

CBL & ASSOCIATES PROPERTIES INC
Form 10-K/A
March 03, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO.1)

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

For the fiscal year ended December 31, 2007

Or

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

For the transition period from _____ to _____

Commission File Number 1-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

62-1545718

(State or other jurisdiction of incorporate or organization)

(I.R.S. Employer Identification No.)

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2030 Hamilton Place Blvd, Suite 500

37421

Chattanooga, TN

(Zip Code)

(Address of principal executive office)

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
7.75% Series C Cumulative Redeemable Preferred 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

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 No

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 No

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 No

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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.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes No

The aggregate market value of the 60,200,515 shares of common stock held by non-affiliates of the registrant as of June 30, 2007 was \$2,170,228,569, based on the closing price of \$36.05 per share on the New York Stock Exchange on June 29, 2007. (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 25, 2008, 66,340,515 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2008 Annual Shareholder's Meeting are incorporated by reference in Part III.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, initially filed on February 29, 2007, is being filed for the sole purpose of correcting an inadvertent typographical error that resulted in the omission of the conformed signatures of Deloitte & Touche LLP on the Report of Independent Registered Public Accounting Firm contained in Item 8, *Financial Statements and Supplementary Data* (through incorporation by reference to the consolidated financial statements included in Item 15, *Exhibits, Financial Statement Schedules*) and the Report of Independent Registered Public Accounting Firm contained in Item 9A, *Controls and Procedures*.

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Except as described above, no other amendments are being made to the Annual Report. This Form 10-K/A does not reflect events occurring after the February 29, 2007 filing of our Annual Report or modify or update the disclosure contained in the Annual Report in any way other than as required to reflect the amendments discussed above and reflected below. In order to comply with certain technical requirements of the Securities and Exchange Commission's rules in connection with the filing of this amendment on Form 10-K/A, we are including in this amendment the complete text of Part II, Item 8, *Financial Statements and Supplementary Data*, Item 9A, *Controls and Procedures*, and Part IV, Item 15, *Exhibits, Financial Statements*, as well as a consent of our independent registered public accountants with respect to this filing (Exhibit 23). We are also including in this amendment updated certifications of our principal executive and principal financial officers (Exhibits 31.1, 31.2, 32.1 and 32.2).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index to Financial statements contained in Item 15 on page 72.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. We assessed the effectiveness of our internal control over financial reporting, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that, as of December 31, 2007, we maintained effective internal control over financial reporting, as stated in our report which is included herein.

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Management On Internal Control Over Financial Reporting

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

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

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is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that, as of December 31, 2007, the Company maintained effective internal control over financial reporting.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued their attestation report, which is included below, on our internal control over financial reporting as of December 31, 2007.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.:

We have audited the internal control over financial reporting of CBL & Associates Properties, Inc. (the "Company") as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion on those financial statements and financial statement schedules and includes explanatory

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paragraphs regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 1, 2006 and the adoption of SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior-Years Misstatements when Quantifying Misstatements in the Current Year Financial Statements*, on December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 28, 2008

2

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) <i>Consolidated Financial Statements</i>	<i>Page Number</i>
Report of Independent Registered Public Accounting Firm	6
Consolidated Balance Sheets as of December 31, 2007 and 2006	7
Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005	8
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2007, 2006 and 2005	9
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005	11
Notes to Consolidated Financial Statements	13
(2) <i>Consolidated Financial Statement Schedules</i>	

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Schedule II Valuation and Qualifying Accounts	49
Schedule III Real Estate and Accumulated Depreciation	50
Schedule IV Mortgage Loans on Real Estate	58

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

(3) *Exhibits*

The Exhibit Index filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which was filed on February 29, 2008, is incorporated by reference into this Item 15(a)(3). Also incorporated by reference into this Item 15(a)(3) is the Exhibit Index attached to this Amendment No. 1 on Form 10-K/A for those exhibits filed with this report.

SIGNATURES

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

CBL & ASSOCIATES PROPERTIES, INC.
(Registrant)

By: /s/ John N. Foy
John N. Foy
Vice Chairman of the Board, Chief Financial Officer
and Treasurer

Dated: March 3, 2008

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

Signature	Title	Date
/s/ Charles B. Lebovitz Charles B. Lebovitz	Chairman of the Board, and Chief Executive Officer (Principal Executive Officer)	March 3, 2008
/s/ John N. Foy John N. Foy	Vice Chairman of the Board, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 3, 2008
/s/ Stephen D. Lebovitz* Stephen D. Lebovitz	Director, President and Secretary	March 3, 2008
/s/ Claude M. Ballard* Claude M. Ballard	Director	March 3, 2008
/s/ Leo Fields* Leo Fields	Director	March 3, 2008
/s/ Matthew S. Dominski* Matthew S. Dominski	Director	March 3, 2008
/s/ Winston W. Walker* Winston W. Walker	Director	March 3, 2008
/s/ Gary L. Bryenton* Gary L. Bryenton	Director	March 3, 2008
/s/ Martin J. Cleary* Martin J. Cleary	Director	March 3, 2008

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*By:/s/ John N. Foy
John N. Foy

Attorney-in-Fact

March 3, 2008

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	6
Consolidated Balance Sheets as of December 31, 2007 and 2006	7
Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005	8
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2007, 2006 and 2005	9
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.:

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CBL & Associates Properties, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 17 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, effective January 1, 2006, utilizing the modified prospective application transition method.

As described in Note 19 to the consolidated financial statements, the Company adopted SEC Staff Accounting Bulletin 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, effective December 31, 2006, and recorded a cumulative effect adjustment as of January 1, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 28, 2008

6

CBL & Associates Properties, Inc.**Consolidated Balance Sheets**

(In thousands, except share data)

	December 31,	
	2007	2006
ASSETS		
Real estate assets:		
Land	\$917,578	\$779,727
Buildings and improvements	7,263,907	5,944,476
	8,181,485	6,724,203
Accumulated depreciation	(1,102,767)	(924,297)
	7,078,718	5,799,906
Developments in progress	323,560	294,345
Net investment in real estate assets	7,402,278	6,094,251
Cash and cash equivalents	65,826	28,700
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,126 in 2007 and \$1,128 in 2006	72,570	71,573
Other	10,257	9,656
Mortgage notes receivable	135,137	21,559
Investments in unconsolidated affiliates	142,550	78,826
Intangible lease assets and other assets	276,429	214,245
	\$8,105,047	\$6,518,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage and other notes payable	\$5,869,318	\$4,564,535
Accounts payable and accrued liabilities	394,884	309,969
Total liabilities	6,264,202	4,874,504
Commitments and contingencies (Notes 3, 5 and 15)		
Minority interests	920,297	559,450
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in		
2006	-	20
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in		
2007 and 2006	5	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in		
2007 and 2006	7	7
Common stock, \$.01 par value, 180,000,000 shares authorized, 66,179,747 and		
65,421,311 shares issued and outstanding in 2007 and 2006 respectively	662	654
Additional paid-in capital	990,048	1,074,450
Accumulated other comprehensive income (loss)	(20)	19
Retained earnings (accumulated deficit)	(70,154)	9,701
Total shareholders' equity	920,548	1,084,856
	\$8,105,047	\$6,518,810

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

7

CBL & Associates Properties, Inc.**Consolidated Statements of Operations**

(In thousands, except per share amounts)

	Year Ended December 31,		
	2007	2006	2005
REVENUES:			
Minimum rents	\$646,383	\$616,147	\$544,321
Percentage rents	22,472	23,825	22,846
Other rents	23,121	20,061	17,387
Tenant reimbursements	318,808	307,037	275,868
Management, development and leasing fees	7,983	5,067	20,521
Other	21,860	23,365	19,476
Total revenues	1,040,627	995,502	900,419
EXPENSES:			
Property operating	169,688	159,827	149,507
Depreciation and amortization	243,790	228,531	178,163
Real estate taxes	87,610	80,316	67,341
Maintenance and repairs	58,145	54,153	49,952
General and administrative	37,852	39,522	39,197
Impairment of real estate assets	-	480	1,334
Other	18,525	18,623	15,444
Total expenses	615,610	581,452	500,938
Income from operations	425,017	414,050	399,481
Interest and other income	10,923	9,084	6,831
Interest expense	(287,884)	(257,067)	(208,183)
Loss on extinguishment of debt	(227)	(935)	(6,171)
Impairment of marketable securities	(18,456)	-	-
Gain on sales of real estate assets	15,570	14,505	53,583
Gain on sale of management contracts	-	-	21,619
Equity in earnings of unconsolidated affiliates	3,502	5,295	8,495
Income tax provision	(8,390)	(5,902)	-
Minority interest in earnings: Operating Partnership	(46,246)		