet.

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

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

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

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

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

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

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

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

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

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

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

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

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

We own partial interests in 21 malls, 13 associated centers, six community centers and eight office buildings. We manage all but three of these Properties. Governor's Square, Governor's Plaza and Kentucky Oaks are all owned by joint ventures and are managed by a property manager that is affiliated with the third party managing general partner. The property manager performs the property management and leasing services for these three Properties and receives a fee for its services. The managing partner of the Properties controls the cash flow distributions, although our approval is required for certain major decisions.

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

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

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

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

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

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of petroleum, certain hazardous or toxic substances on, under or in such real estate. Such laws typically impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. The costs of remediation or removal of such substances may be substantial. The presence of such substances, or the failure to promptly remove or remediate such substances, may adversely affect the owner's or operator's ability to lease or sell such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, regardless of whether such facility is owned or operated by such person. Certain laws also impose requirements on conditions and activities that may affect the environment or the impact of the environment on human health. Failure to

comply with such requirements could result in the imposition of monetary penalties (in addition to the costs to achieve compliance) and potential liabilities to third parties. Among other things, certain laws require abatement or removal of friable and certain non-friable asbestos-containing materials in the event of demolition or certain renovations or remodeling. Certain laws regarding asbestos-containing materials require building owners and lessees, among other things, to notify and

train certain employees working in areas known or presumed to contain asbestos-containing materials. Certain laws also impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with asbestos-containing materials. In connection with the ownership and operation of properties, we may be potentially liable for all or a portion of such costs or claims.

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

We believe that our Properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. As of December 31, 2010, we have recorded in our financial statements a liability of $2.9 million related to potential future asbestos abatement activities at our Properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former Properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties has not been or will not be affected by tenants and occupants of the Properties, by the condition of properties in the vicinity of the Properties or by third parties unrelated to us, the Operating Partnership or the relevant Property's partnership.

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

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

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

An economic recession can result in extreme volatility and disruption of our capital and credit markets. The resulting economic environment may be affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and costs of living, as well as limited access to credit. This economic

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

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

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

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

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

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- impairment charges affecting the carrying value of one or more of our Properties or other assets;
- publication of research reports about us, the retail industry or the real estate industry generally;
- increases in market interest rates that lead purchasers of our securities to seek higher dividend or interest rate yields;
- changes in market valuations of similar companies;
- adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
- additions or departures of key management personnel;
- actions by institutional security holders;
- speculation in the press or investment community;
- the occurrence of any of the other risk factors included in, or incorporated by reference in, this report; and
- general market and economic conditions.

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

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

In March 2010, we completed an equity offering of 6,300,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per share. The securities are redeemable at liquidation preference, plus accrued and unpaid dividends, at any time at the option of the Company. The shares issued in the March 2010 offering will accrue dividends totaling approximately $11.6 million annually, decreasing earnings per share available to our common shareholders and the amounts available to our common shareholders for dividend payments.

In October 2010, we completed an additional equity offering of 4,400,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per share. Subsequent thereto, the underwriters of the offering exercised their option to purchase an additional 450,000 depositary shares. As a result of the exercise of this option, the Company sold a total of 4,850,000 depositary shares in the offering. The securities are redeemable at liquidation preference, plus accrued and unpaid dividends, at any time at the option of the Company. The shares issued in the October 2010 offering will accrue dividends totaling approximately $8.9 million annually, decreasing earnings per share available to our common shareholders and the amounts available to our common shareholders for dividend payments.

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

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

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

- discount shopping centers;
- outlet malls;
- wholesale clubs;
- direct mail;
- television shopping networks; and
- shopping via the internet.

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

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

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

Energy costs, repairs, maintenance and capital improvements to common areas of our Properties, janitorial services, administrative, property and liability insurance costs and security costs are typically allocable to our Properties' tenants. Our lease agreements typically provide that the tenant is liable for a portion of the CAM and other operating expenses. While historically our lease agreements provided for variable CAM

provisions, the majority of our current leases require an equal periodic tenant reimbursement amount for our cost recoveries which serves to fix our tenants' CAM contributions to us. In these cases, a tenant will pay a single specified rent amount, or a set expense reimbursement amount, subject to annual increases, regardless of the actual amount of operating expenses. The tenant's payment remains the same regardless of whether operating expenses increase or decrease, causing us to be responsible for any excess amounts or to benefit from any declines. As a result, the CAM and tenant reimbursements that we receive may or may not allow us to recover a substantial portion of these operating costs.

Additionally, in the event that our Properties are not fully occupied, we would be required to pay the portion of any operating, redevelopment or renovation expenses allocable to the vacant space(s) that would otherwise typically be paid by the residing tenant(s). Our cost recovery ratio was 101.9% for 2010.

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

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

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

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value, which could have a material adverse effect on our financial results in the accounting period in which the adjustment is made. Our estimates of undiscounted cash flows expected to be generated by each Property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each Property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved. During the second quarter of 2010, we recorded a non-cash loss on impairment of real estate of $25.4 million related to one of our Properties. During the fourth quarter of 2010, we incurred losses on impairment of real estate of $14.8 million related to the disposition of three of our Properties and a parcel of land.

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

Increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time.

Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable.

Deflation can result in a decline in general price levels, often caused by a decrease in the supply of money or credit. The predominant effects of deflation are high unemployment, credit contraction and weakened

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consumer demand. Restricted lending practices could impact our ability to obtain financings or refinancings for our Properties and our tenants' ability to obtain credit. Decreases in consumer demand can have a direct impact on our tenants and the rents we receive.

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

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

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

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

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

The U.S. federal income tax treatment of corporate dividends may make our stock less attractive to investors, thereby lowering our stock price.

The maximum U.S. federal income tax rate for qualified dividends received by individual taxpayers has been reduced generally from 38.6% to 15.0% (currently effective through December 31, 2012). However, dividends payable by REITs are generally not eligible for such treatment. Although this legislation did not have a directly adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for certain non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an

investment in a REIT, which could have an adverse impact on the market price of our stock.

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

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

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

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

At December 31, 2010, our total share of consolidated and unconsolidated debt outstanding was approximately $5,750.6 million, which represented approximately 59.6% of our total market capitalization at that time, and our total share of consolidated and unconsolidated debt maturing in 2011, 2012 and 2013, giving effect to all maturity extensions that are available at our election, was approximately $348.6 million, $992.7 million and $1,042.1 million, respectively. Our significant leverage could have important consequences. For example, it could:

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

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

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

An environment of rising interest rates could lead holders of our securities to seek higher yields through other investments, which could adversely affect the market price of our stock. One of the factors that may influence the price of our stock in public markets is the annual distribution rate we pay as compared with the

yields on alternative investments. Numerous other factors, such as governmental regulatory action and tax laws, could have a significant impact on the future market price of our stock. In addition, increases in market interest rates could result in increased borrowing costs for us, which may adversely affect our cash flow and the amounts available for distributions to our stockholders.

As of December 31, 2010, our total share of consolidated and unconsolidated variable rate debt was $1,682.4 million. Increases in interest rates will increase our cash interest payments on the variable rate debt we have outstanding from time to time. If we do not have sufficient cash flow from operations, we might not be able to make all required payments of principal and interest on our debt, which could result in a default or have a material adverse effect on our financial condition and results of operations, and which might adversely affect our cash flow and our ability to make distributions to shareholders. These significant debt payment obligations might also require us to use a significant portion of our cash flow from operations to make interest and principal payments on our debt rather than for other purposes such as working capital, capital expenditures or distributions on our common equity.

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

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

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

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

The covenants in our credit facilities might adversely affect us.

Our credit facilities require us to satisfy certain affirmative and negative covenants and to meet numerous financial tests. The financial covenants under the credit facilities require, among other things, that our Debt to Gross Asset Value ratio, as defined in the agreements to our credit facilities, be less than 65%, that our Interest Coverage ratio, as defined, be greater than 1.75, and that our Debt Service Coverage ratio, as defined, be greater than 1.50. Compliance with each of these ratios is dependent upon our financial performance. The Debt to Gross Asset Value ratio is based, in part, on applying a capitalization rate to our earnings before income taxes, depreciation and amortization ("EBITDA"), as defined in the agreements to our credit facilities. Based on this calculation method, decreases in

EBITDA would result in an increased Debt to Gross Asset Value ratio, although overall debt levels remain constant. As of December 31, 2010, the Debt to Gross Asset Value ratio was 52.7% and we were in compliance with all other covenants related to our credit facilities.

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 47.5% of our total revenues from all Properties for the year ended December 31, 2010 and currently include 43 malls, 20 associated centers, ten community centers and 18 office buildings. Our Properties located in the midwestern United States accounted for approximately 33.2% of our total revenues from all Properties for the year ended December 31, 2010 and currently include 26 malls and four associated centers. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. While we already have Properties located in six states across the southwestern, northeastern and western regions, we will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

Our financial position, results of operations and funds available for distribution to shareholders could be adversely affected by any economic downturn affecting the operating results at our Properties in the St. Louis, MO, Nashville, TN, Kansas City (Overland Park), KS, Madison, WI, and Chattanooga, TN metropolitan areas, which are our five largest markets.

Our Properties located in the St. Louis, MO, Nashville, TN, Kansas City (Overland Park), KS, Madison, WI, and Chattanooga, TN metropolitan areas accounted for approximately 9.7%, 4.0%, 3.1%, 2.9% and 2.7%, respectively, of our total revenues for the year ended December 31, 2010. No other market accounted for more than 2.6% of our total revenues for the year ended December 31, 2010. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

RISKS RELATED TO INTERNATIONAL INVESTMENTS

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

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

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

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

RISKS RELATED TO DIVIDENDS

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

We issued 4,754,355 shares of common stock for a portion of our dividend payment for the first quarter of 2009. All subsequent dividend payments through the date of issuance of this report have been paid in cash. Depending upon our liquidity needs, we reserve the right to pay any or all of a dividend in a combination of cash and shares of common stock, in accordance with applicable revenue procedures of the IRS. In the event that we pay a portion of our dividends in shares of our common stock pursuant to such procedures, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such stockholders may have to use cash from other sources to pay such tax. If a U.S. stockholder sells the common stock it receives as a dividend in order to pay its taxes, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold federal tax with respect to our dividends, including dividends that are paid in common stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales would put downward pressure on the market price of our common stock.

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

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

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

RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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

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

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

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

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

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

Our board of directors may, subject to certain conditions, waive the applicable ownership limit upon receipt of a ruling from the IRS or an opinion of counsel to the effect that such ownership will not jeopardize our status as a REIT. Absent any such waiver, however, any issuance or transfer of our capital stock to any person in excess of the applicable ownership limit or any issuance or transfer of shares of such stock which would cause us to be beneficially owned by fewer than 100 persons, will be null and void and the intended transferee will acquire no rights to the stock. Instead, such issuance or transfer with respect to that number of shares that would be owned by the transferee in excess of the ownership limit provision would be deemed void ab initio and those shares would automatically be transferred to a trust for the exclusive benefit of a charitable beneficiary to be designated by us, with a trustee designated by us, but who would not be affiliated with us or with the prohibited owner. Any acquisition of our capital stock and continued holding or ownership of our capital stock constitutes, under our certificate of incorporation, a continuous representation of compliance with the applicable ownership limit.

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

To maintain our status as a REIT under the Internal Revenue Code, we generally will be required each year to distribute to our stockholders at least 90% of our taxable income after certain adjustments. However, to

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

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

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

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

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

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

opportunity to realize a premium over the then-prevailing market prices for their shares. These provisions and agreements are summarized as follows:

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

- Classified Board of Directors; Removal for Cause – Our certificate of incorporation provides for a board of directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may be required for the stockholders to change a majority of our board of directors. In addition, our stockholders can only remove directors for cause and only by a vote of 75% of the outstanding voting stock. Collectively, these provisions make it more difficult to change the composition of our board of directors and may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts.

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

- Vote Required to Amend Bylaws – A vote of 66 2/3% of our outstanding voting stock (in addition to any separate approval that may be required by the holders of any particular class of stock) is necessary for stockholders to amend our bylaws.

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

(a) before that person became an interested holder, our board of directors approved the transaction in which the interested holder became an interested stockholder or approved the business combination;

(b) upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns 85% of our voting stock outstanding at the time the transaction commenced (excluding stock held by directors who are also officers and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

(c) following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

Under Section 203, these restrictions also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving us and a person who was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of our directors, if that extraordinary transaction is approved or not opposed by a

majority of the directors who were directors before any person became an interested stockholder in the previous three years or who were recommended for election or elected to succeed such directors by a majority of directors then in office.

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

- Tax Consequences of the Sale or Refinancing of Certain Properties – Since certain of our Properties had unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such Properties immediately prior to their contribution to the Operating Partnership, a taxable sale of any such Properties, or a significant reduction in the debt encumbering such Properties, could cause adverse tax consequences to the members of our senior management who owned interests in our predecessor entities. As a result, members of our senior management might not favor a sale of a Property or a significant reduction in debt even though such a sale or reduction could be beneficial to us and the Operating Partnership. Our bylaws provide that any decision relating to the potential sale of any Property that would result in a disproportionately higher taxable income for members of our senior management than for us and our stockholders, or that would result in a significant reduction in such Property's debt, must be made by a majority of the independent directors of the board of directors. The Operating Partnership is required, in the case of such a sale, to distribute to its partners, at a minimum, all of the net cash proceeds from such sale up to an amount reasonably believed necessary to enable members of our senior management to pay any income tax liability arising from such sale.

- Interests in Other Entities; Policies of the Board of Directors – Certain entities owned in whole or in part by members of our senior management, including the construction company that built or renovated most of our Properties, may continue to perform services for, or transact business with, us and the Operating Partnership. Furthermore, certain Property tenants are affiliated with members of our senior management. Accordingly, although our bylaws provide that any contract or transaction between us or the Operating Partnership and one or more of our directors or officers, or between us or the Operating Partnership and any other entity in which one or more of our directors or officers are directors or officers or have a financial interest, must be approved by our disinterested directors or stockholders after the material facts of the relationship or interest of the contract or transaction are disclosed or are known to them, these affiliations could nevertheless create conflicts between the interests of these members of senior management and the interests of the Company, our shareholders and the Operating Partnership in relation to any transactions between us and any of these entities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 for additional information pertaining to the Properties' performance.

Malls

We own a controlling interest in 76 Malls (including large open-air centers) and non-controlling interests in seven Malls. We own a controlling interest in one outlet center mall, owned in a 75/25 joint venture, that is currently under construction.

The Malls are primarily located in middle markets and generally have strong competitive positions because they are the only, or the dominant, regional mall in their respective trade areas. The Malls are generally anchored by two or more department stores and a wide variety of mall stores. Anchor tenants own or lease their stores and non-anchor

stores (20,000 square feet or less) lease their locations. Additional freestanding stores and restaurants that either own or lease their stores are typically located along the perimeter of the Malls' parking areas.

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. Pearland Town Center, which opened in July 2008 is our only non-stabilized mall as of December 31, 2010.

We own the land underlying each Mall in fee simple interest, except for Walnut Square, WestGate Mall, St. Clair Square, Brookfield Square, Bonita Lakes Mall, Meridian Mall, Stroud Mall, Wausau Center, Chapel Hill Mall and Eastgate Mall. We lease all or a portion of the land at each of these Malls subject to long-term ground leases.

The following table sets forth certain information for each of the Malls as of December 31, 2010:

Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)	Percentage Mall Store GLA Leased (4)	Anchors & Junior Anchors
Non-Stabilized Malls:								
Pearland Town Center (9) Pearland, TX	2008	N/A	100 %	718,000	396,517	228	82 %	Barnes & Noble, Dillard's, Macy's, Sports Authority
Stabilized Malls:								
Alamance Crossing Burlington, NC	2007	N/A	100 %	690,020	256,543	$ 206	72 %	Belk, Barnes & Noble, Carousel Cinemas, Dillard's, JC Penney, Hobby Lobby
Arbor Place Atlanta (Douglasville), GA	1999	N/A	62.8 %	1,209,318	298,985	$ 321	100 %	Bed Bath & Beyond, Belk, Borders, Dillard's, JC Penney, Macy's, Old Navy, Sears
Asheville Mall Asheville, NC	1972/2000	2000	100 %	974,271	288,316	303	95 %	Barnes & Noble, Belk, Dillard's, Dillard's West, JC Penney, Old Navy, Sears
Bonita Lakes Mall (5) Meridian, MS	1997	N/A	100 %	632,192	154,701	242	92 %	Belk, Dillard's, JC Penney, Sears, Vacancy
Brookfield Square Brookfield, WI	1967/2001	2007	100 %	1,099,800	287,986	374	99 %	Barnes & Noble, Boston Store, JC Penney, Old Navy, Sears
Burnsville Center Burnsville, MN	1977/1998	N/A	100 %	1,062,799	380,777	333	98 %	Dick's Sporting Goods, Gordmans, JC

								Penney, Macy's, Old Navy, Sears
Cary Towne Center Cary, NC	1979/2001	1993	100 %	1,017,004	410,272	237	97 %	Belk, Dillard's, JC Penney, Macy's, Sears
Chapel Hill Mall (6) Akron, OH	1966/2004	1995	62.8 %	864,102	278,768	261	95 %	JC Penney, Macy's, Old Navy, Sears, Shoe Dept Encore
CherryVale Mall Rockford, IL	1973/2001	2007	100 %	847,343	363,783	317	98 %	Barnes & Noble, Bergner's, JC Penney, Macy's, Sears
Chesterfield Mall Chesterfield, MO	1976/2007	2006	62.8 %	1,284,854	489,668	281	92 %	Borders, Dillard's, H&M, Macy's, Old Navy, Sears, AMC Theater
Citadel Mall Charleston, SC	1981/2001	2000	100 %	1,128,799	346,971	197	93 %	Belk, Dillard's, JC Penney, Sears, Target, Dick's Sporting Goods
Coastal Grand-Myrtle Beach Myrtle Beach, SC	2004	2007	50 %	1,046,080	342,330	311	98 %	Bed Bath & Beyond, Belk, Books A Million, Dick's Sporting Goods, Dillard's, Old Navy, Sears, JC Penney
College Square Morristown, TN	1988	1999	100 %	486,714	148,373	257	96 %	Belk, Carmike Cinema, Goody's (16), JC Penney, Kohl's, Sears, vacancy
Columbia Place Columbia, SC	1977/2001	N/A	100 %	1,092,247	242,267	182	80 %	Burlington Coat Factory, Macy's, Sears, three vacancies
CoolSprings Galleria Nashville, TN	1991	1994	100 %	1,117,593	362,957	413	100 %	Belk, Dillard's, JC Penney, Macy's, Sears
Cross Creek Mall Fayetteville, NC	1975/2003	2000	100 %	1,046,423	251,491	531	98 %	Belk, JC Penney,

								Macy's, Sears
East Towne Mall Madison, WI	1971/2001	2004	100 %	824,194	265,570	312	96 %	Barnes & Noble, Boston Store, Dick's Sporting Goods, Gordman's, JC Penney, Sears, Steinhafels

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership		Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)	Percentage Mall Store GLA Leased (4)		Anchors & Junior Anchors
EastGate Mall (7) Cincinnati, OH	1980/2003	1995	100	%	959,367	272,261	280	94	%	Dillard's, JC Penney, Kohl's, MMA Big Show, Sears, Toys R Us
Eastland Mall Bloomington, IL	1967/2005	N/A	100	%	765,098	225,441	331	97	%	Bergner's, JC Penney, Kohl's, Macy's, Old Navy, Sears
Fashion Square Saginaw, MI	1972/2001	1993	100	%	795,717	282,954	263	90	%	JC Penney, Macy's, Sears, Shoe Dept. Encore
Fayette Mall Lexington, KY	1971/2001	1993	100	%	1,212,733	357,179	503	100	%	Dick's Sporting Goods, Dillard's, JC Penney, Macy's, Sears
Foothills Mall Maryville, TN	1983/1996	2004	95	%	481,555	184,859	225	89	%	Belk for Women, Belk for Men, Goody's (16), Kids & Home, JC Penney, Sears, TJ Maxx
Friendly Shopping Center and The Shops at Friendly Greensboro, NC	1957/ 2006/ 2007	1996	50	%	1,304,074	517,257	425	91	%	Barnes & Noble, Belk, Macy's, Old Navy, Sears, Harris Teeter, REI
Frontier Mall Cheyenne, WY	1981	1997	100	%	536,340	191,470	279	88	%	Dillard's I, Dillard's II, Sports Authority, JC Penney, Sears, Sports Authority, Carmike Cinema
Georgia Square Athens, GA	1981	N/A	100	%	670,999	249,445	230	99	%	Belk, JC Penney, Macy's, Sears
Governor's Square Clarksville, TN	1986	1999	47.5	%	729,545	254,509	344	96	%	Belk, Best Buy, Borders, Dick's Sporting Goods, Dillard's, JC Penney,Old Navy, Sears
Greenbrier Mall Chesapeake, VA	1981/2004	2004	63	%	898,922	299,653	304	91	%	Dillard's, JC Penney, Macy's, Sears
Gulf Coast Town Center Ft. Myers, FL	2005	N/A	50	%	1,242,240	317,233	267	89	%	Babies R Us, Bass Pro Outdoor World, Belk, Best Buy,

								Borders, Golf Galaxy, JC Penney, Jo-Ann Fabrics, Marshall's, PETCO, Ron Jon Surf Shop, Ross, Staples, Target, Regal Cinema
Hamilton Place Chattanooga, TN	1987	1998	90 %	1,170,585	339,705	378	100 %	Dillard's for Men, Kids & Home, Dillard's for Women, JC Penney, Belk for Men, Kids & Home, Belk for Women, Sears, Barnes & Noble
Hanes Mall Winston-Salem, NC	1975/2001	1990	100 %	1,564,263	551,048	293	93 %	Belk, Dillard's, JC Penney, Macy's, Old Navy, Sears, Dick's Sporting Goods
Harford Mall Bel Air, MD	1973/2003	2007	100 %	505,425	205,848	366	100 %	Macy's, Old Navy, Sears
Hickory Hollow Mall Nashville, TN	1978/1998	1991	100 %	1,108,349	402,862	141	80 %	Macy's, Sears, Electronic Express, Vacancy
Hickory Point Mall Decatur, IL	1977/2005	N/A	100 %	817,347	190,771	212	92 %	Bergner's, Cohn Furniture, Encore, JC Penney, Kohl's, Sears, Von Maur
Honey Creek Mall Terre Haute, IN	1968/2004	1981	100 %	675,936	209,813	335	98 %	Elder-Beerman, JC Penney, Macy's, Sears, Shoe Dept. Encore
Imperial Valley Mall El Centro, CA	2005	N/A	60 %	761,275	212,635	345	97 %	Dillard's, JC Penney, Macy's, Sears, Cinemark
Janesville Mall Janesville, WI	1973/1998	1998	100 %	614,304	166,474	291	98 %	Boston Store, JC Penney, Kohl's, Sears
Jefferson Mall Louisville, KY	1978/2001	1999	100 %	990,756	274,206	335	100 %	Dillard's, JC Penney, Macy's, Old Navy, Sears, Shoe Dept. Encore, Toys R Us

Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)	Percentage Mall Store GLA Leased (4)	Anchors & Junior Anchors
Kentucky Oaks Mall Paducah, KY	1982/2001	1995	50 %	1,129,679	304,515	305	86 %	Best Buy, Dick's Sporting Goods, Dillard's, Elder-Beerman, JC Penney, Sears, Hobby Lobby, Office Max, Old Navy, Toys R Us
The Lakes Mall Muskegon, MI	2001	N/A	100 %	590,698	188,792	257	97 %	Bed Bath & Beyond, Dick's Sporting Goods, JC Penney, Sears, Younkers
Lakeshore Mall Sebring, FL	1992	1999	100 %	489,031	115,015	227	81 %	Beall's (8), Belk, JC Penney, Kmart, Sears, Carmike
Laurel Park Place Livonia, MI	1989/2005	1994	70 %	489,865	191,055	211	97 %	Parisian, Von Maur
Layton Hills Mall Layton, UT	1980/2006	1998	100 %	619,804	306,881	372	99 %	JCPenney, Macy's, Mervyn's (vacant), Sports Authority
Madison Square Huntsville, AL	1984	1985	100 %	928,628	295,194	254	81 %	Belk, Dillard's, JC Penney, Sears, two vacancies
Mall del Norte Laredo, TX	1977/2004	1993	100 %	1,209,191	425,448	476	97 %	Beall Bros. (8), Chuck E Cheese, Cinemark, Dillard's, Forever 21, JC Penney, Joe Brand, Macy's, Macy's Home Store, Sears
Mall of Acadiana Lafayette, LA	1979/2005	2004	62.8 %	994,325	302,062	410	100 %	Dillard's, JCPenney, Macy's, Sears
Meridian Mall (10) Lansing, MI	1969/1998	2001	100 %	973,141	413,534	257	89 %	Bed Bath & Beyond, Dick's Sporting Goods, JC Penney, Macy's, Old Navy, Schuler Books, Younkers

Mid Rivers Mall St. Peters, MO	1987/2007	1999	62.8 %	1,089,213	291,181	297	94 %	Borders, Dillard's, JC Penney, Macy's, Sears, Dick's Sporting Goods, Inc., Wehrenberg Theaters
Midland Mall Midland, MI	1991/2001	N/A	100 %	508,055	190,781	284	94 %	Barnes & Noble, Elder-Beerman, JC Penney, Sears, Target
Monroeville Mall Pittsburgh, PA	1969/2004	2003	100 %	1,331,901	466,253	271	88 %	JC Penney, Macy's, Boscov's (vacant)
Northpark Mall Joplin, MO	1972/2004	1996	100 %	962,712	303,896	283	91 %	Glow Golf, JC Penney, Macy's, Macy's Home Store, Old Navy, Sears, TJ Maxx, Vintage Stock
Northwoods Mall Charleston, SC	1972/2001	1995	100 %	789,296	286,177	287	93 %	Belk, Books A Million, Dillard's, JC Penney, Planet Fitness, Sears
Oak Hollow Mall (17) High Point, NC	1995	N/A	75 %	825,713	252,913	177	56 %	Belk, Dillard's, JC Penney, Sears, Sears Call Center, Regal Cinema
Oak Park Mall Overland Park, KS	1974/2005	1998	100 %	1,563,377	452,639	418	97 %	American Girl, Barnes & Noble, Dillard's North, Dillard's South, JC Penney, Macy's, Nordstrom, XXI Forever
Old Hickory Mall Jackson, TN	1967/2001	1994	100 %	556,900	179,805	323	97 %	Belk, JC Penney, Macy's, Sears

Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)	Percentage Mall Store GLA Leased (4)	Anchors & Junior Anchors
Panama City Mall Panama City, FL	1976/2002	1984	100 %	607,013	224,824	223	98 %	Dillard's, JC Penney, Sears
Park Plaza Little Rock, AR	1988/2004	N/A	62.8 %	562,149	236,784	420	97 %	Dillard's I, Dillard's II, XXI Forever
Parkdale Mall Beaumont, TX	1972/2001	1986	100 %	1,228,150	260,884	307	88 %	Beall Bros. (8), Books A Million, Dillard's, Hadley's Furniture, JC Penney, Kaplan College, Macy's, Marshall's, Old Navy, Sears, XXI Forever
Parkway Place Mall Huntsville, AL	1957/1998	2002	100 %	648,407	272,582	310	95 %	Dillard's, Belk
Post Oak Mall College Station, TX	1982	1985	100 %	774,856	317,681	302	90 %	Beall Bros. (8), Dillard's, Dillard's South, JC Penney, Macy's, Sears
Randolph Mall Asheboro, NC	1982/2001	1989	100 %	363,272	125,911	226	91 %	Belk, Books A Million, Dillard's, JC Penney, Sears, Cinemark
Regency Mall Racine, WI	1981/2001	1999	100 %	815,935	210,520	230	90 %	Boston Store, JC Penney, Sears, Target, Flooring Super Center, Burlington Coat Factory
Richland Mall Waco, TX	1980/2002	1996	100 %	708,301	228,823	311	95 %	Beall Bros. (8), Dillard's I, Dillard's II, JC Penney, Sears, XXI Forever
River Ridge Mall Lynchburg, VA	1980/2003	2000	100 %	763,797	206,260	276	74 %	Belk, JC Penney, Macy's, Sears, Regal Cinema
Rivergate Mall Nashville, TN	1971/1998	1998	100 %	1,152,591	262,898	287	99 %	Dillard's, JC Penney, Macy's, Sears, Carmike
South County Center	1963/2007	2001	62.8 %	1,038,713	311,516	360	97 %	Dillard's, JC Penney, Macy's,

St. Louis, MO									Sears
Southaven Towne Center Southave, MS	2005	N/A	100	%	528,971	145,876	331	96 %	Bed Bath & Beyond, Books A Million, Cost Plus, Dillard's, Gordman's, HH Gregg, JC Penney, World Market
Southpark Mall Colonial Heights, VA	1989/2003	2007	100	%	685,675	213,393	294	94 %	Dillard's, JC Penney, Macy's, Sears, Regal Cinema
St. Clair Square (11) Fairview Heights, IL	1974/1996	1993	62.8	%	1,126,562	289,854	400	99 %	Dillard's, JC Penney, Macy's, Sears
Stroud Mall (12) Stroudsburg, PA	1977/1998	2005	100	%	419,470	169,287	263	97 %	JC Penney, Sears, Bon-Ton
Sunrise Mall Brownsville, TX	1979/2003	2000	100	%	752,781	238,024	384	92 %	Beall Bros. (8), Cinemark, Dillard’s, JC Penney, Sears, A'gaci
Towne Mall Franklin, OH	1977/2001	N/A	100	%	455,601	151,989	177	43 %	Elder-Beerman, Sears, Dillard's (vacant)
Triangle Town Center Raleigh, NC	2002/2005	N/A	50	%	1,272,204	424,730	277	96 %	Barnes & Noble, Belk, Dillard's, Macy's, Sak's Fifth Avenue, Sears
Turtle Creek Mall Hattiesburg, MS	1994	1995	100	%	843,401	190,477	323	98 %	Belk I, Belk II, Dillard's, JC Penney, Sears, United Artist
Valley View Mall Roanoke, VA	1985/2003	2007	100	%	875,415	315,626	323	99 %	Barnes & Noble, Belk, JC Penney, Macy's I, Macy's II, Old Navy, Sears
Volusia Mall Daytona Beach, FL	1974/2004	1982	100	%	1,071,018	252,475	315	97 %	Dillard's East, Dillard's West, Dillard's South, JC Penney, Macy's, Sears
Walnut Square (13) Dalton, GA	1980	1992	100	%	511,016	141,100	247	94 %	Belk, Belk Home & Kids, Carmike Cinema, JC Penney, Sears, The Rush
Wausau Center (14) Wausau, WI	1983/2001	1999	100	%	423,134	149,934	255	97 %	JC Penney, Sears, Younkers

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)	Percentage Mall Store GLA Leased (4)	Anchors & Junior Anchors
West County Center Des Peres, MO	1969/2007	2002	62.8 %	1,210,307	427,886	465	95 %	Barnes & Noble, JC Penney, Macy's, Nordstrom, Forever 21, Dick's Sporting Goods
West Towne Mall Madison, WI	1970/2001	2004	100 %	918,912	291,322	505	96 %	Boston Store, Dick's Sporting Goods, JC Penney, Sears, XXI Forever, Toys R Us
WestGate Mall (15) Spartanburg, SC	1975/1995	1996	100 %	951,010	262,404	258	88 %	Bed Bath & Beyond, Belk, Dick's Sporting Goods, Dillard's, JC Penney, Sears, Regal Cinema
Westmoreland Mall Greensburg, PA	1977/2002	1994	62.8 %	1,005,502	332,551	310	97 %	BonTon, JC Penney, Macy's, Macy's Home Store, Old Navy, Sears
York Galleria York, PA	1989/1999	N/A	100 %	764,447	227,230	306	96 %	Bon Ton, Boscov's, JC Penney, Sears
	Total Stabilized Malls			71,758,722	22,724,363	$ 310	93 %	
	Grand total			71,758,722	23,120,880	$ 309	93 %	

(1) Includes total square footage of the anchors (whether owned or leased by the anchor) and mall stores. Does not include future expansion areas.
(2) Excludes anchors and cinemas.
(3) Totals represent weighted averages.
(4) Includes tenants paying rent for executed leases as of December 31, 2010.
(5) Bonita Lakes Mall - We are the lessee under a ground lease for 82 acres, which extends through June 30, 2035, plus one 25 - year renewal option. The annual ground rent for 2010 was $34,603, increasing by an average of 2% each year.

(6) Chapel Hill Mall - Ground rent is the greater of $10,000 or 30% of aggregate fixed minimum rent paid by tenants of certain store units. The annual ground rent for 2010 was $10,000.
(7) Eastgate Mall - Ground rent is $24,000 per year.
(8) Lakeshore Mall, Mall del Norte, Parkdale Mall, Post Oak Mall, Richland Mall, and Sunrise Mall - Beall Bros. operating in Texas is unrelated to Beall's operating in Florida.
(9) Pearland Town Center is a mixed-use center which conbines retail, hotel, office and residential components. The retail portion of the center is classified in Malls, the office portion is classified in Office Buildings, and the hotel and residential portions are classified as Other.
(10) Meridian Mall - We are the lessee under several ground leases in effect through March 2067, with extension options. Fixed rent is $18,700 per year plus 3% to 4% of all rents.
(11) St. Clair Square - We are the lessee under a ground lease for 20 acres. Assuming the exercise of renewal options available, at our election, the ground lease expires January 31, 2073. The rental amount is $40,500 per year. In addition to base rent, the landlord receives 0.25% of Dillard's sales in excess of $16,200,000.
(12) Stroud Mall - We are the lessee under a ground lease, which extends through July 2089. The current rental amount is $60,000 per year, increasing by $10,000 every ten years through 2059. An additional $100,000 is paid every 10 years.
(13) Walnut Square - We are the lessee under several ground leases. Assuming the exercise of renewal options available, at our election, the ground lease expires March 14, 2078. The rental amount is $149,450 per year. In addition to base rent, the landlord receives 20% of the percentage rents collected. The Company has a right of first refusal to purchase the fee.
(14) Wausau Center - Ground rent is $76,000 per year plus 10% of net taxable cash flow.
(15) WestGate Mall - We are the lessee under several ground leases for approximately 53% of the underlying land. Assuming the exercise of renewal options available, at our election, the ground lease expires October 31, 2084. The rental amount is $130,025 per year. In addition to base rent, the landlord receives 20% of the percentage rents collected. The Company has a right of first refusal to purchase the fee.
(16) Scheduled to open in March 2011.
(17) We closed on the sale of this property on February 24, 2011.

Anchors

Anchors are an important factor in a Mall's successful performance. The public's identification with a mall property typically focuses on the anchor tenants. Mall anchors are generally a department store whose merchandise appeals to a broad range of shoppers and plays a significant role in generating customer traffic and creating a desirable location for the mall store tenants.

Anchors may own their stores and the land underneath, as well as the adjacent parking areas, or may enter into long-term leases with respect to their stores. Rental rates for anchor tenants are significantly lower than the rents charged to mall store tenants. Anchors account for 12.3% of the total revenues from our Properties. Each anchor that owns its store has entered into an operating and reciprocal easement agreement with us covering items such as operating covenants, reciprocal easements, property operations, initial construction and future expansion.

During 2010, we added the following anchors and junior anchors (i.e., non-traditional anchors) to the following Malls:

Name	Property	Location
Dick's Sporting Goods	Kentucky Oaks	Paducah, KY
Vintage Stock	Northpark Mall	Joplin, MO
Ashley Furniture HomeStore	Parkdale Mall	Beaumont, TX
Jo-Ann Fabrics & Crafts	Southaven Towne Ctr	Southaven, MS
Encore	Honey Creek	Terre Haute, IN
Encore	Fashion Square	Saginaw, MI
Encore	Jefferson Mall	Louisville, KY
Jillian's	Greenbrier Mall	Chesapeake, VA
Dick's Sporting Goods	Governor's Square	Clarksville, TN
Best Buy	Governor's Square	Clarksville, TN
Cohn Furniture	Hickory Point Mall	Forsyth, IL
The Rush Fitness Complex	Walnut Square	Dalton, GA
Vintage Stock	Northpark Mall	Joplin, MO
Encore	Hickory Point Mall	Forsyth, IL
Forever 21		

	Coolsprings Galleria	Nashville, TN
Planet Fitness	Northwoods Mall	N. Charleson, SC

As of December 31, 2010, the Malls had a total of 460 anchors and junior anchors including 26 vacant locations. The mall anchors and junior anchors and the amount of GLA leased or owned by each as of December 31, 2010 is as follows:

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Anchor	Number of Stores			Gross Leaseable Area		
	Mall Leased	Anchor Owned	Total	Mall Leased	Anchor Owned	Total
JCPenney (1)	37	35	72	3,965,668	4,357,525	8,323,193
Sears (2)	20	52	72	2,168,374	7,251,172	9,419,546
Dillard's (3)	4	49	53	660,713	6,958,934	7,619,647
Sak's	-	1	1	-	83,066	83,066
Macy's (4)	15	32	47	1,957,154	5,137,196	7,094,350
Belk						
Belk (5)	9	26	35	965,944	3,319,296	4,285,240
Parisian	1	-	1	148,810	-	148,810
Subtotal	10	26	36	1,114,754	3,319,296	4,434,050
Bon-Ton						
Bon-Ton	2	1	3	186,824	131,915	318,739
Bergner's	-	3	3	-	385,401	385,401
Boston Store (6)	1	4	5	96,000	599,280	695,280
Younkers	3	1	4	269,060	106,131	375,191
Elder-Beerman	3	1	4	194,613	117,888	312,501
Subtotal	9	10	19	746,497	1,340,615	2,087,112
A'GACI	1	-	1	28,000	-	28,000
Ashley Home Store	1	-	1	26,439	-	26,439
Babies R Us	1	-	1	30,700	-	30,700
Barnes & Noble	13	-	13	388,674	-	388,674
Bass Pro Outdoor World	1	-	1	130,000	-	130,000
Beall Bros.	5	-	5	193,209	-	193,209
Beall's (Fla)	1	-	1	45,844	-	45,844
Bed, Bath & Beyond	6	-	6	179,915	-	179,915
Best Buy	3	-	3	98,481	-	98,481
Books A Million	5	-	5	85,016	-	85,016
Borders	5	-	5	116,732	-	116,732
Boscov's	-	1	1	-	150,000	150,000
Burlington Coat Factory	2	-	2	141,664	-	141,664
Cohn Furniture	1	-	1	20,030	-	20,030
Dick's Sporting Goods	11	1	12	623,134	70,000	693,134
Electronic Express	1	-	1	26,550	-	26,550
Encore	3	-	3	77,557	-	77,557
Flooring Supercenter	1	-	1	27,501	-	27,501
Gart Sports	1	-	1	24,750	-	24,750
Golf Galaxy	1	-	1	15,096	-	15,096
Gordman's	2	-	2	107,303	-	107,303
H&M	1	-	1	20,350	-	20,350
Harris Teeter	-	1	1	-	72,757	72,757
H.H.Gregg	-	1	1	-	33,887	33,887
Hobby Lobby	1	-	1	52,500	-	52,500
Jillian's	1	-	1	21,295	-	21,295

Jo-Ann Fabrics	2	-	2	53,573	-	53,573
Joe Brand	1	-	1	29,413	-	29,413
Kmart	1	-	1	86,479	-	86,479
Kohl's	4	1	5	357,091	68,000	425,091
Marshall's	2	-	2	82,996	-	82,996
Michaels	1	-	1	21,300	-	21,300

Anchor	Number of Stores			Gross Leaseable Area		
	Mall Leased	Anchor Owned	Total	Mall Leased	Anchor Owned	Total
MMA Big Show	1	-	1	19,369	-	19,369
Nordstrom (7)	-	2	2	-	385,000	385,000
Old Navy	18	-	18	344,670	-	344,670
Petco	1	-	1	15,257	-	15,257
REI	1	-	1	24,427	-	24,427
Ron Jon Surf Shop	1	-	1	12,000	-	12,000
Ross Dress For Less	1	-	1	30,187	-	30,187
Schuler Books	1	-	1	24,116	-	24,116
SHOE DEPT. ENCORE	1	-	1	26,010	-	26,010
Shopko/K's Merchandise Mart	-	1	1	-	90,000	90,000
Smart Buys	1	-	1	33,460	-	33,460
Sports Authority	1	1	2	16,537	42,085	58,622
Staples	1	-	1	20,388	-	20,388
Steinhafels	1	-	1	28,828	-	28,828
Target	-	4	4	-	490,476	490,476
The Rush Fitness Complex	1	-	1	30,566	-	30,566
TJ Maxx	2	-	2	56,886	-	56,886
U. S. Government	-	1	1	-	138,189	138,189
Vintage Stock	1	-	1	46,108	-	46,108
Von Maur	-	2	2	-	233,280	233,280
XXI Forever / Forever 21	7	-	7	229,494	-	229,494
Vacant Anchors						
Shopko	1	-	1	23,636	-	23,636
Becker Furniture	1	-	1	62,500	-	62,500
Belk	-	1	1	-	96,853	96,853
Boscov's	-	1	1	-	234,538	234,538
Circuit City	2	-	2	42,096	-	42,096
Dillard's	-	3	3	-	493,956	493,956
Goody's (8)	3	-	3	91,358	-	91,358
Linens N Things	3	-	3	83,517	-	83,517
Mervyn's (8)	1	-	1	90,000	-	90,000
Old Navy	1	-	1	31,858	-	31,858
Steve & Barry's	8	-	9	300,325	-	300,325
	234	226	460	15,388,976	31,046,825	46,435,801

(1) Of the 35 stores owned by JC Penny, six are subject to ground lease payments to the Company.
(2) Of the 52 stores owned by Sears, four are subject to ground lease payments to the Company.
(3) Of the 49 stores owned by Dillard's, four are subject to ground lease payments to the Company.
(4) Of the 32 stores owned by Macy's, five are subject to ground lease payments to the Company.
(5) Of the 26 stores owned by Belk, two are subject to ground lease payments to the Company.
(6) Of the four stores owned by Boston Store, one is subject to ground lease payments to the Company.
(7) Of the two stores owned by Nordstrom, one is subject to ground lease payments to the Company.
(8) Two Goody's locations have been re-leased and are scheduled to open Spring 2011; A portion of the former Mervyn's location has been re-leased to Dick's Sporting Goods.

Mall Stores

The Malls have approximately 8,098 mall stores. National and regional retail chains (excluding local franchises) lease approximately 79.8% of the occupied mall store GLA. Although mall stores occupy only 28.5% of the total mall GLA (the remaining 71.5% is occupied by anchors), the Malls received 82.4% of their revenues from mall stores for the year ended December 31, 2010.

Mall Lease Expirations

The following table summarizes the scheduled lease expirations for mall stores as of December 31, 2010:

Year Ending December 31,	Number of Leases Expiring	Annualized Gross Rent (1)	GLA of Expiring Leases	Average Annualized Gross Rent Per Square Foot	Expiring Leases as % of Total Annualized Gross Rent (2)	Expiring Leases as a % of Total Leased GLA (3)
2011	1485	$ 94,112,000	3,321,440	$ 28.33	13.1 %	18.0 %
2012	1102	106,277,000	2,805,005	37.89	14.8 %	15.2 %
2013	935	106,161,000	2,558,907	41.49	14.8 %	13.9 %
2014	614	67,323,000	1,634,266	41.19	9.4 %	8.9 %
2015	654	74,328,000	1,767,823	42.04	10.4 %	9.6 %
2016	453	59,393,000	1,371,953	43.29	8.3 %	7.4 %
2017	395	52,144,000	1,194,167	43.67	7.3 %	6.5 %
2018	410	57,687,000	1,298,157	44.44	8.0 %	7.0 %
2019	262	39,188,000	914,214	42.87	5.5 %	5.0 %
2020	279	39,028,000	940,391	41.50	5.4 %	5.1 %

(1) Total annualized gross rent, including recoverable common area expenses and real estate taxes, in effect at December 31, 2010 for expiring leases that were executed as of December 31, 2010.

(2) Total annualized gross rent, including recoverable common area expenses and real estate taxes, of expiring leases as a percentage of the total annualized gross rent of all leases that were executed as of December 31, 2010.

(3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2010.

Mall Tenant Occupancy Costs

Occupancy cost is a tenant's total cost of occupying its space, divided by sales. Mall store sales represents total sales amounts received from reporting tenants with space of less than 10,000 square feet. The following table summarizes tenant occupancy costs as a percentage of total mall store sales for the last three years:

	Year Ended December 31,		
	2010	2009	2008
Mall store sales (in millions)(1)	$ 5,349.76	$ 4,937.80	$ 5,239.80
Minimum rents	8.66 %	9.50 %	8.80 %
Percentage rents	0.37 %	0.70 %	0.60 %
Tenant reimbursements (2)	3.61 %	3.70 %	3.80 %
Mall tenant occupancy costs	12.64 %	13.90 %	13.20 %

(1) Represents 100% of sales for the Malls. In certain cases, we own less than a 100% interest in the Malls.

(2) Represents reimbursements for real estate taxes, insurance, common area maintenance charges and certain capital expenditures.

Debt on Malls

Please see the table entitled "Mortgage Loans Outstanding at December 31, 2010" included herein for information regarding any liens or encumbrances related to our Malls.

Associated Centers

We own a controlling interest in 30 Associated Centers and a non-controlling interest in four Associated Centers as of December 31, 2010.

Associated Centers are retail properties that are adjacent to a regional mall complex and include one or more anchors, or big box retailers, along with smaller tenants. Anchor tenants typically include tenants such as TJ Maxx, Target, Kohl's and Bed Bath & Beyond. Associated Centers are managed by the staff at the Mall since it is adjacent to and usually benefits from the customers drawn to the Mall.

We own the land underlying the Associated Centers in fee simple interest, except for Bonita Lakes Crossing, which is subject to a long-term ground lease.

The following table sets forth certain information for each of the Associated Centers as of December 31, 2010:

Associated Center / Location	Year of Opening/ Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Leasable GLA (2)	Percentage GLA Occupied (3)	Anchors
Annex at Monroeville Pittsburgh, PA	1969	100 %	186,367	186,367	96 %	Burlington Coat Factory, Dick's Sporting Goods, Guitar Center, Harbor Freight Tools
Bonita Lakes Crossing (4) Meridian, MS	1997/1999	100 %	147,518	147,518	86 %	Ashley Home Store, Jo Anne's, Office Max, TJ Maxx, Toys R Us
Chapel Hill Suburban (11) Akron, OH	1969	62.8 %	117,088	117,088	30 %	HH Gregg
Coastal Grand Crossing Myrtle Beach, SC	2005	50 %	62,210	14,926	89 %	Lifeway Christian Store, PetSmart
CoolSprings Crossing Nashville, TN	1992	100 %	367,868	78,825	91 %	American Signature (5), HH Gregg (6), Lifeway Christian Store, Target (5), Toys R Us (5), Whole Foods (6)
Courtyard at Hickory Hollow Nashville, TN	1979	100 %	77,560	77,560	100 %	Carmike Cinema
The District at Monroeville Pittsburgh, PA	2004	100 %	71,624	71,624	97 %	Barnes & Noble, ULTA
Eastgate Crossing Cincinnati, OH	1991	100 %	198,488	175,004	87 %	Borders, Kroger, JoAnns, Marshall's, Office Max (5)
Foothills Plaza Maryville, TN	1983/1986	100 %	71,174	71,174	97 %	Carmike Cinema, Dollar General, Foothill's Hardware, Beds To Go
Frontier Square	1985	100 %	186,552	16,527	100 %	

Cheyenne, WY							PETCO (7), Ross (7), Target (5), TJ Maxx (7)
Georgia Square Plaza Athens, GA	1984	100	%	15,493	15,493	100 %	Georgia Theatre Company
Governor's Square Plaza Clarksville, TN	1985(8)	50	%	200,930	78,732	100 %	Best Buy, Lifeway Christian Store, Premier Medical Group, Target (5)
Gunbarrel Pointe Chattanooga, TN	2000	100	%	273,913	147,913	100 %	David's Bridal, Kohl's, Target (5), Earthfare
Hamilton Corner Chattanooga, TN	1990/2005	90	%	82,900	82,900	100 %	PETCO
Hamilton Crossing Chattanooga, TN	1987/2005	92	%	191,873	98,760	100 %	Cost Plus World Market, Home Goods (8), Guitar Center, Lifeway Christian Store, Michaels (8), TJ Maxx, Toys R Us (5)
Harford Annex Bel Air, MD	1973/2003	100	%	107,656	107,656	100 %	Best Buy, Dollar Tree, Office Depot, PetSmart
The Landing at Arbor Place Atlanta(Douglasville), GA	1999	100	%	162,985	85,298	75 %	Michaels, Shoe Carnival, Toys R Us (5)
Layton Hills Convenience Center Layton, UT	1980	100	%	91,312	91,312	96 %	Big Lots, Dollar Tree, Downeast Outfitters
Layton Hills Plaza Layton, UT	1989	100	%	18,801	18,801	92 %	None
Madison Plaza Huntsville, AL	1984	100	%	153,503	99,108	71 %	Haverty's, Design World, HH Gregg (9)
Parkdale Crossing Beaumont, TX	2002	100	%	80,102	80,102	95 %	Barnes & Noble, Lifeway Christian Store, Office Depot, PETCO
Pemberton Plaza Vicksburg, MS	1986	10	%	77,894	26,948	84 %	Kroger (5)
The Plaza at Fayette Mall Lexington, KY	2006	100	%	190,207	190,207	100 %	Cinemark, Gordman's, Guitar Center, Old Navy
The Shoppes at Hamilton Place Chattanooga, TN	2003	92	%	125,301	125,301	100 %	Bed Bath & Beyond, Marshall's, Ross

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Associated Center / Location	Year of Opening/ Most Recent Expansion			Total Leasable	Percentage GLA	Anchors
The Shoppes at Panama City Panama City, FL	2004	100 %	61,221	61,221	80 %	Best Buy
The Shoppes at St. Clair Square (11) Fairview Heights, IL	2007	62.8 %	84,383	84,383	97 %	Barnes & Noble
Sunrise Commons Brownsville, TX	2001	100 %	202,012	100,567	100 %	K-Mart (5), Marshall's, Old Navy, Ross
The Terrace Chattanooga, TN	1997	92 %	156,468	156,468	100 %	Academy Sports, Old Navy, Party City, Staples, DSW Shoes, ULTA
Triangle Town Place Raleigh, NC	2004	50 %	149,471	149,471	100 %	Bed Bath & Beyond, Dick's Sporting Goods, DSW Shoes, Party City, ULTA
Village at Rivergate Nashville, TN	1981/1998	100 %	164,107	64,107	98 %	Chuck E. Cheese, Essex Retail Outlet, Target (5)
West Towne Crossing Madison, WI	1980	100 %	433,743	111,344	100 %	Barnes & Noble, Best Buy, Kohl's (5), Cub Foods (5), Office Max (5), Shopko (5)
WestGate Crossing Spartanburg, SC	1985/1999	100 %	157,870	157,870	91 %	Old Navy, Toys R Us, Hamricks
Westmoreland Crossing (11) Greensburg, PA	2002	62.8 %	283,252	283,252	72 %	Carmike Cinema, Dick's Sporting Goods, Michaels (10), T.J. Maxx (10)
York Town Center York, PA	2007	50 %	288,029	238,029	98 %	Bed Bath & Beyond, Best Buy, Christmas Tree Store, Dick's Sporting Goods, Ross, Staples, ULTA
Total Associated Centers			5,239,875	3,611,856	91 %	

(1) Includes total square footage of the anchors (whether owned or leased by the anchor) and shops. Does not include future expansion areas.

(2) Includes leasable anchors.
(3) Includes tenants with executed leases as of December 31, 2010, and includes leased anchors.
(4) Bonita Lakes Crossing - We are the lessee under a ground lease for 34 acres, which extends through June 30, 2035, including one 25-year renewal option. The annual rent at December 31, 2010 was $24,046, increasing by an average of 2% each year.
(5) Owned by the tenant.
(6) CoolSprings Crossing - Space is owned by SM Newco Franklin LLC, an affiliate of Developers Diversified, and subleased to HH Gregg and Whole Foods.
(7) Frontier Square - Space is owned by 1639 11th Street Associates and subleased to PETCO, Ross, and TJ Maxx.
(8) Hamilton Crossing - Space is owned by Schottenstein Property Group and subleased to HomeGoods and Michaels.
(9) Madison Plaza - Space is owned by SM Newco Huntsville LLC, an affiliate of Developers Diversified, and subleased to HH Gregg.
(10) Westmoreland Crossing - Space is owned by Schottenstein Property Group and subleased to Michaels and T.J. Maxx.
(11) Chapel Hill Suburban, The Shoppes at St. Clair Square and Westmoreland Crossing: These properties are presented on a consolidated basis in our financial statements; See Note 3 of the Notes to Consolidated Financial Statements in Part IV, Item 15.

Associated Centers Lease Expirations

The following table summarizes the scheduled lease expirations for Associated Center tenants in occupancy as of December 31, 2010:

Year Ending December 31,	Number of Leases Expiring	Annualized Gross Rent (1)	GLA of Expiring Leases	Average Annualized Gross Rent Per Square Foot	Expiring Leases as % of Total Annualized Gross Rent (2)	Expiring Leases as % of Total Leased GLA (3)
2011	20	$ 1,573,000	131,000	$ 12.01	3.8 %	4.4 %
2012	42	4,132,000	353,000	11.71	10.1 %	11.7 %
2013	41	4,065,000	309,000	13.16	9.9 %	10.3 %
2014	36	4,008,000	299,000	13.40	9.8 %	9.9 %
2015	43	5,408,000	404,000	13.39	13.2 %	13.4 %
2016	26	4,549,000	264,000	17.23	11.1 %	8.8 %
2017	21	4,219,000	329,000	12.82	10.3 %	10.9 %
2018	11	1,831,000	119,000	15.39	4.5 %	3.9 %
2019	16	2,841,000	180,000	15.78	6.9 %	6.0 %
2020	7	1,562,000	160,000	9.76	3.8 %	5.3 %

(1) Total annualized gross rent, including recoverable common area expenses and real estate taxes, in effect at December 31, 2010 for expiring leases that were executed as of December 31, 2010.
(2) Total annualized gross rent, including recoverable common area expenses and real estate taxes, of expiring leases as a percentage of the total annualized gross rent of all leases that were executed as of December 31, 2010.
(3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2010.

Debt on Associated Centers

Please see the table entitled “Mortgage Loans Outstanding at December 31, 2010” included herein for information regarding any liens or encumbrances related to our Associated Centers.

Community Centers

We own a controlling interest in eight Community Centers and a non-controlling interest in four Community Centers. Community Centers typically have less development risk because of shorter development periods and lower costs. While Community Centers generally maintain higher occupancy levels and are more stable, they typically have slower rent growth because the anchor stores’ rents are typically fixed and are for longer terms.

Community Centers are designed to attract local and regional area customers and are typically anchored by a combination of supermarkets, or value-priced stores that attract shoppers to each center’s small shops. The tenants at our Community Centers typically offer necessities, value-oriented and convenience merchandise.

We own the land underlying the Community Centers in fee simple interest, except for Massard Crossing which is subject to long-term ground leases.

The following table sets forth certain information for each of our Community Centers at December 31, 2010:

Community Center / Location	Year of Opening/ Most Recent Expansion	Company's Ownership		Total GLA (1)	Total Leasable GLA (2)	Percentage GLA Occupied (3)		Anchors
Cobblestone Village at Palm Coast Palm Coast, FL	2007	100	%	96,891	22,876	97	%	Belk (4)
Hammock Landing West Melbourne, FL	2009	50	%	353,760	216,759	85	%	HH Gregg, Kohl's (4), Marshall's, Michaels, PETCO, Target (4), ULTA
High Pointe Commons Harrisburg, PA	2006/2008	50	%	341,313	118,850	92	%	JC Penney (4), Target (4), Christmas Tree Shops
Massard Crossing (5) Ft. Smith, AR	2001	10	%	300,717	98,410	99	%	Goody's, TJ Maxx, WalMart (4)
Oak Hollow Square High Point, NC	1998	100	%	138,673	138,673	100	%	Harris Teeter, Stein Mart, Triad Furniture
Renaissance Center High Point, NC	2003/2007	50	%	355,396	325,596	92	%	Best Buy, Cost Plus, Nordstrom, REI, Pier 1 imports, Toys R Us, Old Navy, ULTA,
Statesboro Crossing Statesboro, GA	2008	100	%	134,705	134,705	98	%	Books A Million, Hobby Lobby, PETCO, TJ Maxx
The Pavillion at Port Orange Port Orange, FL	2010	50	%	345,890	345,890	94	%	Belk, Hollywood Theaters, HomeGoods, Marshall's, Michaels, PETCO, ULTA
The Promenade D'Iberville, MS	2009	85	%	497,896	280,936	95	%	Best Buy, Dick's Sporting Goods, Kohl's (4), Marshall's, Michaels, Office Depot, PetSmart, Target (4), ULTA
Westridge Square Greensboro, NC	1984/1987	100	%	215,193	215,193	100	%	Harris Teeter, Kohl's
Willowbrook Plaza Houston, TX	1999	10	%	384,829	284,829	76	%	American Multi-Cinema, Finger Furniture,

				Lane Home Furnishings
Total Community Centers	3,165,263	2,182,717	92 %	

(1) Includes total square footage of the Anchors (whether owned or leased by the Anchor) and shops. Does not include future expansion areas.
(2) Includes leasable Anchors.
(3) Includes tenants with executed leases as of December 31, 2010, and includes leased anchors.
(4) Owned by tenant.
(5) Massard Crossing – The land is ground leased through February 2016. The rent for 2010 was $41,556 with a 4% annual increase through the maturity date.

Community Centers Lease Expirations

The following table summarizes the scheduled lease expirations for tenants in occupancy at Community Centers as of December 31, 2010:

Year Ending December 31,	Number of Leases Expiring	Annualized Gross Rent (1)	GLA of Expiring Leases	Average Annualized Gross Rent Per Square Foot	Expiring Leases as % of Total Annualized Gross Rent (2)	Expiring Leases as a % of Total Leased GLA(3)
2011	21	$ 1,202,000	49,000	$ 24.53	3.7 %	2.4 %
2012	33	2,588,000	216,000	11.98	7.9 %	10.7 %
2013	27	2,473,000	118,000	20.96	7.5 %	5.8 %
2014	49	3,676,000	158,000	23.27	11.2 %	7.8 %
2015	25	1,947,000	86,000	22.64	5.9 %	4.3 %
2016	5	614,000	107,000	5.74	1.9 %	5.3 %
2017	18	2,462,000	118,000	20.86	7.5 %	5.8 %
2018	16	3,691,000	269,000	13.72	11.2 %	13.3 %
2019	20	5,153,000	274,000	18.81	15.7 %	13.6 %
2020	14	3,570,000	235,000	15.19	10.9 %	11.7 %

(1) Total annualized gross rent, including recoverable common area expenses and real estate taxes, in effect at December 31, 2010 for expiring leases that were executed as of December 31, 2010.
(2) Total annualized gross rent, including recoverable common area expenses and real estate taxes, of expiring leases as a percentage of the total annualized gross rent of all leases that were executed as of December 31, 2010.
(3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2010.

Debt on Community Centers

Please see the table entitled "Mortgage Loans Outstanding at December 31, 2010" included herein for information regarding any liens or encumbrances related to our Community Centers.

Office Buildings

We own a controlling interest in 14 Office Buildings and a non-controlling interest in six Office Buildings.

We own a 92% interest in the 128,000 square foot office building where our corporate headquarters is located. As of December 31, 2010, we occupied 61.8% of the total square footage of the building.

The following tables set forth certain information for each of our Office Buildings at December 31, 2010:

Office Building / Location	Year of Opening/ Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Leasable GLA	Percentage GLA Occupied
840 Greenbrier Circle Chesapeake, VA	1983	100 %	50,820	50,820	87 %
850 Greenbrier Circle Chesapeake, VA	1984	100 %	81,318	81,318	100 %
1500 Sunday Drive Raleigh, NC	2000	100 %	61,227	61,227	91 %
Bank of America Building Greensboro, NC	1988	50 %	49,327	49,327	100 %
CBL Center Chattanooga, TN	2001	92 %	128,265	128,265	97 %
CBL Center II Chattanooga, TN	2008	92 %	77,211	77,211	86 %
First Citizens Bank Building Greensboro, NC	1985	50 %	43,088	43,088	74 %
First National Bank Building Greensboro, NC	1990	50 %	3,774	3,774	100 %
Friendly Center Office Building Greensboro, NC	1972	50 %	32,262	32,262	72 %
Green Valley Office Building Greensboro, NC	1973	50 %	27,604	27,604	57 %
Lake Pointe Office Building Greensboro, NC	1996	100 %	88,088	88,088	89 %
Oak Branch Business Center Greensboro, NC	1990/1995	100 %	33,622	33,622	63 %
One Oyster Point Newport News, VA	1984	100 %	36,097	36,097	61 %
Pearland Office Pearland, TX	2009	100 %	58,689	58,689	42 %
Peninsula Business Center I Newport News, VA	1985	100 %	21,886	21,886	91 %
Peninsula Business Center II Newport News, VA	1985	100 %	40,430	40,430	100 %
Richland Office Plaza Waco, TX	1981	100 %	13,922	13,922	87 %
Suntrust Bank Building Greensboro, NC	1998	100 %	106,959	106,959	99 %
Two Oyster Point Newport News, VA	1985	100 %	39,283	39,283	77 %
Wachovia Office Building Greensboro, NC	1992	50 %	12,000	12,000	100 %
Total Office Buildings			1,005,872	1,005,872	86 %

(1) Includes total square footage of the offices. Does not include future expansion areas.

Office Buildings Lease Expirations

The following table summarizes the scheduled lease expirations for tenants in occupancy at Office Buildings as of December 31, 2010:

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Year Ending December 31,	Number of Leases Expiring	Annualized Gross Rent (1)	GLA of Expiring Leases	Average Annualized Gross Rent Per Square Foot	Expiring Leases as % of Total Annualized Gross Rent (2)	Expiring Leases as a % of Total Leased GLA (3)
2011	27	$ 1,275,000	77,000	$ 16.56	7.1 %	8.5 %
2012	27	2,498,000	139,000	17.97	13.8 %	15.3 %
2013	30	1,925,000	118,000	16.31	10.7 %	13.0 %
2014	10	1,479,000	89,000	16.62	8.2 %	9.8 %
2015	13	1,917,000	92,000	20.84	10.6 %	10.1 %
2016	8	3,533,000	143,000	24.71	19.6 %	15.8 %
2017	3	1,531,000	85,000	18.01	8.5 %	9.3 %
2018	3	1,994,000	58,000	34.38	11.0 %	6.4 %
2019	1	690,000	42,000	16.43	3.8 %	4.6 %
2020	1	118,000	6,000	19.67	0.7 %	0.6 %

(1) Total annualized contractual gross rent, including recoverable common area expenses and real estate taxes, in effect at December 31, 2010 for expiring leases that were executed as of December 31, 2010.
(2) Total annualized contractual gross rent, including recoverable common area expenses and real estate taxes, of expiring leases as a percentage of the total annualized gross rent of all leases that were executed as of December 31, 2010.
(3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2010.

Debt on Office Buildings

Please see the table entitled “Mortgage Loans Outstanding at December 31, 2010” included herein for information regarding any liens or encumbrances related to our Offices.

Mortgages

We own eight mortgages, seven of which are collateralized by first mortgages and one of which is collateralized by a wrap-around mortgage on the underlying real estate and related improvements. The mortgages are more fully described on Schedule IV in Part IV of this report.

Mortgage Loans Outstanding at December 31, 2010 (in thousands):

Property	Our Ownership Interest	Stated Interest Rate	Principal Balance as of 12/31/10 (1)	Annual Debt Service	Maturity Date	Optional Extended Maturity Date	Balloon Payment Due on Maturity	Open to Prepayment Date (2)
Consolidated Debt								
Malls:								
Alamance Crossing	100 %	1.51 %	52,183	$ 788	Sep-11	-	$ 52,183	Open (4)
Arbor Place	100 %	6.51 %	66,936	6,610	Jul-12	-	63,397	Open
Asheville Mall	100 %	6.98 %	62,141	5,677	Sep-11	-	61,229	Open (11)
Brookfield Square	100 %	5.08 %	96,362	6,822	Nov-15	-	85,601	Open
Burnsville Center	100 %	6.00 %	82,395	6,417	Jul-20	-	63,589	Jul-13
Cary Towne Center	100 %	8.50 %	63,441	6,898	Mar-17	-	45,114	Open (11)

Chapel Hill Mall *	100 %	6.10 %	72,537	5,599	Aug-16	-	64,609	Open
CherryVale Mall	100 %	5.00 %	86,029	6,055	Oct-15	-	76,647	Open
Chesterfield Mall *	100 %	5.74 %	140,000	8,344	Sep-16	-	140,000	Open
Citadel Mall	100 %	5.68 %	71,318	5,226	Apr-17	-	62,525	Open
Columbia Place	100 %	5.45 %	28,322	2,493	Sep-13	-	25,512	Open
CoolSprings Galleria	100 %	6.98 %	113,664	10,683	May-18	-	87,037	Jun-13
Cross Creek Mall	100 %	7.40 %	57,981	5,401	Apr-12	-	56,520	Open
East Towne Mall	100 %	5.00 %	73,340	5,153	Nov-15	-	65,231	Open
Eastland Mall	100 %	5.85 %	59,400	3,475	Dec-15	-	59,400	Open
Fashion Square	100 %	6.51 %	51,249	5,061	Jul-12	-	48,540	Open

Property	Our Ownership Interest	Stated Interest Rate	Principal Balance as of 12/31/10 (1)	Annual Debt Service	Maturity Date	Optional Extended Maturity Date	Balloon Payment Due on Maturity	Open to Prepayment Date (2)
Fayette Mall	100 %	7.00 %	85,045	7,824	Jul-11	-	84,096	Open
Greenbrier Mall *	100 %	5.91 %	79,910	6,055	Aug-16	-	71,111	Open
Hamilton Place	90 %	5.86 %	109,938	8,292	Aug-16	-	97,757	Open
Hanes Mall	100 %	6.99 %	160,231	13,080	Oct-18	-	140,968	Open
Hickory Hollow Mall	100 %	6.00 %	28,786	4,630	Oct-18	-	-	Open (5)
Hickory Point Mall	100 %	5.85 %	30,790	2,347	Dec-15	-	27,690	Open
Honey Creek Mall	100 %	8.00 %	32,577	3,373	Jul-19	-	23,290	Open (6)
Janesville Mall	100 %	8.38 %	7,868	1,857	Apr-16	-	-	Open
Jefferson Mall	100 %	6.51 %	37,287	3,682	Jul-12	-	35,316	Open
Laurel Park Place	100 %	8.50 %	46,258	4,985	Dec-12	-	44,096	Open
Layton Hills Mall	100 %	5.66 %	101,930	7,453	Apr-17	-	89,327	Open
Mall del Norte	100 %	5.04 %	113,400	5,715	Dec-14	-	113,400	Open
Mall of Acadiana *	100 %	5.67 %	142,617	10,435	Apr-17	-	124,998	Open
Mid Rivers Mall *	100 %	7.24 %	78,748	5,701	Jul-11	-	78,748	Open
Midland Mall	100 %	6.10 %	35,797	2,763	Aug-16	-	31,885	Open
Monroeville Mall	100 %	5.73 %	113,765	10,363	Jan-13	-	105,507	Open
Northpark Mall	100 %	5.75 %	36,063	3,171	Mar-14	-	32,250	Open
Northwoods Mall	100 %	6.51 %	53,384	5,271	Jul-12	-	50,562	Open
Oak Hollow Mall	75 %	2.00 %	39,484	4,709	Feb-12	-	37,549	Open
Oak Park Mall	100 %	5.85 %	275,700	16,128	Dec-15	-	275,700	Open
Old Hickory Mall	100 %	6.51 %	29,567	2,920	Jul-12	-	28,004	Open
Panama City Mall	100 %	7.30 %	36,495	3,373	Aug-11	-	36,089	Open
Parkway Place	100 %	6.50 %	41,717	3,403	Jul-20	-	32,660	Jul-13
Pearland Office	100 %	2.71 %	7,562	205	Jul-11	Jul-12	7,562	Open (4)
Pearland Town Center	100 %	2.71 %	126,321	3,423	Jul-11	Jul-12	126,321	Open (4)
Randolph Mall	100 %	6.50 %	12,891	1,272	Jul-12	-	12,209	Open
Regency Mall	100 %	6.51 %	29,238	2,887	Jul-12	-	27,693	Open
RiverGate Mall	100 %	2.51 %	87,500	2,196	Sep-11	Sep-13	87,500	Open
South County Center *	100 %	4.96 %	75,791	5,515	Oct-13	-	70,625	Open
Southpark Mall	100 %	7.00 %	32,229	3,308	May-12	-	30,763	Open
St. Clair Square *	100 %	4.53 %	70,875	4,711	Jan-15	-	64,500	Open (12)
Valley View Mall	100 %	6.50 %	64,561	5,267	Jul-20	-	50,547	Jul-13
Volusia Mall	100 %	8.00 %	56,040	5,802	Jul-19	-	40,063	Open (6)
West County Center*	100 %	5.19 %	148,949	11,189	Apr-13	-	140,958	Open
West County Center - restaurant village*	100 %	1.26 %	29,424	371	Mar-11	Mar-13	29,424	Open (4)
West Towne Mall	100 %	5.00 %	103,592	7,279	Nov-15	-	92,139	Open
WestGate Mall	100 %	6.50 %	46,310	4,570	Jul-12	-	43,860	Open
Westmoreland Mall *	100 %	5.05 %	68,915	5,993	Mar-13	-	63,175	Open
			3,854,853	292,220			3,505,476	
Associated Centers:								
The Courtyard at Hickory Hollow	100 %	6.00 %	1,663	267	Oct-18	-	-	Open (5)
EastGate Crossing	100 %	5.66 %	15,875	1,159	May-17	-	13,862	Open
Hamilton Corner	90 %	5.67 %	16,159	1,183	Apr-17	-	14,341	Open

The Landing at Arbor Place	100 %	6.51 %	7,556	746	Jul-12	-	7,157	Open	
The Plaza at Fayette	100 %	5.67 %	42,102	3,081	Apr-17	-	36,819	Open	
The Shoppes at St. Clair *	100 %	5.67 %	21,337	1,562	Apr-17	-	18,702	Open	
The Terrace	92 %	7.25 %	14,693	1,284	Jun-20	-	10,814	Open	
			119,385	9,282			101,695		
Community Centers:									
Massard Crossing, Pemberton Plaza and Willowbrook Plaza	10 %	7.54 %	34,961	3,264	Feb-12	-	34,230	Open	(7)
The Promenade	85 %	2.13 %	64,265	1,369	Mar-11	Mar-12	64,265	Open	(4)
Southaven Towne Center	100 %	5.50 %	43,366	3,134	Jan-17	-	37,969	Open	(4)
Statesboro Crossing	50 %	1.26 %	15,002	189	Feb-11	Feb-13	15,002	Open	
			157,594	7,956			151,466		

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Property	Our Ownership Interest	Stated Interest Rate	Principal Balance as of 12/31/10 (1)	Annual Debt Service	Maturity Date	Optional Extended Maturity Date	Balloon Payment Due on Maturity	Open to Prepayment Date (2)
Office Buildings:								
CBL Center	92 %	6.25 %	13,139	1,108	Aug-12	-	12,662	Open
CBL Center II	92 %	4.50 %	11,599	522	Aug-11	-	11,599	Open (4)
			24,738	1,630			24,261	
Credit Facilities:								
Secured Credit Facility - $525,000 capacity	100 %	5.25 %	75,124	3,944	Feb-12	Feb-13	75,124	Open
Secured Credit Facility - $520,000 capacity	100 %	3.10 %	518,920	16,087	Aug-11	Apr-14	518,920	Open
Secured Credit Facility - $105,000 capacity	100 %	4.50 %	4,200	189	Jun-12	-	4,200	Open
Unsecured term facility - General	100 %	1.92 %	228,000	4,378	Apr-11	Apr-13	228,000	Open
Unsecured term facility - Starmount	100 %	1.39 %	209,494	2,912	Nov-11	Nov-12	209,494	Open
			1,035,738	27,510			1,035,738	
Construction Properties:								
Alamance West	100 %	3.26 %	582	19	Dec-13	Dec-15	582	Open (4)
The Forum at Grandview - Land	75 %	3.76 %	1,800	68	Sep-12	Sep-13	1,800	Open (4)
The Forum at Grandview	75 %	3.26 %	9,741	318	Sep-13	Sep-14	9,741	Open (4)
The Outlet Shoppes at Oklahoma City	75 %	3.27 %	2,413	79	Dec-13	Dec-15	2,413	Open (4)
			14,536	484			14,536	
Unamortized Premiums (Discounts)			2,903	-			-	(8)
Total Consolidated Debt			$ 5,209,747	$ 339,082			$ 4,833,172	
Unconsolidated Debt:								
Bank of America Building	50 %	5.33 %	9,250	493	Apr-13	-	9,250	Open
	50 %	5.09 %	85,633	7,078	Oct-14	-	74,423	Open (3)

Coastal Grand-Myrtle Beach								
First Citizens Bank Building	50 %	5.33 %	5,110	272	Apr-13	-	5,110	Open
First National Bank Building	50 %	5.33 %	809	43	Apr-13	-	809	Open
Friendly Center Office Building	50 %	5.33 %	2,199	264	Apr-13	-	4,949	Open
Friendly Shopping Center	50 %	5.33 %	77,625	4,137	Apr-13	-	77,625	Open
Governor's Square Mall	48 %	8.23 %	24,552	3,476	Sep-16	-	14,144	Open
Green Valley Office Building	50 %	5.33 %	1,941	103	Apr-13	-	1,941	Open
Gulf Coast Town Center (Phase I)	50 %	5.60 %	190,800	10,685	Jul-17	-	190,800	Open
Gulf Coast Town Center (Phase III)	50 %	1.76 %	11,561	203	Apr-11	Apr-12	11,561	Open (4)(10)
Hammock Landing (Phase I)	50 %	4.50 %	42,334	1,905	Aug-11	Aug-13	42,334	Open (4)(10)
Hammock Landing (Phase II)	50 %	2.26 %	3,276	74	Aug-11	-	3,276	Open (4)(10)
High Pointe Commons (Phase I)	50 %	5.74 %	14,592	1,211	May-17	-	12,068	Open
High Pointe Commons (Phase II)	50 %	6.10 %	5,820	481	Jul-17	-	4,807	Open
Imperial Valley Mall	60 %	4.99 %	54,900	3,859	Sep-15	-	49,019	Open
Kentucky Oaks Mall	50 %	5.27 %	26,406	2,429	Jan-17	-	19,223	Open
Renaissance Center (Phase I)	50 %	5.61 %	35,009	2,569	Jul-16	-	31,297	Open
Renaissance Center (Phase II)	50 %	5.22 %	15,700	820	Apr-13	-	15,700	Open
Summit Fair	27 %	4.00 %	80,437	3,217	Jul-12	-	80,437	Open (4)(9)
The Pavilion at Port Orange	50 %	4.50 %	69,363	3,121	Dec-11	Dec-13	69,363	Open (4)(10)
The Shops at Friendly Center	50 %	5.90 %	42,592	3,203	Jan-17	-	37,639	Open
Triangle Town Center	50 %	5.74 %	190,553	14,367	Dec-15	-	170,715	Open
Wachovia Office Building	50 %	5.33 %	3,066	163	Apr-13	-	3,066	Open
York Town Center	50 %	1.51 %	40,075	605	Oct-11	-	40,075	Open (4)
Total Unconsolidated Debt			$ 1,033,603	$ 64,778			$ 969,631	

Total Consolidated and Unconsolidated Debt	$ 6,243,350	$ 403,860	$ 5,802,803	
Company's Pro-Rata Share of Total Debt	$ 5,750,555	$ 425,554		(13)

* Properties owned in a Joint Venture of which common stock is owned 100% by CBL.
(1) The amount listed includes 100% of the loan amount even though the Company may have less than a 100% ownership interest in the property.
(2) Prepayment premium is based on yield maintenance or defeasance.
(3) The amounts shown represent a first mortgage securing the property. In addition to the first mortgage, there is also $18,000 of B-notes that are payable to the Company and its joint venture partner, each of which hold $9,000 for Coastal Grand - Myrtle Beach.
(4) The interest rate is variable at various spreads over LIBOR priced at the rates in effect at December 31, 2010. The note is prepayable at any time without prepayment penalty.
(5) The mortgages are cross-collateralized and cross-defaulted and the loan is prepayable at any time without prepayment penalty.
(6) The mortgages are cross-collateralized and cross-defaulted.
(7) The mortgages are cross-collateralized and cross-defaulted.
(8) Represents premiums related to debt assumed to acquire real estate assets, which had stated interest rates that were above or below the estimated market rates for similar debt instruments at the respective acquisition dates.
(9) The Company has guaranteed 27%, up to a maximum of $24,379, of the outstanding balance of this construction financing.
(10) The Company owns less than 100% of the property but guarantees 100% of the debt.
(11) Commencing on April 5, 2009, Cary Towne Center has 30 monthly installments of $997 for principal and interest of which $400 represents additional payment of principal through September 5, 2011. Subsequent monthly installments of principal and interest shall be reduced to $575 beginning on October 5, 2011. This mortagage is cross-defaulted with the mortgage on Asheville Mall.
(12) The Company has entered into an interest rate cap on a notional amount of $72,000, amortizing to $69,375 over the term of the cap, related to st. Clair Square to limit the maximum interest rate that may be applied to the variable-rate loan to 7.00%. The cap terminates in January 2012.
(13 Represents the Company's pro rata share of debt, including our share of unconsolidated affiliates' debt and excluding noncontrolling interests' share of consolidated debt on shopping center properties.

The following is a reconciliation of consolidated debt to the Company's pro rata share of total debt:

Total consolidated debt	$	5,209,747
Noncontrolling interests' share of consolidated debt		(25,636)
Company's share of unconsolidated debt		566,444
Company's pro rata share of total debt	$	5,750,555

The following Properties have been pledged as collateral for our secured lines of credit:

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Property	Location
Bonita Crossing	Meridian, MS
Bonita Lakes Mall	Meridian, MS
Brookfield Square (1)	Brookfield, WI
Citadel Mall (1)	Charleston, SC
College Square	Morristown, TN
CoolSprings Crossing	Nashville, TN
The District at Monroeville	Pittsburgh, PA
EastGate Mall	Cincinnati, OH
Foothills Mall (1)	Maryville, TN
Foothills Plaza	Maryville, TN
Frontier Mall	Cheyenne, WY
Frontier Square	Cheyenne, WY
Georgia Square	Athens, GA
Georgia Square Plaza	Athens, GA
Gunbarrel Pointe	Chattanooga, TN
Hamilton Crossing	Chattanooga, TN
Harford Annex	Bel Air, MD
Harford Mall	Bel Air, MD
The Lakes Mall	Muskegon, MI
Lakeshore Mall	Sebring, FL
Madison Plaza	Huntsville, AL
Madison Square	Huntsville, AL
Mall del Norte (1)	Laredo, TX
Meridian Mall	Lansing, MI
Park Plaza Mall	Little Rock, AR
Parkdale Crossing	Beaumont, TX
Parkdale Mall	Beaumont, TX
Post Oak Mall	College Station, TX
Richland Mall	Waco, TX
Richland Office Plaza	Waco, TX
River Ridge Mall	Lynchburg, VA

The Shoppes at Hamilton Place	Chattanooga, TN
The Shoppes at Panama City	Panama City, FL
Stroud Mall	Stroudsburg, PA
Sunrise Commons	Brownsville, TX
Sunrise Mall	Brownsville, TX
Turtle Creek Mall	Hattiesburg, MS
Walnut Square	Dalton, GA
WestGate Crossing	Spartanburg, SC
West Towne Crossing	Madison, WI
York Galleria	York, PA

(1) Only certain parcels at these Properties have been pledged as collateral

Other than our property-specific mortgage or construction loans and secured lines of credit, there are no material liens or encumbrances on our Properties.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common stock of CBL & Associates Properties, Inc. is traded on the New York Stock Exchange. The stock symbol is "CBL". Quarterly sale prices and dividends paid per share of Common stock are as follows:

	Market Price		
Quarter Ended	High	Low	Dividend
2010			
March 31	$ 15.56	$ 9.21	$ 0.200
June 30	$ 16.59	$ 12.19	$ 0.200
September 30	$ 14.77	$ 11.03	$ 0.200
December 31	$ 19.00	$ 12.98	$ 0.200
2009			
March 31	$ 8.90	$ 1.92	$ 0.370
June 30	$ 8.27	$ 2.16	$ 0.110
September 30	$ 11.17	$ 4.10	$ 0.050
December 31	$ 10.69	$ 7.60	$ 0.050

There were approximately 813 shareholders of record for our common stock as of February 9, 2011.

Future dividend distributions are subject to our actual results of operations, economic conditions, issuances of common stock and such other factors as our board of directors deems relevant. Our actual results of operations will be affected by a number of factors, including the revenues received from the Properties, our operating expenses, interest expense, unanticipated capital expenditures and the ability of the anchors and tenants at the Properties to meet their obligations for payment of rents and tenant reimbursements.

See Part III, Item 12 contained herein for information regarding securities authorized for issuance under equity compensation plans.

The following table presents information with respect to repurchases of common stock made by us during the three months ended December 31, 2010:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
Oct. 1–31, 2010	—	$ —	—	$ —
Nov. 1–30, 2010	73	18.20	—	—
Dec. 1–31, 2010	—	—	—	—

Total	73	$ 18.20	—	$ —

(1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax withholding requirements related to the vesting of shares of restricted stock issued under the CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan, as amended.

(2) Represents the market value of the common stock on the vesting date for the shares of restricted stock, which was used to determine the number of shares required to be surrendered to satisfy income tax withholding requirements.

ITEM 6. SELECTED FINANCIAL DATA
(In thousands, except per share data)

	Year Ended December 31, (1)				
	2010	2009	2008	2007	2006
Total revenues	$ 1,071,804	$ 1,082,279	$ 1,132,174	$ 1,036,163	$ 993,139
Total operating expenses	(701,302)	(802,272)	(756,505)	(612,023)	(579,380)
Income from operations	370,502	280,007	375,669	424,140	413,759
Interest and other income	3,873	5,211	10,076	10,905	9,084
Interest expense	(286,579)	(292,826)	(311,710)	(286,455)	(256,824)
Loss on extinguishment of debt	-	(601)	-	(227)	(935)
Gain (loss) on investments	888	(9,260)	(17,181)	(18,456)	-
Gain on sales of real estate assets	2,887	3,820	10,865	15,570	14,505
Equity in earnings (losses) of unconsolidated affiliates	(188)	5,489	2,831	3,502	5,295
Income tax benefit (provision)	6,417	1,222	(13,495)	(8,390)	(5,902)
Income (loss) from continuing operations	97,800	(6,938)	57,055	140,589	178,982
Discontinued operations	370	(127)	5,986	7,019	12,978
Net income (loss)	98,170	(7,065)	63,041	147,608	191,960
Net (income) loss attributable to noncontrolling interests in:					
Operating partnership	(11,018)	17,845	(7,495)	(46,246)	(70,323)
Other consolidated subsidiaries	(25,001)	(25,769)	(23,959)	(12,215)	(4,136)
Net income (loss) attributable to the Company	62,151	(14,989)	31,587	89,147	117,501
Preferred dividends	(32,619)	(21,818)	(21,819)	(29,775)	(30,568)
Net income (loss) available to common shareholders	$ 29,532	$ (36,807)	$ 9,768	$ 59,372	$ 86,933
Basic per share data attributable to common shareholders:					
Income (loss) from continuing operations, net of preferred dividends	$ 0.21	$ (0.35)	$ 0.10	$ 0.84	$ 1.24
Net income (loss) attributable to common shareholders	$ 0.21	$ (0.35)	$ 0.15	$ 0.90	$ 1.35
Weighted average shares outstanding	138,375	106,366	66,313	65,694	64,329
Diluted per share data attributable to common shareholders:					
Income (loss) from continuing operations, net of preferred dividends	$ 0.21	$ (0.35)	$ 0.10	$ 0.84	$ 1.21
Net income (loss) attributable to common shareholders	$ 0.21	$ (0.35)	$ 0.15	$ 0.90	$ 1.32
Weighted average common and potential dilutive common shares outstanding	138,416	106,366	66,418	66,190	65,652
Amounts attributable to common shareholders:					

Income (loss) from continuing operations, net of preferred dividends	$ 29,263	$ (36,721)	$ 6,374	$ 55,409	$ 79,730
Discontinued operations	269	(86)	3,394	3,963	7,203
Net income (loss) attributable to common shareholders	$ 29,532	$ (36,807)	$ 9,768	$ 59,372	$ 86,933
Dividends declared per common share	$ 0.80	$ 0.58	$ 2.01	$ 2.06	$ 1.88

	December 31,				
	2010	2009	2008	2007	2006
BALANCE SHEET DATA:					
Net investment in real estate assets	$ 6,890,137	$ 7,095,035	$ 7,321,480	$ 7,402,278	$ 6,094,251
Total assets	7,506,554	7,729,110	8,034,335	8,105,047	6,518,810
Total mortgage and other indebtedness	5,209,747	5,616,139	6,095,676	5,869,318	4,564,535
Redeemable noncontrolling interests	458,213	444,259	439,672	463,445	73,245
Shareholders' equity:					
Redeemable preferred stock	23	12	12	12	32
Other shareholders' equity	1,300,315	1,117,884	788,512	895,171	1,030,712
Total shareholders' equity	1,300,338	1,117,896	788,524	895,183	1,030,744
Noncontrolling interests	223,605	302,483	380,472	482,217	540,317
Total equity	$ 1,523,943	$ 1,420,379	$ 1,168,996	$ 1,377,400	$ 1,571,061

	Year Ended December 31,				
	2010	2009	2008	2007	2006
OTHER DATA:					
Cash flows provided by (used in):					
Operating activities	$ 429,792	$ 431,638	$ 419,093	$ 470,279	$ 388,911
Investing activities	(5,558)	(160,302)	(360,601)	(1,103,121)	(347,239)
Financing activities	(421,400)	(275,834)	(71,512)	669,968	(41,810)
Funds From Operations (FFO) of the Operating Partnership (2)	354,601	282,206	376,273	361,528	390,089
FFO allocable to Company shareholders	258,256	190,066	213,347	204,119	216,499

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(1) Please refer to Notes 2, 3 and 5 to the consolidated financial statements for a description of impairment charges, acquisitions and joint venture transactions that have impacted the comparability of the financial information presented. Also, please refer to Note 4 to the consolidated financial statements for a description of discontinued operations that resulted in revisions to certain amounts previously reported.
(2) Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for the definition of FFO, which does not represent cash flows from operations as defined by accounting principles generally accepted in the United States and is not necessarily indicative of the cash available to fund all cash requirements. A reconciliation of FFO to net income (loss) attributable to common shareholders is presented on page 70.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes that are included in this annual report. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations have the same meanings as defined in the notes to the consolidated financial statements.

Executive Overview

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air centers, community centers and office properties. Our shopping centers are located in 26 states, but are primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

As of December 31, 2010, we owned controlling interests in 76 regional malls/open-air centers, 30 associated centers (each adjacent to a regional shopping mall), eight community centers and 14 office buildings, including our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity. As of December 31, 2010, we owned non-controlling interests in seven regional malls, four associated centers, four community centers and six office buildings. Because one or more of the other partners have substantive participating rights, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had controlling interests in one open-air center expansion, one community center expansion, and one outlet center, owned in a 75/25 joint venture, under construction at December 31, 2010. We also hold options to acquire certain development properties owned by third parties.

Throughout 2010, we have focused on stabilizing the operating income of each of our existing Properties and lowering our leverage levels. We are pleased that our results for this year reflect significant progress in these areas. Our stabilized mall portfolio occupancy level increased 160 basis points in 2010 over the prior year and we completed lease signings for more than 4.4 million square feet of space in our operating portfolio. Same-store sales per square foot for stabilized mall tenants 10,000 square feet or less for 2010 increased 2.5% over the prior year.

During 2010, we achieved attractive pricing on the disposition of several non-core shopping centers, generating cash to pay down variable-rate recourse debt. We also completed two preferred stock offerings in 2010 that raised approximately $232.3 million, after underwriting costs and related expenses. These transactions have substantially contributed to the reduction of approximately $435.2 million in our overall debt level at December 31, 2010 as compared to December 31, 2009. These accomplishments emphasize the strength of our Company and validate our strategic focus.

Our Funds From Operations ("FFO") for the year ended December 31, 2010 increased $72.4 million compared to the prior year. FFO was positively impacted by a decrease of $74.7 million in impairment charges related to our operating Properties compared to the prior year. FFO is a key performance measure for real estate companies. Please see the more detailed discussion of this measure on page 70.

The past two years have been challenging for the retail real estate environment. However, we have begun to see signs of economic improvement in the retail sector and we are optimistic that these trends will continue. While we have concentrated on stabilizing the operating income of each of our existing Properties in the recent past, we now look forward in 2011 to producing growth in operating income. We are focused on increasing our

gains in occupancy and improving lease spreads, as well as specialty leasing and branding. With a full year of positive sales growth behind us, we expect to see modest sales increases continue throughout the coming year. We anticipate that this will enhance the current leasing environment and are encouraged that we will begin to see positive traction in our renewal spreads. We believe CBL is emerging from the past recession as a stronger company and we are confident that 2011 will be a productive year for our organization.

Results of Operations

Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009

Properties that were in operation for the entire year during both 2010 and 2009 are referred to as the "2010 Comparable Properties." Since January 1, 2009, we have acquired or opened a total of six community centers as follows:

Property	Location	Date Acquired / Opened
New Developments:		
Hammock Landing (1)	West Melbourne, FL	April 2009
Summit Fair (2)	Lee's Summit, MO	August 2009
Settlers Ridge (Phase I) (3)	Robinson Township, PA	October 2009
The Promenade	D'Iberville, MS	October 2009
The Pavilion at Port Orange (Phase I and Phase 1A) (1)	Port Orange, FL	March 2010
The Forum at Grandview (Phase I)	Madison, MS	November 2010

(1) These Properties represent 50/50 joint ventures that are accounted for using the equity method of accounting and are included in equity in earnings (losses) of unconsolidated affiliates in the accompanying consolidated statements of operations.
(2) CBL's interest represents cost of the land underlying the project for which it will receive ground rent and a percentage of the net operating cash flows.
(3) This Property was sold in December 2010 and is included in Discontinued Operations.

Of these Properties, two community centers, The Promenade and The Forum at Grandview, are included in the Company's operations on a consolidated basis. In addition to the above Properties, in October 2010, we purchased the remaining 50% interest in Parkway Place in Huntsville, AL, from our joint venture partner. The results of operations of this Property, previously accounted for using the equity method of accounting, are included in the Company's operations on a consolidated basis beginning October 1, 2010. The Promenade, The Forum at Grandview and Parkway Place are collectively referred to as the "2010 New Properties". The transactions related to the 2010 New Properties impact the comparison of the results of operations for the year ended December 31, 2010 to the results of operations for the year ended December 31, 2009.

Revenues

Total revenues declined by $10.5 million for 2010 compared to the prior year. Rental revenues and tenant reimbursements declined by $10.5 million due to a decrease of $14.6 million from the 2010 Comparable Properties, partially offset by an increase of $4.1 million from the 2010 New Properties. The decrease in revenues of the 2010 Comparable Properties was primarily driven by declines of $9.8 million in tenant reimbursements and $4.7 million in lease termination fees. Tenant reimbursements have decreased primarily due to certain tenants converting their lease

payment terms to percentage in lieu or base rent. Tenant reimbursements have also been impacted by negative leasing spreads over the past year.

Our cost recovery ratio decreased to 101.9% for 2010 from 102.3% for 2009 primarily due to the decline in tenant reimbursements discussed above.

The decrease in management, development and leasing fees of $1.0 million was mainly attributable to lower development fee income due to the completion in 2009 or early 2010 of certain joint venture developments that were under construction during the prior year period.

Other revenues increased $1.0 million primarily due to higher revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total expenses decreased $101.0 million for 2010 compared to the prior year, primarily as a result of a decrease of $74.7 million in loss on impairment of real estate, as discussed further below. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $8.0 million due to lower expenses of $7.2 million related to the 2010 Comparable Properties and $0.8 million related to the 2010 New Properties. The decrease in property operating expenses of the Comparable Properties is primarily attributable to reductions of $3.1 million in promotion-related costs, $2.1 million in bad debt expense, $1.8 million in contracted security and maintenance expenses and $0.9 million in state tax expense. Property operating expenses continued to benefit from the cost containment program that we implemented in late 2008 and 2009. Bad debt expense decreased as a result of less store closure activity compared to the prior year.

The decrease in depreciation and amortization expense of $20.4 million resulted from a decrease of $22.5 million from the 2010 Comparable Properties, partially offset by an increase of $2.1 million related to the 2010 New Properties. The decrease attributable to the 2010 Comparable Properties is primarily due to a $13.0 million decline in depreciation expense for buildings and a $10.8 million decline in amortization of tenant allowances. The decline in depreciation expense for buildings was primarily due to the write-off of the value of certain buildings in the prior year that were reconstructed for new tenants in 2010. The decrease in amortization of tenant allowances was attributable to write-offs of certain unamortized tenant allowances in the prior year period related to several store closings.

General and administrative expenses increased $2.4 million primarily as a result of a reduction in capitalized overhead of $1.6 million coupled with an increase of $2.0 million in consulting fees and legal expenses, partially offset by a decline of $1.3 million in payroll and related expenses. As a percentage of revenues, general and administrative expenses were 4.0% in 2010 compared to 3.8% in 2009.

During the course of our normal quarterly impairment review process for the second quarter of 2010, it was determined that a write-down of the depreciated book value of Oak Hollow Mall in High Point, NC, to its estimated fair value of approximately $11.6 million was necessary. This resulted in a non-cash loss on impairment of real estate assets of $25.4 million in 2010. In addition, during the fourth quarter of 2010, we incurred a loss on impairment of real estate assets of $12.4 million due to a loss related to the sale of Milford Marketplace in Milford, CT, and the conveyance of ownership interest in phase I of Settlers Ridge in Pittsburgh, PA, a loss of $1.3 million attributable to the sale of Lakeview Pointe in Stillwater, OK, and a loss of $1.1 million related to the sale of a parcel of land. We recorded a non-cash loss on impairment of real estate assets of $114.9 million in 2009 related to write-downs of the carrying value of three shopping center properties to their estimated fair values. See Carrying Value of Long-Lived Assets in the Critical Accounting Policies and Estimates section herein for further discussion of impairment charges.

Other expenses decreased $0.3 million primarily due to a decrease of $1.1 million in abandoned projects expense, partially offset by higher expenses of $0.7 million related to our subsidiary that provides security and maintenance services to third parties.

Other Income and Expenses

Interest expense decreased $6.2 million in 2010 compared to the prior year primarily due to a decrease in the weighted average fixed and variable interest rates on our outstanding debt and lower overall debt levels as compared to the prior year as a result of efforts to deleverage our balance sheet, including the preferred stock offerings we completed in 2010. This decrease was partially offset by a decline in capitalized interest due to the opening of the New Properties in 2010.

During 2010, we recorded a gain on investment of $0.9 million related to the acquisition of the remaining 50% interest in Parkway Place in Hunstville, AL from our joint venture partner. During 2009, we incurred non-cash impairment

losses totaling $9.3 million. We recorded a charge of $7.7 million on our investment in Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, due to a decline in expected future cash flows. The decrease was a result of declining occupancy and sales due to the then downturn of the real estate market in China. We also recorded a $1.6 million charge related to the sale of our interest in Plaza Macaé in Macaé, Brazil to reflect the fair value of the investment.

During 2010, we recognized a gain on sales of real estate assets of $2.9 million related to the sale of eight parcels of land. We recognized a gain on sales of real estate assets of $3.8 million during 2009 from the sale of six parcels of land.

Equity in earnings (losses) of unconsolidated affiliates decreased by $5.7 million during 2010 primarily due to capital transactions related to two of our joint venture Properties that are owned with the same partner. During the third quarter of 2010, our joint venture partner contributed a significant amount of capital to one of the Properties and we received a substantial non-cash distribution from the other Property. These capital events had a one-time negative effect due to the resulting change in the allocation of earnings based on the waterfall provisions of each joint venture agreement.

The income tax benefit of $6.4 million in 2010 primarily relates to our taxable REIT subsidiary and consists of a current tax benefit of $8.4 million, partially offset by a deferred income tax provision of $2.0 million. During 2009, we recorded an income tax benefit of $1.2 million, consisting of a deferred tax benefit of $2.2 million, partially offset by a provision for current income taxes of $1.0 million.

We recognized a net gain from discontinued operations of $0.4 million in 2010, compared to a loss from discontinued operations of $0.1 million in 2009. Discontinued operations for 2010 and 2009 reflect the operating results of one mall that was sold in October 2010, three community centers that were sold in December 2010 and the true up of estimated expenses to actual amounts for Properties sold during previous years. Discontinued operations for 2010 includes a gain of $0.4 million related to the disposition of these Properties.

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

Properties that were in operation for the entire year during both 2009 and 2008 are referred to as the "2009 Comparable Properties." From January 1, 2008 through December 31, 2009, we acquired or opened a total of one mall, seven community centers, and two office buildings as follows:

Property	Location	Date Acquired / Opened
Acquisitions:		
Renaissance Center (1)	Durham, NC	February 2008
New Developments:		
CBL Center II	Chattanooga, TN	January 2008
Pearland Town Center	Pearland, TX	July 2008
Pearland Office	Pearland, TX	July 2008
Plaza Macaé (2)	Macaé, Brazil	September 2008
Statesboro Crossing	Statesboro, GA	October 2008
Hammock Landing (1)	West Melbourne, FL	April 2009
Summit Fair (3)	Lee's Summit, MO	August 2009
Settlers Ridge (Phase I) (4)	Robinson Township, PA	October 2009
The Promenade	D'Iberville, MS	October 2009

(1) These Properties represent 50/50 joint ventures that are accounted for using the equity method of accounting and are included in equity in earnings (losses) of unconsolidated affiliates in the accompanying consolidated statements of operations.

(2) This Property was sold in December 2009. It represented a 60/40 joint venture that was accounted for using the equity method of accounting and was included in equity in earnings (losses) of unconsolidated affiliates in the

accompanying consolidated statements of operations.

(3) CBL's interest represents cost of the land underlying the project for which it will receive ground rent and a percentage of the net operating cash flows.

(4) This Property was sold in December 2010 and is included in Discontinued Operations.

Of these Properties, one mall (Pearland Town Center), two community centers (Statesboro Crossing and The Promenade), and two office buildings (CBL Center II and Pearland Office) are included in the Company's operations on a consolidated basis (collectively referred to as the "2009 New Properties"). The transactions related to the 2009 New Properties impact the comparison of the results of operations for the year ended December 31, 2009 to the results of operations for the year ended December 31, 2008.

Revenues

Total revenues declined by $49.9 million for 2009 compared to 2008. Rental revenues and tenant reimbursements declined by $41.4 million due to a decrease of $49.8 million from the 2009 Comparable Properties, partially offset by an increase of $8.4 million from the 2009 New Properties. The decline in revenues of the 2009 Comparable Properties was primarily driven by decreases of $27.2 million in base rents, $16.0 million in tenant reimbursements, $5.0 million in net below market lease amortization and $1.5 million in lease termination fees. Base rents and tenant reimbursements declined due to decreased occupancy in 2009 compared to 2008.

Our cost recovery ratio improved to 102.3% for 2009 from 96.3% for 2008. While tenant reimbursements in 2009 declined from 2008 due to lower occupancy, the cost recovery ratio was positively impacted by operating expense reductions, including lower bad debt expense.

The decrease in management, development and leasing fees of $12.0 million was primarily attributable to lower management and development fee income. Management fee income for the prior year period included a one-time fee of $8.0 million received from Centro related to a joint venture with Galileo that we exited in 2005. Development fee income decreased $4.0 million due to the completion in 2008 or early 2009 of certain joint venture developments that were under construction during 2008.

Other revenues increased $3.5 million compared to the prior year period due to higher revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total expenses increased $45.8 million for 2009 compared to the prior year, primarily as a result of a $114.9 million loss on impairment of real estate, as discussed further below. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $33.9 million due to a decrease of $41.6 million related to the 2009 Comparable Properties, partially offset by an increase of $57.7 million of expenses attributable to the 2009 New Properties. The decrease in property operating expenses of the Comparable Properties is primarily attributable to reductions of $11.1 million in payroll and related expenses, $9.0 million in promotion costs, $8.0 million in contracted security and maintenance services, $4.4 million in bad debt expense, $1.7 million in utilities expense, $1.1 million in real estate tax expense and $1.0 million in snow removal costs. Payroll expenses declined due to our cost containment initiatives that were implemented during the latter half of 2008 which included staff reductions from centralization of certain administrative and operating functions and eliminations of certain pay increases and reductions of bonuses. Bad debt expense decreased as a result of less store closure and bankruptcy activity compared to 2008.

The decrease in depreciation and amortization expense of $23.4 million resulted from decreases of $26.9 million from the 2009 Comparable Properties, partially offset by increases of $3.5 million from the 2009 New Properties. The decrease attributable to the 2009 Comparable Properties is due to a decline in amortization of tenant allowances compared to the prior year period. Amortization of tenant allowances attributable to the 2009 Comparable Properties in the prior year period included approximately $40.2 million of write-offs of certain tenant allowances and intangible lease assets related to early lease terminations. This decrease was partially offset by increased depreciation expense related to capital expenditures for tenant allowances and deferred maintenance since the prior-year period.

General and administrative expenses decreased $4.2 million primarily as a result of declines of $9.9 million in payroll and related expenses and $2.5 million in travel and convention expenses, partially offset by a reduction in capitalized overhead of $8.8 million. The prior year period general and administrative expenses included $3.0 million of certain benefits related to the retirement of several senior officers and severance expenses related to staff reductions. As a percentage of revenues, general and administrative expenses were 3.8% in 2009 compared to 4.0% in 2008.

We recorded a non-cash loss on impairment of real estate assets of $114.9 million in 2009 related to write-downs of the carrying value of three shopping center properties to their estimated fair values. See Carrying

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Value of Long-Lived Assets in the Critical Accounting Polices and Estimates section herein for further discussion of these Properties and the related impairment charges.

Other expenses decreased $7.5 million primarily due to a decrease in abandoned projects expense of $10.8 million, partially offset by an increase of $3.3 million related to our subsidiary that provides security and maintenance services to third parties. The higher abandoned projects expense in 2008 was a result of our decision to forego further investments in certain projects that were in various stages of pre-development in order to preserve capital. None of the projects included in the 2008 write-offs were under construction.

Other Income and Expenses

Interest expense decreased $18.9 million primarily due to the decrease in variable interest rates for much of 2009 and lower overall debt levels as compared to the prior year period as a result of efforts to deleverage our balance sheet, including the common stock offering we completed in June 2009.

During 2009, we incurred impairment losses totaling $9.3 million. We recorded a non-cash charge of $7.7 million on our investment in Jinsheng, an established mall operating and real estate development company located in Nanjing, China, due to a decline in expected future cash flows. The projected decrease was a result of declining occupancy and sales due to the then downturn of the real estate market in China. We also recorded a $1.6 million charge related to the sale of our interest in Plaza Macaé in Macaé, Brazil to reflect the fair value of the investment. During 2008, we recorded a $17.2 million non-cash write-down related to certain investments in marketable securities. The impairment resulted from a significant and sustained decline in the market value of the securities.

During 2009, we recognized gain on sales of real estate assets of $3.8 million from the sale of six parcels of land. We recorded a gain on sales of real estate assets of $10.9 million in 2008 related to the sale of 13 parcels of land and one parcel of land for which the gain had previously been deferred.

Equity in earnings of unconsolidated affiliates increased by $2.7 million during 2009, primarily due to the opening of certain joint venture Properties during 2009 that were not in operation during 2008 and gains from a higher level of outparcel sales completed in 2009 by unconsolidated affiliates compared to 2008.

The income tax benefit of $1.2 million in 2009 relates to the results of our taxable REIT subsidiary and consists of a deferred tax benefit of $2.2 million, partially offset by a provision for current income taxes of $1.0 million. During 2008, we recorded an income tax provision of $13.5 million, consisting of a provision for current and deferred income taxes of $11.6 million and $1.9 million, respectively. The higher income tax provision for 2008 resulted from the recognition of the aforementioned $8.0 million fee income in addition to a significant amount of gains related to sales of outparcels and discontinued operations attributable to the taxable REIT subsidiary.

We recognized a loss on discontinued operations of $0.1 million in 2009, compared to income of $6.0 million in 2008. Discontinued operations for 2009 reflect the operating results of one mall and three community centers. Discontinued operations for 2008 include operating results of $2.2 million for one mall, ten community centers and two office Properties and a gain of $3.8 million related to the disposition of seven of the community centers, the two office Properties, and an outparcel sale at one of the community centers. Discontinued operations for 2009 and 2008 also include true-ups of estimated expenses to actual amounts for Properties sold during previous years.

Operational Review

The shopping center business is, to some extent, seasonal in nature with tenants typically achieving the highest levels of sales during the fourth quarter due to the holiday season, which generally results in higher percentage rents in the fourth quarter. Additionally, the malls earn most of their rents from short-term tenants during the holiday

period. Thus, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realized in any one quarter may not be indicative of the results likely to be experienced over the course of the fiscal year.

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. Pearland Town Center, which opened in July 2008, is our only non-stabilized mall as of December 31, 2010.

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

	Year Ended December 31,	
	2010	2009
Malls	90.3 %	90.7 %
Associated centers	3.9 %	3.8 %
Community centers	1.6 %	1.3 %
Mortgages, office building and other	4.2 %	4.2 %

Mall store sales for the year ended December 31, 2010 on a comparable per square foot basis were $322 per square foot compared with $314 per square foot for 2009, representing an increase of 2.5%. Holiday sales were solid, led by strong spending in November. Several major teen retailers that had been lagging in the markets posted strong comparative sales. We also saw encouraging results in categories such as jewelry, apparel, gifts and housewares. While first quarter 2011 sales may be impacted in certain regions by the recent major winter storms, we expect to see modest positive sales increases continue throughout the coming year.

Occupancy

Our portfolio occupancy is summarized in the following table:

	December 31,	
	2010	2009
Total portfolio	92.4 %	90.4 %
Total mall portfolio	92.9 %	91.3 %
Stabilized malls	93.2 %	91.6 %
Non-stabilized malls (1)	77.3 %	76.3 %
Associated centers	91.3 %	92.5 %
Community centers	91.8 %	80.9 %

(1) Represents occupancy for Pearland Town Center.

Leasing activity was strong throughout the year, as reflected in our occupancy increases. We posted a 200 basis point increase in the occupancy rate for our total portfolio, compared to the prior year, with stabilized mall occupancy improving by 160 basis points over the prior year. At December 31, 2011, we anticipate an increase in occupancy levels ranging from 75 to 100 basis points compared with the prior year.

Leasing

During 2010, we signed more than 4.8 million square feet of leases, including approximately 0.4 million square feet of development leases and approximately 4.4 million square feet of leases in our operating portfolio. This compares with a total of approximately 5.0 million square feet of leases signed during 2009, including approximately 0.3 million square feet of development leasing and 4.7 million square feet of leases in our operating portfolio.

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

	December 31,	
	2010	2009
Stabilized malls	$ 29.32	$ 29.35
Non-stabilized malls	26.23	27.06
Associated centers	12.04	11.75
Community centers	13.76	14.99
Office Buildings	18.14	19.10

Results from new and renewal leasing of comparable small shop space of less than 10,000 square feet during the year ended December 31, 2010 for spaces that were previously occupied are as follows:

Property Type	Square Feet	Prior Gross Rent PSF	New Initial Gross Rent PSF	% Change Initial	New Average Gross Rent PSF (2)	% Change Average
All Property Types (1)	2,788,111	$ 37.33	$ 33.50	-10.3 %	$ 34.53	-7.5 %
Stabilized Malls	2,540,679	39.01	34.95	-10.4 %	36.03	-7.6 %
New leases	661,387	43.64	41.74	-4.4 %	44.02	0.9 %
Renewal leases	1,879,292	37.38	32.57	-12.9 %	33.22	-11.1 %

(1) Includes stabilized malls, associated centers, community centers and office buildings.
(2) Average gross rent does not incorporate allowable future increases for recoverable common area expenses.

For stabilized mall leasing in 2010, on a same space basis, rental rates were signed at an average decrease of 7.6% from the prior gross rent per square foot for new and renewal leases. While we are pleased with the significant improvement over the prior year decrease of 12.4%, we are still working hard to get the lease spreads into positive territory. We are concurrently seeking longer term leases with the deals that achieve positive rental rate growth. However, renewal leasing spreads are still being diminished by a few disproportionately negative portfolio deals with retailers whose businesses have not yet recovered. While these deals weigh heavily on our spreads, we evaluate each deal on its merits and make the decision in certain circumstances to preserve occupancy and rent while we work to replace the tenant or help their sales levels recover.

We are seeing a decreased frequency in the signing of shorter term leases in locations where space may not currently be renting at favorable rates. We are pleased by this trend and believe this will continue throughout the year as the economy recovers. We will also be looking to improve the rental rates on shorter term deals that we have signed over the last twelve months as they expire. With a full year of positive sales growth and limited new retail space supply, we are optimistic about the leasing environment and are encouraged that we will begin to see positive traction in our renewal spreads.

Liquidity and Capital Resources

During 2010, we completed equity offerings in which we sold a total of 11,150,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per share. The net proceeds, after underwriting costs and related expenses, of approximately $232.3 million were used to reduce outstanding borrowings under our credit facilities and for general corporate purposes. The net proceeds included accrued dividends of $3.0 million that were received as part of the offering prices.

During 2010, we sold four Properties for an aggregate sales price of $134.7 million less commissions and customary closing costs for an aggregate net sales price of $133.1 million. We recognized a gain of approximately $0.4 million attributable to one of the Properties and an aggregate loss on impairment of real estate of $13.7 million related to the remaining three Properties. Net proceeds from the sales were used to reduce the outstanding borrowings on our $525.0 million secured credit facility.

During the year ended December 31, 2010, we entered into financing transactions related to our pro rata share of consolidated and unconsolidated debt totaling $370.8 million secured by six operating Properties, one of which is

unconsolidated. After payment of the existing loans with principal balances totaling $304.5 million, plus accrued interest and closing costs, excess proceeds were used to pay down our secured credit facilities.

Also during the year ended December 31, 2010, we repaid six commercial mortgage-backed securities (“CMBS”) loans, each secured by an operating Property, totaling $180.3 million with borrowings from the $520.0 million credit facility. The six operating Properties were added to the collateral pool securing that facility. In addition, we retired a $10.9 million loan in December 2010 that was secured by an operating Property.

See Debt and Equity below for additional information.

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

Cash Flows From Operations

There was $50.9 million of unrestricted cash and cash equivalents as of December 31, 2010, an increase of $2.8 million from December 31, 2009. Cash provided by operating activities during 2010, decreased $1.8 million to $429.8 million from $431.6 million during 2009. The decrease was primarily attributable to a decline in tenant reimbursements and interest and other income, in addition to higher general and administrative expenses. This was partially offset by a decrease in property operating expenses, interest expense and management, development and leasing fees.

Debt

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

	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate (1)
December 31, 2010:					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 3,664,293	$ (24,708)	$ 398,154	$ 4,037,739	5.83 %
Recourse term loans on operating properties	30,449	-	-	30,449	6.00 %
Total fixed-rate debt	3,694,742	(24,708)	398,154	4,068,188	5.83 %
Variable-rate debt:					
Non-recourse term loans on operating properties	114,625	-	20,038	134,663	3.30 %
Recourse term loans on operating properties	350,106	(928)	148,252	497,430	2.83 %
Construction loans	14,536	-	-	14,536	3.32 %
Secured lines of credit	598,244	-	-	598,244	3.38 %
Unsecured term loans	437,494	-	-	437,494	1.66 %
Total variable-rate debt	1,515,005	(928)	168,290	1,682,367	2.77 %
Total	$ 5,209,747	$ (25,636)	$ 566,444	$ 5,750,555	4.93 %

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	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate (1)
December 31, 2009:					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 3,932,572	$ (23,737)	$ 404,104	$ 4,312,939	5.99 %
Recourse term loans on operating properties (2)	117,146	-	-	117,146	5.28 %
Total fixed-rate debt	4,049,718	(23,737)	404,104	4,430,085	5.96 %
Variable-rate debt:					
Recourse term loans on operating properties	242,763	(928)	98,708	340,543	1.97 %
Construction loans	126,958	-	88,179	215,137	3.37 %
Land loans	-		3,276	3,276	2.23 %
Secured lines of credit	759,206	-	-	759,206	4.19 %
Unsecured term loans	437,494	-	-	437,494	1.73 %
Total variable-rate debt	1,566,421	(928)	190,163	1,755,656	3.04 %
Total	$ 5,616,139	$ (24,665)	$ 594,267	$ 6,185,741	5.13 %

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

(2) We had two interest rate swaps on notional amounts totaling $127.5 million as of December 31, 2009 related to two variable-rate loans on operating properties to effectively fix the interest rates on those loans. Therefore, this amount is reflected in fixed-rate debt in 2009.

Of the $1,758.3 million of our pro rata share of consolidated and unconsolidated debt as of December 31, 2010 that is scheduled to mature during 2011, excluding debt premiums, we have extensions available on $1,409.7 million of debt at our option that we intend to exercise, leaving $348.6 million of debt maturities in 2011 that must be retired or refinanced, representing eight operating property loans. We currently have term sheets executed on three of these Properties.

We are making progress in securing property-specific, non-recourse loans for the majority of the Properties included in the collateral pool of our $520.0 million secured credit facility. We currently have term sheets executed on nine assets that are included in the collateral pool. As we refinance these loans, we intend to use the $520.0 million secured credit facility to retire future loans maturing in 2011 and 2012, as well as to provide additional flexibility for liquidity purposes. At December 31, 2010, we had collective availability of $551.8 million on our lines of credit.

The weighted average remaining term of our total share of consolidated and unconsolidated debt was 3.5 years and 3.7 years at December 31, 2010 and 2009, respectively. The weighted average remaining term of our pro rata share of fixed-rate debt was 4.6 years at December 31, 2010 and 2009.

As of December 31, 2010 and 2009, our pro rata share of consolidated and unconsolidated variable-rate debt represented 29.3% and 28.4%, respectively, of our total pro rata share of debt. As of December 31, 2010, our share of consolidated and unconsolidated variable-rate debt represented 17.4% of our total market capitalization (see Equity below) as compared to 21.1% as of December 31, 2009.

Secured Lines of Credit

We have three secured lines of credit that are used for mortgage retirement, working capital, construction and acquisition purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of our operating Properties. Borrowings under the secured lines of credit bear interest at LIBOR, subject to a floor of 1.50%, plus a margin ranging from 1.45% to 4.25% and had a weighted average interest rate of 3.38% at December 31, 2010. The Company also pays fees based on the amount of unused availability under its two largest secured lines of credit at an annual rate of 0.35% of unused availability. The following summarizes certain information about the secured lines of credit as of December 31, 2010 (in thousands):

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Total Capacity	Total Outstanding		Maturity Date	Extended Maturity Date
$ 525,000	$ 75,124	(1)	February 2012	February 2013
520,000	518,920		August 2011	April 2014
105,000	4,200		June 2012	N/A
$ 1,150,000	$ 598,244			

(1) There was an additional $7,291 outstanding on this secured line of credit as of December 31, 2010 for letters of credit. Up to $50,000 of the capacity on this line can be used for letters of credit.

In July 2010, we closed on the extension and modification of our secured credit facility with total capacity of $105.0 million. The facility's maturity date was extended to June 2012 at its existing interest rate of LIBOR, subject to a floor of 1.50%, plus a margin of 300 basis points. There were no significant changes to the facility's debt covenants.

In October 2010, Wells Fargo Bank NA, serving as administrative agent, and the lender group of the Company's $560.0 million secured credit facility agreed to waive the requirement that Wausau Mall be added to the collateral pool securing that facility. As a result, the Company voluntarily reduced the total capacity of the secured line of credit to $520.0 million in order to maintain the loan-to-value ratio set forth in the credit facility agreement.

During the year ended December 31, 2010, we repaid six CMBS loans with aggregate principal balances of $180.4 million that were secured by Stroud Mall in Stroudsburg, PA, York Galleria in York, PA, Parkdale Mall and Parkdale Crossing in Beaumont, TX, WestGate Crossing in Spartanburg, SC and Park Plaza Mall in Little Rock, AR with borrowings from the $520.0 million credit facility. The Properties were added to the collateral pool securing that facility.

We also have a secured line of credit with total capacity of $14.9 million that is used only to issue letters of credit. There was $11.2 million outstanding under this line at December 31, 2010.

Unsecured Term Loans

In November 2010, we closed on the extension of our unsecured term loan that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At December 31, 2010, the outstanding borrowings of $209.5 million under this loan had a weighted average interest rate of 1.39%. We completed our acquisition of the properties in February 2008 and, as a result, no further draws can be made against the loan. The loan's maturity date was extended to November 2011 at its existing interest rate of LIBOR plus a margin of 0.95% to 1.40% based on our leverage ratio, as defined in the loan agreement. Net proceeds from a sale, or our share of excess proceeds from any refinancings, of any of the Properties originally purchased with borrowings from this unsecured term loan must be used to pay down any remaining outstanding balance. The loan has a one-year extension option, which is at our election, for an outside maturity date of November 2012.

We have an unsecured term loan with total availability of $228.0 million that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on our leverage ratio, as defined in the loan agreement. At December 31, 2010, the outstanding borrowings of $228.0 million under the unsecured term loan had a weighted average interest rate of 1.92%. The loan matures in April 2011 and has two one-year extension options, which are at our election, for an outside maturity date

of April 2013.

We have unsecured lines of credit with total availability of $6.1 million that are used only to issue letters of credit. There was $6.1 million outstanding under these lines at December 31, 2010.

The agreements to the $525.0 million and $520.0 million secured credit facilities and the two unsecured term loans described above, each with the same lead lender, contain default and cross-default provisions customary for transactions of this nature (with applicable customary grace periods) in the event (i) there is a default in the payment of any indebtedness owed by us to any institution which is a part of the lender groups for

the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by us to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders' commitments may be terminated. Additionally, any default in the payment of any recourse indebtedness greater than $50.0 million or any non-recourse indebtedness greater than $100.0 million of the Company, the Operating Partnership and significant subsidiaries, as defined, regardless of whether the lending institution is a part of the lender groups for the credit facilities, will constitute an event of default under the agreements to the credit facilities. We were not in default with regard to any of these provisions as of December 31, 2010.

Mortgages on Operating Properties

In December 2010, we retired a $10.9 million loan that was secured by Wausau Center in Wausau, WI.

During the third quarter of 2010, we closed on a $65.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.50% secured by Valley View Mall in Roanoke, VA. The new loan replaced an existing loan with a principal balance of $40.6 million that was scheduled to mature in September 2010. The excess proceeds received from the refinancing were used to pay down our secured credit facilities.

During the second quarter of 2010, we entered into an $83.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.00% secured by Burnsville Center in Minneapolis, MN. The loan replaced an existing $60.7 million loan that was scheduled to mature in August 2010. We also entered into an eight-year $115.0 million loan with a fixed interest rate of 6.98% secured by CoolSprings Galleria in Nashville, TN. Proceeds from the new loan, plus cash on hand, were used to retire an existing loan of $120.5 million that was scheduled to mature in September 2010. Additionally, we closed on a new ten-year $14.8 million loan with a fixed interest rate of 7.25% secured by The Terrace in Chattanooga, TN. Excess proceeds from these financing activities were used to pay down our secured credit facilities.

In addition, we entered into a $21.0 million ten-year, non-recourse CMBS loan with a fixed interest rate of 6.50% secured by Parkway Place in Huntsville, AL. The $21.0 million loan represented our 50% share of the total $42.0 million loan obtained on the Property. The loan replaced an existing $51.0 million loan that was scheduled to mature in June 2010, of which our 50% share was $25.5 million. In October 2010, we acquired our joint venture partner's 50% ownership interest in Parkway Place and, as a result, assumed their $21.0 million share of this loan.

During the first quarter of 2010, we closed on a variable-rate $72.0 million non-recourse loan that bears interest at LIBOR plus a margin of 400 basis points secured by St. Clair Square in Fairview Heights, IL. The new loan replaced an existing loan with a principal balance of $57.2 million. We have an interest rate cap in place on this loan to limit the LIBOR rate to a maximum of 3.00%. The cap matures in January 2012. The excess proceeds received from the refinancing were used to pay down our secured credit facilities.

Subsequent to December 31, 2010, we retired a $78.7 million non-recourse loan secured by Mid Rivers Mall in Saint Charles, Missouri.

Interest Rate Hedging Instruments

In January 2010, we entered into a $72.0 million interest rate cap agreement (amortizing to $69.4 million) to hedge the risk of changes in cash flows on the borrowings of one of our Properties equal to the cap notional. The interest rate cap protects us from increases in the hedged cash flows attributable to overall changes in 3-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.00%. The cap matures in

January 2012.

The following table provides information relating to each of our hedging instruments that had been designated as hedges for GAAP accounting purposes to hedge the risk of changes in cash flows related to our interest payments as of December 31, 2010 and 2009 (dollars in thousands):

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Instrument Type	Location in Consolidated Balance Sheet	Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 12/31/10	Fair Value at 12/31/09	Maturity Date
Cap	Intangible lease assets and other assets	$ 72,000 (amortizing to $69,375)	3-month LIBOR	3.000 %	$ 3	$ -	Jan-12
Cap	Intangible lease assets and other assets	80,000	USD-SIFMA Municipal Swap Index	4.000 %	-	2	Dec-10
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	40,000	1-month LIBOR	2.175 %	-	(636)	Nov-10
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	87,500	1-month LIBOR	3.600 %	-	(2,271)	Sep-10

Equity

In March 2010, we completed an underwritten public offering of 6,300,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per depositary share. The depositary shares were sold at $20.30 per share including accrued dividends of $0.37 per share. The net proceeds, after underwriting costs and related expenses, of approximately $123.6 million, including accrued dividends of $2.3 million, were used to reduce outstanding borrowings under our credit facilities and for general corporate purposes.

In October 2010, we completed an underwritten public offering of 4,400,000 depositary shares, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock, having a liquidation preference of $25.00 per depositary share. The depositary shares were sold at $23.1954 per share including accrued dividends of $0.1485 per share. Subsequent thereto, the underwriters of the offering exercised their option to purchase an additional 450,000 depositary shares. As a result of the exercise of this option, we sold a total of 4,850,000 depositary shares in the offering for net proceeds of approximately $108.8 million after underwriting costs and related expenses. The net proceeds included aggregate accrued dividends of $0.7 million that were received as part of the offering price. The net proceeds were used to reduce outstanding borrowings under our credit facilities and for general corporate purposes.

Including the shares issued in these offerings, we now have 18,150,000 depositary shares outstanding, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock. The securities are redeemable at liquidation preference totaling $453.8 million, plus accrued and unpaid dividends, at any time at our option. These securities have no stated maturity, sinking fund or mandatory redemption provisions and are not convertible into any of our other securities.

During the year ended December 31, 2010, we paid dividends of $125.4 million to holders of our common stock and our preferred stock, as well as $86.1 million in distributions to the noncontrolling interest investors in our Operating Partnership and other consolidated subsidiaries.

We paid first, second and third quarter 2010 cash dividends on our common stock of $0.20 per share on April 16th, July 15th and October 15th 2010, respectively. On December 1, 2010, we announced a fourth quarter cash dividend of $0.20 per share to be paid on January 18, 2011. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration.

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

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value of equity) ratio was as follows at December 31, 2010 (in thousands, except stock prices):

	Shares Outstanding	Stock Price (1)	Value
Common stock and operating partnership units	190,065	$ 17.50	$ 3,326,138
7.75% Series C Cumulative Redeemable Preferred Stock	460	250.00	115,000
7.375% Series D Cumulative Redeemable Preferred Stock	1,815	250.00	453,750
Total market equity			3,894,888
Company's share of total debt			5,750,555
Total market capitalization			$ 9,645,443
Debt-to-total-market capitalization ratio			59.6 %

(1) Stock price for common stock and operating partnership units equals the closing price of our common stock on December 31, 2010. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2010 (dollars in thousands):

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt:					
Total consolidated debt service (1)	$6,220,535	$1,930,026	$1,488,984	$1,257,810	$1,543,715
Minority investors' share in shopping center properties	(30,778)	(3,272)	(12,128)	(2,100)	(13,278)
Our share of unconsolidated affiliates debt service (2)	680,785	180,254	134,087	197,215	169,229
Our share of total debt service obligations	6,870,542	2,107,008	1,610,943	1,452,925	1,699,666
Operating leases: (3)					
Ground leases on consolidated properties	36,345	804	1,632	1,672	32,237
Purchase obligations: (4)					
Construction contracts on consolidated properties	13,012	13,012	-	-	-
Our share of construction contracts on unconsolidated properties	1,256	1,256	-	-	-
	14,268	14,268	-	-	-

Total contractual obligations	$6,921,155	$2,122,080	$1,612,575	$1,454,597	$1,731,903

(1) Represents principal and interest payments due under the terms of mortgage and other indebtedness and includes $1,556,682 of variable-rate debt service on nine operating Properties, four construction loans, two secured credit facilities and two unsecured term facilities. The variable-rate loans on the operating Properties call for payments of interest only with the total principal due at maturity. The construction loans and credit facilities do not require scheduled principal payments. The future contractual obligations for all variable-rate indebtedness reflect payments of interest only throughout the term of the debt with the total outstanding principal at December 31, 2010 due at maturity. The future interest payments are projected based on the interest rates that were in effect at December 31, 2010. See Note 6 to the consolidated financial statements for additional information regarding the terms of long-term debt.

(2) Includes $174,425 of variable-rate debt service. Future contractual obligations have been projected using the same assumptions as used in (1) above.

(3) Obligations where we own the buildings and improvements, but lease the underlying land under long-term ground leases. The maturities of these leases range from 2014 to 2089 and generally provide for renewal options.

(4) Represents the remaining balance to be incurred under construction contracts that had been entered into as of December 31, 2010, but were not complete. The contracts are primarily for development of Properties.

Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent $39.9 million during the year ended December 31, 2010 for tenant allowances, which typically generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were $19.9 million for the year ended December 31, 2010 and included $7.4 million for resurfacing and improved lighting of parking lots, $3.8 million for roof repairs and replacements and $8.7 million for various other capital expenditures. Renovation expenditures were $0.3 million for the year ended December 31, 2010.

Deferred maintenance expenditures are generally billed to tenants as common area maintenance expense, and most are recovered over a 5 to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which a portion is recovered from tenants over a 5 to 15-year period. We are recovering these costs through fixed amounts with annual increases or pro rata cost reimbursements based on the tenant's occupied space.

During the recent recession, we put our renovation program on hold to retain capital flexibility. However, we believe that it is important to reinvest in our Properties in order to enhance their dominant position in the market. We recently announced our 2011 renovation program, which includes upgrades at four of our Properties. Hamilton Place in Chattanooga, TN and Oak Park Mall in Kansas City (Overland Park), KS are scheduled to receive the most extensive renovations with new signage, lighting, flooring, select exterior upgrades and other improvements. RiverGate Mall in Nashville, TN and Burnsville Center in Burnsville, MN will each receive new flooring. In addition, RiverGate Mall will receive new soft seating for its open areas. Our total anticipated net investment in these renovations, is approximately $15.0 million.

We completed two development projects during 2010 and have two projects under development as of December 31, 2010. We also had one mall expansion and one community center expansion underway.

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

Developments and Expansions

The following tables summarize our development projects as of December 31, 2010:

Properties Opened During the Year Ended December 31, 2010
(Dollars in thousands)

Property	Location	Total Project Square Feet	CBL's Share of Total Cost (d)	CBL's Share of Cost to Date (e)	Date Opened	Initial Yield
Community Center:						
The Forum at Grandview (Phase I) (a)	Madison, MS	110,690	$ 19,653	$ 26,521	Fall-10	6.0 %*
The Pavilion at Port Orange (Phase I and Phase 1A) (b)	Port Orange, FL	494,025	67,742	61,779	Fall-09/Spring-10	7.3 %*
		604,715	$ 87,395	$ 88,300		

Properties Under Development at December 31, 2010
(Dollars in thousands)

Property	Location	Total Project Square Feet	CBL's Share of Total Cost (d)	CBL's Share of Cost to Date (e)	Expected Opening Date	Initial Yield
Open-Air Center Expansion:						
Alamance West	Burlington, NC	236,438	$ 16,296	$ 5,903	Fall-11	10.9 %
Community Center Expansion:						
Settlers Ridge (Phase II)	Robinson Township, PA	86,617	12,370	11,038	Summer-11	9.9 %
Outlet Center:						
The Outlet Shoppes at Oklahoma City (c)	Oklahoma City, OK	325,190	60,880	27,437	Fall-11	10.6 %
		648,245	89,546	44,378		

(a) The Forum at Grandview is a 75/25 joint venture. Total cost and cost to date are reflected at 100 percent.
(b) The Pavilion at Port Orange is a 50/50 joint venture.
(c)

The Outlet Shoppes at Oklahoma City is a 75/25 joint venture. Total cost and cost to date are reflected at 100 percent.

(d) Total Cost is presented net of reimbursements to be received.

(e) Cost to Date does not reflect reimbursements until they are received.

* Pro forma initial yields for phased projects reflect full land cost in Phase I. Combined pro forma yields are higher than Phase I project yields.

We have one major development project currently under construction that is scheduled to open in the summer of 2011. The Outlet Shoppes at Oklahoma City is a 75/25 joint venture outlet center project approximating 350,000 square feet in Oklahoma City, OK. It will be the only outlet center in the state of Oklahoma and the only center of its kind within a 145 mile radius. The center is currently more than 90% leased or committed with retailers including Saks Fifth Avenue Off 5th, Nike, Tommy Hilfiger, Banana Republic, J. Crew, Brooks Brothers and more. There is no additional capital currently required for this project as all equity has been funded and a construction loan is in place for the remaining development costs.

We celebrated the grand opening of the first phase of The Pavilion at Port Orange, a 492,000-square-foot-open-air development in Port Orange, FL, on March 10, 2010. The project opened approximately 92% leased or committed with anchors including Hollywood Theaters, Belk, HomeGoods, Marshalls, Michaels, PETCO and ULTA.

On November 12, 2010, we celebrated the grand opening of the first phase of The Forum at Grandview, a 75/25 joint venture community center development in Madison, MS. We converted our ground lease position into a 75% ownership interest in the development in the first quarter of 2010. The 110,000-square-foot project opened 100% leased with anchors Best Buy, Dick’s Sporting Goods and Stein Mart.

During the third quarter of 2010, we began construction on the second phase of Alamance Crossing in Burlington, NC. In 2007, we opened the first phase and have now started construction on Alamance West, a 210,000-square-foot second phase. The project will include a wholesale club, a sporting goods store and an 80,000-square-foot fashion anchor. Alamance West is scheduled to open in fall 2011.

Also during the third quarter of 2010, we began construction on the second phase of Settlers Ridge in Robinson Township, PA. The 78,000-square-foot expansion of Settlers Ridge, which we opened last year, will

include Michaels, Ross Dress for Less and an additional junior anchor. The project is scheduled to open in spring 2011. In December 2010, we conveyed our ownership interest in the first phase of Settlers Ridge to a third party.

We have entered into one option agreement for the development of a future shopping center. Except for the projects presented above, we do not have any other material capital commitments as of December 31, 2010.

Acquisitions

In October 2010, we acquired the remaining 50% interest in Parkway Place in Huntsville, AL, from our joint venture partner. The interest was acquired for total consideration of $38.8 million, which consisted of $17.8 million in cash and the assumption of the remaining $21.0 million interest in the loan secured by Parkway Place.

In October 2010, we formed a 75/25 joint venture, OK City Outlets, LLC, with Horizon Group Properties, Inc. to develop The Outlet Shoppes at Oklahoma City in Oklahoma City, OK. The partners contributed aggregate equity of $16.2 million at formation, of which we contributed $12.1 million. The joint venture has received a construction loan commitment of $48.9 million and we have guaranteed the entire amount for which we are entitled to receive a guaranty fee.

Dispositions

In March 2010, we closed on the sale of our 60% ownership interest in an unconsolidated condominium partnership formed for the development of a new retail center in Macapa, Brazil for a gross sales price of $1.2 million. There was no gain or loss on the sale.

In June 2010, our 50.6% owned unconsolidated joint venture, Mall Shopping Center Company, sold Plaza del Sol in Del Rio, TX. The joint venture recognized a gain of $1.2 million from the sale, of which our share was $0.1 million, net of the excess of our basis over our underlying equity in the amount of $0.6 million.

In October, 2010, we completed the sale of Pemberton Square, located in Vicksburg, MS, for a sales price of $1.9 million less commissions and customary closing costs for a net sales price of $1.8 million. We recognized a gain of $0.4 million attributable to the sale. Proceeds from the sale were used to reduce the outstanding borrowings on our $525.0 million secured credit facility.

In December, 2010, we completed the sale of Milford Marketplace, located in Milford, CT, and the conveyance of ownership interest in the first phase of Settlers Ridge, located in Robinson Township, PA, for a combined sales price of $111.8 million less commissions and customary closing costs for a net sales price of $110.7 million. We recognized a loss on impairment of real estate of $12.4 million attributable to the sale.

In December 2010, we completed the sale of Lakeview Pointe, located in Stillwater, OK, for a sales price of $21.0 million, less commissions and customary closing costs, for a net sales price of $20.6 million. We recognized a loss on impairment of real estate of $1.3 million attributable to the sale.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 16 unconsolidated affiliates as of December 31, 2010, that are described in Note 5 to the consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the consolidated balance sheets as “Investments in Unconsolidated Affiliates.” The following are circumstances when we may consider entering into a joint venture with a third party:

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

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

Preferred Joint Venture Units

We consolidate our investment in a joint venture, CW Joint Venture, LLC ("CWJV"), with Westfield Group ("Westfield"). The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0%, which increases to 6.0% on July 1, 2013, on the preferred liquidation value of the perpetual preferred joint venture units ("PJV units") of CWJV that are held by Westfield. Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property (a "Preventing Event"), then the annual preferred distribution rate on the PJV units increases to 9.0% beginning July 1, 2013. We will have the right, but not the obligation, to offer to redeem the PJV units after January 31, 2013 at their preferred liquidation value, plus accrued and unpaid distributions. If we fail to make such an offer, the annual preferred distribution rate on the PJV units increases to 9.0% for the period from July 1, 2013 through June 30, 2016, at which time it decreases to 6.0% if a Preventing Event has not occurred. If, upon redemption of the PJV units, the fair value of our common stock is greater than $32.00 per share, then such excess (but in no case greater than $26.0 million in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. We account for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, we will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

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

We own a parcel of land in Lee's Summit, MO that we are ground leasing to a third party developer for the purpose of developing a shopping center. We have guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount is $24.4 million. The Company recorded an obligation of $0.3 million in its consolidated balance sheets as of December 31, 2010 and 2009 to reflect the estimated fair value of the guaranty. The total amount outstanding at December 31, 2010 on the loans was $80.4 million of which the Company has guaranteed $21.7 million.

The third party developer and the lender of the loans amended the loans in June and September 2010. Pursuant to these amendments, any previous events of default were either retracted by the lender or deemed cured. The loan was further amended to, among other things, reduce the maximum amount of the loan from $116.9 million to $90.3 million, which reduced our maximum exposure under our guaranty from $31.6 million to $24.4 million. The amendments also established time parameters to achieve certain leasing thresholds as well as to require that the third party developer effect the closing of a bond issuance of at least $27.0 million on or before February 15, 2011, the net

proceeds of which would be used to reduce the outstanding amount on the bond line of credit.

The bond issuance was not completed by February 15, 2011. On February 16, 2011, the lender provided a notice to the third party developer that there was an event of default as a result of not having completed the bond issuance. The notice also provided that the lender was willing to waive the event of default and consider appropriate modifications to the loan so long as the modifications are completed no later than March 15, 2011 and that the lender will not make any demand on the guarantors of the loan, including our portion, on or before March 15, 2011, as a result of the event of default. The Company has not recorded an accrual for the contingent guaranty obligation as the Company does not believe that this contingent obligation is probable.

We have guaranteed 100% of the construction and land loans of West Melbourne I, LLC ("West Melbourne"), an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $50.7 million. West Melbourne developed and, in April 2009, opened Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at December 31, 2010 was $45.6 million. The guaranty will expire upon repayment of the debt. The land loan, representing $3.3 million of the amount outstanding at December 31, 2010, matures in August 2011. West Melbourne will either retire this loan at maturity or may request an extension of the maturity date. The construction loan, representing $42.3 million of the amount outstanding at December 31, 2010, matures in August 2011 and has two one-year extension options available. We have recorded an obligation of $0.7 million in the accompanying condensed consolidated balance sheets as of December 31, 2010 and 2009 to reflect the estimated fair value of this guaranty.

We have guaranteed 100% of the construction loan of Port Orange I, LLC ("Port Orange"), an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $97.2 million. Port Orange developed and, in March 2010, opened The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at December 31, 2010 on the loan was $69.4 million. The guaranty will expire upon repayment of debt. The loan matures in December 2011 and has two one-year extension options available. We have recorded an obligation of $1.1 million in the accompanying condensed consolidated balance sheets as of December 31, 2010 and 2009 to reflect the estimated fair value of this guaranty.

We have guaranteed the lease performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. We have guaranteed YTC's performance under this agreement up to a maximum of $22.0 million, which decreases by $0.8 million annually until the guaranteed amount is reduced to $10.0 million. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $18.8 million as of December 31, 2010. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We did not record an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

We have guaranteed 100% of a construction loan of JG Gulf Coast Town Center, LLC, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $11.6 million. Proceeds from the construction loan are designated for the development of Phase III of Gulf Coast Town Center, an open-air center in Fort Myers, FL. The total amount outstanding at December 31, 2010 on the loan was $11.6 million. The guaranty will expire upon repayment of the debt. The loan matures in April 2011 and has a one year extension option available. We did not record an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

Our guarantees and the related accounting are more fully described in Note 14 to the consolidated financial statements.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that are reasonably likely to occur could materially impact the financial statements. Management believes that the following critical accounting policies discussed in this section reflect its more significant estimates and assumptions used in preparation of the consolidated financial statements. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors. For a discussion of our significant accounting policies, see Note 2 of the Notes to Consolidated Financial Statements, included in Item 8 of this Annual Report on Form 10-K.

Revenue Recognition

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

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

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

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

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their

carrying amounts or if there are other indicators of impairment. If it is determined that impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value. Our estimates of undiscounted cash flows expected to be generated by each property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates, among others. These assumptions are

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subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved.

During the course of our normal quarterly impairment review process for the second quarter of 2010, we determined that it was appropriate to write down the depreciated book value of Oak Hollow Mall in High Point, NC, to its estimated fair value, resulting in a non-cash loss on impairment of real estate assets of $25.4 million. The revenues of Oak Hollow Mall accounted for approximately 0.4% of total consolidated revenues for the year ended December 31, 2010.

In December 2010, we incurred losses on impairment of real estate assets totaling $14.8 million related to the following dispositions: $12.4 million related to the sale of Milford Marketplace in Milford, CT, and the conveyance of ownership interest in phase I of Settlers Ridge in Pittsburg, PA; $1.3 million attributable to the sale of Lakeview Pointe in Stillwater, OK; and $1.1 million related to the sale of a parcel of land.

During the course of our normal quarterly impairment review process for the fourth quarter of 2009, we determined that it was appropriate to write down the depreciated book value of three shopping centers to their estimated fair values, resulting in a non-cash loss on impairment of real estate assets of $114.9 million for the year ended December 31, 2009. The affected shopping centers included Hickory Hollow Mall in Nashville (Antioch), TN, Pemberton Square in Vicksburg, MS, and Towne Mall in Franklin, OH. The revenues of these shopping centers combined accounted for approximately 1.0% of total consolidated revenues for the year ended December 31, 2009.

Hickory Hollow Mall experienced declining income as a result of changes in the property-specific market conditions as well as increasing retail competition. These declines were further exacerbated by poor economic conditions. As a result of the estimate of projected future cash flows, we determined that a write-down of the depreciated book value from $107.4 million to an estimated fair value of $12.6 million was appropriate. Hickory Hollow Mall generates insufficient income levels to cover the debt service on its fixed-rate recourse loan that had a balance of $28.8 million as of December 31, 2010. We plan to continue to service the loan, which is self-liquidating, over the remaining eight-year term.

Pemberton Square and Towne Mall also experienced declining property-specific market conditions. Due to uncertainty regarding the timing and approval of potential redevelopment projects to maximize the Properties' cash flow positions, we determined that it was appropriate to write down Pemberton Square's depreciated book value of $7.1 million to an estimated fair value of $1.4 million as of December 31, 2009 and Towne Mall's depreciated book value of $15.8 million to an estimated fair value of $1.4 million as of December 31, 2009. Towne Mall is currently unencumbered. Pemberton Square was sold in October 2010.

No impairments of long-lived assets were incurred during 2008.

Real Estate Assets

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

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

price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt with a stated interest rate that is significantly different from market interest rates is recorded at its fair value based on estimated market interest rates at the date of acquisition.

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

Allowance for Doubtful Accounts

We periodically perform a detailed review of amounts due from tenants to determine if accounts receivable balances are impaired based on factors affecting the collectibility of those balances. Our estimate of the allowance for doubtful accounts requires significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income. We recorded a provision for doubtful accounts of $2.7 million, $5.1 million and $9.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Investments in Unconsolidated Affiliates

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

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

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

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

On a periodic basis, we assess whether there are any indicators that the fair value of our investments in unconsolidated affiliates may be impaired. An investment is impaired only if our estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each investment are based on a number of assumptions such as future leasing expectations, operating forecasts, discount rates and capitalization

rates, among others. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the fair values estimated in the impairment analyses may not be realized.

During the year ended December 31, 2009, we incurred losses on impairments of investments totaling $9.3 million. We recorded a non-cash charge of $7.7 million in the first quarter of 2009 on our cost-method investment in Jinsheng, an established mall operating and real estate development company located in Nanjing, China, due to a decline in expected future cash flows. The projected decrease was a result of declining occupancy and sales due to the then downturn of the real estate market in China in early 2009. We also recorded impairment charges totaling $1.6 million related to our interest in Plaza Macaé in Macaé, Brazil to reflect the fair value of the investment upon sale.

No impairments of investments in unconsolidated affiliates were incurred during 2010 and 2008.

Recent Accounting Pronouncements

Accounting Guidance Adopted

Effective January 1, 2010, we adopted ASU No. 2010-06, Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 provides that significant transfers in or out of measurements classified as Levels 1 or 2 should be disclosed separately along with reasons for the transfers. Information regarding purchases, sales, issuances and settlements related to measurements classified as Level 3 are also to be presented separately. Existing disclosures have been updated to include fair value measurement disclosures for each class of assets and liabilities and information regarding the valuation techniques and inputs used to measure fair value in measurements classified as either Levels 2 or 3. The guidance is effective for fiscal years beginning after December 15, 2009. The adoption of this guidance did not have an impact on our condensed consolidated financial statements.

Effective January 1, 2010, we adopted ASU No. 2009-16, Transfers and Servicing: Accounting for Transfers of Financial Assets ("ASU 2009-16"). 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 adoption of this guidance did not have an impact on our condensed consolidated financial statements.

Effective January 1, 2010, we adopted ASU No. 2009-17, Consolidations: Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ("ASU 2009-17"). ASU 2009-17 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 adoption of this guidance did not have an impact on our condensed consolidated financial statements.

On February 24, 2010, the FASB issued ASU No. 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-09"). ASU 2010-09 amends the disclosure provision related to subsequent events by removing the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated. The new accounting guidance was effective immediately and we adopted ASU No. 2010-09 upon the date of issuance.

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ASU 2010-20"). ASU 2010-20 requires entities to provide extensive new disclosures in their financial statements about their financing receivables, including credit risk exposures and the allowance for credit losses. The new disclosures include information regarding credit quality,

impaired or modified receivables, nonaccrual or past due receivables and activity related to modified receivables and the allowance for credit losses. The disclosures are effective for the first interim or annual reporting periods ending on or after December 15, 2010, with the exception of the activity disclosures, which are effective for interim or annual reporting periods beginning on or after December 15, 2010. The adoption of ASU 2010-20 did not have an impact on our consolidated financial statements.

Impact of Inflation and Deflation

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

Due to the economic crisis that arose primarily in the fourth quarter of 2008 when the credit and investment markets experienced dramatic declines, consumers experienced significant decreases in the prices of their equity securities investments, certain savings accounts linked to securities markets and housing values. Decreased spending due to low consumer confidence left many businesses unprofitable, resulting in necessary cost containment measures including, but not limited to, permanent and temporary lay-offs of employees. This has resulted in one of the highest unemployment rates in recent history. However, during late 2009, the markets seemed to stabilize and bankruptcy activity started to decline. The credit and investment markets have been slowly, but steadily, showing signs of improvement. Retailers seem to have revised their business plans to better adapt to the current economic environment and are starting to report improving margins and profitability. Holiday sales in 2010 were solid, increasing year over year. The primary focus at this time has shifted to planning for a market recovery as we emerge from recession.

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

Funds From Operations

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

We believe that FFO provides an additional indicator of the operating performance of our Properties without giving effect to real estate depreciation and amortization, which assumes the value of real estate assets declines predictably over time. Since values of well-maintained real estate assets have historically risen with market conditions, we believe that FFO enhances investors' understanding of our operating performance. The use of FFO as an indicator of financial

performance is influenced not only by the operations of our Properties and interest rates, but also by our capital structure.

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

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

During the years ended December 31, 2010 and 2009, we recorded losses on impairment of certain real estate assets. Considering the significance and nature of the impairments, we believe that it is important to emphasize the impact on our FFO measures for a reader to have a complete understanding of our results of operations. Therefore, we have also presented what FFO would have been excluding these impairment charges.

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

FFO of the Operating Partnership increased 25.7% to $354.6 million for the year ended December 31, 2010 compared to $282.2 million for the prior year. FFO in 2010 was positively impacted by a decrease in loss on impairment of real estate of $74.6 million. This improvement was partially offset by decreased lease termination fees, base rents, gains on sales of real estate, net above and below market lease amortization and debt premium amortization.

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

	Year Ended December 31,		
	2010	2009	2008
Net income (loss) attributable to common shareholders	$ 29,532	$ (36,807)	$ 9,768
Noncontrolling interest in income (loss) of operating partnership	11,018	(17,845)	7,495
Depreciation and amortization expense of:			
Consolidated properties	286,465	306,928	330,326
Unconsolidated affiliates	27,445	28,826	29,987
Discontinued operations	5,307	2,754	3,041
Non-real estate assets	(4,182)	(962)	(1,027)
Noncontrolling interests' share of depreciation and amortization	(605)	(705)	(958)

(Gain) loss on discontinued operations		(379	)		17		(3,798	)
Income tax provision on disposal of discontinued operations		-			-		1,439	
Funds from operations of the operating partnership		354,601			282,206		376,273	
Loss on impairment of real estate		40,240			114,862		-	
Funds from operations of the operating partnership, excluding loss on impairment of real estate	$	394,841		$	397,068	$	376,273	

The reconciliations of FFO of the operating partnership to FFO allocable to Company shareholders, including and excluding the loss on impairment of real estate, are as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Funds from operations of the operating partnership	$ 354,601	$ 282,206	$ 376,273
Percentage allocable to common shareholders (1)	72.83 %	67.35 %	56.70 %
Funds from operations allocable to common shareholders	$ 258,256	$ 190,066	$ 213,347
Funds from operations of the operating partnership, excluding loss on impairment of real estate	$ 394,841	$ 397,068	$ 376,273
Percentage allocable to common shareholders (1)	72.83 %	67.35 %	56.70 %
Funds from operations allocable to Company shareholders, excluding loss on impairment of real estate	$ 287,563	$ 267,425	$ 213,347

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at December 31, 2010, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately $4.8 million and, after the effect of capitalized interest, annual earnings by approximately $4.9 million.

Based on our proportionate share of total consolidated and unconsolidated debt at December 31, 2010, a 0.5% increase in interest rates would decrease the fair value of debt by approximately $79.1 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately $81.1 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index to Financial statements contained in Item 15 on page 77.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of

the period covered by this report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. We assessed the effectiveness of our internal control over financial reporting, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that, as of December 31, 2010, we maintained effective internal control over financial reporting, as stated in our report which is included herein.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein in Item 15.

Report of Management On Internal Control Over Financial Reporting

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

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

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that, as of December 31, 2010, the Company maintained effective internal control over financial reporting.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited our internal control over financial reporting as of December 31, 2010 as stated in their report which is included herein in Item 15.

/s/ Stephen D. Lebovitz	/s/ John N. Foy
Stephen D. Lebovitz, President and	John N. Foy, Vice Chairman of
Chief Executive Officer	the Board, Chief Financial Officer,

Treasurer and Secretary

March 1, 2011	March 1, 2011
Date	Date

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ITEM 9B. OTHER INFORMATION

On October 19, 2010, CBL & Associates Properties, Inc. (the “Company”), and its operating partnership, CBL & Associates Limited Partnership (the “Operating Partnership”), entered into a letter agreement which modified its $560.0 million secured credit facility, of which Wells Fargo Bank, National Association serves as administrative agent for the lender group. The agreement waived the requirement to add Wausau Mall to the collateral base of the credit facility and, in conjunction with this waiver, the total available under the facility was reduced to $520.0 million from $560.0 million. Additionally, the credit facility was modified to provide that all loans would be deemed revolving loans, such that the Operating Partnership may reborrow loans which are repaid.

The $520.0 million secured credit facility continues to contain default and cross-default provisions customary for transactions of this nature (with applicable customary grace periods) in the event (i) there is a default in the payment of any indebtedness owed by the Company to any institution which is a part of the lender group for the credit facility, 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 group for the credit facility and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreement provides that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under the credit facility and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders’ commitments may be terminated. Additionally, any default in the payment of any recourse indebtedness greater than $50.0 million or any non-recourse indebtedness greater than $100.0 million of the Company, the Operating Partnership and significant subsidiaries, as defined, regardless of whether the lending institution is a part of the lender group for the credit facility, will constitute an event of default under the credit facility.

The letter agreement containing these modifications to the credit facility is filed as an Exhibit to this report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference to the sections entitled "Election of Directors," "Directors and Executive Officers," "Certain Terms of the Jacobs Acquisition," "Corporate Governance Matters," "Board of Directors' Meetings and Committees – Audit Committee," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement filed with the Securities and Exchange Commission (the "Commission") with respect to our Annual Meeting of Stockholders to be held on May 2, 2011.

Our board of directors has determined that Winston W. Walker, an independent director and chairman of the audit committee, qualifies as an "audit committee financial expert" as such term is defined by the rules of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to the sections entitled "Director Compensation," "Executive Compensation," "Report of the Compensation Committee of the Board of Directors" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 2, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated herein by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information as of December 31, 2010", in our definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 2, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference to the sections entitled "Corporate Governance Matters – Director Independence" and "Certain Relationships and Related Person Transactions", in our definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 2, 2011.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to the section entitled "Independent Registered Public Accountants' Fees and Services" under "RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS" in our definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 2, 2011.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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(2) Consolidated Financial Statement Schedules

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

(3) Exhibits

The Exhibit Index attached to this report is incorporated by reference into this Item 15(a)(3).

SIGNATURES

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

CBL & ASSOCIATES PROPERTIES, INC.
(Registrant)

By: __/s/ John N. Foy_________
John N. Foy
Vice Chairman of the Board, Chief Financial Officer,
Treasurer and Secretary
Dated: March 1, 2011

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

Signature	Title	Date
/s/ Charles B. Lebovitz Charles B. Lebovitz	Chairman of the Board	March 1, 2011
/s/ John N. Foy John N. Foy	Vice Chairman of the Board, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 1, 2011
/s/ Stephen D. Lebovitz Stephen D. Lebovitz	Director, President and Chief Executive Officer (Principal Executive Officer)	March 1, 2011
/s/ Gary L. Bryenton* Gary L. Bryenton	Director	March 1, 2011
/s/ Thomas J. DeRosa* Thomas J. DeRosa	Director	March 1, 2011
/s/ Matthew S. Dominski* Matthew S. Dominski	Director	March 1, 2011
/s/ Leo Fields* Leo Fields	Director	March 1, 2011
/s/ Kathleen M. Nelson* Kathleen M. Nelson	Director	March 1, 2011
/s/ Winston W. Walker* Winston W. Walker	Director	March 1, 2011
*By:/s/ John N. Foy	Attorney-in-Fact	March 1, 2011

John N. Foy

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedules listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedules and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CBL & Associates Properties, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
March 1, 2011

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

	December 31, 2010	
ASSETS	2010	2009
Real estate assets:		
Land	$928,025	$946,750
Buildings and improvements	7,543,326	7,569,015
	8,471,351	8,515,765
Accumulated depreciation	(1,721,194)	(1,505,840)
	6,750,157	7,009,925
Developments in progress	139,980	85,110
Net investment in real estate assets	6,890,137	7,095,035
Cash and cash equivalents	50,896	48,062
Receivables:		
Tenant, net of allowance for doubtful accounts of $3,167 and $3,101 in 2010 and 2009, respectively	77,989	73,170
Other	11,996	8,162
Mortgage and other notes receivable	30,519	38,208
Investments in unconsolidated affiliates	179,410	186,523
Intangible lease assets and other assets	265,607	279,950
	$7,506,554	$7,729,110
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	$5,209,747	$5,616,139
Accounts payable and accrued liabilities	314,651	248,333
Total liabilities	5,524,398	5,864,472
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	34,379	22,689
Redeemable noncontrolling preferred joint venture interest	423,834	421,570
Total redeemable noncontrolling interests	458,213	444,259
Shareholders' equity:		
Preferred Stock, $.01 par value, 15,000,000 shares authorized:		
7.75% Series C Cumulative Redeemable Preferred Stock, 460,000 shares outstanding	5	5
7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 and 700,000 shares outstanding in 2010 and 2009, respectively	18	7
Common Stock, $.01 par value, 350,000,000 shares authorized, 147,923,707 and 137,888,408 issued and outstanding in 2010 and 2009, respectively	1,479	1,379
Additional paid-in capital	1,657,507	1,399,654
Accumulated other comprehensive income	7,855	491
Accumulated deficit	(366,526)	(283,640)

Total shareholders' equity	1,300,338	1,117,896
Noncontrolling interests	223,605	302,483
Total equity	1,523,943	1,420,379
	$7,506,554	$7,729,110

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

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

	Year Ended December 31,		
	2010	2009	2008
REVENUES:			
Minimum rents	$684,205	$688,466	$711,867
Percentage rents	17,549	16,412	18,375
Other rents	22,781	20,714	22,857
Tenant reimbursements	311,590	321,001	334,866
Management, development and leasing fees	6,416	7,372	19,393
Other	29,263	28,314	24,816
Total revenues	1,071,804	1,082,279	1,132,174
OPERATING EXPENSES:			
Property operating	150,755	160,715	187,717
Depreciation and amortization	286,465	306,928	330,325
Real estate taxes	97,643	96,167	94,840
Maintenance and repairs	57,293	56,796	65,049
General and administrative	43,383	41,010	45,241
Loss on impairment of real estate	40,240	114,862	-
Other	25,523	25,794	33,333
Total operating expenses	701,302	802,272	756,505
Income from operations	370,502	280,007	375,669
Interest and other income	3,873	5,211	10,076
Interest expense	(286,579)	(292,826)	(311,710)
Loss on extinguishment of debt	-	(601)	-
Gain (loss) on investments	888	(9,260)	(17,181)
Gain on sales of real estate assets	2,887	3,820	10,865
Equity in earnings (losses) of unconsolidated affiliates	(188)	5,489	2,831
Income tax benefit (provision)	6,417	1,222	(13,495)
Income (loss) from continuing operations	97,800	(6,938)	57,055
Operating income (loss) of discontinued operations	(9)	(110)	2,188
Gain (loss) on discontinued operations	379	(17)	3,798
Net income (loss)	98,170	(7,065)	63,041
Net (income) loss attributable to noncontrolling interests in:			
Operating partnership	(11,018)	17,845	(7,495)
Other consolidated subsidiaries	(25,001)	(25,769)	(23,959)
Net income (loss) attributable to the Company	62,151	(14,989)	31,587
Preferred dividends	(32,619)	(21,818)	(21,819)
Net income (loss) attributable to common shareholders	$29,532	$(36,807)	$9,768
Basic per share data attributable to common shareholders:			
Income (loss) from continuing operations, net of preferred dividends	$0.21	$(0.35)	$0.10
Discontinued operations	-	-	0.05
Net income (loss) attributable to common shareholders	$0.21	$(0.35)	$0.15
Weighted average common shares outstanding	138,375	106,366	66,313
Diluted per share data attributable to common shareholders:			

Income (loss) from continuing operations, net of preferred dividends	$0.21	$(0.35)	$0.10
Discontinued operations	-	-	0.05
Net income (loss) attributable to common shareholders	$0.21	$(0.35)	$0.15
Weighted average common and potential dilutive common shares outstanding	138,416	106,366	66,418
Amounts attributable to common shareholders:			
Income (loss) from continuing operations, net of preferred dividends	$29,263	$(36,721)	$6,374
Discontinued operations	269	(86)	3,394
Net income (loss) attributable to common shareholders	$29,532	$(36,807)	$9,768

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.
Consolidated Statements of Equity

(in thousands, except share data)		Equity							
		Shareholders' Equity							
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2007	43,145	12	662	964,676	(13)	(70,154)	895,183	482,217	1,377,400
Net income	4,074	-	-	-	-	31,587	31,587	7,112	38,699
Other comprehensive income (loss):									
Net unrealized loss on available-for-sale securities	(230)	-	-	-	(9,709)	-	(9,709)	(7,220)	(16,929)
Impairment of marketable securities	230	-	-	-	9,723	-	9,723	7,228	16,951
Unrealized loss on hedging instruments	(209)	-	-	-	(8,813)	-	(8,813)	(6,552)	(15,365)
Unrealized loss on foreign currency translation adjustment	(94)	-	-	-	(3,974)	-	(3,974)	(2,954)	(6,928)
Other comprehensive income (loss)	(303)						(12,773)	(9,498)	(22,271)
Dividends declared - common stock	-	-	-	-	-	(132,921)	(132,921)	-	(132,921)
Dividends declared - preferred stock	-	-	-	-	-	(21,819)	(21,819)	-	(21,819)
Issuance of 176,842 shares of common stock and restricted common stock	-	-	2	851	-	-	853	-	853
Cancellation of 26,932 shares of	-	-	-	(530)	-	-	(530)	-	(530)

restricted common stock									
Exercise of stock options	-	-	-	584	-	-	584	-	584
Accelerated vesting of share-based compensation	-	-	-	(508)	-	-	(508)	-	(508)
Accrual under deferred compensation arrangements	-	-	-	329	-	-	329	-	329
Amortization of deferred compensation	-	-	-	4,712	-	-	4,712	-	4,712
Additions to deferred financing costs	-	-	-	-	-	-	-	45	45
Income tax benefit of share-based compensation	118	-	-	3,705	-	-	3,705	3,649	7,354
Distributions to noncontrolling interests	(8,888)	-	-	-	-	-	-	(100,048)	(100,048)
Contributions from noncontrolling interests in Operating Partnership	-	-	-	-	-	-	-	2,671	2,671
Adjustment for write-off of abandoned project	-	-	-	-	-	-	-	(2,050)	(2,050)
Adjustment for noncontrolling interests	476	-	-	(107)	-	-	(107)	(369)	(476)
Reclassification of noncontrolling interests related to deconsolidation	-	-	-	-	-	-	-	(3,257)	(3,257)
Adjustment to record redeemable noncontrolling interests at redemption value	(20,229)	-	-	20,229	-	-	20,229	-	20,229
Balance, December 31, 2008	18,393	12	664	993,941	(12,786)	(193,307)	788,524	380,472	1,168,996

Net income (loss)	5,609	-	-	-	-	(14,989)	(14,989)	(18,409)	(33,398)
Other comprehensive income (loss):									
Net unrealized gain (loss) on available-for-sale securities	261	-	-	-	(29)	-	(29)	(400)	(429)
Unrealized gain on hedging instruments	609	-	-	-	8,494	-	8,494	3,511	12,005
Realized loss on foreign currency translation adjustment	3	-	-	-	37	-	37	25	62
Unrealized gain on foreign currency translation adjustment	487	-	-	-	4,775	-	4,775	1,680	6,455
Other comprehensive income (loss)	1,360						13,277	4,816	18,093
Dividends declared - common stock	-	-	-	-	-	(53,526)	(53,526)	-	(53,526)
Dividends declared - preferred stock	-	-	-	-	-	(21,818)	(21,818)	-	(21,818)
Issuance of 130,004 shares of common stock and restricted common stock	-	-	1	702	-	-	703	-	703
Issuance of 4,754,355 shares of common stock for dividend	-	-	48	14,691	-	-	14,739	-	14,739
Issuance of 66,630,000 shares of common stock in equity offering	-	-	666	381,157	-	-	381,823	-	381,823
Cancellation of 24,619 shares of restricted common stock	-	-	-	(121)	-	-	(121)	-	(121)
Accrual under deferred compensation arrangements	-	-	-	49	-	-	49	-	49
	-	-	-	2,548	-	-	2,548	-	2,548

Amortization of deferred compensation									
Additions to deferred financing costs	-	-	-	-	-	-	-	45	45
Transfer from noncontrolling interests to redeemable noncontrolling interests	82,970	-	-	-	-	-	-	(82,970)	(82,970)
Transfer from redeemable noncontrolling interests to noncontrolling interests	(73,051)	-	-	-	-	-	-	73,051	73,051
Distributions to noncontrolling interests	(14,064)	-	-	-	-	-	-	(50,015)	(50,015)
Purchase of noncontrolling interests in other consolidated subsidiaries	-	-	-	217	-	-	217	(717)	(500)
Issuance of noncontrolling interests for distribution	-	-	-	-	-	-	-	4,152	4,152
Adjustment for noncontrolling interests	(4,242)	-	-	12,184	-	-	12,184	(7,942)	4,242
Adjustment to record redeemable noncontrolling interests at redemption value	5,714	-	-	(5,714)	-	-	(5,714)	-	(5,714)
Balance, December 31, 2009	$22,689	$12	$1,379	$1,399,654	$491	$(283,640)	$1,117,896	$302,483	$1,420,379

CBL & Associates Properties, Inc.
Consolidated Statements of Equity
(Continued)

(in thousands, except share data)				Equity					
				Shareholders' Equity					
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2009	$22,689	$12	$1,379	$1,399,654	$491	$(283,640)	$1,117,896	$302,483	$1,420,379
Net income	4,333	-	-	-	-	62,151	62,151	11,016	73,167
Other comprehensive income (loss):									
Unrealized gain on available-for-sale securities	69	-	-	-	6,125	-	6,125	2,208	8,333
Realized loss on sale of marketable securities	1	-	-	-	84	-	84	29	113
Unrealized gain on hedging instruments	22	-	-	-	1,994	-	1,994	726	2,720
Net unrealized gain (loss) on foreign currency translation adjustment	(397)	-	-	-	(962)	-	(962)	1,203	241
Realized loss on foreign currency translation adjustment	1	-	-	-	123	-	123	45	168
Other comprehensive income (loss)	(304)						7,364	4,211	11,575
Issuance of 1,115,000 shares of preferred stock in equity offerings	-	11	-	229,336	-	-	229,347	-	229,347
Conversion of 9,807,013 operating partnership	-	-	98	56,240	-	-	56,338	(56,338)	-

special common units to shares of common stock									
Dividends declared - common stock	-	-	-	-	-	(112,418)	(112,418)	-	(112,418)
Dividends declared - preferred stock	-	-	-	-	-	(32,619)	(32,619)	-	(32,619)
Issuance of 130,367 shares of common stock and restricted common stock	-	-	1	213	-	-	214	-	214
Cancellation of 17,790 shares of restricted common stock	-	-	-	(175)	-	-	(175)	-	(175)
Exercise of stock options	-	-	1	1,455	-	-	1,456	-	1,456
Accrual under deferred compensation arrangements	-	-	-	41	-	-	41	-	41
Amortization of deferred compensation	-	-	-	2,211	-	-	2,211	-	2,211
Additions to deferred financing costs	-	-	-	-	-	-	-	34	34
Income tax effect of share-based compensation	(10)	-	-	(1,468)	-	-	(1,468)	(337)	(1,805)
Adjustment for noncontrolling interests	3,139	-	-	(15,572)	-	-	(15,572)	12,433	(3,139)
Adjustment to record redeemable noncontrolling interests at redemption value	14,428	-	-	(14,428)	-	-	(14,428)	-	(14,428)
Distributions to noncontrolling interests	(9,896)	-	-	-	-	-	-	(55,131)	(55,131)
Contributions from noncontrolling interests in Operating Partnership	-	-	-	-	-	-	-	5,234	5,234

Balance, December 31, 2010	$34,379	$23	$1,479	$1,657,507	$7,855	$(366,526)	$1,300,338	$223,605	$1,523,943

The accompanying notes are an integral part of these statements.

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

	Year Ended December 31,		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 98,170	$ (7,065)	$ 63,041
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	291,772	312,505	336,480
Amortization of deferred finance costs and debt premiums (discounts)	7,414	1,570	(2,178)
Net amortization of intangible lease assets and liabilities	(1,384)	(5,046)	(10,121)
Gain on sales of real estate assets	(2,887)	(3,820)	(12,401)
Realized foreign currency loss	169	65	-
(Gain) loss on discontinued operations	(379)	17	(3,798)
Write-off of development projects	392	1,501	12,351
Share-based compensation expense	2,313	3,160	5,016
Income tax effect of share-based compensation	(1,815)	-	7,472
Net realized loss on sale of available-for-sale securities	114	-	-
(Gain) loss on investments	(888)	9,260	17,181
Loss on impairment of real estate	40,240	114,862	-
Loss on extinguishment of debt	-	601	-
Equity in (earnings) losses of unconsolidated affiliates	188	(5,489)	(2,831)
Distributions of earnings from unconsolidated affiliates	4,959	12,665	15,661
Provision for doubtful accounts	2,891	5,000	9,372
Change in deferred tax accounts	2,031	1,170	(1,868)
Changes in:			
Tenant and other receivables	(6,693)	803	(13,092)
Other assets	(1,215)	(3,435)	(1,705)
Accounts payable and accrued liabilities	(5,600)	(6,686)	513
Net cash provided by operating activities	429,792	431,638	419,093
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to real estate assets	(143,586)	(229,732)	(437,765)
(Additions) reductions to restricted cash	20,987	30,938	(47,729)
(Additions) reductions to cash held in escrow	-	2,700	(2,700)
Purchase of partner's interest in unconsolidated affiliate	(15,773)	-	-
	-	(500)	-

Purchase of noncontrolling interest in other consolidated subsidiaries			
Proceeds from sales of real estate assets	138,614	11,826	93,575
Proceeds from sales of investments in unconsolidated affiliates	-	25,028	-
Purchase of municipal bonds	-	-	(13,371)
Additions to mortgage notes receivable	-	(975)	(749)
Payments received on mortgage notes receivable	1,609	20,769	105,554
Net purchases of available-for-sale securities	(9,610)	-	-
Additional investments in and advances to unconsolidated affiliates	(23,604)	(91,027)	(107,641)
Distributions in excess of equity in earnings of unconsolidated affiliates	31,776	77,245	58,712
Changes in other assets	(5,971)	(6,574)	(8,487)
Net cash used in investing activities	(5,558)	(160,302)	(360,601)

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

	Year Ended December 31,		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from mortgage and other indebtedness	$778,378	$686,764	$1,625,742
Principal payments on mortgage and other indebtedness	(1,221,436)	(1,159,321)	(1,382,417)
Additions to deferred financing costs	(4,855)	(20,377)	(7,227)
Proceeds from issuances of common stock	153	381,985	364
Proceeds from issuances of preferred stock	229,347	-	-
Proceeds from exercises of stock options	1,456	-	584
Income tax effect of share-based compensation	1,815	-	(7,472)
Contributions from noncontrolling interests	5,234	-	2,671
Distributions to noncontrolling interests	(86,093)	(86,607)	(137,435)
Dividends paid to holders of preferred stock	(35,670)	(21,819)	(21,819)
Dividends paid to common shareholders	(89,729)	(56,459)	(144,503)
Net cash used in financing activities	(421,400)	(275,834)	(71,512)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	-	1,333	(1,579)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,834	(3,165)	(14,599)
CASH AND CASH EQUIVALENTS, beginning of period	48,062	51,227	65,826
CASH AND CASH EQUIVALENTS, end of period	$50,896	$48,062	$51,227

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)

NOTE 1. ORGANIZATION

CBL & Associates Properties, Inc. ("CBL"), a Delaware corporation, is a self-managed, self-administered, fully-integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air centers, community centers and office properties. Its shopping centers are located in 26 states, but are primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the "Operating Partnership"). As of December 31, 2010, the Operating Partnership owned controlling interests in 76 regional malls/open-air centers, 30 associated centers (each located adjacent to a regional mall), eight community centers and 14 office buildings, including CBL's corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in seven regional malls, four associated centers, four community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had controlling interests in one open-air center expansion, one community center expansion, and one outlet center, owned in a 75/25 joint venture, under construction at December 31, 2010. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At December 31, 2010, 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 76.8% limited partner interest for a combined interest held by CBL of 77.8%.

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 limited partner interests when the Operating Partnership acquired the majority of Jacobs' interests in 23 properties in January 2001 and the balance of such interests in February 2002. At December 31, 2010, CBL's Predecessor owned a 9.8% limited partner interest, Jacobs owned a 6.9% limited partner interest and various third parties owned a 5.5% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 7.3 million shares of CBL's common stock at December 31, 2010, for a 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."

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The Company has evaluated subsequent events through the date of issuance of these financial statements. See Note 20 for further discussion.

Accounting Guidance Adopted

Effective January 1, 2010, the Company adopted ASU No. 2010-06, Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 provides that significant transfers in or out of measurements classified as Levels 1 or 2 should be disclosed separately along with reasons for the transfers. Information regarding purchases, sales, issuances and settlements related to measurements classified as Level 3 are also to be presented separately. Existing disclosures have been updated to include fair value measurement disclosures for each class of assets and liabilities and information regarding the valuation techniques and inputs used to measure fair value in measurements classified as either Levels 2 or 3. The guidance was effective for fiscal years beginning after December 15, 2009, excluding the provision relating to the rollforward of Level 3 activity which has been deferred until January 1, 2011. The adoption did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2010, the Company adopted ASU No. 2009-16, Transfers and Servicing: Accounting for Transfers of Financial Assets ("ASU 2009-16"). The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional related disclosures. The adoption did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2010, the Company adopted ASU No. 2009-17, Consolidations: Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ("ASU 2009-17"). ASU 2009-17 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 adoption did not have an impact on the Company's consolidated financial statements.

On February 24, 2010, the FASB issued ASU No. 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-09"). ASU 2010-09 amends the disclosure provision related to subsequent events by removing the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated. The new accounting guidance was effective immediately and was adopted by the Company upon the date of issuance.

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ASU 2010-20"). ASU 2010-20 requires entities to provide extensive new disclosures in their financial statements about their financing receivables, including credit risk exposures and the allowance for credit losses. The new disclosures include information regarding credit quality, impaired or modified receivables, nonaccrual or past due receivables and activity related to modified receivables and the allowance for credit losses. The disclosures are effective for the first interim or annual reporting periods ending on or after December 15, 2010, with the exception of the activity disclosures, which are effective for interim or annual reporting periods

beginning on or after December 15, 2010. The adoption of ASU 2010-20 did not have an impact on the Company's consolidated financial statements.

Real Estate Assets

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

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

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

The Company's acquired intangibles and their balance sheet classifications as of December 31, 2010 and 2009, are summarized as follows:

	December 31, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible lease assets and other assets:				
Above-market leases	$ 69,405	$ (37,425)	$ 71,143	$ (33,684)
In-place leases	68,770	(41,454)	75,356	(43,994)
Tenant relationships	56,803	(12,334)	56,803	(9,736)
Accounts payable and accrued liabilities:				
Below-market leases	97,999	(66,370)	101,329	(61,150)

These intangibles are related to specific tenant leases. Should a termination occur earlier than the date indicated in the lease, the related intangible assets or liabilities, if any, related to the lease are recorded as expense or income, as applicable. The total net amortization expense of the above acquired intangibles was $7,748, $7,146 and $7,728 in 2010, 2009 and 2008, respectively. The estimated total net amortization expense for the next five succeeding years is $7,154 in 2011, $6,830 in 2012, $5,543 in 2013, $4,836 in 2014 and $4,701 in 2015.

Total interest expense capitalized was $3,334, $6,807 and $18,120 in 2010, 2009 and 2008, respectively.

Carrying Value of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when its estimated future undiscounted cash flows are less than its carrying value. If it is determined that impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value. The Company's estimates of undiscounted cash flows expected to be generated by each Property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each Property. As these factors are difficult to predict and are subject to future events that may alter the assumptions used, the future cash flows estimated in the Company's impairment analyses may not be achieved.

During the course of the Company's normal quarterly impairment review process for the second quarter of 2010, it was determined that a write-down of the depreciated book value of Oak Hollow Mall in High Point, NC, to its estimated fair value was necessary, resulting in a non-cash loss on impairment of real estate assets of $25,435 during 2010.

The revenues of Oak Hollow Mall accounted for approximately 0.4% of total consolidated revenues for the year ended December 31, 2010. A reconciliation of the Property's carrying values for the year ended December 31, 2010 is as follows:

	Oak Hollow Mall
Beginning carrying value, January 1, 2010	$ 37,287
Capital expenditures	516
Depreciation expense	(1,065)
Loss on impairment of real estate	(25,435)
Ending carrying value, December 31, 2010	$ 11,303

Oak Hollow Mall generates insufficient income levels to cover the debt service on its fixed-rate non-recourse loan that had a balance of $39,484 as of December 31, 2010. The lender on the loan receives the net operating cash flows of the Property each month in lieu of scheduled monthly mortgage payments. Subsequent to December 31, 2010, the Company entered into a contract for, and closed on, the sale of this Property. See Note 20 for additional information.

In December 2010, the Company incurred a loss on impairment of real estate assets of $12,363 due to a loss related to the sale of Milford Marketplace in Milford, CT, and the conveyance of ownership interest in phase I of Settlers Ridge in Pittsburg, PA, a loss of $1,286 attributable to the sale of Lakeview Pointe in Stillwater, OK, and a loss of $1,156 related to the sale of a parcel of land.

During the course of the Company's normal quarterly impairment review process for the fourth quarter of 2009, it was determined that write-downs of the depreciated book values of three shopping centers to their estimated fair values was necessary, resulting in a non-cash loss on impairment of real estate assets of $114,862 for the year ended December 31, 2009. The affected shopping centers included Hickory Hollow Mall in Nashville (Antioch), TN, Pemberton Square in Vicksburg, MS, and Towne Mall in Franklin, OH, each of which was included in the "Malls" segment. Revenues of these shopping centers combined for the year ended December 31, 2009 accounted for approximately 1.0% of total consolidated revenues for 2009. A reconciliation of the shopping centers' carrying values for the year ended December 31, 2009 is as follows:

	Hickory Hollow Mall	Pemberton Square	Towne Mall	Total
Beginning carrying value, January 1, 2009	$ 110,794	$ 7,338	$ 16,197	$ 134,329
Capital expenditures	168	146	24	338
Depreciation expense	(3,566)	(389)	(462)	(4,417)
Other	-	(14)	-	(14)
Loss on impairment of real estate	(94,879)	(5,651)	(14,332)	(114,862)
Ending carrying value, December 31, 2009	$ 12,517	$ 1,430	$ 1,427	$ 15,374

Hickory Hollow Mall experienced declining income as a result of changes in the property-specific market conditions as well as increasing retail competition. Those declines were further exacerbated by poor economic conditions. As a result of the estimate of projected future cash flows, the Company determined that a write-down of the depreciated book value from $107,396 to an estimated fair value of $12,517 was appropriate. Hickory Hollow Mall generates insufficient income levels to cover the debt service on its fixed-rate recourse loan that had a balance of $28,786 as of December 31, 2010. The Company plans to continue to service the loan, which is self-liquidating, over the remaining eight-year term.

Pemberton Square and Towne Mall also experienced declining property-specific market conditions. Due to uncertainty regarding the timing and approval of potential redevelopment projects to maximize the Properties' cash flow positions, the Company determined that it was appropriate to write down Pemberton Square's depreciated book value of $7,081 to an estimated fair value of $1,430 as of December 31, 2009 and Towne Mall's depreciated book value of $15,759 to an estimated fair value of $1,427 as of December 31, 2009. Towne Mall is currently unencumbered. Pemberton Square was sold in October 2010.

No impairments of long-lived assets were incurred during 2008.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash of $30,158 and $49,688 was included in intangible lease assets and other assets at December 31, 2010 and 2009, respectively. Restricted cash consists primarily of cash held in escrow accounts for debt service, insurance, real estate taxes, capital improvements and deferred maintenance as required by the terms of certain mortgage notes payable, as well as contributions from tenants to be used for future marketing activities. The Company's restricted cash included $117 and $13,689 as of December 31, 2010 and 2009, respectively, related to funds held in a trust account for certain construction costs associated with one of our developments. Of the $13,689 held in trust as of December 31, 2009, $1,080 was restricted for use in retiring public bonds included in mortgage notes and other indebtedness.

Allowance for Doubtful Accounts

The Company periodically performs a detailed review of amounts due from tenants to determine if accounts receivable balances are realizable based on factors affecting the collectibility of those balances. The Company's

estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income. The Company recorded a provision for doubtful accounts of $2,712, $5,132 and $9,001 for 2010, 2009 and 2008, respectively.

Investments in Unconsolidated Affiliates

The Company evaluates its joint venture arrangements to determine whether they should be recorded on a consolidated basis. The percentage of ownership interest in the joint venture, an evaluation of control and whether a variable interest entity (