CBL & ASSOCIATES PROPERTIES INC
Form 10-K
March 01, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Or

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

FOR THE TRANSITION PERIOD FROM ____________ TO _______________

COMMISSION FILE NO. 1-12494
____

CBL & ASSOCIATES PROPERTIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	62-1545718 (I.R.S. Employer Identification No.)
2030 Hamilton Place Blvd., Suite 500 Chattanooga, TN (Address of principal executive offices)	37421 (Zip Code)

Registrant's telephone number, including area code: 423.855.0001
Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
7.375% Series D Cumulative Redeemable Preferred Stock, $0.01 par value	New York Stock Exchange
6.625% Series E Cumulative Redeemable Preferred Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x	No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

Yes o	No x

The aggregate market value of the 152,114,757 shares of common stock held by non-affiliates of the registrant as of June 30, 2012 was $2,972,322,352, based on the closing price of $19.54 per share on the New York Stock Exchange on June 29, 2012. (For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.)

As of February 28, 2013, 161,497,204 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference in Part III.

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Cautionary Statement Regarding Forward-Looking Statements

Certain statements included or incorporated by reference in this Annual Report on Form 10-K may be deemed “forward looking statements” within the meaning of the federal securities laws. All statements other than statements of historical fact should be considered to be forward-looking statements. In many cases, these forward looking statements may be identified by the use of words such as “will,” “may,” “should,” “could,” “believes,” “expects,” “anticipates,” “estimates,” “inte “projects,” “goals,” “objectives,” “targets,” “predicts,” “plans,” “seeks,” or similar expressions. Any forward-looking statemer speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this report.

Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance or results and we can give no assurance that these expectations will be attained. It is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of known and unknown risks and uncertainties. In addition to the risk factors discussed in Part I, Item 1A of this report, such known risks and uncertainties include, without limitation:

- general industry, economic and business conditions;
- interest rate fluctuations;
- costs and availability of capital and capital requirements;
- costs and availability of real estate;
- inability to consummate acquisition opportunities and other risks associated with acquisitions;
- competition from other companies and retail formats;
- changes in retail rental rates in our markets;
- shifts in customer demands;
- tenant bankruptcies or store closings;
- changes in vacancy rates at our properties;
- changes in operating expenses;
- changes in applicable laws, rules and regulations; and
- the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future refinancing requirements and business.

This list of risks and uncertainties is only a summary and is not intended to be exhaustive. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

PART I

ITEM 1. BUSINESS

Background

CBL & Associates Properties, Inc. (“CBL”) was organized on July 13, 1993, as a Delaware corporation, to acquire substantially all of the real estate properties owned by CBL & Associates, Inc., which was formed by Charles B. Lebovitz in 1978, and by certain of its related parties. On November 3, 1993, CBL completed an initial public offering (the “Offering”). Simultaneous with the completion of the Offering, CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively, “CBL’s Predecessor”) transferred substantially all of their interests in its real estate properties to CBL & Associates Limited Partnership (the “Operating Partnership”) in exchange for common units of limited partner interest in the Operating Partnership. The interests in the Operating Partnership contain certain conversion rights that are more fully described in Note 8 to the consolidated financial

statements. The terms “we”, “us”, “our” and the “Company” refer to CBL and its subsidiaries.

The Company’s Business

We are a self-managed, self-administered, fully integrated real estate investment trust (“REIT”). We own, develop, acquire, lease, manage, and operate regional shopping malls, open-air centers, associated centers, community centers and office properties. Our properties are located in 27 states, but are primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

We conduct substantially all of our business through the Operating Partnership. We are the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. CBL Holdings I, Inc. is the sole general partner of the Operating Partnership. At December 31, 2012, CBL Holdings I, Inc. owned a 1.0% general partner interest and CBL Holdings

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II, Inc. owned a 83.5% limited partner interest in the Operating Partnership, for a combined interest held by us of 84.5%.

As of December 31, 2012, we owned:

controlling interests in 77 regional malls/open-air and outlet centers (including one mixed-use center) and noncontrolling interests in nine regional malls (the “Malls”), controlling interests in 28 associated centers and noncontrolling interests in four associated centers (the “Associated Centers”), controlling interests in six community centers and noncontrolling interests in four community centers (the “Community Centers”), and controlling interests in 13 office buildings which include our corporate office building and noncontrolling interests in seven office buildings (the “Office Buildings”);

controlling interests in the development of one outlet center owned in a 75%/25% joint venture, one community center, one mall expansion, and two mall redevelopments that are under construction at December 31, 2012 (the "Construction Properties"), as well as options to acquire certain shopping center development sites; and

mortgages on six properties, each of which is collateralized by either a first mortgage, a second mortgage or by assignment of 100% of the ownership interests in the underlying real estate and related improvements (the “Mortgages”).

The Malls, Associated Centers, Community Centers, Office Buildings, Construction Properties and Mortgages are collectively referred to as the “Properties” and individually as a “Property.”

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

The Management Company manages all but 13 of the Properties. Governor’s Square and Governor’s Plaza in Clarksville, TN and Kentucky Oaks Mall in Paducah, KY are all owned by unconsolidated joint ventures and are managed by a property manager that is affiliated with the third party managing general partner, which receives a fee for its services. The managing general partner of each of these Properties controls the cash flow distributions, although our approval is required for certain major decisions. The Outlet Shoppes at Oklahoma City in Oklahoma City, OK, The Outlet Shoppes at Gettysburg in Gettysburg, PA, The Outlet Shoppes at El Paso in El Paso, TX and Kirkwood Mall in Bismarck, ND are owned by consolidated joint ventures and managed by a property manager that is affiliated with the third party partner or a third party property manager, which receives a fee for its services. Further, we have contracted with a third-party firm that provides property management services to oversee the operations of our six office buildings located in Chesapeake, VA and Newport News, VA. The firm receives a fee for its services.

Revenues are primarily derived from leases with retail tenants and generally include fixed minimum rents, percentage rents based on tenants’ sales volumes and reimbursements from tenants for expenditures related to real estate taxes, insurance, common area maintenance and other recoverable operating expenses, as well as certain capital expenditures. We also generate revenues from management, leasing and development fees, advertising, sponsorships, sales of peripheral land at the Properties and from sales of operating real estate assets when it is determined that we can realize a premium value for the assets. Proceeds from such sales are generally used to retire related indebtedness or reduce borrowings on our credit facilities.

The following terms used in this Annual Report on Form 10-K will have the meanings described below:

GLA – refers to gross leasable area of retail space in square feet, including anchors and mall tenants.

Anchor – refers to a department store or other large retail store greater than or equal to 50,000 square feet.

Junior Anchor - non-traditional department store or retail store comprising more than 20,000 square feet and less than 50,000 square feet.

Freestanding – property locations that are not attached to the primary complex of buildings that comprise the mall shopping center.

Outparcel – land used for freestanding developments, such as retail stores, banks and restaurants, which are generally on the periphery of the Properties.

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Significant Markets and Tenants

Top Five Markets

Our top five markets, based on percentage of total revenues, were as follows for the year ended December 31, 2012:

Market	Percentage of Total Revenues
St. Louis, MO	8.2%
Chattanooga, TN	3.7%
Madison, WI	3.2%
Lexington, KY	2.8%
Nashville, TN	2.7%

Top 25 Tenants

Our top 25 tenants based on percentage of total revenues were as follows for the year ended December 31, 2012:

Tenant	Number of Stores	Square Feet	Percentage of Total Revenues	
Limited Brands, LLC (1)	164	833,011	3.20	%
Foot Locker, Inc.	170	659,326	2.38	%
AE Outfitters Retail Company	88	519,768	2.06	%
The Gap, Inc.	76	856,426	1.73	%
Signet Group plc (2)	113	205,040	1.72	%
Genesco Inc. (3)	200	298,382	1.60	%
JC Penney Company, Inc. (4)	75	8,749,756	1.58	%
Abercrombie & Fitch, Co.	76	515,660	1.56	%
Dick's Sporting Goods, Inc.	22	1,272,713	1.44	%
Luxottica Group, S.P.A. (5)	129	284,587	1.35	%
Dress Barn, Inc. (6)	131	619,906	1.35	%
Express Fashions	49	409,730	1.30	%
Aeropostale, Inc.	89	324,083	1.30	%
Zale Corporation	131	137,469	1.21	%
Finish Line, Inc.	69	365,663	1.19	%
New York & Company, Inc.	50	357,670	1.04	%
Best Buy Co., Inc. (7)	67	554,025	1.02	%
Sun Capital Partners, Inc. (8)	54	650,688	0.98	%
Forever 21 Retail, Inc.	23	421,545	0.98	%
The Buckle, Inc.	51	256,655	0.93	%
Charlotte Russe Holding, Inc.	52	356,146	0.91	%
The Children's Place Retail Stores, Inc.	60	265,012	0.85	%
Claire's Stores, Inc.	122	144,258	0.81	%
Christopher & Banks, Inc.	73	252,065	0.77	%
Sears, Roebuck and Co. (9)	70	9,344,328	0.76	%
	2,204	28,653,912	34.02	%

(1) Limited Brands, LLC operates Victoria's Secret and Bath & Body Works.

(2)

Signet Group plc operates Kay Jewelers, Marks & Morgan, JB Robinson, Shaw's Jewelers, Osterman's Jewelers, LeRoy's Jewelers, Jared Jewelers, Belden Jewelers and Rogers Jewelers.

(3) Genesco Inc. operates Journey's, Jarman, Underground Station, Hat World, Lids, Hat Zone, and Cap Factory stores.

(4) JC Penney Company, Inc. owns 36 of these stores.

(5) Luxottica Group, S.P.A. operates Lenscrafters, Sunglass Hut, and Pearle Vision.

(6) Dress Barn, Inc. operates Justice, dressbarn and maurices.

(7) Best Buy Co,, Inc. operates Best Buy and Best Buy Mobile.

(8) Sun Capital Partners, Inc. operates Gordmans, Life Uniform, Limited Stores, Fazoli's Restaurants, Smokey Bones, and Bar Louie Restaurants.

(9) Sears, Roebuck and Co. owns 50 of these stores.

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Growth Strategy

Our objective is to achieve growth in funds from operations (see page 70 for a discussion of funds from operations) by maximizing cash flows through a variety of methods as further discussed below.

Leasing, Management and Marketing

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

- aggressive leasing that seeks to increase occupancy and facilitate an optimal merchandise mix,
- originating and renewing leases at higher gross rents per square foot compared to the previous lease,
- merchandising, marketing, sponsorship and promotional activities and
- actively controlling operating costs and resulting tenant occupancy costs.

Redevelopments

Redevelopments represent situations where we capitalize on opportunities to add incremental square footage or increase the productivity of previously occupied space through aesthetic upgrades, retenanting and/or changing the retail use of the space. Many times, redevelopments result from acquiring possession of anchor space and subdividing it into multiple spaces. The following presents the redevelopments we completed during 2012 and those under construction at December 31, 2012:

Property	Location	Total Project Square Feet	Total Cost [1]	Cost to Date [2]	Opening Date
Completed in 2012:					
Foothills Mall/Plaza - Carmike Cinema	Maryville, TN	45,276	$8,337	$8,718	March 2012
Currently under construction:					
Monroeville Mall - JC Penney/Cinemark	Pittsburgh, PA	464,792	$26,178	$8,784	October 2012/Winter 2013
Southpark Mall - Dick's Sporting Goods	Colonial Heights, VA	91,770	9,891	860	Fall 2013
		556,562	$36,069	$9,644	

(1) Total cost is presented net of reimbursements to be received.
(2) Cost to date does not reflect reimbursements until they are received.

Our total cost of the redevelopment projects completed in 2012 was $8.3 million. Our total investment upon completion of redevelopment projects that are under construction as of December 31, 2012 is projected to be $36.1 million.

Renovations

Renovations usually include remodeling and upgrading existing facades, uniform signage, new entrances and floor coverings, updating interior décor, resurfacing parking lots and improving the lighting of interiors and parking lots. Renovations can result in attracting new retailers, increased rental rates, sales and occupancy levels and maintaining the Property's market dominance. During 2012, we completed renovations at four of our malls including Cross Creek Mall in Fayetteville, NC; Post Oak Mall in College Station, TX; Turtle Creek Mall in Hattiesburg, MS and Mall del Norte in Laredo, TX. Our 2013 renovation plan includes Friendly Center in Greensboro, NC; Greenbrier Mall in Chesapeake, VA; Acadiana Mall in Lafayette, LA and Northgate Mall in Chattanooga, TN. Renovation expenditures for 2012 also include certain capital expenditures related to the parking decks at West County Center that we are

required to fund under the terms of the joint venture we formed with TIAA-CREF.

We invested $28.1 million in renovations in 2012. The total investment in the renovations that are scheduled for 2013 is projected to be $24.7 million.

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Development of New Retail Properties and Expansions

In general, we seek development opportunities in middle-market trade areas that we believe are under-served by existing retail operations. These middle-markets must also have sufficient demographics to provide the opportunity to effectively maintain a competitive position. The following presents the new developments we opened during 2012 and those under construction at December 31, 2012:

Property	Location	Total Project Square Feet	Total Cost [1]	Cost to Date [2]	Opening Date
Completed in 2012:					
Waynesville Commons	Waynesville, NC	127,585	$9,987	$9,505	October 2012
Currently under construction:					
The Crossings at Marshalls Creek	Middle Smithfield, PA	104,525	$18,983	$11,312	Summer 2013
The Outlet Shoppes at Atlanta [3]	Woodstock, GA	370,456	80,490	31,468	Summer 2013
		474,981	$99,473	$42,780	

(1) Total cost is presented net of reimbursements to be received.
(2) Cost to date does not reflect reimbursements until they are received.
(3) This Property is a 75/25 joint ventures. Total cost and cost to date are reflected at 100%.

We can also generate additional revenues by expanding a Property through the addition of department stores, mall stores and large retail formats. An expansion also protects the Property's competitive position within its market. The following presents the expansions that were completed during 2012 and those under construction at December 31, 2012:

Property	Location	Total Project Square Feet	Total Cost [1]	Cost to Date [2]	Opening Date
Completed in 2012:					
The Forum at Grandview - Phase II [3]	Madison, MS	83,060	$16,826	$13,119	April 2012
The Outlet Shoppes at Oklahoma City - Phase II [3]	Oklahoma City, OK	27,850	6,668	5,055	November 2012
The Shoppes at Southaven Towne Center - Phase I	Southaven, MS	15,557	1,828	1,614	November 2012
		126,467	$25,322	$19,788	
Currently under construction:					
Volusia Mall - Restaurant District	Daytona Beach, FL	28,000	$8,951	$4,107	Fall 2013

(1) Total cost is presented net of reimbursements to be received.
(2) Cost to date does not reflect reimbursements until they are received.
(3) These Properties are 75/25 joint ventures. Total cost and cost to date are reflected at 100%.

The total cost of the new Property and expansions that opened in 2012 was $35.3 million, our share of which is $29.4 million. The cost of the new and expanded Properties under construction as of December 31, 2012 is projected to be $108.4 million, our share of which is $88.3 million.

Acquisitions

We believe there is opportunity for growth through acquisitions of regional malls and other associated properties that complement our portfolio. We selectively acquire properties we believe can appreciate in value through our development, leasing and management expertise. In December 2012, we acquired a 49.0% interest in Kirkwood Mall in Bismarck, ND as well as the remaining 40.0% noncontrolling interest in Imperial Valley Mall and Commons in El Centro, CA. We expect to acquire the remaining 51.0% interest in Kirkwood Mall in 2013. In May 2012, we acquired Dakota Square Mall located in Minot, ND. We also increased our investment in outlet centers through the acquisition of interests in The Outlet Shoppes at Gettysburg and The Outlet Shoppes at El Paso in the second quarter of 2012. See Note 3 to the consolidated financial statements for further information about these acquisitions.

Environmental Matters

A discussion of the current effects and potential future impacts on our business and Properties of compliance with

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federal, state and local environmental regulations is presented in Item 1A of this Annual Report on Form 10-K under the subheading "Risks Related to Real Estate Investments."

Competition

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

Seasonality

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

Recent Developments

Impairment Losses

During the year ended December 31, 2012, we recorded a loss on impairment of real estate totaling $50.9 million. Of this total, $26.5 million is attributable to four Properties which were sold in 2012 and included in discontinued operations, $23.3 million is attributable to two existing Properties and $1.1 million relates to the sale of three outparcels.

Acquisitions

In December 2012, we acquired the remaining 40.0% interests in Imperial Valley Mall L.P., Imperial Valley Peripheral L.P. and Imperial Valley Commons L.P. in El Centro, CA from our joint venture partner. The interests were acquired for total consideration of $36.5 million which consists of $15.5 million in cash and $21.0 million related to our assumption of the joint venture partner's share of the non-recourse loan secured by Imperial Valley Mall.

In December 2012, we acquired a 49.0% joint venture interest in Kirkwood Mall in Bismarck, ND. We paid cash of $39.8 million for our 49.0% share, which was based on a total value of $121.5 million including a $40.4 million non-recourse loan. We executed an agreement to acquire the remaining 51.0% interest within 90 days subject to the lender's approval to assume the loan, which bears interest of 5.75% and matures in April 2018.

In May 2012, we acquired Dakota Square Mall in Minot, ND. The purchase price of $91.5 million consisted of $32.5 million in cash and the assumption of a $59.0 million non-recourse loan that bears interest at a fixed rate of 6.23% and matures in November 2016.

In April 2012, we exercised our right with our noncontrolling interest partner to convert a mezzanine loan into a member interest in The Outlet Shoppes at Gettysburg, located in Gettysburg, PA. After conversion, we own a 50.0% interest in the outlet center. Our investment of $24.8 million consisted of a $4.5 million converted mezzanine loan and the assumption of $20.3 million of debt. The $40.6 million of debt, of which our share is 50.0%, bears interest at a fixed rate of 5.87% and matures in February 2016.

In April 2012, we acquired a 75.0% joint venture interest in The Outlet Shoppes at El Paso, an outlet shopping center located in El Paso, TX for $31.6 million and a 50.0% joint venture interest in outparcel land adjacent to The Outlet Shoppes at El Paso for $3.9 million for a total of $35.5 million. The amount paid for our 75.0% and 50.0% interests was based on a total value of $116.8 million including a non-recourse loan of $66.9 million, which bears interest at a fixed rate of 7.06% and matures in December 2017. The entity that owned The Outlet Shoppes at El Paso used a portion of the cash proceeds to repay a $9.2 million mezzanine loan provided by us. After considering the repayment of the mezzanine loan, we paid net consideration of $28.6 million in connection with this transaction.

Dispositions and Assets Held for Sale

The results of operations of the Properties described below, as well as any gains or impairment losses related to these Properties, are included in discontinued operations for all periods presented, as applicable.

In the fourth quarter of 2012, we determined that two office buildings met the criteria to be classified as held for sale as of December 31, 2012. These Properties were sold in January 2013. See Note 20 to the consolidated financial statements

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for additional information about the sale.

In December 2012, we sold Willowbrook Plaza, a community center located in Houston, TX, for a gross sales price of $24.5 million less commissions and customary closing costs for a net sales price of $24.2 million. Proceeds from the sale were used to reduce the outstanding borrowings on our credit facilities. In accordance with our quarterly impairment review process, we recorded a loss on impairment of real estate of $17.7 million during the third quarter of 2012 to write down the book value of this Property to its then estimated fair value.

In October 2012, we sold Towne Mall, located in Franklin, OH and Hickory Hollow Mall, located in Antioch, TN. Towne Mall sold for a gross sales price of $1.0 million less commissions and customary closings costs for a net sales price of $0.9 million. Hickory Hollow Mall sold for a gross sales price of $1.0 million less commissions and customary closing costs for a net sales price of $1.0 million. Net proceeds from the sale of both malls were used to reduce outstanding borrowings on our credit facilities. In the third quarter of 2012, we recorded a loss on impairment of real estate of $0.4 million for Towne Mall and $8.0 million for Hickory Hollow Mall to write down the book value of both Properties to the expected net sales price.

In July 2012, we sold Massard Crossing, a community center located in Fort Smith, AR, for a gross sales price of $7.8 million less commissions and customary closing costs for a net sales price of $7.4 million. Proceeds from the sale were used to reduce outstanding borrowings on our credit facilities. We recorded a gain of $0.1 million attributable to the sale in the third quarter of 2012.

In March 2012, we completed the sale of the second phase of Settlers Ridge, a community center located in Robinson Township, PA, for a gross sales price of $19.1 million less commissions and customary closing costs for a net sales price of $19.0 million. Proceeds from the sale were used to reduce outstanding borrowings on our credit facilities. We recorded a gain of $0.9 million attributable to the sale in the first quarter of 2012. We recorded a loss on impairment of real estate of $4.5 million in the second quarter of 2011 to write down the book value of this Property to its then estimated fair value.

In January 2012, we sold Oak Hollow Square, a community center located in High Point, NC, for a gross sales price of $14.2 million. Net proceeds of $13.8 million were used to reduce the outstanding balance on our unsecured term loan. We recorded a loss on impairment of real estate of $0.3 million in the first quarter of 2012 related to the true-up of certain estimated amounts to actual amounts. We recorded a loss on impairment of real estate of $0.7 million in the fourth quarter of 2011 to write down the book value of this Property to the estimated net sales price.

Credit Facilities

In November 2012, we closed on the modification and extension of our $525.0 million and $520.0 million secured credit facilities. Under the terms of the agreements, of which Wells Fargo Bank NA serves as the administrative agent for the lender groups, the two secured credit facilities were converted to two unsecured credit facilities with an increase in capacity on each to $600.0 million for a total capacity of $1.2 billion. We paid aggregate fees of approximately $4.3 million in connection with the extension and modification of the facilities. One of the $600.0 million facilities matures in November 2015 and has a one-year extension option for an outside maturity date of November 2016. The other $600.0 million facility matures in November 2016 and has a one-year extension option for an outside maturity date of November 2017. The extension options on both facilities are at our election, subject to continued compliance with the terms of the facilities, and have a one-time extension fee of 0.20% of the total of each credit facility commitment. The two unsecured facilities bear interest at an annual rate equal to one-month, three-month, or six-month LIBOR plus a range of 155 to 210 basis points based on our leverage ratio. We also pay annual unused facility fees, on a quarterly basis, under our unsecured lines of credit at rates of either 0.25% or 0.35% based upon any unused commitment of each facility. In the event we obtain an investment grade rating by either Standard & Poor's or Moody's, we may make a one-time irrevocable election to use our credit rating to determine the interest rate on each facility. If we were to make such an election, the interest rate on each facility would bear interest at an annual rate equal to one-month, three-month, or six-month LIBOR plus a spread of 100 to 175 basis points. Once we elect to use our credit rating to determine the interest rate on each facility, we will begin to pay an annual facility fee that ranges from 0.15% to 0.35% of the total capacity of each facility rather than the annual fees based on any unused commitment as described above.

In June 2012, we closed on the extension and modification of our $105.0 million secured credit facility. The facility's maturity date was extended to June 2015 and has a one-year extension option, which is at our election and subject to continued compliance with the terms of the facility, for an outside maturity date of June 2016. The facility bears interest at an annual rate equal to one-month LIBOR plus a margin of 175 to 275 basis points based on our leverage ratio. See Note 20 to the consolidated financial statements for a subsequent event related to the $105.0 million secured credit facility.

Financings

In the fourth quarter of 2012, a subsidiary of CBL/T-C, LLC ("CBL/T-C"), a joint venture in which we own a 50% interest, obtained a 10-year $190.0 million non-recourse loan, secured by West County Center in Des Peres, MO, that bears a

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fixed interest rate of 3.4% and matures in December 2022. Net proceeds of $189.7 million were used to retire the outstanding borrowings of $142.2 million under the previous loan and the excess proceeds were distributed 50/50 to us and our partner. Additionally, we retired a non-recourse loan with a principal balance of $106.9 million, secured by Monroeville Mall in Monroeville, PA, with borrowings from our credit facilities. The loan was scheduled to mature in January 2013.

During the third quarter of 2012, we retired two loans totaling $122.0 million, each of which was secured by a regional mall, with borrowings from our credit facilities. The loans were scheduled to mature in 2012. We recorded a gain on extinguishment of debt of $0.2 million related to the early retirement of this debt.

Also in the third quarter of 2012, JG Gulf Coast Town Center LLC ("Gulf Coast"), a joint venture in which we own a 50% interest, closed on a three-year $7.0 million loan with a bank, secured by the third phase expansion of Gulf Coast Town Center, a shopping center located in Ft. Myers, FL. Interest on the loan is at LIBOR plus a margin of 2.5%. We have guaranteed 100% of this loan. Proceeds from the loan were distributed to us in accordance with the terms of the joint venture agreement and we used these funds to reduce the balance on our credit facilities.

During the second quarter of 2012, we closed on five 10-year non-recourse commercial mortgage-backed securities ("CMBS") loans totaling $342.2 million. The loans bear interest at fixed rates ranging from 4.750% to 5.099% with a total weighted average interest rate of 4.946%. These loans are secured by WestGate Mall in Spartanburg, SC; Southpark Mall in Colonial Heights, VA; Jefferson Mall in Louisville, KY; Fashion Square Mall in Saginaw, MI and Arbor Place in Douglasville, GA. Proceeds were used to pay down our credit facilities and to retire an existing loan with a balance of $30.8 million secured by Southpark Mall.

Also during the second quarter of 2012, we closed on a $22.0 million 10-year non-recourse loan with an insurance company at a fixed interest rate of 5.00% secured by CBL Centers I and II in Chattanooga, TN. The new loan was used to pay down our credit facilities, which had been used in April 2012 and February 2012 to retire the balances on the maturing loans on CBL Centers II and I which had principal outstanding balances of $9.1 million and $12.8 million, respectively. We closed on the extension and modification of a recourse loan secured by Statesboro Crossing in Statesboro, GA to extend the maturity date to February 2013 and reduce the amount available under the loan from $20.9 million to equal the outstanding balance of $13.6 million. The interest rate remained at one-month LIBOR plus a spread of 1.00%.

In the second quarter of 2012, we entered into a 75%/25% joint venture, Atlanta Outlet Shoppes, LLC, with a third party to develop, own and operate The Outlet Shoppes at Atlanta, an outlet center development located in Woodstock, GA, In August 2012, the joint venture closed on a construction loan with a maximum capacity of $69.8 million that bears interest at LIBOR plus a margin of 275 basis points. The loan matures in August 2015 and has two one-year extensions available, which are at our option. We have guaranteed 100% of this loan.

During the first quarter of 2012, we closed on a $73.0 million 10-year non-recourse CMBS loan secured by Northwoods Mall in Charleston, SC, which bears a fixed interest rate of 5.075%. Proceeds were used to reduce outstanding balances on our credit facilities.

During the first quarter of 2012, York Town Center, LP ("YTC"), a joint venture in which we own a 50% interest, closed on a $38.0 million 10-year non-recourse loan, secured by York Town Center in York, PA, which bears interest at a fixed rate of 4.9% and matures in February 2022. Proceeds from the new loan, plus cash on hand, were used to retire an existing loan of $39.4 million that was scheduled to mature in March 2012.

Also during the first quarter of 2012, Port Orange I, LLC ("Port Orange"), a joint venture in which we own a 50% interest, closed on the extension and modification of a construction loan secured by The Pavilion at Port Orange in Port Orange, FL, to extend the maturity date to March 2014, remove a 1% LIBOR floor and reduce the capacity from $98.9 million to $65.0 million. Port Orange paid $3.3 million to reduce the outstanding balance on the loan to the new capacity amount. There is a one-year extension option remaining on the loan, which is at the joint venture's election, for an outside maturity date of March 2015. Interest on the loan is at LIBOR plus a margin of 3.5%. We have guaranteed 100% of the construction loan.

Also during the first quarter of 2012, we retired 14 operating property loans with an aggregate principal balance of $381.6 million that were secured by Arbor Place, The Landing at Arbor Place, Fashion Square, Hickory Hollow Mall, The Courtyard at Hickory Hollow, Jefferson Mall, Massard Crossing, Northwoods Mall, Old Hickory Mall,

Pemberton Plaza, Randolph Mall, Regency Mall, WestGate Mall and Willowbrook Plaza with borrowings from our credit facilities. See Note 4 to the consolidated financial statements related to the sale of Massard Crossing, Hickory Hollow Mall and Willowbrook Plaza in 2012.

As of December 31, 2012, $547.3 million of our pro rata share of consolidated and unconsolidated debt, excluding debt premiums, is scheduled to mature during 2013. We have extensions available on $68.6 million of debt at our option that we intend to exercise, leaving $478.7 million of debt maturities in 2013 that we intend to retire or refinance, representing 14 operating property loans totaling $250.7 million and a $228.0 million unsecured term loan. Subsequent to December 31, 2012,

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we retired two operating property loans with an outstanding balance of $77.1 million as of December 31, 2012.

Equity

Common Stock

Our authorized common stock consists of 350,000,000 shares at $0.01 par value per share. We had 161,309,652 and 148,364,037 shares of common stock issued and outstanding as of December 31, 2012 and 2011, respectively.

Preferred Stock

Our authorized preferred stock consists of 15,000,000 shares at $0.01 par value per share. A description of our cumulative redeemable preferred stock is listed below.
In October 2012, we completed an underwritten public offering of 6,900,000 depositary shares, each representing 1/10th of a share of our newly designated 6.625% Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") at $25.00 per depositary share. We received net proceeds from the offering of approximately $166.6 million after deducting the underwriting discount and offering expenses. A portion of the net proceeds from this offering were used to redeem all our outstanding 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Shares") with a liquidation preference of $115.0 million and $0.9 million related to accrued and unpaid dividends for an aggregate redemption amount of $115.9 million. The remaining net proceeds of $50.7 million were used to reduce outstanding balances on our credit facilities. We will pay cumulative dividends on the Series E Preferred Stock from the date of original issuance in the amount of $1.65625 per depositary share each year, which is equivalent to 6.625% of the $25.00 liquidation preference per depositary share. We may not redeem the Series E Preferred Stock before October 12, 2017, except in limited circumstances to preserve our REIT status or in connection with a change of control. On or after October 12, 2017, we may, at our option, redeem the Series E Preferred Stock in whole at any time or in part from time to time by paying $25.00 per depositary share, plus any accrued and unpaid dividends up to, but not including, the date of redemption. The Series E Preferred Stock generally has no stated maturity and will not be subject to any sinking fund or mandatory redemption. The Series E Preferred Stock is not convertible into any of our securities, except under certain circumstances in connection with a change of control. Owners of the depositary shares representing Series E Preferred Stock generally have no voting rights except under dividend default.
We had 18,150,000 depositary shares outstanding, each representing 1/10th of a share of our 7.375% Series D Cumulative Redeemable Preferred Stock (the "Series D Preferred Stock") with a par value of $0.01 per share, as of December 31, 2012 and 2011. The Series D Preferred Stock has a liquidation preference of $250.00 per share ($25.00 per depositary share). The dividends on the Series D Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of $18.4375 per share ($1.84375 per depositary share) per annum. The Series D Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities. We may redeem shares, in whole or in part, at any time for a cash redemption price of $250.00 per share ($25.00 per depositary share) plus accrued and unpaid dividends.
On November 5, 2012, we redeemed all 460,000 Series C Shares and all outstanding depositary shares, each representing 1/10th of a Series C Share for $115.9 million. We recorded a charge to preferred dividends of $3.8 million upon redemption to write off the unamortized portion of direct issuance costs related to the Series C Shares and underlying depositary shares.

Financial Information About Segments

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

Employees

CBL does not have any employees other than its statutory officers. Our Management Company currently has 678 full-time and 248 part-time employees. None of our employees are represented by a union.

Corporate Offices

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

Available Information

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There is additional information about us on our web site at cblproperties.com. Electronic copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge by visiting the "investor relations" section of our web site. These reports are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the web site is not, and should not be considered, a part of this Form 10-K.

ITEM 1A. RISK FACTORS

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

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- national, regional and local economic climates, which may be negatively impacted by loss of jobs, production slowdowns, adverse weather conditions, natural disasters, acts of violence, war or terrorism, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods;
- adverse changes in levels of consumer spending, consumer confidence and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual profits);
- local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;
- increased operating costs, such as increases in repairs and maintenance, real property taxes, utility rates and insurance premiums;
- delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control;
- perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center;
- the willingness and ability of the shopping center's owner to provide capable management and maintenance services; and
- the convenience and quality of competing retail properties and other retailing options, such as the internet.

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

- adverse changes in governmental regulations, such as local zoning and land use laws, environmental regulations or local tax structures that could inhibit our ability to proceed with development, expansion, or renovation activities that otherwise would be beneficial to our Properties;
- potential environmental or other legal liabilities that reduce the amount of funds available to us for investment in our Properties;
- any inability to obtain sufficient financing (including construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund repayment of maturing loans, new developments, acquisitions, and property expansions and renovations which otherwise would benefit our Properties; and
- an environment of rising interest rates, which could negatively impact both the value of commercial real estate such as retail shopping centers and the overall retail climate.

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

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

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

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

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

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

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

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

We own partial interests in 26 malls, 10 associated centers, seven community centers and nine office buildings. Governor's Square and Governor's Plaza in Clarksville, TN and Kentucky Oaks Mall in Paducah, KY are all owned by unconsolidated joint ventures and are managed by a property manager that is affiliated with the third party managing general partner, which receives a fee for its services. The managing general partner of each of these Properties controls the cash flow distributions, although our approval is required for certain major decisions. The Outlet Shoppes at Oklahoma City in Oklahoma City, OK, The Outlet Shoppes at Gettysburg in Gettysburg, PA, The Outlet Shoppes at El Paso in El Paso, TX and Kirkwood Mall in Bismarck, ND are owned by consolidated joint ventures and managed

by a property manager that is affiliated with the third party partner or a third party property manager, which receives a fee for its services. Further, we have contracted with a third-party firm that provides property management services to oversee the operations of our six office buildings located in Chesapeake, VA and Newport News, VA. The firm receives a fee for its services.

Where we serve as managing general partner (or equivalent) of the entities that own our Properties, we may have certain fiduciary responsibilities to the other owners of those entities. In certain cases, the approval or consent of the other owners is required before we may sell, finance, expand or make other significant changes in the operations of such Properties. To the extent

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

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

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

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

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of petroleum, certain hazardous or toxic substances on, under or in such real estate. Such laws typically impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. The costs of remediation or removal of such substances may be substantial. The presence of such substances, or the failure to promptly remove or remediate such substances, may adversely affect the owner's or operator's ability to lease or sell such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, regardless of whether such facility is owned or operated by such person. Certain laws also impose requirements on conditions and activities that may affect the environment or the impact of the environment on human health. Failure to comply with such requirements could result in the imposition of monetary penalties (in addition to the costs to achieve compliance) and potential liabilities to third parties. Among other things, certain laws require abatement or removal of friable and certain non-friable asbestos-containing materials in the event of demolition or certain renovations or remodeling. Certain laws regarding asbestos-containing materials require building owners and lessees, among other things, to notify and train certain employees working in areas known or presumed to contain asbestos-containing materials. Certain laws also impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with asbestos-containing materials. In connection with the ownership and operation of properties, we may be potentially liable for all or a portion of such costs or claims.

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

development and implementation of such programs was not material. We have also obtained environmental insurance coverage at certain of our Properties.
We believe that our Properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. As of December 31, 2012, we have recorded in our financial statements a liability of $3.1 million related to potential future asbestos abatement activities at our Properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former Properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us

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do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties has not been or will not be affected by tenants and occupants of the Properties, by the condition of properties in the vicinity of the Properties or by third parties unrelated to us, the Operating Partnership or the relevant Property's partnership.

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

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

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

Any future common stock offerings and common stock dividends or any conversion of outstanding shares of our Series E Preferred Stock may result in dilution of our common stock.

We are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional common stock, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, common stock or any substantially similar securities in the future. Future sales or issuances of substantial amounts of our common stock may be at prices below the then-current market price of our common stock and may adversely impact the market price of our common stock. Additionally, the market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after a common stock offering or the perception that such sales could occur. Further, outstanding shares of our Series E Preferred Stock are convertible into shares of our common stock under certain limited circumstances upon the occurrence of a Change of Control (as defined in the Certificate of Designations for our Series E Preferred Stock). Depending upon the then-current market price for our common stock, or the related cash consideration involved in the Change of Control, any such conversion could be dilutive to the ownership interest in the Company of holders of our common stock, which could adversely affect the market price of our common stock or impair our ability to raise capital through the sale of additional equity securities. For additional information concerning this feature of our Series E Preferred Stock, see “The Change of Control conversion and redemption features of the shares of our Series E Preferred Stock and the underlying depositary shares may make it more difficult for a party to take over the Company or discourage a party from taking over the Company,” below.

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

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

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;

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

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

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

On October 5, 2012, we completed an underwritten public equity offering (the "Series E Offering") of 6,900,000 depositary shares, each representing 1/10th of a share of our 6.625% Series E Preferred Stock, having a liquidation preference of $25.00 per depositary share. We used approximately $115.9 million of the $166.6 million in net proceeds received from this offering to redeem all of our outstanding Series C Shares, including accrued and unpaid dividends, as of November 5, 2012, with the remaining net proceeds being applied to reduce outstanding balances on our lines of credit. We have the option to redeem all or a portion of such depositary shares at any time on or after October 5, 2017, at $25.00 per depositary share, plus all accrued and unpaid dividends to, but not including, the date of redemption. We also have the option to redeem all or a portion of the depositary shares at any time under circumstances intended to preserve our status as a REIT for federal and/or state income tax purposes. In addition, upon the occurrence of a Change of Control (as defined in the Certificate of Designations for our Series E Preferred Stock), we may, at our option, redeem all or a portion of the depositary shares, within 120 days after the first date on which such Change of Control occurred, at $25.00 per depositary share plus all accrued and unpaid dividends to, but not including, the date of redemption. These 6,900,000 depositary shares will accrue dividends totaling approximately $11.4 million annually, decreasing earnings per share available to our common shareholders and the amounts available to our common shareholders for dividend payments.

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

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

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

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

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Each of these competitive factors could adversely affect the amount of rents and tenant reimbursements that we are able to collect from our tenants, thereby reducing our revenues and the funds available for distribution to our stockholders.
We compete with many commercial developers, real estate companies and major retailers for prime development locations and for tenants. New regional malls or other retail shopping centers with more convenient locations or better rents may attract tenants or cause them to seek more favorable lease terms at, or prior to, renewal.
Increased operating expenses and decreased occupancy rates may not allow us to recover the majority of our common area maintenance (CAM) and other operating expenses from our tenants, which could adversely affect our financial position, results of operations and funds available for future distributions.
Energy costs, repairs, maintenance and capital improvements to common areas of our Properties, janitorial services, administrative, property and liability insurance costs and security costs are typically allocable to our Properties' tenants. Our lease agreements typically provide that the tenant is liable for a portion of the CAM and other operating expenses. While historically our lease agreements provided for variable CAM provisions, the majority of our current leases require an equal periodic tenant reimbursement amount for our cost recoveries which serves to fix our tenants' CAM contributions to us. In these cases, a tenant will pay a single specified rent amount, or a set expense reimbursement amount, subject to annual increases, regardless of the actual amount of operating expenses. The tenant's payment remains the same regardless of whether operating expenses increase or decrease, causing us to be responsible for any excess amounts or to benefit from any declines. As a result, the CAM and tenant reimbursements that we receive may or may not allow us to recover a substantial portion of these operating costs.
Additionally, in the event that our Properties are not fully occupied, we would be required to pay the portion of any operating, redevelopment or renovation expenses allocable to the vacant space(s) that would otherwise typically be paid by the residing tenant(s). Our cost recovery ratio was 99.7% for 2012.
The loss of one or more significant tenants, due to bankruptcies or as a result of consolidations in the retail industry, could adversely affect both the operating revenues and value of our Properties.
Regional malls are typically anchored by well-known department stores and other significant tenants who generate shopping traffic at the mall. A decision by an anchor tenant or other significant tenant to cease operations at one or more Properties could have a material adverse effect on those Properties and, by extension, on our financial condition and results of operations. The closing of an anchor or other significant tenant may allow other anchors and/or tenants at an affected Property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the Property. In addition, key tenants at one or more Properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-tenant the affected space, could have a material adverse effect on both the operating revenues and underlying value of the Properties involved, reducing the likelihood that we would be able to sell the Properties if we decided to do so, or we may be required to incur redevelopment costs in order to successfully obtain new anchors or other significant tenants when such vacancies exist.
Our Properties may be subject to impairment charges which can adversely affect our financial results.
We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value, which could have a material adverse effect on our financial results in the accounting period in which the adjustment is made. Our estimates of undiscounted cash flows expected to be generated by each Property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each Property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved. For the year ended December 31, 2012, we recorded a loss on impairment of real estate totaling $50.9 million. As described in Note 3 to

the consolidated financial statements, we recognized a total of $26.5 million in impairment of real estate, which is included in discontinued operations in our consolidated statements of operations, related to four Properties that were sold in 2012. Additionally for the year ended December 31, 2012, as described in Note 15 to the consolidated financial statements, we recorded a loss on impairment of real estate of $23.3 million for two of our Properties and $1.1 million related to the sale of three outparcels.

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

Increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant

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leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable.

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

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

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

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

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

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

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

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

We are significantly dependent upon external financing to fund the growth of our business and ensure that we meet our debt servicing requirements. Our access to financing depends on the willingness of lending institutions to grant credit to us and conditions in the capital markets in general. An economic recession may cause extreme volatility and disruption in the capital and credit markets. We rely upon our largest credit facilities as sources of funding for numerous transactions. Our access to these funds is dependent upon the ability of each of the participants to the credit

facilities to meet their funding commitments. When markets are volatile, access to capital and credit markets could be disrupted over an extended period of time and many financial institutions may not have the available capital to meet their previous commitments. The failure of one or more significant participants to our credit facilities to meet their funding commitments could have an adverse effect on our financial condition and results of operations. This may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Although we have successfully obtained debt for refinancings of our maturing debt, acquisitions and the construction of new developments in the past, we cannot make any assurances as to whether we will be able to obtain debt in the future, or that the financing options available to us will be on favorable or acceptable terms.

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

At December 31, 2012, our total share of consolidated and unconsolidated debt outstanding was approximately $5,445.2 million, which represented approximately 53.8% of our total market capitalization at that time. Our total share of consolidated and unconsolidated debt maturing in 2013, 2014 and 2015, giving effect to all maturity extensions that are available at our election, was approximately $478.7 million, $258.1 million, and $801.0 million, respectively. Our leverage could have important consequences. For example, it could:

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

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

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

An environment of rising interest rates could lead holders of our securities to seek higher yields through other investments, which could adversely affect the market price of our stock. One of the factors that may influence the price of our stock in public markets is the annual distribution rate we pay as compared with the yields on alternative investments. Numerous other factors, such as governmental regulatory action and tax laws, could have a significant impact on the future market price of our stock. In addition, increases in market interest rates could result in increased borrowing costs for us, which may adversely affect our cash flow and the amounts available for distributions to our stockholders.

As of December 31, 2012, our total share of consolidated and unconsolidated variable rate debt was $1,079.7 million. Increases in interest rates will increase our cash interest payments on the variable rate debt we have outstanding from time to time. If we do not have sufficient cash flow from operations, we might not be able to make all required payments of principal and interest on our debt, which could result in a default or have a material adverse effect on our financial condition and results of operations, and which might adversely affect our cash flow and our ability to make distributions to shareholders. These significant debt payment obligations might also require us to use a significant portion of our cash flow from operations to make interest and principal payments on our debt rather than for other purposes such as working capital, capital expenditures or distributions on our common equity.

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

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

credit ratings for counterparties, this does not eliminate the risk that a counterparty might fail to honor its obligations, particularly given current market conditions.

The covenants in our credit facilities might adversely affect us.

Our credit facilities require us to satisfy certain affirmative and negative covenants and to meet numerous financial tests, and also contain certain default and cross-default provisions as described in more detail in Note 6 to the consolidated financial

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statements. Our credit facilities also restrict our ability to enter into any transaction that could result in certain changes in our ownership or structure as described under the heading “Change of Control/Change in Management” in the agreements to the credit facilities. The financial covenants under the unsecured credit facilities require, among other things, that our debt to total asset value ratio, as defined in the agreements to our unsecured credit facilities, be less than 60%, that our ratio of unencumbered asset value to unsecured indebtedness, as defined, be greater than 1.60, that our ratio of unencumbered net operating income ("NOI") to unsecured interest expense, as defined, be greater than 1.75, and that our ratio of EBITDA to fixed charges (debt service), as defined, be greater than 1.50. Compliance with each of these ratios is dependent upon our financial performance. The debt to total asset value ratio is based, in part, on applying a capitalization rate to our earnings before income taxes, depreciation and amortization (“EBITDA”), as defined in the agreements to our credit facilities. Based on this calculation method, decreases in EBITDA would result in an increased debt to total asset value ratio, assuming overall debt levels remain constant. If any future failure to comply with one or more of these covenants resulted in the loss of these credit facilities and we were unable to obtain suitable replacement financing, such loss could have a material, adverse impact on our financial position and results of operations.

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 48.1% of our total revenues from all Properties for the year ended December 31, 2012 and currently include 42 malls, 20 associated centers, seven community centers and 18 office buildings. Our Properties located in the midwestern United States accounted for approximately 31.3% of our total revenues from all Properties for the year ended December 31, 2012 and currently include 27 malls and five associated centers. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. While we already have Properties located in eight states across the southwestern, northeastern and western regions, we will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

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

Our Properties located in the St. Louis, MO; Chattanooga, TN; Madison, WI; Lexington, KY; and Nashville, TN metropolitan areas accounted for approximately 8.2%, 3.7%, 3.2%, 2.8% and 2.7%, respectively, of our total revenues for the year ended December 31, 2012. No other market accounted for more than 2.6% of our total revenues for the year ended December 31, 2012. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

RISKS RELATED TO INTERNATIONAL INVESTMENTS

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

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

- impact of adverse changes in exchange rates of foreign currencies;
- difficulties in the repatriation of cash and earnings;
- differences in managerial styles and customs;
- changes in applicable laws and regulations in the United States that affect foreign operations;
- changes in foreign political, legal and economic environments; and

- differences in lending practices.

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

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RISKS RELATED TO DIVIDENDS

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

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

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

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

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

RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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

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

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

If in any taxable year we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to federal income tax on our taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. This would likely have a significant adverse effect on the value of our securities and our ability to raise additional capital. In addition, we would no longer be required to make

distributions to our stockholders. We currently intend to operate in a manner designed to qualify as a REIT. However, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors, with the consent of a majority of our stockholders, to revoke the REIT election.

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

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

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

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

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

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

In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature of our assets, the amounts we distribute to our shareholders and the ownership of our stock. We may also be required to make distributions to our shareholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities we would otherwise pursue. In addition, the REIT provisions of the Internal Revenue Code impose a 100% tax on income from “prohibited transactions.” “Prohibited transactions” generally include sales of assets

that constitute inventory or other property held for sale in the ordinary course of business, other than foreclosure property. This 100% tax could impact our desire to sell assets and other investments at otherwise opportune times if we believe such sales could be considered “prohibited transactions.”

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

Because we conduct our operations through the Operating Partnership, our ability to service our debt obligations and pay dividends to our shareholders is strictly dependent upon the earnings and cash flows of the Operating Partnership and the ability of the Operating Partnership to make distributions to us. Under the Delaware Revised Uniform Limited Partnership Act, the Operating Partnership is prohibited from making any distribution to us to the extent that at the time of the distribution, after

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giving effect to the distribution, all liabilities of the Operating Partnership (other than some non-recourse liabilities and some liabilities to the partners) exceed the fair value of the assets of the Operating Partnership. Additionally, the terms of some of the debt to which our Operating Partnership is a party may limit its ability to make some types of payments and other distributions to us. This in turn may limit our ability to make some types of payments, including payment of dividends on our outstanding capital stock, unless we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT or to avoid the imposition of any federal income or excise tax on undistributed income. Any inability to make cash distributions from the Operating Partnership could jeopardize our ability to pay dividends on our outstanding shares of capital stock and to maintain qualification as a REIT.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

- The Ownership Limit – As described above, to maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by value (other than Charles Lebovitz, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). In addition to preserving our status as a REIT, the ownership limit may have the effect of precluding an acquisition of control of us without the approval of our Board of Directors.
- Classified Board of Directors; Removal for Cause – Our certificate of incorporation historically provided for a Board of Directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may have been required for the stockholders to change a majority of our Board of Directors. While our stockholders approved an amendment to our certificate of incorporation at our 2011 annual meeting to declassify the Board of Directors, this declassification will be phased in over three years in a manner that does not alter the term of any current director. Accordingly, this transition will not be completed, with all directors standing for election on an annual basis, until our 2014 annual meeting of stockholders. In addition, our stockholders can only remove directors for cause and only by a vote of 75% of the outstanding voting stock. Collectively, these provisions make it more difficult to change the composition of our Board of Directors and may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts.
- Advance Notice Requirements for Stockholder Proposals – Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures generally require advance written notice of any such proposals, containing prescribed information, to be given to our Secretary at our principal executive offices not less than 60 days or no more than 90 days prior to the meeting.
- Vote Required to Amend Bylaws – A vote of 66 2/3% of our outstanding voting stock (in addition to any separate approval that may be required by the holders of any particular class of stock) is necessary for stockholders to amend our bylaws.
- Delaware Anti-Takeover Statute – We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an "interested stockholder" (defined generally as a person owning 15% or more of a company's outstanding voting stock) from engaging in a "business combination" (as defined in Section 203) with us for three years following the date that person becomes an interested stockholder unless:

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

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

(c) following the transaction in which that person became an interested stockholder, the business combination is approved

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by our Board of Directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

Under Section 203, these restrictions also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving us and a person who was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of our directors, if that extraordinary transaction is approved or not opposed by a majority of the directors who were directors before any person became an interested stockholder in the previous three years or who were recommended for election or elected to succeed such directors by a majority of directors then in office.

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

- Tax Consequences of the Sale or Refinancing of Certain Properties – Since certain of our Properties had unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such Properties immediately prior to their contribution to the Operating Partnership, a taxable sale of any such Properties, or a significant reduction in the debt encumbering such Properties, could cause adverse tax consequences to the members of our senior management who owned interests in our predecessor entities. As a result, members of our senior management might not favor a sale of a Property or a significant reduction in debt even though such a sale or reduction could be beneficial to us and the Operating Partnership. Our bylaws provide that any decision relating to the potential sale of any Property that would result in a disproportionately higher taxable income for members of our senior management than for us and our stockholders, or that would result in a significant reduction in such Property's debt, must be made by a majority of the independent directors of the Board of Directors. The Operating Partnership is required, in the case of such a sale, to distribute to its partners, at a minimum, all of the net cash proceeds from such sale up to an amount reasonably believed necessary to enable members of our senior management to pay any income tax liability arising from such sale.
- Interests in Other Entities; Policies of the Board of Directors – Certain entities owned in whole or in part by members of our senior management, including the construction company that built or renovated most of our Properties, may continue to perform services for, or transact business with, us and the Operating Partnership. Furthermore, certain Property tenants are affiliated with members of our senior management. Our bylaws provide that any contract or transaction between us or the Operating Partnership and one or more of our directors or officers, or between us or the Operating Partnership and any other entity in which one or more of our directors or officers are directors or officers or have a financial interest, must be approved by our disinterested directors or stockholders after the material facts of the relationship or interest of the contract or transaction are disclosed or are known to them. Our code of business conduct and ethics also contains provisions governing the approval of certain transactions involving the Company and employees (or immediate family members of employees, as defined therein) that are not subject to the provision of the bylaws described above. Such transactions are also subject to the Company's related party transactions policy in the manner and to the extent detailed in the proxy statement filed with the SEC for the Company's 2012 annual meeting. Nevertheless, these affiliations could create conflicts between the interests of these members of senior management and the interests of the Company, our shareholders and the Operating Partnership in relation to any transactions between us and any of these entities.

The Change of Control conversion and redemption features of the shares of our Series E Preferred Stock and the underlying depositary shares may make it more difficult for a party to take over the Company or discourage a party from taking over the Company.

Upon the occurrence of a Change of Control (as defined in the Certificate of Designations for our Series E Preferred Stock) which results in shares of our common stock and the common securities of the acquiring or surviving entity (or American depositary shares (or “ADSs”) representing such securities) not being listed on the NYSE, the NYSE MKT or

NASDAQ or listed on an exchange that is a successor to the NYSE, the NYSE MKT or NASDAQ, holders of the depositary shares representing interests in our Series E Preferred Stock will have the right under certain circumstances to convert some or all of their depositary shares into shares of our common stock (or equivalent value of alternative consideration, if holders of our common stock receive certain alternative forms of consideration in the transaction giving rise to the Change of Control). Upon such a conversion, the holders of depositary shares generally will receive a number of shares of our common stock for each depositary share converted equal to the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per depositary share plus the amount of any accrued and unpaid dividends to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a dividend payment on the Series E Preferred Stock underlying the depositary shares and on or prior to the corresponding dividend payment date on the Series E Preferred Stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Common Share Price (as defined in the Certificate of Designations for our Series E Preferred Stock), subject to a maximum number of shares of common stock equal to the Share

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Cap (as defined in the Certificate of Designations for our Series E Preferred Stock). If the Common Share Price is less than $10.805 (which is 50% of the per share closing sale price of our common stock on September 27, 2012), subject to adjustment, the holders will receive a maximum of 2.3137 shares of our common stock per depositary share, which may result in a holder receiving value that is less than the liquidation preference of the depositary shares. In addition, there is an aggregate cap of 15,964,530 shares of common stock (or equivalent alternative consideration) issuable upon exercise of the Change of Control conversion right. These features of the Series E Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a Change of Control of the Company under circumstances that otherwise could provide the holders of our common stock and Series E Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

Malls

We owned a controlling interest in 77 Malls and non-controlling interests in nine Malls as of December 31, 2012. The Malls are primarily located in middle markets and generally have strong competitive positions because they are the only, or the dominant, regional mall in their respective trade areas. The Malls are generally anchored by two or more department stores and a wide variety of mall stores. Anchor tenants own or lease their stores and non-anchor stores (20,000 square feet or less) lease their locations. Additional freestanding stores and restaurants that either own or lease their stores are typically located along the perimeter of the Malls' parking areas.

We classify our regional Malls into three categories:

(1) Stabilized Malls - Malls that have completed their initial lease-up and have been open for more than three complete calendar years.

(2) Non-stabilized Malls - Malls that are in their initial lease-up phase. After three complete calendar years of operation, they are reclassified on January 1 of the fourth calendar year to the stabilized Mall category. The Outlet Shoppes at Oklahoma City, which opened in August 2011, was our only non-stabilized Mall as of December 31, 2012.

(3) Non-core Malls - Malls where we have determined that the current format of the Property no longer represents the best use of the Property and we are in the process of evaluating alternative strategies for the Property, which may include major redevelopment or an alternative retail or non-retail format. Columbia Place was our only non-core Mall as of December 31, 2012. The steps taken to reposition non-core Malls, such as signing tenants to short-term leases, which are not included in occupancy percentages, or leasing to regional or local tenants, which typically do not report sales, may lead to metrics which do not provide relevant information related to the condition of non-core Properties. Therefore, traditional performance measures, such as occupancy percentages and leasing metrics, exclude non-core Malls.

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

The following table sets forth certain information for each of the Malls as of December 31, 2012:

Mall / Location	Year of Opening/	Year of Most	Our Ownership	Total GLA [(1)]	Total Mall Store GLA	Mall Store	Percentage Mall	Anchors & Junior Anchors

	Acquisition	Recent Expansion				(2)	Sales per Square Foot (3)	Store GLA Leased (4)		
Non-Stabilized Mall:										
The Outlet Shoppes at Oklahoma City Oklahoma City, OK	2011	2012	75	%	376,422	349,474	$368	100	%	Saks Fifth Ave OFF 5TH

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA [1]	Total Mall Store GLA [2]	Mall Store Sales per Square Foot [3]	Percentage Mall Store GLA Leased [4]	Anchors & Junior Anchors
Stabilized Malls:								
Acadiana Mall [5] Lafayette, LA	1979/2005	2004	62.8 %	992,600	300,337	$437	100 %	Dillard's, JC Penney, Macy's, Sears
Alamance Crossing Burlington, NC	2007	2011	100 %	872,717	202,777	230	74 %	Barnes & Noble, Belk, BJ's Wholesale Club, Carousel Cinemas, Dick's Sporting Goods, Dillard's, Hobby Lobby, JC Penney, Kohl's
Arbor Place [5] Atlanta (Douglasville), GA	1999	N/A	62.8 %	1,163,340	308,910	334	98 %	Bed Bath & Beyond, Belk, Dillard's, Forever 21, H & M, JC Penney, Macy's, Regal Cinemas, Sears
Asheville Mall Asheville, NC	1972/1998	2000	100 %	973,662	287,707	356	100 %	Barnes & Noble, Belk, Dillard's, Dillard's West, JC Penney, Sears
Bonita Lakes Mall [6] Meridian, MS	1997	N/A	100 %	631,955	154,670	268	96 %	Belk, Dillard's, JC Penney, Sears, United Artists Theatre, Vacancy
Brookfield Square Brookfield, WI	1967/2001	2008	100 %	1,000,404	282,224	371	99 %	Barnes & Noble, Boston Store, JC Penney, Sears
Burnsville Center Burnsville, MN	1977/1998	N/A	100 %	1,045,125	384,505	342	93 %	Dick's Sporting Goods, Gordmans, JC Penney, Macy's, Sears
Cary Towne Center Cary, NC	1979/2001	1993	100 %	915,188	295,842	275	92 %	Belk, Dillard's, JC Penney, Macy's, Sears
Chapel Hill Mall [5] [7] Akron, OH	1966/2004	1995	62.8 %	863,384	304,060	259	97 %	Encore, JC Penney, Macy's, Sears

CherryVale Mall Rockford, IL	1973/2001	2007	100	%	846,338	331,753	354	93	%	Barnes & Noble, Bergner's, JC Penney, Macy's, Sears
Chesterfield Mall [5] Chesterfield, MO	1976/2007	2006	62.8	%	1,286,534	491,416	299	94	%	AMC Theater, Dillard's, H&M, Macy's, Sears, V-Stock
Citadel Mall Charleston, SC	1981/2001	2000	100	%	1,019,157	282,329	233	91	%	Belk, Dillard's, JC Penney, Sears, Target
Coastal Grand-Myrtle Beach Myrtle Beach, SC	2004	2007	50	%	1,038,494	342,519	357	98	%	Bed Bath & Beyond, Belk, Cinemark Theater, Dick's Sporting Goods, Dillard's, JC Penney, Sears
College Square Morristown, TN	1988	1999	100	%	485,559	119,263	272	95	%	Belk, Carmike Cinema, Goody's, JC Penney, Kohl's, Sears
CoolSprings Galleria Nashville, TN	1991	1994	50	%	1,101,475	346,839	459	100	%	Belk, Belk Home, Dillard's, JC Penney, Macy's, Sears
Cross Creek Mall Fayetteville, NC	1975/2003	2000	100	%	1,001,230	251,692	543	100	%	Belk, JC Penney, Macy's, Sears
Dakota Square Mall Minot, ND	1980/2012	2008	100	%	820,499	166,688	502	93	%	Barnes & Noble, Carmike Cinema, Herberger's, JC Penney, Scheels, Sears, Sleep Inn & Suites, Splashdown Dakota Super Slides, Target
East Towne Mall Madison, WI	1971/2001	2004	100	%	789,367	230,643	327	97	%	Barnes & Noble, Boston Store, Dick's Sporting Goods, Gordman's, JC Penney, Sears, Steinhafels
EastGate Mall [8] Cincinnati, OH	1980/2003	1995	100	%	853,434	272,722	300	91	%	Dillard's, JC Penney, Kohl's, Sears

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership		Total GLA [1]	Total Mall Store GLA [2]	Mall Store Sales per Square Foot [3]	Percentage Mall Store GLA Leased [4]		Anchors & Junior Anchors
Eastland Mall Bloomington, IL	1967/2005	N/A	100	%	760,418	220,763	327	97	%	Bergner's, JC Penney, Kohl's, Macy's, Sears
Fashion Square Saginaw, MI	1972/2001	1993	100	%	748,276	255,380	286	97	%	Carmike Cinema, Encore, JC Penney, Macy's, Sears
Fayette Mall Lexington, KY	1971/2001	1993	100	%	1,184,004	355,953	584	100	%	Dick's Sporting Goods, Dillard's, JC Penney, Macy's, Sears
Foothills Mall Maryville, TN	1983/1996	2012	95	%	463,578	121,423	264	77	%	Belk, Carmike Cinema, Goody's, JC Penney, Sears, T.J. Maxx
Friendly Shopping Center and The Shops at Friendly Greensboro, NC	1957/ 2006/ 2007	1996 / 2008	50	%	1,111,109	491,540	427	95	%	Barnes & Noble, Belk, Harris Teeter, Macy's, REI, Sears, The Grande Cinema
Frontier Mall Cheyenne, WY	1981	1997	100	%	535,571	190,701	321	92	%	Carmike Cinema, Dillard's East, Dillard's West, JC Penney, Sears, Sports Authority
Georgia Square Athens, GA	1981	N/A	100	%	671,012	249,458	250	92	%	Belk, JC Penney, Macy's, Sears
Governor's Square Clarksville, TN	1986	1999	47.5	%	738,009	250,485	379	90	%	Belk, Best Buy, Carmike Cinema, Dick's Sporting Goods, Dillard's, JC Penney, Ross Dress for Less [9], Sears
Greenbrier Mall [5] Chesapeake, VA	1981/2004	2004	63	%	899,015	278,451	327	93	%	Dillard's, JC Penney, Jillian's, Macy's, Sears
Gulf Coast Town Center Ft. Myers, FL	2005	2007	50	%	1,238,729	315,835	305	87	%	Babies R Us, Bass Pro Outdoor World, Belk, Best Buy, Dick's Sporting Goods,

								Fitness International, Glowgolf, JC Penney, Jo-Ann Fabrics, Marshall's, Regal Cinema, Ross, Staples, Target
Hamilton Place Chattanooga, TN	1987	1998	90 %	1,169,272	333,992	417	98 %	Barnes & Noble, Belk for Men, Kids & Home, Belk for Women, Dillard's for Men, Kids & Home, Dillard's for Women, Forever 21, JC Penney, Sears
Hanes Mall Winston-Salem, NC	1975/2001	1990	100 %	1,503,143	502,017	347	99 %	Belk, Dillard's, Encore, H&M, JC Penney, Macy's, Sears
Harford Mall Bel Air, MD	1973/2003	2007	100 %	505,345	181,169	373	98 %	Macy's, Old Navy, Sears
Hickory Point Mall Decatur, IL	1977/2005	N/A	100 %	826,430	190,855	261	74 %	Bergner's, Cohn Furniture, Encore, JC Penney, Kohl's, Sears, Von Maur
Honey Creek Mall Terre Haute, IN	1968/2004	1981	100 %	676,482	184,967	370	96 %	Elder-Beerman, Encore, JC Penney, Macy's, Sears
Imperial Valley Mall El Centro, CA	2005	N/A	100 %	825,814	212,697	401	96 %	Cinemark, Dillard's, JC Penney, Kohl's, Macy's, Sears
Janesville Mall Janesville, WI	1973/1998	1998	100 %	614,202	166,372	298	97 %	Boston Store, JC Penney, Sears
Jefferson Mall Louisville, KY	1978/2001	1999	100 %	903,082	250,188	365	92 %	Dillard's, JC Penney, Macy's, Ross, Sears, Toys R Us

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA [1]	Total Mall Store GLA [2]	Mall Store Sales per Square Foot [3]	Percentage Mall Store GLA Leased [4]	Anchors & Junior Anchors
Kentucky Oaks Mall Paducah, KY	1982/2001	1995	50 %	1,017,800	304,838	287	86 %	Best Buy, Dick's Sporting Goods, Dillard's, Elder-Beerman, JC Penney, Sears
Kirkwood Mall Bismarck, ND	1970/2012	2002	49 %	848,128	273,850	409	88 %	Herberger's, Keating Furniture, JC Penney, Scheels, Target
The Lakes Mall Muskegon, MI	2001	N/A	100 %	589,665	187,759	266	96 %	Bed Bath & Beyond, Dick's Sporting Goods, JC Penney, Sears, Younkers
Lakeshore Mall Sebring, FL	1992	1999	100 %	490,087	116,071	230	80 %	Beall's [10], Belk, Carmike, JC Penney, Kmart, Sears
Laurel Park Place Livonia, MI	1989/2005	1994	100 %	489,523	190,713	343	99 %	Parisian, Von Maur
Layton Hills Mall Layton, UT	1980/2006	1998	100 %	636,737	204,032	380	95 %	Dick's Sporting Goods, JC Penney, Macy's, former Mervyn's (one level vacant)
Madison Square Huntsville, AL	1984	1985	100 %	928,642	295,208	247	88 %	Belk, Dillard's, JC Penney, Sears, two vacancies
Mall del Norte Laredo, TX	1977/2004	1993	100 %	1,163,399	401,421	562	98 %	Beall's [10], Cinemark, Dillard's, Forever 21, JC Penney, Joe Brand, Macy's, Macy's Home Store, Sears
Meridian Mall [11] Lansing, MI	1969/1998	2001	100 %	923,448	363,841	305	93 %	Bed Bath & Beyond, Dick's Sporting Goods, JC Penney, Macy's, Schuler Books, Younkers

Mid Rivers Mall [5] St. Peters, MO	1987/2007	1999	62.8	%	1,088,298	304,979	308	95	%	Best Buy, Dick's Sporting Goods, Dillard's, JC Penney, Macy's, Sears, V-Stock, Wehrenberg Theaters
Midland Mall Midland, MI	1991/2001	N/A	100	%	468,304	131,354	298	97	%	Barnes & Noble, Dunham's Sports, Elder-Beerman, JC Penney, Sears, Target
Monroeville Mall Pittsburgh, PA	1969/2004	2003	100	%	1,067,924	470,755	273	95	%	Barnes & Noble, Best Buy, JC Penney, Macy's
Northgate Mall Chattanooga, TN	1972/2011	N/A	100	%	681,023	154,905	292	78	%	Belk, Carmike Cinemas, JC Penney, Sears, T.J. Maxx
Northpark Mall Joplin, MO	1972/2004	1996	100	%	954,452	273,601	313	90	%	Hollywood Theater, JC Penney, Jo Ann Fabrics, Joplin High School, Macy's, Macy's Home Store, Sears, Tilt, T.J. Maxx, V-Stock
Northwoods Mall Charleston, SC	1972/2001	1995	100	%	772,299	269,180	338	96	%	Belk, Books A Million, Dillard's, JC Penney, Sears
Oak Park Mall Overland Park, KS	1974/2005	1998	50	%	1,532,455	452,266	440	100	%	Barnes & Noble, Dillard's North, Dillard's South, JC Penney, Macy's, Nordstrom, XXI Forever
Old Hickory Mall Jackson, TN	1967/2001	1994	100	%	539,288	162,193	355	95	%	Belk, JC Penney, Macy's, Sears
Panama City Mall Panama City, FL	1976/2002	1984	100	%	608,377	207,845	235	93	%	Bed Bath & Beyond, Dillard's, JC Penney, Sears

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership		Total GLA [1]	Total Mall Store GLA [2]	Mall Store Sales per Square Foot [3]	Percentage Mall Store GLA Leased [4]		Anchors & Junior Anchors
Park Plaza [5] Little Rock, AR	1988/2004	N/A	62.8	%	540,687	236,937	408	100	%	Dillard's I, Dillard's II, XXI Forever
Parkdale Mall Beaumont, TX	1972/2001	1986	100	%	1,247,617	331,408	346	92	%	Beall's [10], Books A Million, Dillard's, JC Penney, Kaplan College, Macy's, Marshall's, Sears, XXI Forever
Parkway Place Huntsville, AL	1957/1998	2002	100	%	648,637	272,812	321	97	%	Belk, Dillard's
Pearland Town Center [12] Pearland, TX	2008	N/A	88	%	646,377	282,993	281	87	%	Barnes & Noble, Dillard's, Macy's, Sports Authority
Post Oak Mall College Station, TX	1982	1985	100	%	774,813	287,288	364	86	%	Beall's [10], Dillard's, Dillard's South, Encore, JC Penney, Macy's, Sears
Randolph Mall Asheboro, NC	1982/2001	1989	100	%	379,302	116,019	262	84	%	Belk, Cinemark, Dillard's, JC Penney, Sears
Regency Mall Racine, WI	1981/2001	1999	100	%	789,589	212,182	237	92	%	Boston Store, Burlington Coat Factory, HH Gregg, JC Penney, Sears
Richland Mall Waco, TX	1980/2002	1996	100	%	685,538	204,313	340	95	%	Beall's [10], Dillard's I, Dillard's II, JC Penney, Sears, XXI Forever
River Ridge Mall Lynchburg, VA	1980/2003	2000	100	%	764,688	223,851	276	94	%	Belk, JC Penney, Macy's, Regal Cinema, Sears
RiverGate Mall Nashville, TN	1971/1998	1998	100	%	1,109,353	263,089	303	99	%	Dillard's, Incredible Dave's, JC Penney, Macy's, Sears

South County Center [5] St. Louis, MO	1963/2007	2001	62.8	%	1,028,386	312,025	369	95	%	Dillard's, JC Penney, Macy's, Sears
Southaven Towne Center Southaven, MS	2005	2012	100	%	528,971	145,876	353	95	%	Bed Bath & Beyond, Dillard's, Gordman's, HH Gregg, JC Penney
Southpark Mall Colonial Heights, VA	1989/2003	2007	100	%	687,375	215,093	328	100	%	Dick's Sporting Goods [9], JC Penney, Macy's, Regal Cinema, Sears
St. Clair Square [5] [13] Fairview Heights, IL	1974/1996	1993	62.8	%	1,077,967	300,712	396	97	%	Dillard's, JC Penney, Macy's, Sears
Stroud Mall [14] Stroudsburg, PA	1977/1998	2005	100	%	398,146	113,663	276	99	%	Bon-Ton, Cinemark, JC Penney, Sears
Sunrise Mall Brownsville, TX	1979/2003	2000	100	%	753,503	238,746	409	93	%	A'gaci, Beall's [10], Cinemark, Dillard's, JC Penney, Sears
The Outlet Shoppes at El Paso El Paso, TX	2007/2012	N/A	75	%	378,955	378,955	372	100	%	None
The Outlet Shoppes at Gettysburg Gettysburg, PA	2000/2012	N/A	50	%	249,937	249,937	248	99	%	None
Triangle Town Center Raleigh, NC	2002/2005	N/A	50	%	1,261,125	425,656	310	93	%	Barnes & Noble, Belk, Dillard's, Macy's, Sak's Fifth Avenue, Sears
Turtle Creek Mall Hattiesburg, MS	1994	1995	100	%	845,692	192,768	336	97	%	Belk I, former Belk II (vacant), Dillard's, JC Penney, Sears, Stein Mart, United Artist Theater
Valley View Mall Roanoke, VA	1985/2003	2007	100	%	844,202	285,375	343	99	%	Barnes & Noble, Belk, JC Penney, Macy's I, Macy's II, Sears

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Mall / Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Our Ownership	Total GLA [1]	Total Mall Store GLA [2]	Mall Store Sales per Square Foot [3]	Percentage Mall Store GLA Leased [4]	Anchors & Junior Anchors
Volusia Mall Daytona Beach, FL	1974/2004	1982	100 %	1,071,512	252,969	341	99 %	Dillard's East, Dillard's West, Dillard's South, JC Penney, Macy's, Sears
Walnut Square [15] Dalton, GA	1980	1992	100 %	495,273	169,838	256	99 %	Belk, Belk Home & Kids, JC Penney, Sears, The Rush
Wausau Center [16] Wausau, WI	1983/2001	1999	100 %	423,155	149,955	261	95 %	JC Penney, Sears, Younkers
West County Center Des Peres, MO	1969/2007	2002	50 %	1,209,370	419,349	476	99 %	Barnes & Noble, Forever 21, Dick's Sporting Goods, JC Penney, Macy's, Nordstrom
West Towne Mall Madison, WI	1970/2001	2004	100 %	831,199	268,382	544	98 %	Boston Store, Dick's Sporting Goods, JC Penney, Sears, XXI Forever
WestGate Mall [17] Spartanburg, SC	1975/1995	1996	100 %	953,721	247,538	283	92 %	Bed Bath & Beyond, Belk, Dick's Sporting Goods, Dillard's, JC Penney, Regal Cinema, Sears
Westmoreland Mall [5] Greensburg, PA	1977/2002	1994	62.8 %	999,803	303,964	330	99 %	BonTon, JC Penney, Macy's, Macy's Home Store, Old Navy, Sears
York Galleria York, PA	1989/1999	N/A	100 %	764,602	227,385	318	98 %	Bon Ton, Boscov's, JC Penney, Sears
	Total Stabilized Malls			70,263,297	22,203,031	$353	94 %	
	Grand total			70,639,719	22,552,505	$354	95 %	

Non-Core Mall:

Columbia Place Columbia, SC	1977/2001	N/A	100	%	1,027,651	274,783	N/A [18]	N/A [18]	Burlington Coat Factory, Macy's, Sears, three vacancies

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

(2) Excludes tenants over 20,000 square feet, anchors and junior anchors.

(3) Excludes sales for license agreement tenants. Totals represent weighted averages.

(4) Includes tenants paying rent for executed leases as of December 31, 2012.

(5) Although the Company has less than a 100% interest, it receives all cash flows after payment of debt service, operating expenses and the joint venture partner's preferred return.

(6) Bonita Lakes Mall - We are the lessee under a ground lease for 82 acres, which extends through June 2035, plus one 25-year renewal option. The annual ground rent for 2012 was $36,710, increasing by an average of 3% each year.

(7) Chapel Hill Mall - Ground rent is the greater of $10,000 or 30% of aggregate fixed minimum rent paid by tenants of certain store units. The annual ground rent for 2012 was $10,000.

(8) EastGate Mall - Ground rent is $24,000 per year.

(9) We have one Ross Dress for Less and one Dick's Sporting Goods that are currently under development and scheduled to open in 2013.

(10) The Beall's operating at Lakeshore Mall is unrelated to the Beall's stores at Mall del Norte, Parkdale Mall, Post Oak Mall, Richland Mall, and Sunrise Mall, which are owned by Stage Stores.

(11) Meridian Mall - We are the lessee under several ground leases in effect through March 2067, with extension options. Fixed rent is $18,700 per year plus 3% to 4% of all rents.

(12) Pearland Town Center is a mixed-use center which combines retail, hotel, office and residential components. For segment reporting purposes, the retail portion of the center is classified in Malls, the office portion is classified in Office Buildings, and the hotel and residential portions are classified as Other.

(13) St. Clair Square - We are the lessee under a ground lease for 20 acres. Assuming the exercise of renewal options available, at our election, the ground lease expires January 31, 2073. The rental amount is $40,500 per year. In addition to base rent, the landlord receives 0.25% of Dillard's sales in excess of $16,200,000.

(14) Stroud Mall - We are the lessee under a ground lease, which extends through July 2089. The current rental amount is $60,000 per year, increasing by $10,000 every ten years through 2059. An additional $100,000 is paid every 10 years.

(15) Walnut Square - We are the lessee under several ground leases. Assuming the exercise of renewal options available, at our election, the ground lease expires March 14, 2078. The rental amount is $149,450 per year. In addition to base rent, the landlord receives 20% of the percentage rents collected. The Company has a right of first refusal to purchase the fee.

(16) Wausau Center - Ground rent is $76,000 per year plus 10% of net taxable cash flow.

(17) WestGate Mall - We are the lessee under several ground leases for approximately 53% of the underlying land. Assuming the exercise of renewal options available, at our election, the ground lease expires October 31, 2084. The rental amount is $130,025 per year. In addition to base rent, the landlord

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receives 20% of the percentage rents collected. The Company has a right of first refusal to purchase the fee.

(18) Mall stores sales per square foot and occupancy percentage are not applicable as the steps taken to reposition non-core Malls lead to metrics which do not provide relevant information related to the condition of the non-core Malls.

Anchors

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

Anchors may own their stores and the land underneath, as well as the adjacent parking areas, or may enter into long-term leases with respect to their stores. Rental rates for anchor tenants are significantly lower than the rents charged to mall store tenants. Total rental revenues from anchors account for 11.7% of the total revenues from our Properties in 2012. Each anchor that owns its store has entered into an operating and reciprocal easement agreement with us covering items such as operating covenants, reciprocal easements, property operations, initial construction and future expansion.

During 2012, we added the following anchors and junior anchors (i.e., non-traditional anchors) to the following Malls:

Name	Property	Location
Carmike Cinemas	Foothills Mall	Maryville, TN
Celebration Cinema	Meridian Mall	Lansing, MI
Encore	Asheville Mall	Asheville, NC
Encore	Georgia Square	Athens, GA
Encore	Hanes Mall	Winston-Salem, NC
Encore	Panama City Mall	Panama City, FL
Forever 21	Arbor Place	Atlanta (Douglasville), GA
H&M	Arbor Place	Atlanta (Douglasville), GA
HH Gregg	Regency Mall	Racine, WI
Jo-Ann Fabric and Craft Stores	Northpark Mall	Joplin, MO
Jo-Ann Fabric and Craft Stores	River Ridge Mall	Lynchburg, VA
Party City	Monroeville Mall	Pittsburgh, PA
Ross	Jefferson Mall	Louisville, KY
Tilt	Northpark Mall	Joplin, MO
Ulta	Valley View Mall	Roanoke, VA

As of December 31, 2012, the Malls had a total of 468 anchors and junior anchors including six vacant locations. The mall anchors and junior anchors and the amount of GLA leased or owned by each as of December 31, 2012 is as follows:

	Number of Stores			Gross Leaseable Area		
Anchor	Mall Leased	Anchor Owned	Total	Mall Leased	Anchor Owned	Total
JCPenney [(1)]	38	36	74	4,028,429	4,536,841	8,565,270
Sears [(2)]	20	50	70	2,217,577	7,126,751	9,344,328
Dillard's [(3)]	4	48	52	660,713	6,805,642	7,466,355
Sak's	1	1	2	26,948	83,066	110,014

Macy's [4]	15	31	46	1,957,154	4,964,792	6,921,946
Belk [5]	9	25	34	813,060	3,271,099	4,084,159
Bon-Ton:						
Bon-Ton	2	1	3	186,824	131,915	318,739
Bergner's	1	2	3	128,330	257,071	385,401
Boston Store [6]	1	4	5	96,000	599,280	695,280
Younkers	3	1	4	269,060	106,131	375,191
Elder-Beerman	3	—	3	194,613	—	194,613
Parisian	1	—	1	148,810	—	148,810
Subtotal	11	8	19	1,023,637	1,094,397	2,118,034

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Anchor	Number of Stores			Gross Leaseable Area		
	Mall Leased	Anchor Owned	Total	Mall Leased	Anchor Owned	Total
A'GACI	1	—	1	28,000	—	28,000
AMC Theaters	1	—	1	59,491	—	59,491
Ashley Home Store	1	—	1	26,439	—	26,439
Babies R Us	1	—	1	30,700	—	30,700
Barnes & Noble	15	—	15	442,817	—	442,817
Bass Pro Outdoor World	1	—	1	130,000	—	130,000
Beall Bros.	5	—	5	193,209	—	193,209
Beall's (Fla)	1	—	1	45,844	—	45,844
Bed, Bath & Beyond	7	—	7	202,915	—	202,915
Best Buy	3	—	3	98,481	—	98,481
BJ's Wholesale Club	1	—	1	85,188	—	85,188
Books A Million	2	—	2	44,180	—	44,180
Boscov's	—	1	1	—	150,000	150,000
Burlington Coat Factory	2	—	2	141,664	—	141,664
Carmike Cinemas	7	1	8	261,332	54,444	315,776
Carousel Cinemas	1	—	1	52,000	—	52,000
Cinemark Theater	6	—	6	302,661	—	302,661
Cohn Furniture	1	—	1	20,030	—	20,030
Dick's Sporting Goods (7)	13	1	14	714,632	70,000	784,632
Dunham Sports	1	—	1	35,368	—	35,368
Encore	6	—	6	157,423	—	157,423
Glowgolf	1	—	1	22,169	—	22,169
Goody's	3	—	3	92,450	—	92,450
Gordman's	3	—	3	156,339	—	156,339
H&M	3	—	3	61,530	—	61,530
H.H.Gregg	1	1	2	25,000	33,887	58,887
Herberger's	2	—	2	144,968	—	144,968
Hobby Lobby	2	—	2	117,521	—	117,521
Hollywood Theaters	2	—	2	101,936	—	101,936
I. Keating Furniture	1	—	1	103,994	—	103,994
Incredible Dave's	1	—	1	65,044	—	65,044
Jillian's	1	—	1	21,295	—	21,295
Jo-Ann Fabrics	2	—	2	57,989	—	57,989
Joe Brand	1	—	1	29,413	—	29,413
Joplin Schools	—	1	1	—	90,000	90,000
Kids Foot Locker	1	—	1	22,847	—	22,847
Kmart	1	—	1	86,479	—	86,479
Kohl's	5	2	7	421,568	132,000	553,568
Linens & More for Less!	1	—	1	27,645	—	27,645
Marshall's	1	—	1	32,996	—	32,996
Nordstrom (8)	—	2	2	—	385,000	385,000
Old Navy	2	—	2	42,497	—	42,497
Regal Cinemas	4	—	4	228,302	—	228,302
REI	1	—	1	24,427	—	24,427
Ross Dress For Less	2	—	2	52,992	—	52,992
Schuler Books	1	—	1	24,116	—	24,116

Scheel's All Sports	2	—	2	159,245	—	159,245
Sports Authority [9]	1	1	2	24,750	42,085	66,835
Staples	1	—	1	20,388	—	20,388
Stein Mart	1	—	1	30,463	—	30,463
Steinhafels	1	—	1	28,828	—	28,828

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Anchor	Number of Stores			Gross Leaseable Area		
	Mall Leased	Anchor Owned	Total	Mall Leased	Anchor Owned	Total
Target	2	4	6			