CBL & ASSOCIATES PROPERTIES INC
Form 424B2
June 11, 2002

FILED PURSUANT TO RULE 424(B)(2)
REGISTRATION NO. 333-47041-

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 23, 1998)

1,740,000 SHARES

CBL & ASSOCIATES PROPERTIES, INC.

CBL LOGO

8.75% SERIES B CUMULATIVE REDEEMABLE PREFERRED STOCK

(LIQUIDATION PREFERENCE $50.00 PER SHARE)

We are offering and selling 1,740,000 shares of our 8.75% Series B cumulative redeemable preferred stock, par value $.01 per share, with this prospectus supplement. We will receive all of the net proceeds from the sale of the shares of Series B preferred stock.

We will pay cumulative dividends on the shares of Series B preferred stock, from the date of original issuance, in the amount of $4.375 per share each year, which is equivalent to 8.75% of the $50.00 liquidation preference per share. Dividends on the shares of Series B preferred stock will be payable quarterly in arrears, beginning on June 30, 2002. We may not redeem the shares of Series B preferred stock before June 14, 2007, except in order to preserve our status as a real estate investment trust. On and after June 14, 2007, we may, at our option, redeem the shares of Series B preferred stock, in whole or in part, by paying $50.00 per share, plus any accumulated, accrued and unpaid dividends. The shares of Series B preferred stock have no stated maturity, will not be subject to any sinking fund or mandatory redemption and will not be convertible into any of our other securities. Investors in the shares of Series B preferred stock will generally have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters and in certain other events. There is currently no public market for our Series B preferred stock. We have applied to the New York Stock Exchange, Inc. for authorization to list the Series B preferred stock under the symbol "CBLPrB." If this application is approved, trading in the Series B preferred stock is expected to commence within a 30-day period after the initial delivery of the Series B preferred stock.

INVESTING IN OUR SERIES B PREFERRED STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-6 OF THIS PROSPECTUS SUPPLEMENT AND ON PAGE 6 OF THE ACCOMPANYING PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Public offering price.....	$50.00	$87,000,
Underwriting discounts and commissions.....	$1.575	$2,740,

Proceeds, before expenses, to us.....	$48.425	$84,259,

The underwriters are severally underwriting the shares being offered. The underwriters have an option to purchase up to an additional 260,000 shares of Series B preferred stock from us to cover over-allotments, if any.

The shares of our Series B preferred stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See "Description of Capital Stock--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus for more information about these restrictions.

The underwriters expect that the shares of Series B preferred stock will be ready for delivery in book entry form through The Depositary Trust Company on or about June 14, 2002.

BEAR, STEARNS & CO. INC. ROBERTSON STEPHENS
SOLE BOOK RUNNER JOINT LEAD MANAGER
PRUDENTIAL SECURITIES
LEGG MASON WOOD WALKER
INCORPORATED

J.J.B. HILLIARD, W.L. LYONS, INC.
WELLS FARGO SECURITIES, LLC

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS JUNE 10, 2002

ABOUT THIS PROSPECTUS SUPPLEMENT

References to "we," "us" or "our" refer to CBL & Associates Properties, Inc. and unless the context otherwise requires, CBL & Associates Limited Partnership, which we refer to as our "operating partnership." We conduct our business and operations through the operating partnership and its subsidiaries. References to "CBL" refer to CBL & Associates Properties, Inc. The term "you" refers to a prospective investor. The sole general partner of the operating partnership is CBL Holdings I, Inc., a Delaware corporation and a wholly owned subsidiary of CBL & Associates Properties, Inc.

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

Certain information included or incorporated by reference in this prospectus supplement or the accompanying prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," or the negative of these words, or other similar words or terms. Factors which could materially and adversely affect us include, but are not limited to, changes in economic conditions generally and the real estate market specifically, legislative/regulatory changes including changes to laws governing the taxation of real estate investment trusts, which we call "REITs," availability of debt and equity capital, interest rate fluctuations, competition, supply and demand

for properties in our current and proposed market areas, accounting principles, policies and guidelines applicable to REITs, environmental risks, tenant bankruptcies and the other matters described under the heading "Risk Factors" beginning on page S-6 of this prospectus supplement and on page 6 of the accompanying prospectus. All of these factors should be considered in evaluating any forward-looking statements included or incorporated by reference in this prospectus supplement or the accompanying prospectus.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference in this prospectus supplement or the accompanying prospectus, whether as a result of new information, future events or otherwise. In light of the factors referred to above, the future events discussed in or incorporated by reference in this prospectus supplement or the accompanying prospectus may not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

SUMMARY

THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY READ THIS ENTIRE PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, ESPECIALLY THE "RISK FACTORS" SECTION BEGINNING ON PAGE S-6 OF THIS PROSPECTUS SUPPLEMENT AND ON PAGE 6 OF THE ACCOMPANYING PROSPECTUS AND THE "AVAILABLE INFORMATION" SECTION BEGINNING ON PAGE S-30 OF THIS PROSPECTUS SUPPLEMENT, AS WELL AS THE DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND IN THE ACCOMPANYING PROSPECTUS. UNLESS OTHERWISE INDICATED, FINANCIAL INFORMATION INCLUDED IN THIS PROSPECTUS SUPPLEMENT IS PRESENTED ON AN HISTORICAL BASIS.

CBL & ASSOCIATES PROPERTIES, INC.

We are a self-managed, self-administered, fully integrated real estate company. We own, operate, market, manage, lease, expand, develop, redevelop, acquire and finance regional malls and community and neighborhood shopping centers. We have elected to be taxed as a REIT for federal income tax purposes. We are one of the largest mall REITs in the United States. We currently own interests in a portfolio of properties, consisting of 47 regional malls three of which are currently being expanded, 16 associated centers, each of which is part of a regional shopping mall complex, 65 community centers, one office building, joint venture investments in six regional malls, three associated centers and two community centers, and income from nine mortgages. Additionally, we own one regional mall, one associated center and two community centers currently under construction. We also own options to acquire certain shopping center development sites. Our website can be found at www.cblproperties.com.

We conduct substantially all of our business through our operating partnership, CBL & Associates Limited Partnership, a Delaware limited partnership. We currently own an indirect 53.82% interest in the operating partnership, and one of our wholly owned subsidiaries, CBL Holdings I, Inc., a Delaware corporation, is its sole general partner. To comply with certain technical requirements of the Internal Revenue Code of 1986, as amended, applicable to REITs, our property management and development activities, sales of peripheral land and maintenance operations are carried out through a separate management company, CBL & Associates Management, Inc. Currently, our operating partnership owns 100% of the preferred stock of the management company, which entitles the operating partnership to substantially all of the management company's earnings, and our operating partnership also owns 6% of the management company's common stock. Certain of our executive officers and their children

hold the remaining 94% of the management company's common stock.

In order to maintain our qualification as a REIT for federal income tax purposes, we must distribute each year at least 90% of our taxable income, computed without regard to net capital gains or the dividends-paid deduction.

We were organized on July 13, 1993 as a Delaware corporation to acquire substantially all of the real estate properties owned by our predecessor company, CBL & Associates, Inc., and its affiliates. Our principal executive offices are located at CBL Center, 2030 Hamilton Place Blvd., Suite 500, Chattanooga, Tennessee 37421-6000, and our telephone number is (423) 855-0001.

RECENT DEVELOPMENTS

On March 14, 2002, we issued 3,352,770 shares of common stock in a follow-on offering for net proceeds of approximately $115 million. We used the net proceeds from the offering of common stock to repay indebtedness incurred under our credit facilities.

On March 14, 2002, we acquired additional ownership interests in four malls and one associated center, completing the second and final stage of our acquisition of The Richard E. Jacobs Group Inc.'s interests in 21 malls and two associated centers. In connection with this stage, we paid consideration of

$422,088 in cash, issued 499,730 additional special common units of our operating partnership, and assumed $24.5 million of fixed rate non-recourse debt.

On April 12, 2002, we acquired a 724,663-square-foot regional mall located in Waco, Texas, for approximately $43.5 million. The acquisition was funded with borrowings under our credit facilities.

On May 8, 2002, our board of directors dismissed our independent auditors, Arthur Andersen LLP, in view of recent developments relating to Arthur Andersen and based on the recommendation of our audit committee. Concurrently, we engaged Deloitte and Touche LLP to serve as our independent public accountants and to audit our financial statements for the fiscal year ending December 31, 2002.

On May 31, 2002, we acquired Panama City Mall, a 606,698-square-foot regional mall located in Panama City, Florida, for approximately $46.5 million. The acquisition price included the issuance of 118,695 special common units of our operating partnership which are entitled to minimum annual distributions of $3.374 per unit, payable quarterly. The balance of the acquisition price included our assumption of approximately $40.7 million in non-recourse mortgage indebtedness and approximately $458,000 in closing costs.

THE OFFERING

ISSUER.....	CBL & Associates Properties, Inc.
SECURITIES OFFERED.....	1,740,000 8.75% Series B Cumulative Redeemable Preferred Shares (2,000,000 if the underwriter's over-allotment option is exercised in full).
DIVIDENDS.....	Dividends on the offered shares are cumulative from the date of the original issue by us of shares of Series B

	preferred stock and are payable quarterly in arrears on the 30th day of March, June, September and December of each year, when, as and if declared by our board of directors. We will pay cumulative dividends on the Serie B preferred shares at the annual rate of 8.75% of the $50.00 liquidation preference (equivalent to $4.375 per share). We will pay the first dividend on June 30, 2002. Such first dividend and any dividend payable on the Seri B preferred shares for any partial dividend period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the Series B preferre shares will continue to accrue even if we do not have earnings or funds legally available to pay such dividend or we do not declare the payment of dividends.
LIQUIDATION PREFERENCE.....	$50.00 per Series B preferred share, plus an amount equa to accrued and unpaid dividends, whether or not declared
OPTIONAL REDEMPTION.....	The Series B preferred shares are not redeemable before June 14, 2007, except in limited circumstances relating the preservation of our qualification as a REIT. On and after June 14, 2007, the Series B preferred shares will redeemable at our option, in whole or in part, at any ti or from time to time, for cash at a price per share equa to the liquidation preference set forth above.
RANKING.....	The Series B preferred shares will rank senior to our common shares and on a parity with our outstanding Serie A preferred shares ($25.00 liquidation preference), whic we refer to as our Series A preferred shares, and any other parity securities that we may issue in the future. Such ranking applies to the payment of distributions and amounts upon liquidation, dissolution or winding up.

VOTING RIGHTS.....	Holders of the Series B preferred shares will generally have no voting rights. However, if dividends on any outstanding Series B preferred shares are in arrears for six or more consecutive or non-consecutive quarterly periods, holders of the Series B preferred shares (votin separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled at the next annual meeting of stockholders to elect two additional director to our board of directors, to serve until all unpaid dividends have been paid or declared and set apart for payment. In addition, we may not make certain material a adverse changes to the terms of the Series B preferred shares without the affirmative vote of holders of at lea 66 2/3% of the outstanding Series B preferred shares, voting separately as a class.
LISTING.....	We have applied to the New York Stock Exchange for authorization to list the Series B preferred shares unde the symbol "CBLPrB." If this application is approved, we expect that trading on the New York Stock Exchange will commence within 30 days after the initial delivery of th

	Series B preferred shares.
FORM.....	The Series B preferred shares will be issued and maintained in book-entry form registered in the name of the nominee of The Depositary Trust Company except under limited circumstances.
USE OF PROCEEDS.....	We intend to use the net proceeds from this offering for our general corporate purposes, including funding future developments, expansions and acquisitions.
RISK FACTORS.....	See "Risk Factors" beginning on Page S-6 of this prospectus supplement and on Page 6 of the accompanying prospectus and other information contained herein for a discussion of factors you should carefully consider befo deciding to invest in our Series B preferred shares.

For additional information regarding the terms of the Series B preferred shares, see "Description of Series B Preferred Stock" beginning on Page S-8 of this prospectus supplement.

RATIO OF EBITDA TO INTEREST EXPENSE
AND RATIO OF EARNINGS TO COMBINED FIXED
CHARGES AND PREFERRED STOCK DIVIDENDS

RATIO OF EBITDA TO INTEREST EXPENSE

ACTUAL (UNAUDITED) THREE MONTHS ENDED MARCH 31,		ACTUAL YEARS ENDED DECEMBER 31,				
2002	2001	2001	2000	1999	1998	1997
2.64	2.29	2.34	2.58	2.53	2.44	3.00

The ratios of EBITDA to interest expense were computed by dividing EBITDA by interest expense. Earnings before Interest, Taxes, Depreciation and Amortization, or EBITDA, is computed as the sum of net income before preferred dividends, minority interest in earnings, interest expense,

depreciation and amortization, and extraordinary loss on extinguishment of debt, plus EBITDA from unconsolidated affiliates less equity in earnings of unconsolidated affiliates. EBITDA is presented because it provides useful information regarding our ability to service debt. EBITDA should not be considered as an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

ACTUAL (UNAUDITED) THREE MONTHS ENDED MARCH 31,	ACTUAL YEARS ENDED DECEMBER 31,

2002	2001	2001	2000	1999	1998	1997
2.19	1.85	1.70	1.74	1.65	1.63	1.95

The ratios of earnings to combined fixed charges and preferred stock dividends were computed by dividing earnings by combined fixed charges and preferred stock dividends. For this purpose, earnings consist of pre-tax income before extraordinary items and fixed charges (excluding capitalized interest), adjusted, as applicable, for our proportionate share of earnings of fifty percent-owned affiliates and distributions from less than fifty percent-owned affiliates. Fixed charges consist of interest expense (including interest cost capitalized), amortization of debt costs and the portion of rent expense representing an interest factor.

RISK FACTORS

Before you consider investing in our shares of Series B preferred stock, you should be aware that there are risks in making this investment. You should carefully consider these risk factors, as well as "Risk Factors" beginning on page 6 of the accompanying prospectus, together with all of the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before you decide to invest in our shares of Series B preferred stock.

THERE ARE GENERAL RISKS ASSOCIATED WITH AN INVESTMENT IN SERIES B PREFERRED STOCK

The market value of the shares of Series B preferred stock could be substantially affected by general market conditions, including changes in interest rates, government regulatory action and changes in tax laws. An increase in market interest rates may lead purchasers of the shares of Series B preferred stock to require a higher annual dividend yield on the shares of Series B preferred stock as a percentage of the purchase price, which could adversely affect the market price of the shares of Series B preferred stock. Moreover, numerous other factors, such as government regulatory action and changes in tax laws could have a significant impact on the future market price of the shares of Series B preferred stock.

THE TERMS OF SOME OF OUR DEBT MAY PREVENT US FROM PAYING DIVIDENDS ON THE SERIES B PREFERRED STOCK

Some of our debt could limit our ability to make some types of payments, including payment of dividends on the Series B preferred stock, unless we meet certain financial tests or if required to maintain our qualification as a REIT. In addition, certain of our bank lenders may choose to include in our bank loans the same or similar covenant terms we have in our other bank loans. As a result, if we are unable to meet the applicable financial tests, we may not be able to pay dividends on the Series B preferred stock in one or more periods.

WE MAY INCUR MATERIAL EXPENSES OR DELAYS IN FINANCINGS OR SEC FILINGS BECAUSE WE CHANGED AUDITORS

On March 14, 2002, Arthur Andersen LLP was indicted on federal obstruction of justice charges arising from the government's investigation of Enron. On May 8, 2002, we dismissed Arthur Andersen as our independent public accounting firm and retained Deloitte & Touche LLP in their stead. As a public company, we are required to file with the Securities and Exchange Commission periodic

financial statements audited or reviewed by an independent, certified public accountant. Our access to the capital markets and our ability to make timely filings with the Securities and Exchange Commission could be impaired if the Securities and Exchange Commission ceases accepting financial statements audited by Arthur Andersen or if Arthur Andersen becomes unable or unwilling to provide required consents to being named as an expert in connection with the registration of securities related to future securities offerings. In such case, we would promptly seek to take such actions as may be necessary to enable us to maintain access to the capital markets and timely file financial reports. However such actions could be disruptive to our operations and could affect the price and liquidity of our securities. Furthermore, relief which may be available to shareholders under the federal securities laws against auditing firms may not be available as a practical matter against Arthur Andersen should it cease to operate or should it be financially impaired.

USE OF PROCEEDS

The net proceeds to us from the sale of the shares of Series B preferred stock offered by this prospectus supplement and the accompanying prospectus, after deducting estimated fees and expenses related to this offering of $350,000, will be approximately $96,500,000 (assuming the underwriters' over-allotment option is exercised in full). We will use the net proceeds from this offering for our general corporate purposes, including funding future developments, expansions and acquisitions.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2002, and as adjusted to give effect to the issuance and sale of the 2,000,000 shares of Series B preferred stock offered by this prospectus supplement (assuming the underwriters' over-allotment option is exercised in full). This information should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and schedule and notes thereto included in our quarterly report on Form 10-Q for the three months ended March 31, 2002 incorporated by reference in this prospectus supplement.

	MARCH 31, 2002	
	ACTUAL	AS ADJUSTED
	(DOLLARS IN THOUSANDS)	
LONG TERM DEBT	$2,191,043	$2,191,043
MINORITY INTEREST	492,372	492,372
SHAREHOLDERS' EQUITY:		
Preferred Stock, $.01 per value, 5,000,000 shares authorized, 2,875,000 shares issued and outstanding, and 4,875,000 shares issued and outstanding as adjusted(*)	29	49
Common Stock, $.01 per value, 95,000,000 shares authorized, 29,085,039 shares issued and outstanding	291	291
Additional Paid-In Capital	650,451	746,931
Other Comprehensive Loss	(4,642)	(4,642)
Accumulated Deficit	(10,414)	(10,414)
Total Shareholders' Equity	635,715	732,215

TOTAL CAPITALIZATION.....	$3,319,130	$3,415,630

(*) Assuming full exercise of the underwriters' over-allotment option to purchase up to 260,000 additional shares of Series B preferred stock.

DESCRIPTION OF SERIES B PREFERRED STOCK

The following description of the material terms and provisions of the Series B preferred stock is only a summary and is qualified in its entirety by reference to our certificate of incorporation and the certificate of designations creating the Series B preferred stock, each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

Our certificate of incorporation authorizes our board of directors to issue up to 5,000,000 shares of our preferred stock, par value $.01 per share. We currently have outstanding 2,875,000 shares of Series A preferred stock.

Subject to the limitations prescribed by the certificate of incorporation, the board of directors is authorized to establish the number of shares constituting each series of preferred stock and to fix the designations, powers, preferences and rights of the shares of each of those series and the qualifications, limitations and restrictions of each of those series, all without any further vote or action by our stockholders. The Series B preferred stock is a series of preferred stock. When issued, the shares of Series B preferred stock will be validly issued, fully paid and non-assessable.

RANK

The Series B preferred stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding-up, rank (a) senior to the common stock and to all equity securities ranking junior to the Series B preferred stock; (b) on a parity with all equity securities that we issue, the terms of which specifically provide that these equity securities rank on a parity with the Series B preferred stock; and (c) junior to all equity securities that we issue in accordance with the certificate of designations, the terms of which specifically provide that those equity securities rank senior to the Series B preferred stock. The term "equity securities" does not include convertible debt securities for this purpose.

DIVIDENDS

Holders of our Series B preferred stock will be entitled to receive, when, as and if declared by our board of directors, out of our assets legally available for the payment of dividends, cumulative preferential cash dividends at the annual rate of 8.75% of the $50.00 liquidation preference (equivalent to $4.375 per share). These dividends will be cumulative from the date of the original issue by us of shares of Series B preferred stock and will be payable quarterly in arrears on the 30th day of March, June, September and December of each year or, if not a business day, the next succeeding business day. A dividend payable on the Series B preferred stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stockholder records at the close of business on the applicable record date, which will be the 15th day of the calendar month in which the applicable due

date for the dividend payment falls or on such other date designated by the board of directors for the payment of dividends that is not more than 30 nor less than 10 days before the due date for the dividend payment.

We will not declare dividends on the Series B preferred stock, or pay or set apart for payment dividends on the Series B preferred stock at any time if the terms and provisions of any agreement, including any agreement relating to our indebtedness, prohibits the declaration, payment or setting apart for payment or provides that the declaration, payment or setting apart for payment would constitute a breach of the agreement or a default under the agreement, or if the declaration or payment is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series B preferred stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those

dividends, and whether or not those dividends are declared. Accrued but unpaid dividends on the Series B preferred stock will accumulate as of the due date for the dividend payment on which they first become payable. Except as described in the next sentence, we will not declare or pay or set apart for payment dividends on any shares of common stock or shares of any other series of preferred stock ranking, as to dividends, on a parity with or junior to the Series B preferred stock (other than a dividend paid in shares of common stock or in shares of any other class of capital stock ranking junior to the Series B preferred stock as to dividends and upon liquidation) for any period unless full cumulative dividends on the Series B preferred stock for all past dividend periods and the then current dividend period have been or contemporaneously are (a) declared and paid in cash or (b) declared and a sum sufficient to pay them in cash is set apart for payment. When we do not pay dividends in full (or we do not set apart a sum sufficient to pay them in full) upon the Series B preferred stock and the shares of any other series of preferred stock ranking on a parity as to dividends with the Series B preferred stock, we will declare any dividends upon the Series B preferred stock and any other series of preferred stock ranking on a parity as to dividends with the Series B preferred stock proportionately so that the dividends declared per share of Series B preferred stock and those other series of preferred stock will in all cases bear to each other the same ratio that accrued dividends per share on the Series B preferred stock and those other series of preferred stock (which will not include any accrual in respect of unpaid dividends on such other series of preferred stock for prior dividend periods if those other series of preferred stock do not have cumulative dividends) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Series B preferred stock which may be in arrears.

Except as provided in the immediately preceding paragraph, unless we have declared and paid or are contemporaneously declaring and paying full cumulative dividends in cash on the Series B preferred stock or we have declared full cumulative dividends and we have set apart for payment a sum sufficient for the payment of the declared dividends for all past dividend periods and the then current dividend period, we will not declare or pay or set aside for payment dividends (other than in common stock or other capital stock ranking junior to the Series B preferred stock as to dividends and upon liquidation), nor will we declare or pay any other dividend on our common stock or any other capital stock ranking junior to or on a parity with the Series B preferred stock as to dividends or amounts upon liquidation, nor will we redeem, purchase or otherwise acquire for consideration, or pay or make available any monies for a sinking fund for the redemption of any common stock, or on any other capital stock ranking junior to or on a parity with the Series B preferred stock as to dividends or upon liquidation (except by conversion into or exchange for other shares of capital stock ranking junior to the Series B preferred stock as to

dividends and upon liquidation and except for the acquisition of shares that have been designated as shares-in-trust). See "Description of Capital Stock--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus for information about the designation of shares as shares-in-trust. Holders of shares of Series B preferred stock are not entitled to any dividend, whether payable in cash, property or shares of capital stock, in excess of full cumulative dividends on the Series B preferred stock as provided above. Any dividend payment made on the Series B preferred stock will first be credited against the earliest accrued but unpaid dividends due with respect to those shares which remain payable.

Dividends on the Series B preferred stock included in this offering will accrue from the date that the shares of Series B preferred stock are delivered and will be paid, in accordance with our certificate of designations relating to the Series B preferred stock, to their holders on each dividend payment date, as further described in our certificate of designations, with the first dividend to be paid on the first dividend payment date subsequent to the date that the shares of Series B preferred stock are delivered.

If, for any taxable year, we elect to designate any portion of the dividends, within the meaning of the Internal Revenue Code, paid or made available for the year to holders of all classes of our shares

of capital stock as "capital gain dividends", as defined in Section 857 of the Internal Revenue Code, then the portion of the dividends designated as capital gain dividends that will be allocable to the holders of Series B preferred stock will be the portion of the dividends designated as capital gain dividends multiplied by a fraction, the numerator of which will be the total dividends paid or made available to the holders of the Series B preferred stock for the year and the denominator of which will be the total dividends paid or made available for the year to holders of all classes of our shares of capital stock.

LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, the holders of shares of Series B preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders a liquidation preference of $50.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment (whether or not declared), before any distribution or payment may be made to holders of shares of common stock or any other class or series of our capital stock ranking junior to the Series B preferred stock as to liquidation rights. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series B preferred stock and the corresponding amounts payable on all shares of other classes or series of capital stock ranking on a parity with the Series B preferred stock in the distribution of assets, then the holders of the Series B preferred stock and all other classes or series of shares of capital stock of that kind will share proportionately in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. Holders of Series B preferred stock will be entitled to written notice of any liquidation. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the sale, lease or conveyance of all or substantially all of our property or business will not be deemed to constitute our liquidation, dissolution or winding-up.

REDEMPTION

Shares of Series B preferred stock are not redeemable before June 14, 2007. However, in order to ensure that we remain qualified as a REIT for federal income tax purposes, the Series B preferred stock will be subject to provisions of the certificate of incorporation, under which Series B preferred stock owned by a stockholder in excess of the ownership limit, as defined in the accompanying prospectus, will automatically be designated shares-in-trust and transferred to a trust for the exclusive benefit of a charitable beneficiary which we will designate, and we may purchase the excess shares after that transfer in accordance with the terms of the certificate of incorporation. See "Description of Capital Stock--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus for more information about these transfer restrictions. On or after June 14, 2007, we may, at our option upon not less than 30 nor more than 60 days' written notice, redeem the Series B preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $50.00 per share, plus all accrued and unpaid dividends to the date fixed for redemption (except as provided below), without interest. If we redeem fewer than all of the outstanding shares of Series B preferred stock, the shares of Series B preferred stock to be redeemed will be redeemed proportionately (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable method as we may determine. Holders of our Series B preferred stock to be redeemed will surrender the preferred stock at the place designated in the notice and will be entitled to the redemption price and any accrued and unpaid dividends payable upon the redemption following surrender of the preferred stock. If notice of redemption of any Series B preferred stock has been given and if we have set aside in trust the funds necessary for the redemption for the benefit of the holders of any shares of Series B preferred stock so called for redemption, then from and after the

redemption date dividends will cease to accrue on such preferred stock, the shares of such preferred stock will no longer be deemed outstanding and all rights of the holders of the shares will terminate, except for the right to receive the redemption price plus any accrued and unpaid dividends payable upon the redemption. The redemption provisions of the Series B preferred stock do not in any way limit our right or ability to purchase, from time to time either at a public or a private sale, shares of the Series B preferred stock at such price or prices as we may determine, subject to the provisions of applicable law.

Unless we have declared and paid or we are contemporaneously declaring and paying full cumulative dividends on all Series B preferred stock and we have set aside a sum sufficient for the payment of full cumulative dividends on all Series B preferred stock for all past dividend periods and the then current dividend period, we may not redeem any Series B preferred stock, unless we simultaneously redeem all outstanding shares of Series B preferred stock and we will not purchase or otherwise acquire directly or indirectly any shares of Series B preferred stock except by exchange for shares of capital stock ranking junior to the Series B preferred stock as to dividends and amounts upon liquidation; except that that we may purchase, in accordance with the terms of our certificate of incorporation, our shares designated as shares-in trust or shares of Series B preferred stock in accordance with a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series B preferred stock.

We will give notice of redemption by publication in a newspaper of general circulation in the City of New York once a week for two successive weeks commencing not less than 30 nor more than 60 days before the redemption date. We will mail a similar notice, postage prepaid, not less than 30 nor more than 60 days before the redemption date, addressed to the holders of record of the shares of Series B preferred stock to be redeemed at their addresses as they

appear on our share transfer records. No failure to give the notice or any defect in the notice or in the mailing of the notice will affect the validity of the proceedings for the redemption of any Series B preferred stock except as to a holder to whom notice was defective or not given. Each notice will state (a) the redemption date; (b) the redemption price; (c) the number of shares of Series B preferred stock to be redeemed; (d) the place or places where certificates for shares of Series B preferred stock are to be surrendered for payment of the redemption price; and (e) that dividends on the Series B preferred stock to be redeemed will cease to accrue on the redemption date. If we will redeem fewer than all of the shares of Series B preferred stock held by any holder, the notice mailed to that holder will also specify the number of shares of Series B preferred stock held by that holder to be redeemed.

Immediately before any redemption of Series B preferred stock, we will pay, in cash, any accumulated and unpaid dividends through the redemption date, unless a redemption date falls after a dividend record date and before the corresponding dividend payment date, in which case each holder of Series B preferred stock at the close of business on the dividend record date will be entitled to the dividend payable on the shares on the corresponding dividend payment date notwithstanding the redemption of those shares before that dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series B preferred stock for which a notice of redemption has been given.

The Series B preferred stock will have no stated maturity and will not be subject to any sinking fund or mandatory redemption. However, in order to ensure that we remain qualified as a REIT for federal income tax purposes, Series B preferred stock owned by a stockholder in excess of the ownership limit will be designated as shares-in-trust and will automatically be transferred to a trust for the exclusive benefit of a charitable beneficiary which we will designate, and we may purchase the excess shares after that transfer in accordance with the terms of the certificate of incorporation. See "Description of Capital Stock--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus for more information about these transfer restrictions.

VOTING RIGHTS

Holders of the Series B preferred stock will not have any voting rights, except as provided by applicable law and as described below.

Whenever dividends on any shares of Series B preferred stock are in arrears for six or more consecutive or non-consecutive quarterly periods, a preferred dividend default will exist, and the holders of the Series B preferred stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two additional directors at the next annual meeting of stockholders and at each subsequent meeting until all dividends for the past dividend periods and the then current dividend period that have accumulated on the Series B preferred stock and all other series of preferred stock upon which like voting rights have been conferred and are exercisable will have been fully paid or declared and a sum sufficient to pay them set aside for payment. Upon such election, the number of members of our board of directors will be increased by two directors. If and when all accumulated dividends and the accrued dividend for the then current dividend period have been paid on the Series B preferred stock and all series of preferred stock upon which like voting rights have been conferred and are exercisable, the term of office of each of the additional directors so elected will terminate. So long as a preferred dividend default continues, any vacancy in the office of additional directors elected under this section may be filled by written consent of the director elected as described in this paragraph who

remains in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series B preferred stock when they have the voting rights described above (voting separately as a class with all series of preferred stock upon which like voting rights have been conferred and are exercisable). Each of the additional directors elected as described in this paragraph will be entitled to one vote on any matter.

So long as any shares of Series B preferred stock remain outstanding, we will not, without the affirmative vote or consent of the holders of two-thirds of the shares of Series B preferred stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (with the Series B preferred stock voting separately as a class): (a) authorize or create, or increase the authorized or issued amount of, any class or series of shares of capital stock ranking prior to the Series B preferred stock with respect to payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up or reclassify any of our authorized shares of capital stock into capital stock of that kind, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any capital stock of that kind; or (b) amend, alter or repeal the provisions of the certificate of incorporation or the certificate of designations, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series B preferred stock or the holders of the Series B preferred stock; except that with respect to the occurrence of any of the events described in (b) above, so long as the Series B preferred stock remains outstanding with the terms of the Series B preferred stock materially unchanged, taking into account that, upon the occurrence of an event described in (b) above, we may not be the surviving entity, the occurrence of that event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of Series B preferred stock and provided further that (A) any increase in amount of the authorized Series B preferred stock or the creation or issuance of any other series of preferred stock or (B) any increase in the number of authorized shares of Series B preferred stock or any other series of preferred stock in each case ranking on a parity with or junior to the Series B preferred stock with respect to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up, will not be deemed to materially and adversely affect those rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or before the time when the act with respect to which the vote would otherwise be required is effected, all outstanding shares of Series B preferred

stock are redeemed or called for redemption upon proper notice and we deposit sufficient funds, in cash, in trust to effect the redemption.

CONVERSION

The shares of Series B preferred stock are not convertible into or exchangeable for any of our other property or securities.

RESTRICTIONS ON TRANSFER

As discussed under "Description of Capital Stock--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus, for us to qualify as a REIT under the Internal Revenue Code, transfer of the Series B preferred stock is restricted and not more than 50% in value of our outstanding capital stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code to include certain entities, during the last half of any taxable year.

TRANSFER AGENT

The transfer agent, registrar and dividend disbursing agent for the Series B preferred stock will be SunTrust Bank.

FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain U.S. federal income tax considerations is based on current law, is for general information only, and is not tax advice. The tax treatment of a holder of any of the offered securities will depend on the holder's particular situation, and this discussion does not attempt to address all aspects of federal income tax considerations that may be relevant to holders of the offered securities in light of their personal investment or tax circumstances, or to certain types of stockholders (including insurance companies, tax-exempt organizations, financial institutions or broker-dealers, foreign corporations and persons who are not citizens or residents of the United States), except to the extent discussed in this section. This summary assumes that the stockholder holds the stock as a capital asset. Current law may change, possibly with retroactive effect.

EACH PROSPECTIVE PURCHASER OF THE OFFERED SECURITIES IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO THE PURCHASER OF THE PURCHASE, OWNERSHIP AND SALE OF THE OFFERED SECURITIES AND OF OUR ELECTION TO BE TAXED AS A REIT, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, SALE AND ELECTION AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS. IN PARTICULAR, FOREIGN INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR COMPANY, INCLUDING THE POSSIBILITY OF UNITED STATES INCOME TAX WITHHOLDING ON OUR DISTRIBUTIONS.

TAXATION OF CBL

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury Regulations, which set forth the requirements for qualifying as a REIT, commencing with our taxable year ended December 31, 1993. We believe that, commencing with our taxable year ended December 31, 1993, we have been organized and have operated, and are operating, in such a manner so as to qualify for taxation as a REIT under the Code. We intend to continue to operate in such a manner, but we may not operate in a manner so as to qualify or remain qualified.

The sections of the Code relating to qualification and operation as a REIT are highly technical and complex. The following sets forth the material aspects of the Code sections that govern the federal income tax treatment of a REIT. This summary is qualified in its entirety by the applicable Code provisions and Treasury Regulations, and administrative and judicial interpretations of the applicable Code provisions and Treasury Regulations. Willkie Farr & Gallagher has acted as our special tax counsel in connection with our election to be taxed as a REIT.

In the opinion of Willkie Farr & Gallagher, commencing with our taxable year ended December 31, 1993, we were organized and have operated in conformity with the REIT requirements, and our proposed method of operation will enable us to continue to meet REIT requirements. Willkie Farr & Gallagher's opinion is based on certain factual representations and assumptions and methods of operations which are beyond its control and which it will not monitor on an ongoing basis. In particular, this opinion is based upon our factual representations concerning our business and properties and certain factual representations and legal conclusions of Shumacker & Thompson, P.C. Moreover, our qualification and taxation as a REIT depend upon our ability to meet, through actual annual

operating results, certain distribution levels, a specified diversity of stock ownership, and the various other qualification tests imposed under the Code as discussed below. The annual operating results will not be reviewed by Willkie Farr & Gallagher. Accordingly, the actual results of our operations for any particular taxable year may not satisfy these requirements. Further, the anticipated income tax treatment described in this prospectus supplement may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. For a discussion of the tax consequences of failure to qualify as a REIT, see "Federal Income Tax Considerations--Failure to Qualify" below.

For as long as we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our income that is currently distributed to stockholders. The REIT

requirements generally allow a REIT to deduct dividends paid to its stockholders. This treatment substantially eliminates the "double taxation" (once at the corporate level and again at the stockholder level) that generally results from investment in a corporation.

Even if we qualify for taxation as a REIT, we may be subject to federal income tax as follows:

First, we will be taxed at regular corporate rates on any undistributed "real estate investment trust taxable income," including undistributed net capital gains. However, we can elect to "pass through" any of our taxes paid on our undistributed net capital gains income to our stockholders on a proportional basis.

Second, under certain circumstances, we may be subject to the "alternative minimum tax" on our items of tax preference, if any.

Third, if we have (1) net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying net income from foreclosure property, it will be subject to tax at the highest corporate rate on that income. Foreclosure property means property acquired by reason of a default on a lease or an indebtedness held by a REIT.

Fourth, if we have net income from "prohibited transactions," which are, in general, certain sales or other dispositions of property, held primarily for sale to customers in the ordinary course of business other than sales of foreclosure property and sales that qualify for a statutory safe harbor, that income will be subject to a 100% tax.

Fifth, if we should fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, and have nonetheless maintained our qualification as a REIT because certain other requirements have been met, we will be subject to a 100% tax on an amount equal to the greater of (1) the excess of (a) 90% of our gross income less (b) the amount of our gross income that is qualifying income for purposes of the 95% test or (2) the excess of (a) 75% of our gross income less (b) the amount of our gross income that is qualifying income for purposes of the 75% test, multiplied by a fraction intended to reflect our profitability.

Sixth, if we should fail to distribute with respect to each calendar year at least the sum of (1) 85% of our REIT ordinary income for that year, (2) 95% of our REIT capital gain net income for the year, and (3) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of that required distribution over the amounts actually distributed.

Seventh, if we acquire in the future any asset from a "C" corporation in a carryover basis transaction, or if we held assets beginning on the first day of the first taxable year for which we qualified as a REIT, and we subsequently recognize gain on the disposition of the asset during the 10-year period beginning on the date on which we acquired the asset or we first qualified as a REIT, then the excess of (a) the fair market value of the asset as of the beginning of the period, over (b) our adjusted basis in the asset as of the beginning of the period will generally be subject to tax at the highest regular corporate rate. A "C" corporation means a corporation subject to full corporate-level tax.

Eighth, for taxable years beginning after December 31, 2000, if we receive non-arms length income as a result of services provided by a taxable REIT subsidiary to our tenants, or if we receive certain other non-arms length income from a taxable REIT subsidiary, we will be subject to a 100% tax on the amount of the non-arms length income.

REQUIREMENTS FOR QUALIFICATION

ORGANIZATIONAL REQUIREMENTS

In order to remain qualified as a REIT, we must continue to meet certain requirements, discussed below, relating to our organization, sources of income, nature of assets, and distributions of income to our stockholders.

The Internal Revenue Code defines a REIT as a corporation, trust or association (1) that is managed by one or more trustees or directors, (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (3) that would be taxable as a domestic corporation but for the REIT requirements, (4) that is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) the beneficial ownership of which is held by 100 or more persons, (6) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals, and (7) that meets certain other tests, described below, regarding the nature of its income and assets. The REIT requirements provide that conditions (1) to (4), inclusive, must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. For purposes of condition (6), certain tax-exempt entities are generally treated as individuals. However, a pension trust generally will not be considered an individual for purposes of condition (6). Instead, beneficiaries of the pension trust will be treated as holding stock of a REIT in proportion to their actuarial interests in the trust.

We have satisfied the requirements of conditions (1) through (4) and (7), and we believe that the requirements of conditions (5) and (6) have been and are currently satisfied. In addition, our certificate of incorporation provides for restrictions regarding transfer of our shares in order to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. These transfer restrictions are described under the captions "Description of Capital Stock--Description of Preferred Stock--Restrictions on Transfer" and "--Description of Common Stock--Restrictions on Transfer" in the accompanying prospectus.

We currently have three "qualified REIT subsidiaries," CBL Holdings I, Inc., CBL Holdings II, Inc. and CBL/North Haven, Inc., and may have additional qualified REIT subsidiaries in the future. A corporation that is a qualified REIT subsidiary will not be treated as a separate corporation, and all

assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary will be treated as assets, liabilities, and items of the REIT. Thus, in applying these requirements, the separate existence of our qualified REIT subsidiaries will be ignored, and all assets, liabilities, and items of income, deduction, and credit of these subsidiaries will be treated as our assets, liabilities and items.

In the case of a REIT that is a direct or indirect partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to that share. In addition, the character of the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of the REIT requirements, including satisfying the gross income tests and the asset tests, described below. Thus, our proportionate share of the assets, liabilities and items of income of the operating partnership and the property partnerships will be treated as our assets, liabilities and items of income for purposes of applying the requirements described in this section, provided that the operating partnership and property partnerships are treated as partnerships for federal income tax purposes.

Finally, a corporation may not elect to become a REIT unless its taxable year is the calendar year. Our taxable year is the calendar year.

INCOME TESTS

In order for us to maintain our qualification as a REIT, there are two gross income requirements that must be satisfied annually. First, at least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must consist of defined types of income derived directly or indirectly from investments relating to real property or mortgages on real property, including "rents from real property," as described below, and, in certain circumstances, interest, or from certain types of temporary investments. Second, at least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from real property investments of those kinds, dividends, other types of interest, gain from the sale or disposition of stock or securities that do not constitute dealer property, or any combination of the foregoing. Dividends that we receive on our indirect ownership interest in the management company, as well as interest that we receive on our loan to the management company and other interest income that is not secured by real estate, generally will be includable under the 95% test but not under the 75% test.

Rents received or deemed to be received by us will qualify as "rents from real property" for purposes of the gross income tests only if several conditions are met:

First, the amount of rent must not be based, in whole or in part, on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Second, rents received from a tenant will not qualify as rents from real property if the REIT, or a direct or indirect owner of 10% or more of the REIT, owns, directly or constructively, 10% or more of the tenant, except that for tax years beginning after December 31, 2000, rents received from a taxable REIT subsidiary under certain circumstances qualify as rents from real property even if we own more than a 10% interest in the subsidiary.

Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.

Fourth, a REIT may provide services to its tenants and the income will qualify as rents from real property if the services are of a type that a tax exempt organization can provide to its tenants without causing its rental income to be unrelated business taxable income under the Code. Services that would give rise to unrelated business taxable income if provided by a tax exempt organization must be provided either by the management company or by an independent contractor who is adequately compensated and from whom the REIT does not derive any income; otherwise, all of the rent received from the tenant for whom the services are provided will fail to qualify as rents from real property if the services income exceeds a DE MINIMIS amount. However, rents will not be disqualified if a REIT provides DE MINIMIS impermissible services. For this purpose, services provided to tenants of a property are considered DE MINIMIS where income derived from the services rendered equals 1% or less of all income derived from the property, with the threshold determined on a property-by-property basis. For purposes of the 1% threshold, the amount treated as received for any service may not be less than 150% of the direct cost incurred in furnishing or rendering the service. Also note, however, that receipts for services furnished, whether or not rendered by an independent contractor, which are not customarily provided to tenants in properties of a similar class in the geographic market in which our property is located will in no event qualify as rents from real property.

Substantially all of our income is derived from our partnership interest in the operating partnership. The operating partnership's real estate investments, including those held through the property partnerships, give rise to income that enables us to satisfy all of the income tests described above. The operating partnership's income is largely derived from its interests, both direct and indirect,

in the properties, which income, for the most part, qualifies as "rents from real property" for purposes of the 75% and the 95% gross income tests. The operating partnership also derives dividend income from its interest in the management company.

None of us, the operating partnership or any of the property partnerships currently under existing leases, nor will any of them in the future in connection with new leases, (1) charge rent for any property that is based in whole or in part on the income or profits of any person (except by reason of being based on a percentage of receipts or sales, as described above) other than relatively minor amounts which do not cause noncompliance with the above tests; (2) rent any property to a tenant of which we, or an owner of 10% or more of our stock, directly or indirectly, own 10% or more, other than under leases with CBL & Associates, Inc., certain of our affiliates and officers and certain affiliates of those persons which produce a relatively minor amount of non-qualifying income and which we believe will not, either singly or when combined with other non-qualifying income, exceed the limits on non-qualifying income; (3) derive rent attributable to personal property leased in connection with property that exceeds 15% of the total rents other than relatively minor amounts which do not cause noncompliance with the above tests; or (4) directly perform any services that would give rise to income derived from services that give rise to "unrelated business taxable income" as defined in Section 512(a) of the Internal Revenue Code, and none of them will in the future enter into new leases that would, either singly or in the aggregate, result in our disqualification as a REIT.

We have obtained from the IRS a ruling that direct performance of the services and the undertaking of the activities described above by the management company with respect to properties owned by us or by the operating partnership or the property partnerships, and the management company's other services to third parties, will not cause the amounts received directly or through partnerships by us from the rental of our properties and of properties of the partnerships to be treated as something other than rents from real property for purposes of the Code.

The management company receives fees in exchange for the performance of certain management and administrative services. These fees do not accrue to us, but we receive dividends and interest from the management company, which qualify under the 95% gross income test. We believe that the aggregate amount of any nonqualifying income in any taxable year will not exceed the limits on nonqualifying income under the 75% and 95% gross income tests.

For purposes of the gross income tests, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentage of receipts or sales. Although the operating partnership or the property owners may advance money from time to time to tenants for the purpose of financing tenant improvements, we and the operating partnership do not intend to charge interest in any transaction that will depend in whole or in part on the income or profits of any person or to make loans that are not secured by mortgages of real estate in amounts that could jeopardize our compliance with the 5% asset test described below.

Any net income derived from a prohibited transaction is subject to a 100% tax. We believe that no asset owned by us, the operating partnership or the property partnerships is held for sale to customers, and that the sale of any property will not be in the ordinary course of our business, or that of the operating partnership or the relevant property partnership. Whether property is held primarily for sale to customers in the ordinary course of a trade or business and, therefore, is subject to the 100% tax, depends on the facts and circumstances in effect from time to time, including those related to a particular property. We and the operating partnership will attempt to comply with the terms of safe-harbor provisions in the Code prescribing when asset sales will not be characterized as prohibited transactions. We may not always be able to comply with the safe-harbor provisions of the Code or

avoid owning property that may be characterized as property held primarily for sale to customers in the ordinary course of business.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we are entitled to relief under certain provisions of the Code. These relief provisions generally will be available if our failure to meet those tests is due to reasonable cause and not willful neglect, we attach a schedule of our sources of income to our federal income tax return, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above in "--Taxation of CBL", even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

In addition to the two income tests described above, we were subject to a third income test for our taxable years before 1998. Under this test, short-term gains from the sale or other disposition of stock or securities, gain from

prohibited transactions and gain on the sale or other disposition of real property held for less than four years, apart from involuntary conversions and sales of foreclosure property, were required to represent less than 30% of our gross income, including gross income from prohibited transactions, for each of these taxable years.

ASSET TESTS

In order for us to maintain our qualification as a REIT, we, at the close of each quarter of our taxable year, must also satisfy three tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets. Real estate assets for the purpose of this asset test include (1) our allocable share of real estate assets held by partnerships in which we own an interest or held by qualified REIT subsidiaries and (2) stock or debt instruments held for not more than one year purchased with the proceeds of our stock offering or long-term (at least five years) debt offering, cash items and government securities. Second, although the remaining 25% of our assets generally may be invested without restriction, securities in this class may not exceed either (1) 5% of the value of our total assets as to any one issuer, or (2) 10% of the outstanding voting securities of any one issuer.

In addition to the asset tests described above, we are prohibited, in taxable years beginning after December 31, 2000, from owning more than 10% of the value of the outstanding debt and equity securities of any subsidiary other than a qualified REIT subsidiary, subject to an exception. The exception is that we and a non-qualified REIT subsidiary may make a joint election for the subsidiary to be treated as a "taxable REIT subsidiary." The securities of a taxable REIT subsidiary are not subject to the 10% value test and the 10% voting securities test, and also are exempt from the 5% asset test. However, no more than 20% of the total value of a REIT's assets can be represented by securities of one or more taxable REIT subsidiaries. The management company is a taxable REIT subsidiary.

It should be noted that the 20% value limitation must be satisfied at the end of any quarter in which we increase our interest in the management company. In this respect, if any partner of the operating partnership exercises its option to exchange interests in the operating partnership for shares of common stock (or we otherwise acquire additional interests in the operating partnership), we will thereby increase our proportionate (indirect) ownership interest in the management company, thus requiring us to recalculate our ability to meet the 20% test in any quarter in which the exchange option is exercised. Although we plan to take steps to ensure that we satisfy the 20% value test for any quarter with respect to which retesting is to occur, these steps may not always be successful or may require a reduction in the operating partnership's overall interest in the management company.

The new rules regarding taxable REIT subsidiaries contain provisions generally intended to insure that transactions between a REIT and its taxable REIT subsidiary occur at arm's length and on

commercially reasonable terms. These requirements include a provision that prevents a taxable REIT subsidiary from deducting interest on direct or indirect indebtedness to its parent REIT if, under a specified series of tests, the taxable REIT subsidiary is considered to have an excessive interest expense level or debt to equity ratio. In some cases, a 100% tax is imposed on the REIT with respect to certain items attributable to any of its rental, service or other agreements with its taxable REIT subsidiary that are not on arm's length terms.

We believe that we are in compliance with the asset tests. Substantially all of our investments are in properties that are qualifying real estate assets.

After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests and to take such other actions within 30 days after the close of any quarter as may be required to cure any noncompliance.

ANNUAL DISTRIBUTION REQUIREMENTS

In order to remain qualified as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to (A) the sum of (1) 90% of our real estate investment trust taxable income, computed without regard to the dividends paid deduction and our net capital gain, and (2) 90% of the after tax net income, if any, from foreclosure property, minus (B) the sum of certain items of noncash income. In addition, if we dispose of any asset with built-in gain during the ten-year period beginning on the date we acquired the property from a "C" corporation or became a REIT, we will be required, according to guidance issued by the IRS, to distribute at least 90% of the after tax built-in gain, if any, recognized on the disposition of the asset. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid on or before the first regular dividend payment after the declaration. For taxable years beginning on or before December 31, 2000, the 90% distribution requirement was a 95% distribution requirement.

To the extent that we do not distribute all of our net capital gain or distribute at least 90% but less than 100% of our real estate investment trust taxable income, as adjusted, we will be subject to tax on the undistributed amount at ordinary and capital gains corporate tax rates, as the case may be.

If we so choose, we may retain, rather than distribute, our net long-term capital gains and pay the tax on those gains. In this case, our stockholders would include their proportionate share of the undistributed long-term capital gains in income. However, our stockholders would then be deemed to have paid their share of the tax, which would be credited or refunded to them. In addition, our stockholders would be able to increase their tax basis in our shares they hold by the amount of the undistributed long-term capital gains, less the amount of capital gains tax we paid, included in the stockholders' long-term capital gains.

Furthermore, if we should fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain income for the year, and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed. We intend to make timely distributions sufficient to satisfy all annual distribution requirements.

Our taxable income consists substantially of our distributive share of the income of the operating partnership. We expect that our taxable income will be less than the cash flow we receive from the operating partnership, due to the allowance of depreciation and other non-cash charges in computing

REIT taxable income. Accordingly, we anticipate that we will generally have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement.

It is possible that, from time to time, we may experience timing differences between (1) the actual receipt of income and actual payment of deductible expenses and (2) the inclusion of the income and deduction of the expenses in arriving at our taxable income. Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property which exceeds our allocable share of cash attributable to that sale. In these cases, we may have less cash available for distribution than is necessary to meet our annual 90% distribution requirement. To meet the 90% distribution requirement, we may find it appropriate to arrange for short-term or possibly long-term borrowings or to pay distributions in the form of taxable stock dividends. Any borrowings for the purpose of making distributions to stockholders are required to be arranged through the operating partnership.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay penalties and interest to the IRS based upon the amount of any deduction taken for deficiency dividends.

Under applicable Treasury Regulations, we must maintain certain records and request certain information from our stockholders designed to disclose the actual ownership of our stock. We have complied with these requirements.

FAILURE TO QUALIFY

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify will not be deductible by us nor will they be required to be made. In this event, to the extent of current and accumulated earnings and profits, all distributions to stockholders will be taxable as ordinary income, and, subject to certain limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends-received deduction. Unless we are entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year in which our qualification was lost. It is not possible to state whether in all circumstances we would be entitled to statutory relief.

TAXATION OF U.S. STOCKHOLDERS

As used in this section, the term "U.S. stockholder" means a holder of our preferred stock that for United States federal income tax purposes is (1) a citizen or resident of the United States, (2) a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any political subdivision of the United States, (3) an estate the income of which is subject to United States federal income taxation regardless of its source, (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (5) a person or entity otherwise subject to U.S. federal income taxation on a net income basis. For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. stockholders will be taxed as follows.

DISTRIBUTIONS GENERALLY

Distributions to U.S. stockholders, other than capital gain dividends discussed below, will constitute dividends to those holders up to the amount of our current or accumulated earnings and profits and

are taxable to the stockholders as ordinary income. These distributions are not eligible for the dividends-received deduction for corporations. To the extent that we make distributions in excess of our current or accumulated earnings and profits, the distributions will first be treated as a tax-free return of capital, thus reducing the tax basis in the U.S. stockholder's shares, and distributions in excess of the U.S. stockholder's tax basis in its shares are taxable as capital gain realized from the sale of the shares. Dividends declared by us in October, November or December of any year payable to a U.S. stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the U.S. stockholder on December 31 of the year, provided that we actually paid the dividend during January of the following calendar year. U.S. stockholders may not include on their own income tax returns any of our tax losses.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution we make up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed in "--Taxation of CBL" above. As a result, our stockholders may be required to treat certain distributions that would otherwise result in a tax-free return of capital as taxable dividends. Moreover, any deficiency dividend will be treated as a dividend--an ordinary dividend or a capital gain dividend, as the case may be--, regardless of our earnings and profits.

CAPITAL GAIN DIVIDENDS

Dividends to U.S. stockholders that we properly designate as capital gain dividends will be treated as long-term capital gain, to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the stockholder has held its stock. Capital gain dividends are not eligible for the dividends-received deduction for corporations; however, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. If we elect to retain capital gains rather than distribute them, a U.S. stockholder will be deemed to receive a capital gain dividend equal to the amount of its proportionate share of the retained capital gains. In this case, a U.S. stockholder will receive certain tax credits and basis adjustments reflecting the deemed distribution and deemed payment of taxes by the U.S. stockholder.

PASSIVE ACTIVITY LOSS AND INVESTMENT INTEREST LIMITATIONS

Our distributions and gain from the disposition of our preferred stock will not be treated as passive activity income and, therefore, U.S. stockholders may not be able to apply any passive losses against that income. Our dividends, to the extent they do not constitute a return of capital, will generally be treated as investment income for purposes of the investment income limitation. Net capital gain from the disposition of our preferred stock and capital gains generally will be eliminated from investment income unless the U.S. stockholder elects to have the gain taxed at ordinary income rates.

CERTAIN DISPOSITIONS OF OUR PREFERRED STOCK

A U.S. stockholder will recognize gain or loss on the sale or exchange of our preferred stock to the extent of the difference between the amount realized on the sale or exchange and the stockholder's tax basis in the preferred stock. The gain or loss generally will constitute long-term capital gain or loss if the

stockholder held the securities for more than one year. Losses incurred on the sale or exchange of our preferred stock held for six months or less will be deemed long-term capital loss to the extent of any capital gain dividends received by the U.S. stockholder with respect to the securities.

TREATMENT OF TAX-EXEMPT STOCKHOLDERS

The IRS has ruled that amounts we distribute to a tax-exempt employees' pension trust do not constitute unrelated business taxable income. Based upon this ruling and the analysis in the ruling, our distributions to a stockholder that is a tax-exempt entity generally should not constitute unrelated

business taxable income, provided that the tax-exempt entity has not financed the acquisition of our preferred stock with "acquisition indebtedness" within the meaning of the Internal Revenue Code and that the preferred stock is not otherwise used in an unrelated trade or business of the tax-exempt entity. Revenue rulings, however, are interpretive in nature and subject to revocation or modification by the IRS. In addition, certain pension trusts owning more than 10% of our equity interests may be required to report a portion of any dividends they receive from us as unrelated business taxable income.

SPECIAL TAX CONSIDERATIONS FOR FOREIGN STOCKHOLDERS

The rules governing United States income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates, which we refer to collectively as "non-U.S. stockholders," are complex, and the following discussion is intended only as a summary of these rules. Prospective non-U.S. stockholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our preferred stock, including any reporting requirements.

In general, a non-U.S. stockholder will be subject to regular United States income tax with respect to its investment in our preferred stock if the investment is effectively connected with the non-U.S. stockholder's conduct of a trade or business in the United States. A corporate non-U.S. stockholder that receives income that is, or is treated as, effectively connected with a U.S. trade or business may also be subject to the branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to regular United States corporate income tax.

THE FOLLOWING DISCUSSION WILL APPLY TO NON-U.S. STOCKHOLDERS WHOSE INVESTMENT IN OUR PREFERRED STOCK IS NOT EFFECTIVELY CONNECTED, AS DISCUSSED ABOVE.

A distribution that we make that is not attributable to gain from our sale or exchange of a United States real property interest and that we do not designate as a capital gain dividend will be treated as an ordinary income dividend to the extent that it is made out of current or accumulated earnings and profits. Generally, unless the dividend is effectively connected with the non-U.S. stockholder's conduct of a United States trade or business, the dividend will be subject to a United States withholding tax equal to 30% of the gross amount of the dividend unless this withholding is reduced by an applicable tax treaty. A distribution of cash in excess of our earnings and profits will be treated first as a nontaxable return of capital that will reduce a non-U.S. stockholder's basis in its shares, but not below zero, and then as gain from the disposition of such shares, the tax treatment of which is described under the rules discussed below with respect to disposition of the shares. A distribution in excess of our earnings and profits will be subject to 30% dividend withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current and accumulated earnings and profits. If it is subsequently determined that the distribution is,

in fact, in excess of current and accumulated earnings and profits, the non-U.S. stockholder may seek a refund from the IRS. We expect to withhold United States income tax at the rate of 30% on the gross amount of any distributions made to a non-U.S. stockholder unless (1) a lower tax treaty rate applies and the required form evidencing eligibility for that reduced rate is filed with us or (2) the non-U.S. stockholder files IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

For any year in which we qualify as a REIT, our distributions that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a non-U.S. stockholder in accordance with the Foreign Investment in Real Property Tax Act of 1980, which we call "FIRPTA." Under FIRPTA, distributions of this kind are taxed to a non-U.S. stockholder as if the distributions were gains effectively connected with a United States trade or business. Accordingly, a non-U.S. stockholder will be taxed at the normal capital gain rates applicable to a U.S. stockholder, subject to

any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a foreign corporate stockholder that is not entitled to treaty exemption. We will be required to withhold from distributions to non-U.S. stockholders, and remit to the IRS, 35% of the amount of any distribution that could be designated as capital gain dividends. This amount is creditable against the non-U.S. stockholder's tax liability. It should be noted that the 35% withholding tax rate on capital gain dividends is higher than the maximum rate on long-term capital gains of individuals. Capital gain dividends not attributable to gain on the sale or exchange of United States real property interests are not subject to United States taxation if there is no requirement of withholding.

Tax treaties may reduce our withholding obligations. If the amount of tax we withheld with respect to a distribution to a non-U.S. stockholder exceeds the stockholder's United States liability with respect to the distribution, the non-U.S. stockholder may file for a refund of the excess from the IRS.

If our preferred stock fails to constitute a United States real property interest within the meaning of FIRPTA, a sale of our preferred stock by a non-U.S. stockholder generally will not be subject to United States taxation unless (1) investment in the preferred stock is effectively connected with the non-U.S. stockholder's United States trade or business, in which case, as discussed above, the non-U.S. stockholder would be subject to the same treatment as U.S. stockholders on the gain, (2) investment in the preferred stock is attributable to a permanent establishment that the non-U.S. stockholder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the non-U.S. stockholder to U.S. taxation on a net income basis, in which case the same treatment would apply to the non-U.S. stockholder as to U.S. stockholders with respect to the gain or (3) the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and who has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

The offered securities will not constitute a United States real property interest if we are a domestically controlled REIT. A domestically controlled REIT is a real estate investment trust in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by non-U.S. stockholders. We believe we are a domestically controlled REIT, and therefore that the sale of our preferred stock will not be subject to taxation under FIRPTA. However, because we are publicly traded, we may not continue to be a domestically controlled REIT.

If we did not constitute a domestically controlled REIT, whether a non-U.S. stockholder's sale of our preferred stock would be subject to tax under FIRPTA as sale of a United States real property interest would depend on whether the preferred stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market (e.g., the New York Stock Exchange, on which the preferred stock will be listed) and on the size of the selling stockholder's interest in our company. If the gain on the sale of our preferred stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to the gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. In any event, a purchaser of our preferred stock from a non-U.S. stockholder will not be required under FIRPTA to withhold on the purchase price if the purchased preferred stock is regularly traded on an established securities market or if we are a domestically controlled REIT. Otherwise, under FIRPTA, the purchaser of preferred stock may be required to withhold 10% of the purchase price and remit that amount to the IRS.

INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING TAX

U.S. STOCKHOLDERS

Under certain circumstances, U.S. stockholders may be subject to backup withholding on payments made with respect to, or on cash proceeds of a sale or exchange of, our preferred stock. Backup withholding will apply only if the stockholder (1) fails to furnish its taxpayer identification number, which, for an individual, would be its social security number, (2) furnishes an incorrect taxpayer identification number, (3) is notified by the IRS that it has failed to report properly payments of interest and dividends or (4) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct taxpayer identification number and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Backup withholding generally will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. U.S. stockholders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining this exemption.

NON-U.S. STOCKHOLDERS

Proceeds from a disposition of our preferred stock will not be subject to information reporting and backup withholding if the beneficial owner of the preferred stock is a non-U.S. stockholder. However, if the proceeds of a disposition are paid by or through a United States office of a broker, the payment may be subject to backup withholding or information reporting if the broker cannot document that the beneficial owner is a non-U.S. person. In order to document the status of a non-U.S. stockholder, a broker may require the beneficial owner of the preferred stock securities to provide it with a completed, executed IRS Form W-8BEN, certifying under penalty of perjury to the beneficial owner's non-U.S. status.

REFUNDS

Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a stockholder will be allowed as a credit against any United States federal income tax liability of the stockholder. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the United States.

STATE AND LOCAL TAXATION

We and our stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which we or they transact business or reside. The state and local tax treatment of us and our stockholders may not conform to the federal income tax consequences discussed above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in our company.

TAX ASPECTS OF THE OPERATING PARTNERSHIP

The following discussion summarizes certain federal income tax considerations applicable solely to our investment in the operating partnership through CBL Holdings I and CBL Holdings II and represents the view of Willkie Farr & Gallagher. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

INCOME TAXATION OF THE OPERATING PARTNERSHIP AND ITS PARTNERS

PARTNERS, NOT THE OPERATING PARTNERSHIP, SUBJECT TO TAX. A partnership is not a taxable entity for federal income tax purposes. Rather, we will be required to take into account our allocable share of the

operating partnership's income, gains, losses, deductions and credits for any taxable year of the operating partnership ending within or with our taxable year, without regard to whether we have received or will receive any direct or indirect distribution from the operating partnership.

OPERATING PARTNERSHIP ALLOCATIONS. Although a partnership agreement will generally determine the allocation of income and losses among partners, these allocations will be disregarded for tax purposes under Section 704(b) of the Internal Revenue Code if they do not comply with the provisions of that section and the Treasury Regulations promulgated under that section.

If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to the item. The operating partnership's allocations of taxable income and loss, and those of the property partnerships, are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated under that section.

TAX ALLOCATIONS WITH RESPECT TO CONTRIBUTED PROPERTIES. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss that is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of the property at that time. The partnership agreement for the operating partnership requires allocations of income, gain, loss and deduction attributable to contributed property to be made by the operating partnership in a manner that is consistent with Section 704(c) of the Code.

The allocation methods proposed to be applied by the operating partnership are described below.

BASIS IN OPERATING PARTNERSHIP INTEREST. Our adjusted tax basis in our indirect partnership interest in the operating partnership generally (1) will be equal to the amount of cash and the basis of any other property that we contribute to the operating partnership, (2) will be increased by (a) our allocable share of the operating partnership's income and (b) our allocable share of certain indebtedness of the operating partnership and of the property partnerships and (3) will be reduced, but not below zero, by our allocable share of (a) the operating partnership's loss and (b) the amount of cash distributed directly or indirectly to us, and by constructive distributions resulting from a reduction in our share of certain indebtedness of the operating partnership and of the property partnerships. With respect to increases in our adjusted tax basis in our indirect partnership interest in the operating partnership resulting from certain indebtedness of the operating partnership, Section 752 of the Code and the regulations promulgated under that section provide that a partner may include its share of partnership liabilities in its adjusted tax basis of its interest in the partnership to the extent the partner bears the economic risk of loss with respect to the liability. Generally, a partnership's non-recourse debt is shared proportionately by the partners. However, if a partner guarantees partnership debt or is personally liable for all or any portion of the debt, the partner will be deemed to bear the economic risk of loss for the amount of the debt for which it is personally liable. Thus, the partner may include that amount in its adjusted tax basis of its interest in the partnership.

By virtue of our status as the sole stockholder of CBL Holdings I, which is the sole general partner of the operating partnership, we will be deemed to bear the economic risk of loss with respect to indebtedness of the operating partnership that is not nonrecourse debt as defined in the Code. As a result, our adjusted tax basis in our indirect partnership interest in the operating partnership may exceed our proportionate share of the total indebtedness of the operating partnership.

If the allocation of our distributive share of the operating partnership's loss would reduce the adjusted tax basis of our partnership interest in the operating partnership below zero, the recognition

of the loss will be deferred until the recognition of the loss would not reduce our adjusted tax basis below zero. To the extent that the operating partnership's distributions, or any decrease in our share of the nonrecourse indebtedness of the operating partnership or of a property partnership, would reduce our adjusted tax basis below zero, such distributions and constructive distributions will normally be characterized as capital gain, and if our partnership interest in the operating partnership has been held for longer than the long-term capital gain holding period (currently, one year), the distributions and constructive distributions will constitute long-term capital gain. Each decrease in our share of the nonrecourse indebtedness of the operating partnership or of a property partnership is considered a constructive cash distribution to us.

DEPRECIATION DEDUCTIONS AVAILABLE TO THE OPERATING PARTNERSHIP. The operating partnership was formed in 1993 principally by way of contributions of certain properties or appreciated interests in property partnerships owning properties. Accordingly, the operating partnership's depreciation deductions attributable to the properties will be based on the contributing partners' depreciation schedules and in some cases on new schedules under which the property will be depreciated on depreciation schedules of up to 40 years, using, initially, the adjusted basis of the contributed assets in the hands of the contributing partners.

SALE OF THE OPERATING PARTNERSHIP'S PROPERTY

Generally, any gain realized by the operating partnership on the sale of property held by the operating partnership or a property partnership or on the sale of a partnership interest in a property partnership will be capital gain, except for any portion of the gain that is treated as depreciation or cost recovery recapture. Any unrealized gain attributable to the excess of the fair market value of the properties over their adjusted tax bases at the time of contribution to the operating partnership must, when recognized by the operating partnership, generally be allocated to the limited partners that contributed the properties to the operating partnership, including CBL & Associates, Inc. with respect to the properties it has contributed to the operating partnership, under Section 704 (c) of the Code and Treasury Regulations promulgated under that section.

In the event of the disposition of any of the properties which have pre-contribution gain, all income attributable to the undepreciated gain will be allocated to the limited partners of the operating partnership, including to us, and we generally will be allocated only our share of capital gains attributable to depreciation deductions we enjoyed and appreciation, if any, occurring since the acquisition of the property by the operating partnership.

Our share of any gain realized by the operating partnership on the sale of any property held by the operating partnership or property partnership as inventory or other property held primarily for sale to customers in the ordinary course of the operating partnership's or property partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. For more information about the penalty tax, see "--Requirements for Qualification--Income Tests" above. Prohibited transaction income of this kind will also have an adverse effect upon our ability to satisfy the gross income tests for real estate investment trust status. See "--Requirements for Qualification--Income Tests" above for more information about these tests. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances with respect to the particular transaction. The operating partnership and the property partnerships intend to hold their properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning and operating the properties and other shopping centers and to make occasional sales of the properties, including peripheral land, that are consistent with the operating partnership's and the property partnerships' investment objectives.

UNDERWRITING

We and the underwriters for this offering named below have entered into an underwriting agreement concerning the Series B preferred stock being offered. The underwriters' obligations are several and not joint, which means that each underwriter is required to purchase a specified number of shares, but is not responsible for the commitment of any other underwriter to purchase shares. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase the number of shares of Series B preferred stock set forth opposite its name below.

UNDERWRITERS	NUMBER OF SHARES

Bear, Stearns & Co. Inc.	417,600
Robertson Stephens, Inc.	417,600
Prudential Securities Incorporated	417,600
Legg Mason Wood Walker, Incorporated	226,200
J.J.B. Hilliard, W.L. Lyons, Inc	174,000
Wells Fargo Securities, LLC	87,000
Total	1,740,000

The underwriting agreement provides that the obligations of the underwriters are conditional and may be terminated at their discretion based on their assessment of the state of the financial markets. The obligations of the underwriters may also be terminated upon the occurrence of the events specified in the underwriting agreement. The underwriters are severally committed to purchase all of the shares of Series B preferred stock being offered if any shares are purchased, other than those shares covered by the over-allotment option described below.

We have granted the underwriters an option to purchase up to 260,000 additional shares of Series B preferred stock to be sold in this offering at the public offering price, less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement. The underwriters may exercise this option solely to cover over-allotments, if any. This option may be exercised, in whole or in part, at any time within 30 days after the date of this prospectus supplement. To the extent the option is exercised, the underwriters will be severally committed, subject to certain conditions, to purchase the additional shares of Series B preferred stock in proportion to their respective commitments as indicated in the table above.

The following table provides information regarding the per share and total underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional 260,000 shares of Series B preferred stock.

	PER SHARE		TOTAL	
	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTME
Underwriting discounts and commissions payable by us.....	$1.575	$1.575	$2,740,500	$3,150,000

We estimate that the total expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately $350,000.

The underwriters propose to offer the shares of Series B preferred stock directly to the public initially at the public offering price set forth on the cover page of this prospectus supplement and to selected dealers at such price less a concession not to exceed $1.00 per share. The underwriters may allow, and such selected dealers may reallow, a concession not to exceed $.10 per share. The shares of

Series B preferred stock will be available for delivery, when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject any order for purchase of the shares in whole or in part. After the commencement of this offering, the underwriters may charge the public offering price and other selling terms.

We have agreed in the underwriting agreement to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and, where such indemnification is unavailable, to contribute to payments that the underwriters may be required to make in respect of such liabilities.

The Series B preferred stock is a new issue of securities and, prior to acceptance of the Series B preferred stock for listing on the NYSE, there will be no established trading market for the Series B preferred stock. We have applied to the NYSE for authorization to list the Series B preferred stock under the symbol, "CBLPrB." If this application is approved, we expect trading in the Series B preferred stock to commence within a 30-day period after the initial delivery of the Series B preferred stock. In order to meet the requirements for listing the Series B preferred stock on the NYSE, the underwriters have undertaken to sell (i) Series B preferred stock to ensure a minimum of 100 beneficial holders with a minimum of 100,000 shares of Series B preferred stock outstanding and (ii) sufficient shares of Series B preferred stock so that following this offering, the shares of Series B preferred stock have a minimum aggregate market value of $2 million. The underwriters have advised us that prior to the commencement of listing on the NYSE, they intend to make a market in the shares of Series B preferred stock, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for shares of Series B preferred stock.

In order to facilitate this offering of the Series B preferred stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series B preferred stock in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

The underwriters may over-allot the shares of Series B preferred stock in connection with this offering, thus creating a short position for their own account. Short sales involve the sale by the underwriters of a greater number of shares than they are committed to purchase in this offering. A short position may involve either "covered" short sales or "naked" short sales. Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option to purchase additional shares of Series B preferred stock as described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares from us through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of Series B preferred stock in the open market after pricing that could adversely affect investors who purchase in this offering.

Accordingly, to cover these short sales positions or to stabilize the market price of the shares of Series B preferred stock, the underwriters may bid for, and purchase, shares of Series B preferred stock in the open market. These transactions may be effected on the NYSE or otherwise. Additionally, the representatives, on behalf of the underwriters, may also reclaim selling

concessions allowed to an underwriter or dealer. Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales or to stabilize the market price of our shares of Series B preferred stock may have the effect of raising or maintaining the market price of our shares of Series B preferred stock or

preventing or mitigating a decline in the market price of our shares of Series B preferred stock. As a result, the price of the Series B preferred stock may be higher than the price that might otherwise exist in the open market. No representation is made as to the magnitude or effect of any such stabilization or other activities. The underwriters are not required to engage in these activities and, if commenced, may discontinue any of these activities at any time.

From time to time, the underwriters and/or their affiliates have provided, and may continue to provide in the future, investment banking, general financing and banking services to us and our affiliates for which they have received, and expect to receive, customary compensation.

LEGAL MATTERS

The validity of the shares of Series B preferred stock offered by this prospectus supplement and the accompanying prospectus and certain legal matters described under "Federal Income Tax Considerations" in this prospectus supplement and in the accompanying prospectus will be passed upon for us by Willkie Farr & Gallagher, New York, New York, and the validity of the shares of Series B preferred stock offered by this prospectus supplement and the accompanying prospectus will be passed upon for the underwriters by Paul, Hastings, Janofsky & Walker LLP, New York, New York. Certain other matters will be passed upon for us by Shumacker & Thompson, P.C., Chattanooga, Tennessee. Certain members of Shumacker & Thompson, P.C. serve as our assistant secretaries.

EXPERTS

The audited financial statements and schedules thereto incorporated by reference in this prospectus supplement and the accompanying prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in giving said reports.

AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance with those requirements we file reports and other information with the SEC. The reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Office of the SEC at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of this material can be obtained by mail from the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The SEC maintains a Web site (http://www.sec.gov) that contains reports, proxy and information statements and other materials that are filed through the SEC Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. In addition, our common stock and Series A preferred stock are listed on the New York Stock Exchange and we are required to file reports, proxy and information statements and other information with the New York Stock Exchange. These documents can be inspected at the principal office of the New York Stock

Exchange, 20 Broad Street, New York, New York 10005.

PROSPECTUS

CBL & ASSOCIATES PROPERTIES, INC.

$350,000,000

PREFERRED STOCK,
COMMON STOCK AND COMMON STOCK WARRANTS

CBL & Associates Properties, Inc. (the "Company") may from time to time offer in one or more series (i) shares of preferred stock, par value $.01 per share (the "Preferred Stock"), (ii) shares of common stock, par value $.01 per share (the "Common Stock"), and (iii) warrants to purchase shares of Common Stock (the "Common Stock Warrants"), with an aggregate public offering price of up to $350,000,000 in amounts, at prices and on terms to be determined at the time or times of offering. The Preferred Stock, Common Stock and Common Stock Warrants (collectively, the "Offered Securities") may be offered, separately or together, in separate classes or series, in amounts, at prices and on terms to be set forth in a supplement to this Prospectus (a "Prospectus Supplement").

The specific terms of the Offered Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and will include, where applicable, (i) in the case of Preferred Stock, the specific series designation, number of shares, title and stated value, any dividend, liquidation, optional or mandatory redemption, conversion, voting and other rights, and any initial public offering price; (ii) in the case of Common Stock, any initial public offering price; and (iii) in the case of Common Stock Warrants, the number, duration, offering price, exercise price and detachability. In addition, such specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the Offered Securities, in each case as may be appropriate to preserve the status of the Company as a real estate investment trust ("REIT") for federal income tax purposes.

The applicable Prospectus Supplement will also contain information, where applicable, about certain United States federal income tax considerations relating to, and any listing on a securities exchange of, the Offered Securities covered by such Prospectus Supplement. The Common Stock is listed on the New York Stock Exchange under the symbol "CBL." Any Common Stock offered pursuant to a Prospectus Supplement will be listed on such exchange, subject to official notice of issuance.

The Offered Securities may be offered directly, through agents designated from time to time by the Company, or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of any of the Offered Securities, their names, and any applicable purchase price, fee, commission or discount arrangement with, between or among them, will be set forth, or will be calculable from the information set forth, in the applicable Prospectus Supplement. See "Plan of Distribution."

No Offered Securities may be sold without delivery of the applicable Prospectus Supplement describing the method and terms of the offering of such Offered Securities.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE

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