CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 08, 2016
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016
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.)
COMMISSION FILE NO. 333-182515-01 (CBL & ASSOCIATES LIMITED PARTNERSHIP)

_____
CBL & ASSOCIATES PROPERTIES, INC.
CBL & ASSOCIATES LIMITED PARTNERSHIP
(Exact Name of registrant as specified in its charter)

_____

| | |
|---|---|
| DELAWARE (CBL & ASSOCIATES PROPERTIES, INC.) | 62-1545718 |
| DELAWARE (CBL & ASSOCIATES LIMITED PARTNERSHIP) | 62-1542285 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)
423.855.0001
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
CBL & Associates Properties, Inc. Yes x No o
CBL & Associates Limited Partnership 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).
CBL & Associates Properties, Inc. Yes x No o
CBL & Associates Limited Partnership Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
CBL & Associates Properties, Inc.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o

CBL & Associates Limited Partnership
Large accelerated filer o Accelerated filer o Non-accelerated filer x 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).
CBL & Associates Properties, Inc. Yes o No x
CBL & Associates Limited Partnership Yes o No x
As of November 3, 2016, there were 170,793,828 shares of CBL & Associates Properties, Inc.'s common stock, par value $0.01 per share, outstanding.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2016 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2016, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.8% limited partner interest for a combined interest held by the Company of 85.8%.

As the sole general partner of the Operating Partnership, the Company's subsidiary, CBL Holdings I, Inc., has exclusive control of the Operating Partnership's activities. Management operates the Company and the Operating Partnership as one business. The management of the Company consists of the same individuals that manage the Operating Partnership. The Company's only material asset is its indirect ownership of partnership interests of the Operating Partnership. As a result, the Company conducts substantially all its business through the Operating Partnership as described in the preceding paragraph. The Company also issues public equity from time to time and guarantees certain debt of the Operating Partnership. The Operating Partnership holds all of the assets and indebtedness of the Company and, through affiliates, retains the ownership interests in the Company's joint ventures. Except for the net proceeds of offerings of equity by the Company, which are contributed to the Operating Partnership in exchange for partnership units on a one-for-one basis, the Operating Partnership generates all remaining capital required by the Company's business through its operations and its incurrence of indebtedness.

We believe that combining the two quarterly reports on Form 10-Q for the Company and the Operating Partnership provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation, since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Company and the Operating Partnership. Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Company and those of the Operating Partnership. A single set of notes to condensed consolidated financial statements is presented that includes separate discussions for the Company and the Operating Partnership, when applicable. A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents combined information and discrete information related to each entity, as applicable.

In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial and other information for the Company and the Operating Partnership:

- condensed consolidated financial statements;
- certain accompanying notes to condensed consolidated financial statements, including Note 5 - Unconsolidated Affiliates, Redeemable Interests, Noncontrolling Interests and Cost Method Investments; Note 6 - Mortgage and Other Indebtedness; Note 7 - Comprehensive Income; and Note 11 - Earnings per Share and Earnings per Unit;
- controls and procedures in Item 4 of Part I of this report;
-

information concerning unregistered sales of equity securities and use of proceeds in Item 2 of Part II of this report; and

- certifications of the Chief Executive Officer and Chief Financial Officer included as Exhibits 31.1 through 32.4.

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CBL & Associates Limited Partnership
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PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements
CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

| ASSETS [1] | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Real estate assets: | | |
| Land | $ 839,114 | $ 876,668 |
| Buildings and improvements | 6,906,736 | 7,287,862 |
| | 7,745,850 | 8,164,530 |
| Accumulated depreciation | (2,370,768) | (2,382,568) |
| | 5,375,082 | 5,781,962 |
| Held for sale | 32,250 | — |
| Developments in progress | 141,099 | 75,991 |
| Net investment in real estate assets | 5,548,431 | 5,857,953 |
| Cash and cash equivalents | 24,468 | 36,892 |
| Receivables: | | |
| Tenant, net of allowance for doubtful accounts of $1,993 and $1,923 in 2016 and 2015, respectively | 95,518 | 87,286 |
| Other, net of allowance for doubtful accounts of $1,332 and $1,276 in 2016 and 2015, respectively | 14,109 | 17,958 |
| Mortgage and other notes receivable | 13,581 | 18,238 |
| Investments in unconsolidated affiliates | 287,791 | 276,383 |
| Intangible lease assets and other assets | 190,423 | 185,281 |
| | $ 6,174,321 | $ 6,479,991 |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | | |
| Mortgage and other indebtedness, net | $ 4,531,269 | $ 4,710,628 |
| Accounts payable and accrued liabilities | 303,642 | 344,434 |
| Total liabilities [1] | 4,834,911 | 5,055,062 |
| Commitments and contingencies (Note 6 and Note 12) | | |
| Redeemable noncontrolling interests | 22,742 | 25,330 |
| Shareholders' equity: | | |
| Preferred stock, $.01 par value, 15,000,000 shares authorized: | | |
| 7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 shares outstanding | 18 | 18 |
| 6.625% Series E Cumulative Redeemable Preferred Stock, 690,000 shares outstanding | 7 | 7 |
| Common stock, $.01 par value, 350,000,000 shares authorized, 170,790,979 and 170,490,948 issued and outstanding in 2016 and 2015, respectively | 1,708 | 1,705 |
| Additional paid-in capital | 1,959,007 | 1,970,333 |
| Accumulated other comprehensive income | — | 1,935 |
| Dividends in excess of cumulative earnings | (754,425) | (689,028) |
| Total shareholders' equity | 1,206,315 | 1,284,970 |
| Noncontrolling interests | 110,353 | 114,629 |

| | | |
|---|---|---|
| Total equity | 1,316,668 | 1,399,599 |
| | $ 6,174,321 | $ 6,479,991 |

(1) As of September 30, 2016, includes $618,034 of assets related to consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and $484,231 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Company. See Note 5.

The accompanying notes are an integral part of these condensed consolidated statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| REVENUES: | | | | |
| Minimum rents | $164,444 | $170,422 | $502,289 | $505,931 |
| Percentage rents | 3,225 | 3,869 | 10,590 | 10,418 |
| Other rents | 3,866 | 4,156 | 13,747 | 13,748 |
| Tenant reimbursements | 69,489 | 72,461 | 212,951 | 214,818 |
| Management, development and leasing fees | 4,177 | 2,754 | 10,825 | 8,195 |
| Other | 6,520 | 8,974 | 19,362 | 24,278 |
| Total revenues | 251,721 | 262,636 | 769,764 | 777,388 |
| | | | | |
| OPERATING EXPENSES: | | | | |
| Property operating | 35,116 | 35,859 | 104,804 | 107,629 |
| Depreciation and amortization | 71,794 | 74,045 | 220,505 | 221,550 |
| Real estate taxes | 22,492 | 23,579 | 68,354 | 68,913 |
| Maintenance and repairs | 13,236 | 12,480 | 39,574 | 39,103 |
| General and administrative | 13,222 | 12,995 | 46,865 | 46,440 |
| Loss on impairment | 53,558 | 884 | 116,736 | 3,665 |
| Other | 5,576 | 8,787 | 20,313 | 21,191 |
| Total operating expenses | 214,994 | 168,629 | 617,151 | 508,491 |
| Income from operations | 36,727 | 94,007 | 152,613 | 268,897 |
| Interest and other income | 451 | 579 | 1,062 | 6,242 |
| Interest expense | (54,292) | (56,451) | (162,710) | (174,362) |
| Gain on extinguishment of debt | (6) | — | — | 256 |
| Gain on investment | — | — | — | 16,560 |
| Income tax benefit (provision) | 2,386 | (448) | 2,974 | (2,004) |
| Equity in earnings of unconsolidated affiliates | 10,478 | 3,508 | 107,217 | 12,212 |
| Income (loss) from continuing operations before gain on sales of real estate assets | (4,256) | 41,195 | 101,156 | 127,801 |
| Gain on sales of real estate assets | 4,926 | 3,237 | 14,503 | 18,167 |
| Net income | 670 | 44,432 | 115,659 | 145,968 |
| Net (income) loss attributable to noncontrolling interests in: | | | | |
| Operating Partnership | 1,372 | (4,665) | (12,056) | (15,783) |
| Other consolidated subsidiaries | (983) | (2,198) | 449 | (4,557) |
| Net income attributable to the Company | 1,059 | 37,569 | 104,052 | 125,628 |
| Preferred dividends | (11,223) | (11,223) | (33,669) | (33,669) |
| Net income (loss) attributable to common shareholders | $(10,164) | $26,346 | $70,383 | $91,959 |
| | | | | |
| Basic per share data attributable to common shareholders: | | | | |
| Net income (loss) attributable to common shareholders | $(0.06) | $0.15 | $0.41 | $0.54 |
| Weighted-average common shares outstanding | 170,792 | 170,494 | 170,751 | 170,470 |
| | | | | |
| Diluted per share data attributable to common shareholders: | | | | |

| | | | | |
|---|---|---|---|---|
| Net income (loss) attributable to common shareholders | $(0.06) | $0.15 | $0.41 | $0.54 |
| Weighted-average common and potential dilutive common shares outstanding | 170,792 | 170,494 | 170,751 | 170,500 |
| Dividends declared per common share | $0.265 | $0.265 | $0.795 | $0.795 |

The accompanying notes are an integral part of these condensed consolidated statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | $670 | $44,432 | $115,659 | $145,968 |
| Other comprehensive income (loss): | | | | |
| Unrealized holding gain on available-for-sale securities | — | — | — | 242 |
| Reclassification to net income of realized gain on available-for-sale securities | — | — | — | (16,560) |
| Unrealized gain on hedging instruments | — | 975 | 877 | 3,074 |
| Reclassification of hedging effect on earnings | — | (518) | (443) | (1,687) |
| Total other comprehensive income (loss) | — | 457 | 434 | (14,931) |
| Comprehensive income | 670 | 44,889 | 116,093 | 131,037 |
| Comprehensive (income) loss attributable to noncontrolling interests in: | | | | |
| Operating Partnership | 1,372 | (4,737) | (12,119) | (12,769) |
| Other consolidated subsidiaries | (983) | (2,198) | 449 | (4,557) |
| Comprehensive income attributable to the Company | $1,059 | $37,954 | $104,423 | $113,711 |

The accompanying notes are an integral part of these condensed consolidated statements.

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

| | | Equity Shareholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interests | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Dividends in Excess of Cumulative Earnings | Total Shareholders' Equity | Noncontrolling Interests | Total Equity |
| Balance, January 1, 2015 | $37,559 | $25 | $1,703 | $1,958,198 | $13,411 | $(566,785) | $1,406,552 | $143,376 | $1,549,928 |
| Net income | 3,865 | — | — | — | — | 125,628 | 125,628 | 16,475 | 142,103 |
| Other comprehensive loss | (366) | — | — | — | (11,917) | — | (11,917) | (2,648) | (14,565) |
| Purchase of noncontrolling interest in Operating Partnership | — | — | — | — | — | — | — | (286) | (286) |
| Dividends declared - common stock | — | — | — | — | — | (135,542) | (135,542) | — | (135,542) |
| Dividends declared - preferred stock | — | — | — | — | — | (33,669) | (33,669) | — | (33,669) |
| Issuances of 275,359 shares of common stock and restricted common stock | — | — | 3 | 636 | — | — | 639 | — | 639 |
| Cancellation of 41,898 shares of restricted common stock | — | — | (1) | (740) | — | — | (741) | — | (741) |
| Performance stock units | — | — | — | 468 | — | — | 468 | — | 468 |
| Amortization of deferred compensation | — | — | — | 3,384 | — | — | 3,384 | — | 3,384 |
| Adjustment for noncontrolling interests | 2,258 | — | — | (1,338) | — | — | (1,338) | (918) | (2,256) |
| Adjustment to record redeemable noncontrolling | (9,515) | — | — | 8,339 | — | — | 8,339 | 1,177 | 9,516 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| interests at redemption value | | | | | | | | | |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 607 | 607 |
| Distributions to noncontrolling interests | (5,486) | — | — | — | — | — | — | (28,856) | (28,856) |
| Balance, September 30, 2015 | $28,315 | $25 | $1,705 | $1,968,947 | $1,494 | $(610,368) | $1,361,803 | $128,927 | $1,490,730 |

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

| | | Equity Shareholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interests | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Dividends in Excess of Cumulative Earnings | Total Shareholders' Equity | Noncontrolling Interests | Total Equity |
| Balance, January 1, 2016 | $ 25,330 | $25 | $ 1,705 | $1,970,333 | $ 1,935 | $(689,028) | $1,284,970 | $ 114,629 | $1,399,599 |
| Net income (loss) | (2,119) | — | — | — | — | 104,052 | 104,052 | 13,726 | 117,778 |
| Other comprehensive income | 3 | — | — | — | 371 | — | 371 | 60 | 431 |
| Purchase of noncontrolling interests in Operating Partnership | — | — | — | — | — | — | — | (11,754) | (11,754) |
| Dividends declared - common stock | — | — | — | — | — | (135,780) | (135,780) | — | (135,780) |
| Dividends declared - preferred stock | — | — | — | — | — | (33,669) | (33,669) | — | (33,669) |
| Issuances of 331,324 shares of common stock and restricted common stock | — | — | 3 | 429 | — | — | 432 | — | 432 |
| Cancellation of 31,293 shares of restricted common stock | — | — | — | (226) | — | — | (226) | — | (226) |
| Performance stock units | — | — | — | 775 | — | — | 775 | — | 775 |
| Amortization of deferred compensation | — | — | — | 2,857 | — | — | 2,857 | — | 2,857 |
| Adjustment for noncontrolling interests | 1,686 | — | — | (11,647) | (2,306) | — | (13,953) | 12,267 | (1,686) |
| | 3,617 | — | — | (3,514) | — | — | (3,514) | (103) | (3,617) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Adjustment to record redeemable noncontrolling interests at redemption value | — | — | — | — | — | — | — | 11,240 | 11,240 |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 11,240 | 11,240 |
| Distributions to noncontrolling interests | (5,775) | — | — | — | — | — | — | (29,712) | (29,712) |
| Balance, September 30, 2016 | $22,742 | $25 | $1,708 | $1,959,007 | $— | $(754,425) | $1,206,315 | $110,353 | $1,316,668 |

The accompanying notes are an integral part of these condensed consolidated statements.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $115,659 | $145,968 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 220,505 | 221,550 |
| Net amortization of deferred financing costs and debt premiums | 2,019 | 3,745 |
| Net amortization of intangible lease assets and liabilities | (204) | (613) |
| Gain on sales of real estate assets | (14,503) | (18,167) |
| Gain on investment | — | (16,560) |
| Write-off of development projects | 44 | 2,183 |
| Share-based compensation expense | 4,011 | 4,323 |
| Loss on impairment | 116,736 | 3,665 |
| Gain on extinguishment of debt | — | (256) |
| Equity in earnings of unconsolidated affiliates | (107,217) | (12,212) |
| Distributions of earnings from unconsolidated affiliates | 12,337 | 15,697 |
| Provision for doubtful accounts | 3,377 | 1,663 |
| Change in deferred tax accounts | (1,780) | (59) |
| Changes in: | | |
| Tenant and other receivables | (7,759) | (6,777) |
| Other assets | (10,028) | (5,592) |
| Accounts payable and accrued liabilities | 6,428 | 21,324 |
| Net cash provided by operating activities | 339,625 | 359,882 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to real estate assets | (165,091) | (160,760) |
| Acquisition of real estate assets | — | (191,988) |
| (Additions) reductions to restricted cash | (10,020) | 2,132 |
| Proceeds from sales of real estate assets | 125,606 | 33,355 |
| Additions to mortgage and other notes receivable | (3,259) | — |
| Payments received on mortgage and other notes receivable | 790 | 1,464 |
| Net proceeds from sales of available-for-sale securities | — | 20,755 |
| Additional investments in and advances to unconsolidated affiliates | (21,805) | (13,314) |
| Distributions in excess of equity in earnings of unconsolidated affiliates | 74,242 | 16,979 |
| Changes in other assets | (4,786) | (8,227) |
| Net cash used in investing activities | (4,323) | (299,604) |

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from mortgage and other indebtedness | $614,671 | $919,728 |
| Principal payments on mortgage and other indebtedness | (755,579) | (782,195) |
| Additions to deferred financing costs | (1,169) | (287) |
| Proceeds from issuances of common stock | 131 | 149 |
| Purchase of noncontrolling interests in the Operating Partnership | (11,754) | (286) |
| Contributions from noncontrolling interests | 11,085 | 607 |
| Distributions to noncontrolling interests | (35,742) | (34,345) |
| Dividends paid to holders of preferred stock | (33,669) | (33,669) |
| Dividends paid to common shareholders | (135,700) | (135,481) |
| Net cash used in financing activities | (347,726) | (65,779) |
| | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (12,424) | (5,501) |
| CASH AND CASH EQUIVALENTS, beginning of period | 36,892 | 37,938 |
| CASH AND CASH EQUIVALENTS, end of period | $24,468 | $32,437 |
| | | |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid for interest, net of amounts capitalized | $150,512 | $162,390 |

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Limited Partnership
Condensed Consolidated Balance Sheets
(In thousands, except unit data)
(Unaudited)

| ASSETS [1] | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Real estate assets: | | |
| Land | $ 839,114 | $ 876,668 |
| Buildings and improvements | 6,906,736 | 7,287,862 |
| | 7,745,850 | 8,164,530 |
| Accumulated depreciation | (2,370,768) | (2,382,568) |
| | 5,375,082 | 5,781,962 |
| Held for sale | 32,250 | — |
| Developments in progress | 141,099 | 75,991 |
| Net investment in real estate assets | 5,548,431 | 5,857,953 |
| Cash and cash equivalents | 24,462 | 36,887 |
| Receivables: | | |
| Tenant, net of allowance for doubtful accounts of $1,993 and $1,923 in 2016 and 2015, respectively | 95,518 | 87,286 |
| Other, net of allowance for doubtful accounts of $1,332 and $1,276 in 2016 and 2015, respectively | 14,060 | 17,958 |
| Mortgage and other notes receivable | 13,581 | 18,238 |
| Investments in unconsolidated affiliates | 288,326 | 276,946 |
| Intangible lease assets and other assets | 190,303 | 185,162 |
| | $ 6,174,681 | $ 6,480,430 |
| LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL | | |
| Mortgage and other indebtedness, net | $ 4,531,269 | $ 4,710,628 |
| Accounts payable and accrued liabilities | 303,671 | 344,434 |
| Total liabilities [1] | 4,834,940 | 5,055,062 |
| Commitments and contingencies (Note 6 and Note 12) | | |
| Redeemable interests: | | |
| Redeemable noncontrolling interests | 3,206 | 5,586 |
| Redeemable common units | 19,536 | 19,744 |
| Total redeemable interests | 22,742 | 25,330 |
| Partners' capital: | | |
| Preferred units | 565,212 | 565,212 |
| Common units: | | |
| General partner | 7,526 | 8,435 |
| Limited partners | 731,301 | 822,383 |
| Accumulated other comprehensive loss | — | (868) |
| Total partners' capital | 1,304,039 | 1,395,162 |
| Noncontrolling interests | 12,960 | 4,876 |
| Total capital | 1,316,999 | 1,400,038 |
| | $ 6,174,681 | $ 6,480,430 |

(1) As of September 30, 2016, includes $618,034 of assets related to consolidated variable interest entities that can only be used to settle obligations of the consolidated variable interest entities and $484,231 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the

Operating Partnership. See Note 5.

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Operations
(In thousands, except per unit data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| REVENUES: | | | | |
| Minimum rents | $164,444 | $170,422 | $502,289 | $505,931 |
| Percentage rents | 3,225 | 3,869 | 10,590 | 10,418 |
| Other rents | 3,866 | 4,156 | 13,747 | 13,748 |
| Tenant reimbursements | 69,489 | 72,461 | 212,951 | 214,818 |
| Management, development and leasing fees | 4,177 | 2,754 | 10,825 | 8,195 |
| Other | 6,520 | 8,974 | 19,362 | 24,278 |
| Total revenues | 251,721 | 262,636 | 769,764 | 777,388 |
| OPERATING EXPENSES: | | | | |
| Property operating | 35,116 | 35,859 | 104,804 | 107,629 |
| Depreciation and amortization | 71,794 | 74,045 | 220,505 | 221,550 |
| Real estate taxes | 22,492 | 23,579 | 68,354 | 68,913 |
| Maintenance and repairs | 13,236 | 12,480 | 39,574 | 39,103 |
| General and administrative | 13,222 | 12,995 | 46,865 | 46,440 |
| Loss on impairment | 53,558 | 884 | 116,736 | 3,665 |
| Other | 5,576 | 8,787 | 20,313 | 21,191 |
| Total operating expenses | 214,994 | 168,629 | 617,151 | 508,491 |
| Income from operations | 36,727 | 94,007 | 152,613 | 268,897 |
| Interest and other income | 451 | 579 | 1,062 | 6,242 |
| Interest expense | (54,292) | (56,451) | (162,710) | (174,362) |
| Gain on extinguishment of debt | (6) | — | — | 256 |
| Gain on investment | — | — | — | 16,560 |
| Income tax benefit (provision) | 2,386 | (448) | 2,974 | (2,004) |
| Equity in earnings of unconsolidated affiliates | 10,478 | 3,508 | 107,217 | 12,212 |
| Income (loss) from continuing operations before gain on sales of real estate assets | (4,256) | 41,195 | 101,156 | 127,801 |
| Gain on sales of real estate assets | 4,926 | 3,237 | 14,503 | 18,167 |
| Net income | 670 | 44,432 | 115,659 | 145,968 |
| Net (income) loss attributable to noncontrolling interests | (983) | (2,198) | 449 | (4,557) |
| Net income (loss) attributable to the Operating Partnership | (313) | 42,234 | 116,108 | 141,411 |
| Distributions to preferred unitholders | (11,223) | (11,223) | (33,669) | (33,669) |
| Net income (loss) attributable to common unitholders | $(11,536) | $31,011 | $82,439 | $107,742 |
| Basic per unit data attributable to common unitholders: | | | | |
| Net income (loss) attributable to common unitholders | $(0.06) | $0.16 | $0.41 | $0.54 |
| Weighted-average common units outstanding | 200,004 | 199,751 | 199,992 | 199,728 |
| Basic and diluted per unit data attributable to common unitholders: | | | | |
| Net income (loss) attributable to common unitholders | $(0.06) | $0.16 | $0.41 | $0.54 |

| | | | | |
|---|---|---|---|---|
| Weighted-average common and potential dilutive common units outstanding | 200,004 | 199,751 | 199,992 | 199,758 |
| Distributions declared per common unit | $0.273 | $0.273 | $0.819 | $0.819 |

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | $670 | $44,432 | $115,659 | $145,968 |
| Other comprehensive income (loss): | | | | |
| Unrealized holding gain on available-for-sale securities | — | — | — | 242 |
| Reclassification to net income of realized gain on available-for-sale securities | — | — | — | (16,560) |
| Unrealized gain on hedging instruments | — | 975 | 877 | 3,074 |
| Reclassification of hedging effect on earnings | — | (518) | (443) | (1,687) |
| Total other comprehensive income (loss) | — | 457 | 434 | (14,931) |
| Comprehensive income | 670 | 44,889 | 116,093 | 131,037 |
| Comprehensive (income) loss attributable to noncontrolling interests | (983) | (2,198) | 449 | (4,557) |
| Comprehensive income (loss) of the Operating Partnership | $(313) | $42,691 | $116,542 | $126,480 |

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Capital
(In thousands)
(Unaudited)

| | Redeemable Interests | | | Number of | | Common Units | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interests | Redeemable Common Units | Total Redeemable Interests | Preferred Units | Common Units | Preferred Units | General Partner | Limited Partners | Accumulated Other Comprehensive Income (Loss) | Total Partners' Capital | Nonco Intere |
| Balance, January 1, 2015 | $6,455 | $31,104 | $37,559 | 25,050 | 199,532 | $565,212 | $9,789 | $953,349 | $13,183 | $1,541,533 | $8,90 |
| Net income | 3,023 | 842 | 3,865 | — | — | 33,669 | 1,097 | 105,803 | — | 140,569 | 1,534 |
| Other comprehensive loss | — | (366) | (366) | — | — | — | — | — | (14,565) | (14,565) | — |
| Distributions declared - common units | — | (3,429) | (3,429) | — | — | — | (1,600) | (158,444) | — | (160,044) | — |
| Distributions declared - preferred units | — | — | — | — | — | (33,669) | — | — | — | (33,669) | — |
| Issuances of common units | — | — | — | — | 273 | — | — | 639 | — | 639 | — |
| Redemptions of common units | — | — | — | — | (55) | — | — | (286) | — | (286) | — |
| Cancellation of restricted common stock | — | — | — | — | — | — | — | (741) | — | (741) | — |
| Performance stock units | — | — | — | — | — | — | 5 | 463 | — | 468 | — |
| Amortization of deferred compensation | — | — | — | — | — | — | 35 | 3,349 | — | 3,384 | — |
| Allocation of partners' capital | — | 2,258 | 2,258 | — | — | — | (76) | (2,269) | — | (2,345) | — |
| Adjustment to record redeemable interests at redemption value | (1,097) | (8,418) | (9,515) | — | — | — | 97 | 9,419 | — | 9,516 | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | — | — | — | 607 |
| Distributions to noncontrolling interests | (2,057) | — | (2,057) | — | — | — | — | — | — | — | (4,354 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, September 30, 2015 | $6,324 | $21,991 | $28,315 | 25,050 | 199,750 | $565,212 | $9,347 | $911,282 | $(1,382) | $1,484,459 | $6,69 |

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Capital
(In thousands)
(Unaudited)
(Continued)

| | Redeemable Interests | | | Number of Common Units | | Common Units | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interests | Redeemable Common Units | Total Redeemable Interests | Preferred Units | Common Units | Preferred Units | General Partner | Limited Partners | Accumulated Other Comprehensive Loss | Total Partners' Capital | Noncontrolling Interests |
| Balance, January 1, 2016 | $5,586 | $19,744 | $25,330 | 25,050 | 199,748 | $565,212 | $8,435 | $822,383 | $(868) | $1,395,162 | $4,876 |
| Net income (loss) | (2,763) | 644 | (2,119) | — | — | 33,669 | 839 | 80,956 | — | 115,464 | 2,314 |
| Other comprehensive income | — | 3 | 3 | — | — | — | — | | 431 | 431 | — |
| Distributions declared - common units | — | (3,429) | (3,429) | — | — | — | (1,600) | (158,422) | — | (160,022) | — |
| Distributions declared - preferred units | — | — | — | — | — | (33,669) | — | | — | (33,669) | — |
| Issuances of common units | — | — | — | — | 331 | — | — | 432 | — | 432 | — |
| Redemptions of common units | — | — | — | — | (965) | — | — | (11,754) | — | (11,754) | — |
| Cancellation of restricted common stock | — | — | — | — | (31) | — | — | (226) | — | (226) | — |
| Performance stock units | — | — | — | — | — | — | 8 | 767 | — | 775 | — |
| Amortization of deferred compensation | — | — | — | — | — | — | 29 | 2,828 | — | 2,857 | — |
| Allocation of partners' capital | — | 1,686 | 1,686 | — | — | — | (148) | (2,083) | 437 | (1,794) | — |
| Adjustment to record redeemable interests at redemption value | 2,729 | 888 | 3,617 | — | — | — | (37) | (3,580) | — | (3,617) | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | | — | — | 11,240 |
| Distributions to noncontrolling | (2,346) | — | (2,346) | — | — | — | — | | — | — | (5,470 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| interests | | | | | | | | | | | |
| Balance, September 30, 2016 | $3,206 | $19,536 | $22,742 | 25,050 | 199,083 | $565,212 | $7,526 | $731,301 | $— | $1,304,039 | $12,960 |

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $115,659 | $145,968 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 220,505 | 221,550 |
| Net amortization of deferred financing costs and debt premiums | 2,019 | 3,745 |
| Net amortization of intangible lease assets and liabilities | (204) | (613) |
| Gain on sales of real estate assets | (14,503) | (18,167) |
| Gain on investment | — | (16,560) |
| Write-off of development projects | 44 | 2,183 |
| Share-based compensation expense | 4,011 | 4,323 |
| Loss on impairment | 116,736 | 3,665 |
| Gain on extinguishment of debt | — | (256) |
| Equity in earnings of unconsolidated affiliates | (107,217) | (12,212) |
| Distributions of earnings from unconsolidated affiliates | 12,366 | 15,697 |
| Provision for doubtful accounts | 3,377 | 1,663 |
| Change in deferred tax accounts | (1,780) | (59) |
| Changes in: | | |
| Tenant and other receivables | (7,710) | (6,777) |
| Other assets | (10,028) | (5,592) |
| Accounts payable and accrued liabilities | 6,349 | 21,319 |
| Net cash provided by operating activities | 339,624 | 359,877 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to real estate assets | (165,091) | (160,760) |
| Acquisition of real estate assets | — | (191,988) |
| (Additions) reductions to restricted cash | (10,020) | 2,132 |
| Proceeds from sales of real estate assets | 125,606 | 33,355 |
| Additions to mortgage and other notes receivable | (3,259) | — |
| Payments received on mortgage and other notes receivable | 790 | 1,464 |
| Net proceeds from sales of available-for-sale securities | — | 20,755 |
| Additional investments in and advances to unconsolidated affiliates | (21,805) | (13,314) |
| Distributions in excess of equity in earnings of unconsolidated affiliates | 74,242 | 16,979 |
| Changes in other assets | (4,786) | (8,227) |
| Net cash used in investing activities | (4,323) | (299,604) |

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CBL & Associates Limited Partnership
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)
(Continued)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from mortgage and other indebtedness | $614,671 | $919,728 |
| Principal payments on mortgage and other indebtedness | (755,579) | (782,195) |
| Additions to deferred financing costs | (1,169) | (287) |
| Proceeds from issuances of common units | 131 | 149 |
| Redemption of common units | (11,754) | (286) |
| Contributions from noncontrolling interests | 11,085 | 607 |
| Distributions to noncontrolling interests | (11,246) | (11,901) |
| Distributions to preferred unitholders | (33,669) | (33,669) |
| Distributions to common unitholders | (160,196) | (157,925) |
| Net cash used in financing activities | (347,726) | (65,779) |
| | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (12,425) | (5,506) |
| CASH AND CASH EQUIVALENTS, beginning of period | 36,887 | 37,926 |
| CASH AND CASH EQUIVALENTS, end of period | $24,462 | $32,420 |
| | | |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid for interest, net of amounts capitalized | $150,512 | $162,390 |

The accompanying notes are an integral part of these condensed consolidated statements.

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CBL & Associates Properties, Inc.
CBL & Associates Limited Partnership
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in thousands, except per share and per unit data)

Note 1 – Organization and Basis of Presentation

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”), which is a variable interest entity ("VIE"). In accordance with the guidance in ASC 810, Consolidations, the Company is exempt from providing further disclosures related to the Operating Partnership's VIE classification. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a VIE. As of September 30, 2016, the Operating Partnership owned interests in the following properties:

| | Malls [1] | Associated Centers | Community Centers | Office Buildings | Total |
|---|---|---|---|---|---|
| Consolidated properties | 68 [2] | 20 | 5 | 7 [3] | 100 |
| Unconsolidated properties [4] | 9 | 4 | 5 | 5 [5] | 23 |
| Total | 77 | 24 | 10 | 12 | 123 |

(1) Category consists of regional malls, open-air centers and outlet centers (including one mixed-use center).
(2) Includes three malls that are classified as held for sale as at September 30, 2016. See Note 4 for more information.
(3) Includes CBL's two corporate office buildings.
(4) The Operating Partnership accounts for these investments using the equity method because one or more of the other partners have substantive participating rights.
(5) Includes four office buildings that are classified as held for sale at September 30, 2016. See Note 5 for further details.

At September 30, 2016, the Operating Partnership had interests in the following properties under development:

| | Consolidated Properties | | Unconsolidated Properties | |
|---|---|---|---|---|
| | Malls | Community Centers | Malls | Community Centers |
| Development | 1 | — | — | — |
| Expansions | 2 | 1 | 1 | 1 |
| Redevelopments | 5 | — | — | — |

The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2016, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.8% limited partner interest for a combined interest held by CBL of 85.8%.

As used herein, the term "Company" includes CBL & Associates Properties, Inc. and its subsidiaries, including CBL & Associates Limited Partnership and its subsidiaries, unless the context indicates otherwise. The term "Operating Partnership" refers to CBL & Associates Limited Partnership and its subsidiaries.

The noncontrolling interest in the Operating Partnership is held by CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively "CBL's Predecessor"), all of which contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited

partner interest when the Operating Partnership was formed in November 1993, and by various third parties. At September 30, 2016, CBL’s Predecessor owned a 9.1% limited partner interest and third parties owned a 5.1% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 3.7 million shares of CBL’s common stock at September 30, 2016, for a total combined effective interest of 11.0% in the Operating Partnership.

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The Operating Partnership conducts the Company’s property management and development activities through its wholly owned subsidiary, 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 accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. All intercompany transactions have been eliminated. The results for the interim period ended September 30, 2016 are not necessarily indicative of the results to be obtained for the full fiscal year.

These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2015.

Note 2 – Recent Accounting Pronouncements

Accounting Guidance Adopted

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). The guidance modified the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminated the presumption that a general partner should consolidate a limited partnership and affected the evaluation of fee arrangements and related party relationships in the primary beneficiary determination. For public companies, ASU 2015-02 was effective for annual periods beginning after December 15, 2015 and interim periods within those years using either a retrospective or a modified retrospective approach. The adoption of ASU 2015-02 resulted in the identification of several VIEs as discussed in Note 5 but did not alter any of the Company's consolidation conclusions. The adoption of the guidance did not have an impact on the Company's consolidated financial statements other than the additional disclosures.

Accounting Guidance Not Yet Effective

In May 2014, the FASB and the International Accounting Standards Board jointly issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of this converged standard is to enable financial statement users to better understand and analyze revenue by replacing current transaction and industry-specific guidance with a more principles-based approach to revenue recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that the entity expects to be entitled to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other guidance such as lease and insurance contracts. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, ("ASU 2015-14") which allows an additional one year deferral of ASU 2014-09. As a result, ASU 2014-09 is effective for annual periods beginning after December 15, 2017 and interim periods within those years using one of two retrospective application methods. Early adoption would be permitted only for annual reporting periods beginning after December 15, 2016 and interim periods within those years. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"). The guidance in ASU 2016-08 clarifies the implementation of ASU 2014-09 on principal versus agent consideration and has the same effective date as ASU 2014-09, as deferred by ASU 2015-14. During the quarter ended June 30, 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing, ASU 2016-11, Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, and ASU 2016-12, Revenue from Contracts with Customers - Narrow Scope Improvements and Practical Expedients. These amendments are intended to improve and clarify the implementation guidance of ASU 2014-09 and have the same effective date as ASU 2014-09, as deferred by ASU 2015-14. The Company is evaluating

the impact that these updates may have on its consolidated financial statements and related disclosures and expects to adopt the guidance as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"). The objective of ASU 2016-02 is to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, lessees will be required to recognize a right-of-use asset and corresponding lease liability on the balance sheet for all leases with terms greater than 12 months. The guidance applied by a lessor under ASU 2016-02 is substantially similar to existing GAAP. For public companies, ASU 2016-02 is effective for annual periods beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted. Lessees and lessors are required to use a modified retrospective transition method for all leases existing at, or entered into after, the date of initial application. Accordingly, they would apply the new accounting model for the earliest year presented in the financial statements. A number of practical expedients may also be elected. The Company is evaluating the impact that this update may have on its consolidated

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financial statements and related disclosures. It is considering the practicality of adopting ASU 2016-02 concurrently with the adoption of ASU 2014-09 as the standards overlap and concurrent adoption would align them if ASU 2016-02 was adopted as of January 1, 2018. If early adoption is not practicable, the Company would adopt ASU 2016-02 as of January 1, 2019.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. For public companies, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period and may be applied on a modified retrospective basis as a cumulative-effect adjustment to retained earnings as of the date of adoption. Early adoption is permitted. The Company expects to adopt ASU 2016-09 as of January 1, 2017 and is currently assessing the potential impact of adopting the new guidance on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The objective of ASU 2016-13 is to provide financial statement users with information about expected credit losses on financial assets and other commitments to extend credit by a reporting entity. The guidance replaces the current incurred loss impairment model, which reflects credit events, with a current expected credit loss model, which recognizes an allowance for credit losses based on an entity's estimate of contractual cash flows not expected to be collected. For public companies that are SEC filers, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Early adoption is permitted. The guidance is to be applied on a modified retrospective basis. The Company expects to adopt ASU 2016-13 as of January 1, 2020 and is evaluating the impact that this update may have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). The objective of ASU 2016-15 is to reduce diversity in practice in the classification of certain items in the statement of cash flows, including the classification of distributions received from equity method investees. For public companies, ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. Early adoption is permitted. The guidance is to be applied on a retrospective basis. The Company expects to adopt ASU 2016-15 as of January 1, 2018 and does not expect the guidance to have a material impact on its consolidated financial statements.

Note 3 – Fair Value Measurements

The Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy in accordance with Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosure, ("ASC 820") based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy contains three levels of inputs that may be used to measure fair value as follows:

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

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

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

The asset or liability's fair value within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Under ASC 820, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction at the measurement date and under current market conditions. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs and consider assumptions such as inherent risk, transfer restrictions and risk of nonperformance.

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Fair Value Measurements on a Recurring Basis

The following table sets forth information regarding the Company's financial instruments that were measured at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of December 31, 2015. The interest rate swaps matured April 1, 2016:

| | Fair Value at December 31, 2015 | Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Liabilities: | | | | |
| Interest rate swaps | $ 434 | $ — | $ 434 | $ — |

The Company recognizes transfers in and out of every level at the end of each reporting period. There were no transfers between Levels 1, 2, or 3 for any periods presented.

The Company uses interest rate swaps to mitigate the effect of interest rate movements on its variable-rate debt. The Company had four interest rate swaps as December 31, 2015, that qualified as hedging instruments and were designated as cash flow hedges. The interest rate swaps were reflected in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets. The swaps met the effectiveness test criteria since inception and changes in their fair values were, thus, reported in other comprehensive income (loss) ("OCI/L") and reclassified into earnings in the same period or periods during which the hedged items affected earnings. The fair values of the Company's interest rate hedges, classified under Level 2, were determined based on prevailing market data for contracts with matching durations, current and anticipated LIBOR information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions. See Note 6 for further information regarding the Company's interest rate hedging instruments.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage and other notes receivable is a reasonable estimate of fair value. The estimated fair value of mortgage and other indebtedness was $4,799,363 and $4,945,622 at September 30, 2016 and December 31, 2015, respectively. The fair value was calculated using Level 2 inputs by discounting future cash flows for mortgage and other indebtedness using estimated market rates at which similar loans would be made currently. The carrying amount of mortgage and other indebtedness was $4,531,269 and $4,710,628 at September 30, 2016 and December 31, 2015, respectively.

Fair Value Measurements on a Nonrecurring Basis

The Company measures the fair value of certain long-lived assets on a nonrecurring basis, through quarterly impairment testing or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company considers both quantitative and qualitative factors in its impairment analysis of long-lived assets. Significant quantitative factors include historical and forecasted information for each property such as net operating income ("NOI"), occupancy statistics and sales levels. Significant qualitative factors used include market conditions, age and condition of the property and tenant mix. Due to the significant unobservable estimates and assumptions used in the valuation of long-lived assets that experience impairment, the Company classifies such long-lived assets under Level 3 in the fair value hierarchy. Level 3 inputs primarily consist of sales and market data, independent valuations and discounted cash flow models as noted below.

The following table sets forth information regarding the Company's assets that are measured at fair value on a nonrecurring basis and related impairment charges:

| | Total | Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Loss |
|---|---|---|---|---|---|
| Long-lived assets | $85,818 | $– | —$ | 85,818 | $116,736 |

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Long-lived Assets Measured at Fair Value in 2016

During the nine months ended September 30, 2016, the Company recognized impairments of real estate of $116,736 when it wrote down nine malls, an associated center, a community center, three office buildings and three outparcels to their estimated fair values. The properties are classified for segment reporting purposes as listed below (see section below for information on outparcels). See Note 9 for segment information.

| Impairment Date | Property | Location | Segment Classification | Loss on Impairment | Fair Value (1) |
|---|---|---|---|---|---|
| September | Randolph Mall, Regency Mall & Walnut Square (2) | Asheboro, NC; Racine, WI & Dalton, GA | Malls | $ 43,294 | $31,318 |
| September | One Oyster Point & Two Oyster Point (3) | Newport News, VA | All Other | 3,844 | 6,000 |
| September | Oak Branch Business Center (4) | Greensboro, NC | All Other | 122 | — |
| September | Cobblestone Village at Palm Coast (5) | Palm Coast, FL | Community Centers | 6,298 | 8,300 |
| June | The Lakes Mall & Fashion Square (6) | Muskegon, MI & Saginaw, MI | Malls | 32,096 | — |
| June | Wausau Center (7) | Wausau, WI | Malls | 10,738 | 11,000 |
| March | Bonita Lakes Mall & Crossing (8) | Meridian, MS | Malls/Associated Centers | 5,323 | — |
| March | Midland Mall (9) | Midland, MI | Malls | 4,681 | 29,200 |
| March | River Ridge Mall (10) | Lynchburg, VA | Malls | 9,510 | — |
| | | | | $ 115,906 | $85,818 |

(1) The long-lived asset is measured at fair value and included in Net Investment in Real Estate Assets in the Company's condensed consolidated balance sheet at September 30, 2016.

(2) The Company wrote down the book values of the three malls to their estimated fair value based upon a sales price of $32,250 in a signed contract with a third party buyer, adjusted to reflect disposition costs. These malls are classified as held for sale as of September 30, 2016. The revenues of the malls accounted for approximately 1.5% of total consolidated revenues for the trailing twelve months ended September 30, 2016.

(3) In accordance with the Company's quarterly impairment review process, the Company recorded impairment to write down the depreciated book value of two office buildings to their estimated fair value as of September 30, 2016 as a result of a change in the expected holding period for the buildings to a range of 1-2 years. Other factors used in the discounted cash flow analysis at September 30, 2016 included a capitalization rate of 8.0%, a discount rate of 10.0% and estimated selling costs of 2.0%. The revenues of the office buildings accounted for approximately 0.1% of total consolidated revenues for the trailing twelve months ended September 30, 2016.

(4) The office building was sold in September 2016. A loss on impairment was recorded to adjust the book value to its net sales price. See Note 4 for more information.

(5) In accordance with the Company's quarterly impairment review process, the Company recorded impairment to write down the depreciated book value of a community center to its estimated fair value as of September 30, 2016 as a result of a change in the expected holding period for the asset to a range of 1-2 years. Other factors used in the discounted cash flow analysis at September 30, 2016 included a capitalization rate of 9.0%, a discount rate of 10.75% and estimated selling costs of 2.0%. The revenue of the community center accounted for approximately 0.1% of total consolidated revenues for the trailing twelve months ended September 30, 2016.

(6) The Company adjusted the book value of the malls to their estimated fair value of $65,447 based upon the sales price of $66,500 in the signed contract with a third party buyer, adjusted to reflect disposition costs. The revenues of The Lakes Mall and Fashion Square accounted for approximately 1.6% of total consolidated revenues for the trailing twelve months ended June 30, 2016. These properties were sold in July 2016. See Note 4 for additional

information.

(7) In accordance with the Company's quarterly impairment review process, the Company recorded impairment to write down the depreciated book value of the mall to its estimated fair value as of June 30, 2016. After evaluating redevelopment options, the Company determined that an appropriate risk-adjusted return was not achievable and reduced its holding period. The mall is encumbered by a non-recourse loan with a balance of $17,689 as of September 30, 2016 and has experienced declining sales and the loss of two anchor stores. The revenues of Wausau Center accounted for approximately 0.3% of total consolidated revenues for the trailing twelve months ended September 30, 2016. The Company notified the lender that it would not make its scheduled July 1, 2016 debt payment and the mall is in foreclosure. See Note 6. With the assistance of a third-party appraiser, management determined the fair value of Wausau Center using a discounted cash flow methodology as of June 30, 2016. The discounted cash flow used assumptions including a 10-year holding period with a sale at the end of the holding period, a capitalization rate of 13.25% and a discount rate of 13.0%. As these assumptions are subject to economic and market uncertainties, they are difficult to predict and are subject to future events that may alter the assumptions used or management's estimates of future possible outcomes.

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(8) The Company adjusted the book value of Bonita Lakes Mall and Bonita Lakes Crossing ("Bonita Lakes") to its estimated fair value of $27,440, which represented the contractual sales price of $27,910 with a third party buyer, adjusted to reflect disposition costs. The revenues of Bonita Lakes accounted for approximately 0.7% of total consolidated revenues for the trailing twelve months ended March 31, 2016. See Note 4 for further information on the sale that closed in the second quarter of 2016.

(9) The Company wrote down the mall to its estimated fair value as of March 31, 2016. The fair value analysis used a discounted cash flow methodology with assumptions including a 10-year holding period with a sale at the end of the holding period, a capitalization rate of 9.75% and a discount rate of 11.5%. As these assumptions are subject to economic and market uncertainties, they are difficult to predict and are subject to future events that may alter the assumptions used or management's estimates of future possible outcomes. The Company recognized an impairment upon the change in its plans to hold the investment. The Company notified the lender that it would not pay off the loan that was scheduled to mature in August 2016 and the mall went into receivership in September 2016. See Note 6. The revenues of Midland Mall accounted for approximately 0.6% of total consolidated revenues for the trailing twelve months ended September 30, 2016.

(10) The Company sold a 75% interest in its wholly owned investment in River Ridge Mall to a newly formed joint venture in March 2016 and recognized impairment when it adjusted the book value to its net sales price. The impairment loss includes a $2,100 reserve for a roof and electrical work that the Company must fund in the future. The revenues of River Ridge Mall accounted for approximately 0.6% of total consolidated revenues for the trailing twelve months ended March 31, 2016. The Company's investment in River Ridge is included in Investment in Unconsolidated Affiliates on the Company's condensed consolidated balance sheets at September 30, 2016. See Note 5 for further information.

Other Impairment Loss in 2016

During the nine months ended September 30, 2016, the Company recorded impairments of $830 related to the sales of three outparcels. These outparcels are classified for segment reporting purposes in the All Other category. See Note 9 for segment information.

Note 4 – Acquisitions, Dispositions and Held for Sale

Acquisitions

The Company did not acquire any consolidated shopping center properties during the nine months ended September 30, 2016.

On June 18, 2015, the Company acquired a 100% interest in Mayfaire Town Center and Community Center, in Wilmington, NC, for a total cash purchase price of $191,988 utilizing availability on its lines of credit. Since the acquisition date, $8,982 of revenue and $410 of income was included in the consolidated financial statements for the year ended December 31, 2015. The pro forma effect of this acquisition was not material. Subsequent to its acquisition, the Company sold Mayfaire Community Center in December 2015. See details below.

Dispositions and Held for Sale

The Company evaluates its disposals utilizing the guidance in ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Based on its analysis, the Company determined that the dispositions described below do not meet the criteria for classification as discontinued operations and are not considered to be significant disposals based on its quantitative and qualitative evaluation. Thus, the results of operations of the shopping center properties described below, as well as any related gain or impairment loss, are included in net income (loss) for all periods presented, as applicable.

2016 Dispositions

Net proceeds realized from the 2016 dispositions were used to reduce the outstanding balances on the Company's credit facilities. The following is a summary of the Company's 2016 dispositions:

| | | | | Sales Price | | |
|---|---|---|---|---|---|---|
| Sales Date | Property | Property Type | Location | Gross | Net | Gain |
| September | Oak Branch Business Center (1) | Office Building | Greensboro, NC | $2,400 | $2,148 | $— |
| July | | Mall | | 66,500 | 65,514 | 273 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | The Lakes Mall / Fashion Square [2] | | Muskegon, MI Saginaw, MI | | | |
| May | Bonita Lakes Mall and Crossing [3] | Mall & Associated Center | Meridian, MS | 27,910 | 27,614 | 216 |
| April | The Crossings at Marshalls Creek | Community Center | Middle Smithfield, PA | 23,650 | 21,791 | 3,239 |
| March | River Ridge Mall [4] | Mall | Lynchburg, VA | 33,500 | 32,905 | — |
| | | | | $153,960 | $149,972 | $3,728 |

(1) The Company recognized a loss on impairment of $122 to adjust the book value of the property to its net sales price. See Note 3.

(2) The Company recognized a loss on impairment of $32,096 in the second quarter of 2016 when it adjusted the book value of the properties to their contractual sales price, adjusted to reflect disposition costs. See Note 3 for more information. A non-recourse loan secured by Fashion Square with a balance of $38,237 was assumed by the buyer in conjunction with the sale. See Note 6.

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(3) The Company recognized a loss on impairment of $5,323 in the first quarter of 2016 when it adjusted the book value of the properties to their contractual sales price, adjusted to reflect disposition costs. See Note 3 for more information.

(4) In March 2016, the Company sold a 75% interest in River Ridge Mall, located in Lynchburg, VA. In the first quarter of 2016, the Company recorded a loss on impairment of $9,510 to adjust the book value of the property to its net sales price. See Note 3 for more information. The Company retained a 25% ownership interest in the property, which is included in Investments in Unconsolidated Affiliates as of September 30, 2016 on the Company's condensed consolidated balance sheet. See Note 5 for more information on this new joint venture.

The Company also realized a gain of $8,113 primarily related to the sale of eight outparcels, $2,184 related to a parking deck project and $478 in contingent consideration earned in 2016 related to the sale of EastGate Crossing noted below.

2016 Held for Sale

Regency Mall, Randolph Mall and Walnut Square are classified as held for sale and the $32,250 on the Company's condensed consolidated balance sheet represents the net investment in real estate assets at September 30, 2016, which approximates 0.5% of the Company's total assets as of September 30, 2016. See Note 3 for more information.

2015 Dispositions

Net proceeds from the 2015 dispositions were used to reduce the outstanding balances on the Company's credit facilities. The following is a summary of the Company's 2015 dispositions:

| | | | | Sales Price | | |
|---|---|---|---|---|---|---|
| Sales Date | Property | Property Type | Location | Gross | Net | Gain |
| December | Mayfaire Community Center [1] | Community Center [2] | Wilmington, NC | $56,300 | $55,955 | $— |
| December | Chapel Hill Crossing [3] | Associated Center | Akron, OH | 2,300 | 2,178 | — |
| November | Waynesville Commons | Community Center | Waynesville, NC | 14,500 | 14,289 | 5,071 |
| July | Madison Plaza | Associated Center | Huntsville, AL | 5,700 | 5,472 | 2,769 |
| June | EastGate Crossing [4] | Associated Center | Cincinnati, OH | 21,060 | 20,688 | 13,491 |
| April | Madison Square [5] | Mall | Huntsville, AL | 5,000 | 4,955 | — |
| | | | | $104,860 | $103,537 | $21,331 |

(1) The Company recognized a loss on impairment of $397 in the fourth quarter of 2015 when it adjusted the book value of Mayfaire Community Center to its net sales price.

(2) This property was combined with Mayfaire Towne Center in the Malls category for segment reporting purposes.

(3) The Company recognized a loss on impairment of $1,914 in the fourth quarter of 2015 when it adjusted the book value of Chapel Hill Crossing to its net sales price.

(4) In the fourth quarter of 2015, the Company earned $625 of contingent consideration related to the sale of EastGate Crossing and received $574 of net proceeds for the lease of a tenant space. In the second quarter of 2016, the Company earned $508 of contingent consideration for the lease of an additional specified tenant space and received $478 of net proceeds. Additionally, the buyer assumed the mortgage loan on the property, which had a balance of $14,570 at the time of the sale.

(5) The Company recognized a loss on impairment of $2,620 in the second quarter of 2015 when it adjusted the book value of Madison Square to its net sales price.

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Note 5 – Unconsolidated Affiliates, Redeemable Interests, Noncontrolling Interests and Cost Method Investments

Unconsolidated Affiliates

At September 30, 2016, the Company had investments in the following 17 entities, which are accounted for using the equity method of accounting:

| Joint Venture | Property Name | Company's Interest |
|---|---|---|
| Ambassador Infrastructure, LLC | Ambassador Town Center - Infrastructure Improvements | 65.0% |
| Ambassador Town Center JV, LLC | Ambassador Town Center | 65.0% |
| CBL/T-C, LLC | CoolSprings Galleria, Oak Park Mall and West County Center | 50.0% |
| CBL-TRS Joint Venture, LLC | Friendly Center, The Shops at Friendly Center and a portfolio of four office buildings (1) | 50.0% |
| El Paso Outlet Outparcels, LLC | The Outlet Shoppes at El Paso (vacant land) | 50.0% |
| Fremaux Town Center JV, LLC | Fremaux Town Center Phases I and II | 65.0% |
| G&I VIII CBL Triangle LLC | Triangle Town Center, Triangle Town Commons and Triangle Town Place | 10.0% |
| Governor’s Square IB | Governor’s Plaza | 50.0% |
| Governor’s Square Company | Governor’s Square | 47.5% |
| JG Gulf Coast Town Center LLC | Gulf Coast Town Center Phase III | 50.0% |
| Kentucky Oaks Mall Company | Kentucky Oaks Mall | 50.0% |
| Mall of South Carolina L.P. | Coastal Grand | 50.0% |
| Mall of South Carolina Outparcel L.P. | Coastal Grand Crossing and vacant land | 50.0% |
| Port Orange I, LLC | The Pavilion at Port Orange Phase I and one office building | 50.0% |
| River Ridge Mall JV, LLC | River Ridge Mall | 25.0% |
| West Melbourne I, LLC | Hammock Landing Phases I and II | 50.0% |
| York Town Center, LP | York Town Center | 50.0% |

(1)The office buildings are classified as held for sale as of September 30, 2016.

Although the Company had majority ownership of certain joint ventures during 2016 and 2015, it evaluated the investments and concluded that the other partners or owners in these joint ventures had substantive participating rights, such as approvals of:

- the pro forma for the development and construction of the project and any material deviations or modifications thereto;
- the site plan and any material deviations or modifications thereto;
- the conceptual design of the project and the initial plans and specifications for the project and any material deviations or modifications thereto;
- any acquisition/construction loans or any permanent financings/refinancings;
- the annual operating budgets and any material deviations or modifications thereto;
- the initial leasing plan and leasing parameters and any material deviations or modifications thereto; and
- any material acquisitions or dispositions with respect to the project.

As a result of the joint control over these joint ventures, the Company accounts for these investments using the equity method of accounting.

Activity - Unconsolidated Affiliates

High Pointe Commons

In September 2016, High Pointe Commons, LP and High Pointe Commons II-HAP, LP, two 50/50 subsidiaries of the Company, and their joint venture partner closed on the sale of High Pointe Commons, a community center located in Harrisburg, PA, for a gross sales price of $33,800 and net proceeds of $14,962, of which $7,481 represents each partner's share. The existing mortgages secured by the property, which had an aggregate balance of $17,388 at the time of closing, were paid off in conjunction with the sale. See below for additional information on these loans. The unconsolidated affiliates recognized a gain on sale of real estate assets of $16,732, of which each partner's share was

approximately $8,366.

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CBL-TRS Joint Venture II, LLC

In April 2016, CBL-TRS Joint Venture II, LLC, a subsidiary of the Company, and its 50/50 joint venture partner sold Renaissance Center, a community center located in Durham, NC, for a gross sales price of $129,200 and net proceeds of $80,324, of which $40,162 represents each partner's share. In conjunction with the sale, the buyer assumed the $16,000 loan secured by the property's second phase. The loan secured by the first phase, which had a balance of $31,641 as of closing, was retired. The unconsolidated affiliate recognized a gain on sale of real estate assets of $58,876, of which each partner's share was approximately $29,438.

G&I VIII CBL Triangle LLC

In February 2016, G&I VIII CBL Triangle LLC, a newly formed 10/90 joint venture between the Company and DRA Advisors, acquired Triangle Town Center, Triangle Town Commons and Triangle Town Place from an existing 50/50 joint venture, Triangle Town Member LLC, between the Company and The R.E. Jacobs Group for $174,000, including the assumption of the $171,092 loan, of which each selling partner's share was $85,546 as of the closing date. Concurrent with the formation of the new joint venture, the new entity closed on a modification and restructuring of the $171,092 loan, of which the Company's share is $17,109. See information on the new loan under Financings below. The Company also made an equity contribution of $3,060 to the joint venture at closing. The Company continues to lease and manage the properties. The joint venture is accounted for using the equity method of accounting.

The following table summarizes the allocation of the estimated fair values of the tangible and identifiable intangible assets acquired as of the February 2016 acquisition date for the G&I VIII CBL Triangle LLC joint venture:

| | 2016 |
|---|---|
| Land | $14,421 |
| Buildings and improvements | 132,230 |
| Tenant improvements | 1,206 |
| Above-market leases | 11,599 |
| In-place leases | 22,538 |
| Total assets | 181,994 |
| Below-market leases | (7,994) |
| Net assets acquired | $174,000 |

River Ridge Mall JV, LLC

In the first quarter of 2016, the Company entered into a 25/75 joint venture, River Ridge Mall JV, LLC, ("River Ridge") with an unaffiliated partner. The Company contributed River Ridge Mall, located in Lynchburg, VA, to River Ridge and the partner contributed $33,500 of cash and an anchor parcel at River Ridge Mall that it already owned having a value of $7,000. The $33,500 of cash was distributed to the Company and, after closing costs, $32,819 was used to reduce outstanding balances on its lines of credit. Following the initial formation, all required future contributions will be funded on a pro rata basis. The joint venture is accounted for using the equity method of accounting.

The Company has accounted for the formation of River Ridge as the sale of a partial interest and recorded a loss on impairment of $9,510 in the first quarter of 2016, which includes a reserve of $2,100 for future capital expenditures. See Note 3 for more information. The Company continues to manage and lease the mall. The Company has the right to require its 75% partner to purchase its 25% interest in River Ridge if the Company ceases to manage the property at the partner's election.

CBL-TRS Joint Venture, LLC

The four office buildings in the joint venture are classified as held for sale and the $25,392 on the condensed combined financial statements of unconsolidated affiliates listed below represents the net investment in real estate assets as of September 30, 2016. The joint venture has signed a contract to sell the office buildings to a buyer and due diligence was complete as of September 30, 2016. The sale is expected to close in the fourth quarter of 2016.

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Condensed Combined Financial Statements - Unconsolidated Affiliates

Condensed combined financial statement information of unconsolidated affiliates is as follows:

| ASSETS | As of September 30, 2016 | December 31, 2015 |
|---|---|---|
| Investment in real estate assets | $2,137,092 | $2,357,902 |
| Accumulated depreciation | (550,103) | (677,448) |
| | 1,586,989 | 1,680,454 |
| Held for sale | 25,392 | — |
| Developments in progress | 28,995 | 59,592 |
| Net investment in real estate assets | 1,641,376 | 1,740,046 |
| Other assets | 229,516 | 168,540 |
| Total assets | $1,870,892 | $1,908,586 |
| | | |
| LIABILITIES | | |
| Mortgage and other indebtedness | $1,278,160 | $1,546,272 |
| Other liabilities | 60,687 | 51,357 |
| Total liabilities | 1,338,847 | 1,597,629 |
| | | |
| OWNERS' EQUITY | | |
| The Company | 241,892 | 184,868 |
| Other investors | 290,153 | 126,089 |
| Total owners' equity | 532,045 | 310,957 |
| Total liabilities and owners' equity | $1,870,892 | $1,908,586 |

| | Total for the Three Months Ended September 30, | | Company's Share for the Three Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Total revenues | $59,104 | $62,098 | $27,427 | $32,660 |
| Depreciation and amortization | (20,227) | (20,313) | (10,756) | (10,734) |
| Interest income | 295 | 331 | 207 | 255 |
| Interest expense | (14,281) | (18,616) | (6,109) | (9,601) |
| Operating expenses | (18,216) | (18,918) | (8,112) | (9,638) |
| Loss on extinguishment of debt | (393) | — | (197) | — |
| Income from continuing operations before gain on sales of real estate assets | 6,282 | 4,582 | 2,460 | 2,942 |
| Gain on sales of real estate assets | 16,854 | 710 | 8,018 | 566 |
| Net income | $23,136 | $5,292 | $10,478 | $3,508 |

| | Total for the Nine Months Ended September 30, | | Company's Share for the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Total revenues | $186,162 | $187,681 | $87,527 | $98,453 |
| Depreciation and amortization | (63,085) | (59,435) | (29,090) | (31,354) |
| Interest income | 963 | 998 | 719 | 767 |
| Interest expense | (41,951) | (55,999) | (19,787) | (28,873) |
| Operating expenses | (56,621) | (55,692) | (25,295) | (28,511) |

| | | | | |
|---|---|---|---|---|
| Gain (loss) on extinguishment of debt | 62,901 | — | (197) | — |
| Income from continuing operations before gain on sales of real estate assets | 88,369 | 17,553 | 13,877 | 10,482 |
| Gain on sales of real estate assets | 158,190 | 2,144 | 93,340 | 1,730 |
| Net income | $246,559 | $19,697 | $107,217 | $12,212 |

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Financings - Unconsolidated Affiliates

Loans Financed or Extended

The following table presents the loan activity of the Company's unconsolidated affiliates in 2016:

| Date | Property | Stated Interest Rate | | Maturity Date [1] | | Amount Financed or Extended | Company's Share |
|---|---|---|---|---|---|---|---|
| June | Fremaux Town Center [2] | 3.70% | (3) | June 2026 | | 73,000 | $ 47,450 |
| June | Ambassador Town Center [4] | 3.22% | (5) | June 2023 | | 47,660 | 30,979 |
| February | Port Orange [6] | LIBOR + 2.0% | | February 2018 | (7) | 58,628 | 29,314 |
| February | Hammock Landing - Phase I [6] | LIBOR + 2.0% | | February 2018 | (7) | 43,347 | (8) 21,674 |
| February | Hammock Landing - Phase II [6] | LIBOR + 2.0% | | February 2018 | (7) | 16,757 | 8,379 |
| February | Triangle Town Center, Triangle Town Place, Triangle Town Commons [9] | 4.00% | (10) | December 2018 | (11) | 171,092 | 17,109 |

(1) Excludes any extension options.

(2) Net proceeds from the non-recourse loan were used to retire the existing construction loans, secured by Phase I and Phase II of Fremaux Town Center, with an aggregate balance of $71,125.

(3) The joint venture has an interest rate swap on a notional amount of $73,000, amortizing to $52,130 over the term of the swap, related to Fremaux Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(4) The non-recourse loan was used to retire an existing construction loan with a balance of $41,900 and excess proceeds were utilized to fund remaining construction costs.

(5) The joint venture has an interest rate swap on a notional amount of $47,660, amortizing to $38,866 over the term of the swap, related to Ambassador Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(6) The guaranty was reduced from 25% to 20% in conjunction with the refinancing. See Note 12 for more information.

(7) The loan was modified and extended to February 2018 with a one-year extension option.

(8) The capacity was increased from $39,475 to fund the expansion.

(9) The loan was amended and modified in conjunction with the sale of the property to a newly formed joint venture. See previous section in Note 5 for additional information.

(10) The interest rate was reduced from 5.74% to 4.00% interest-only payments through the initial maturity date.

(11) The loan was extended to December 2018 with two one-year extension options.

All of the debt on the properties owned by the unconsolidated affiliates is non-recourse, except for Ambassador Infrastructure, West Melbourne and Port Orange. See Note 12 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

Loan Repayments

The Company's unconsolidated affiliates repaid the following loans, secured by the related unconsolidated properties, in 2016:

| Date | Property | Interest Rate at Repayment Date | Scheduled Maturity Date | Principal Balance Repaid |
|---|---|---|---|---|
| September | Governor's Square Mall [1] | 8.23% | September 2016 | $ 14,089 |
| September | High Pointe Commons - Phase I [2] | 5.74% | May 2017 | 12,401 |
| September | High Pointe Commons - PetCo [2] | 3.20% | July 2017 | 19 |
| September | High Pointe Commons - Phase II [2] | 6.10% | July 2017 | 4,968 |

| | | | | |
|---|---|---|---|---|
| July | Kentucky Oaks Mall [3] | 5.27% | January 2017 | 19,912 |

(1) The Company's share of the loan was $6,692 based on its 47.5% pro rata share in the joint venture.

(2) The loan secured by the property was paid off using proceeds from the sale of the property in September 2016. See above for more information. The Company's share of the loan was 50% based on its pro rata share in the joint venture.

(3) The Company's share of the loan was $9,956 based on its 50% pro rata share in the joint venture.

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Other

JG Gulf Coast Town Center LLC - Phases I and II

In June 2016, the foreclosure process was completed and the mortgage lender received title to the mall in satisfaction of the non-recourse mortgage loan secured by Phases I and II of Gulf Coast Town Center in Ft. Myers, FL. Gulf Coast Town Center generated insufficient cash flow to cover the debt service on the mortgage, which had a balance of $190,800 (of which the Company's 50% share was $95,400) and a contractual maturity date of July 2017. In the third quarter of 2015, the lender on the loan began receiving the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments. The Company recognized a gain on the net investment in Gulf Coast of $29,267, which is included in Equity in Earnings of Unconsolidated Affiliates in the condensed consolidated statements of operations.

Redeemable Interests of the Operating Partnership

Redeemable common units of $19,536 and $19,744 at September 30, 2016 and December 31, 2015, respectively, include a partnership interest in the Operating Partnership for which the partnership agreement includes redemption provisions that may require the Operating Partnership to redeem the partnership interest for real property. Redeemable noncontrolling interests of $3,206 and $5,586 at September 30, 2016 and December 31, 2015, respectively, include the aggregate noncontrolling ownership interest in consolidated subsidiaries that is held by third parties and for which the related partnership agreements contain redemption provisions at the holder's election that allow for redemption through cash and/or properties.

Noncontrolling Interests of the Operating Partnership

Noncontrolling interests include the aggregate noncontrolling ownership interest in the Operating Partnership's consolidated subsidiaries that is held by third parties and for which the related partnership agreements either do not include redemption provisions or are subject to redemption provisions that do not require classification outside of permanent equity. Total noncontrolling interests were $12,960 and $4,876, as of September 30, 2016 and December 31, 2015, respectively.

Noncontrolling Interests of the Company

The noncontrolling interests of the Company include the third party interests discussed above as well as the aggregate noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which each of the noncontrolling limited partners has the right to exchange all or a portion of its partnership interests for shares of the Company’s common stock or, at the Company’s election, their cash equivalent. As of September 30, 2016, the Company's total noncontrolling interests of $110,353 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of $97,393 and $12,960, respectively. The Company's total noncontrolling interests at December 31, 2015 of $114,629 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of $109,753 and $4,876, respectively.

In the third quarter of 2016, the Company elected to pay cash of $11,608 to a holder of 950,000 common units in the Operating Partnership upon the exercise of its conversion rights. In the second quarter of 2016, the Company elected to pay cash of $146 to three holders of 14,796 common units in the Operating Partnership upon the exercise of their conversion rights.

Cost Method Investment

The Company owns a 6.2% noncontrolling interest in subsidiaries of Jinsheng, an established mall operating and real estate development company located in Nanjing, China. The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng’s shares since they are not publicly traded. The carrying amount of this investment was $5,325 at September 30, 2016 and December 31, 2015. The noncontrolling interest is reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets.

Variable Interest Entities

As discussed in Note 2, effective January 1, 2016, the Company adopted ASU 2015-02. As a result, the Operating Partnership and certain of our subsidiaries are deemed to have the characteristics of a VIE primarily because the limited partners of these entities do not collectively possess substantive kick-out or participating rights. However, the Company was not required to consolidate any previously unconsolidated entities or deconsolidate any previously

consolidated entities as a result of the change in classification. Accordingly, the adoption of ASU 2015-02 affected disclosure only and did not change amounts within the condensed consolidated financial statements.

The Company consolidates the Operating Partnership, which is a VIE, for which the Company is the primary beneficiary. The Company, through the Operating Partnership, consolidates all VIEs for which it is the primary beneficiary. Generally, a VIE, is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A limited

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partnership is considered a VIE when the majority of the limited partners unrelated to the general partner possess neither the right to remove the general partner without cause, nor certain rights to participate in the decisions that most significantly affect the financial results of the partnership. In determining whether the Company is the primary beneficiary of a VIE, the Company considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Company's investment; the obligation or likelihood for the Company or other investors to provide financial support; and the similarity with and significance to our business activities and the business activities of the other investors.

The table below lists the Company's VIEs as of September 30, 2016 under ASU 2015-02:

Consolidated VIEs:

Atlanta Outlet Outparcels, LLC
Atlanta Outlet JV, LLC
CBL Terrace LP
El Paso Outlet Center Holding, LLC
El Paso Outlet Center II, LLC
Foothills Mall Associates
Gettysburg Outlet Center Holding, LLC
Gettysburg Outlet Center, LLC
High Point Development LP II
Jarnigan Road LP
Laredo Outlet JV, LLC (1)
Lebcon Associates
Lebcon I, Ltd
Lee Partners
Louisville Outlet Outparcels, LLC
Louisville Outlet Shoppes, LLC
Madison Grandview Forum, LLC
The Promenade at D'Iberville
Statesboro Crossing, LLC
Village at Orchard Hills, LLC
Woodstock GA Investments, LLC

Unconsolidated VIEs:

Ambassador Infrastructure, LLC
G&I VIII CBL Triangle LLC (2)

(1) In May 2016, the Company formed a 65/35 joint venture, Laredo Outlet JV, LLC, to develop, own and operate The Outlet Shoppes at Laredo in Laredo, TX. The Company initially contributed $7,714, which consisted of a cash contribution of $2,434 and its interest in a note receivable of $5,280 (see Note 8), and the third party partner contributed $10,686, which included land and construction costs to date. The Company contributed 100% of the capital to fund the project until the pro rata 65% contribution of $19,846 was reached in the third quarter of 2016. All subsequent future contributions will be funded on a 65/35 pro rata basis The Company determined that the new consolidated affiliate represents an interest in a VIE based upon the criteria noted above.

(2) Upon, the sale of the Company's 50% interest in Triangle Town Member LLC to G&I VIII CBL Triangle LLC in the first quarter of 2016, the Company determined that the new unconsolidated affiliate represents an interest in a VIE based upon the criteria noted above.

Note 6 – Mortgage and Other Indebtedness

Debt of the Company

CBL has no indebtedness. Either the Operating Partnership or one of its consolidated subsidiaries, that it has a direct or indirect ownership interest in, is the borrower on all of the Company's debt. CBL is a limited guarantor of the

5.25% and 4.60% senior unsecured notes, issued by the Operating Partnership in November 2013 and October 2014, respectively, for losses suffered solely by reason of fraud or willful misrepresentation by the Operating Partnership or its affiliates. The Company also provides a similar limited guarantee of the Operating Partnership's obligations with respect to its unsecured credit facilities and three unsecured term loans as of September 30, 2016.

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Debt of the Operating Partnership

Mortgage and other indebtedness consisted of the following:

| | September 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Amount | Weighted-Average Interest Rate [1] | Amount | Weighted-Average Interest Rate [1] |
| Fixed-rate debt: | | | | |
| Non-recourse loans on operating properties [2] | $2,505,055 | 5.66% | $2,736,538 | 5.68% |
| Senior unsecured notes due 2023 [3] | 446,450 | 5.25% | 446,151 | 5.25% |
| Senior unsecured notes due 2024 [4] | 299,938 | 4.60% | 299,933 | 4.60% |
| Other | — | —% | 2,686 | 3.50% |
| Total fixed-rate debt | 3,251,443 | 5.50% | 3,485,308 | 5.53% |
| Variable-rate debt: | | | | |
| Non-recourse term loans on operating properties | 19,155 | 2.96% | 16,840 | 2.49% |
| Recourse term loans on operating properties | 25,847 | 3.12% | 25,635 | 2.97% |
| Construction loan | 10,573 | 3.03% | — | —% |
| Unsecured lines of credit | 438,956 | 1.72% | 398,904 | 1.54% |
| Unsecured term loans | 800,000 | 1.96% | 800,000 | 1.82% |
| Total variable-rate debt | 1,294,531 | 1.93% | 1,241,379 | 1.76% |
| Total fixed-rate and variable-rate debt | 4,545,974 | 4.49% | 4,726,687 | 4.54% |
| Unamortized deferred financing costs | (14,705) | | (16,059) | |
| Total mortgage and other indebtedness | $4,531,269 | | $4,710,628 | |

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

(2) The Operating Partnership had four interest rate swaps on notional amounts totaling $101,151 as of December 31, 2015 related to four variable-rate loans on consolidated operating properties to effectively fix the interest rate on the respective loans. Therefore, these amounts were reflected in fixed-rate debt at December 31, 2015. The swaps matured April 1, 2016.

(3) The balance is net of an unamortized discount of $3,550 and $3,849 as of September 30, 2016 and December 31, 2015, respectively.

(4) The balance is net of an unamortized discount of $62 and $67 as of September 30, 2016 and December 31, 2015, respectively.

Senior Unsecured Notes

In the fourth quarter of 2014, the Operating Partnership issued $300,000 of senior unsecured notes, which bear interest at 4.60% payable semiannually beginning April 15, 2015 and mature on October 15, 2024 (the “2024 Notes”). In the fourth quarter of 2013, the Operating Partnership issued $450,000 of senior unsecured notes, which bear interest at 5.25% payable semiannually beginning June 1, 2014 and mature on December 1, 2023 (the “2023 Notes”). The respective interest rate on each of the 2024 Notes and the 2023 Notes (collectively, the “Notes”) will be subject to an increase ranging from 0.25% to 1.00% from time to time if, on or after January 1, 2016 and prior to January 1, 2020, the ratio of secured debt to total assets of the Company, as defined, is greater than 40% but less than 45%.

The Notes are redeemable at the Operating Partnership's election, in whole or in part from time to time, on not less than 30 days’ notice to the holders of the Notes to be redeemed. The 2024 Notes may be redeemed prior to July 15, 2024 for cash, at a redemption price equal to the greater of (1) 100% of the aggregate principal amount of the 2024 Notes to be redeemed or (2) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2024 Notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate, as defined, plus 0.35%, plus accrued and unpaid interest. On or after July 15, 2024, the 2024 Notes are redeemable for cash at a redemption price equal to 100% of the aggregate principal amount of the 2024 Notes to

be redeemed plus accrued and unpaid interest. The 2023 Notes may be redeemed prior to September 1, 2023 for cash, at a redemption price equal to the greater of (1) 100% of the aggregate principal amount of the 2023 Notes to be redeemed or (2) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2023 Notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate, as defined, plus 0.40%, plus accrued and unpaid interest. On or after September 1, 2023, the 2023 Notes are redeemable for cash at a redemption price equal to 100% of the aggregate principal amount of the 2023 Notes to be redeemed plus accrued and unpaid interest.

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Unsecured Lines of Credit

The Company has three unsecured credit facilities that are used for retirement of secured loans, repayment of term loans, working capital, construction and acquisition purposes, as well as issuances of letters of credit.

Each facility bears interest at LIBOR plus a spread of 0.875% to 1.55% based on the Company's credit ratings. As of September 30, 2016, the Company's interest rate based on its credit ratings of Baa3 from Moody's Investors Service ("Moody's") and BBB- from Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") is LIBOR plus 120 basis points. Additionally, the Company pays an annual facility fee that ranges from 0.125% to 0.3% of the total capacity of each facility based on the Company's credit ratings. As of September 30, 2016, the annual facility fee was 0.25%. The three unsecured lines of credit had a weighted-average interest rate of 1.72% at September 30, 2016.

The following summarizes certain information about the Company's unsecured lines of credit as of September 30, 2016:

| | Total Capacity | Total Outstanding | | Maturity Date | Extended Maturity Date | |
|---|---|---|---|---|---|---|
| Wells Fargo - Facility A | $500,000 | $ — | (1) | October 2019 | October 2020 | (2) |
| First Tennessee | 100,000 | 38,200 | (3) | October 2019 | October 2020 | (4) |
| Wells Fargo - Facility B | 500,000 | 400,756 | (5) | October 2020 | | |
| | $1,100,000 | $ 438,956 | | | | |

(1) There was $350 outstanding on this facility as of September 30, 2016 for letters of credit. Up to $30,000 of the capacity on this facility can be used for letters of credit.

(2) The extension option is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.15% of the commitment amount of the credit facility.

(3) Up to $20,000 of the capacity on this facility can be used for letters of credit.

(4) The extension option on the facility is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.20% of the commitment amount of the credit facility.

(5) There was an additional $4,866 outstanding on this facility as of September 30, 2016 for letters of credit. Up to $30,000 of the capacity on this facility can be used for letters of credit.

Unsecured Term Loans

The Company has a $350,000 unsecured term loan, which bears interest at a variable rate of LIBOR plus 1.35% based on the Company's current credit ratings. The loan matures in October 2017 and has two one-year extension options, subject to continued compliance with the terms of the loan agreement, for an outside maturity date of October 2019. At September 30, 2016, the outstanding borrowings of $350,000 had an interest rate of 1.88%.

The Company has a $400,000 unsecured term loan, which bears interest at a variable rate of LIBOR plus 1.50% based on the Company's current credit ratings and has a maturity date of July 2018. At September 30, 2016, the outstanding borrowings of $400,000 had an interest rate of 2.02%.

The Company also has a $50,000 unsecured term loan that matures in February 2018. The term loan bears interest at a variable rate of LIBOR plus 1.55%. At September 30, 2016, the outstanding borrowings of $50,000 had a weighted-average interest rate of 2.07%.

Covenants and Restrictions

The agreements for the unsecured lines of credit, the Notes and unsecured term loans contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum unencumbered asset and interest ratios, maximum secured indebtedness ratios, maximum total indebtedness ratios and limitations on cash flow distributions. The Company believes that it was in compliance with all financial covenants and restrictions at September 30, 2016.

Unsecured Lines of Credit and Unsecured Term Loans

The following presents the Company's compliance with key covenant ratios, as defined, of the credit facilities and term loans as of September 30, 2016:

| Ratio | Required | Actual |
|---|---|---|
| Debt to total asset value | < 60% | 49% |

| | | |
|---|---|---|
| Unencumbered asset value to unsecured indebtedness | > 1.6x | 2.4x |
| Unencumbered NOI to unsecured interest expense | > 1.75x | 4.57x |
| EBITDA to fixed charges (debt service) | > 1.5x | 2.5x |

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The agreements for the unsecured credit facilities and unsecured term loans described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50,000 or any non-recourse indebtedness greater than $150,000 (for the Company's ownership share) of CBL, the Operating Partnership or any Subsidiary, as defined, will constitute an event of default under the agreements to the credit facilities. The credit facilities also restrict the Company's ability to enter into any transaction that could result in certain changes in its ownership or structure as described under the heading “Change of Control/Change in Management” in the agreements for the credit facilities.

Senior Unsecured Notes

The following presents the Company's compliance with key covenant ratios, as defined, of the Notes as of September 30, 2016:

| Ratio | Required | Actual |
|---|---|---|
| Total debt to total assets | < 60% | 53% |
| Secured debt to total assets | < 45% (1) | 30% |
| Total unencumbered assets to unsecured debt | > 150% | 218% |
| Consolidated income available for debt service to annual debt service charge | > 1.5x | 3.3x |

(1) On January 1, 2020 and thereafter, secured debt to total assets must be less than 40%.

The agreements for the Notes described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50,000 of the Operating Partnership will constitute an event of default under the Notes.

Other

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

Mortgages on Operating Properties

Financings

The following table presents the loans, secured by the related consolidated properties, that were entered into in 2016:

| Date | Property | Stated Interest Rate | Maturity Date | Amount Financed or Extended |
|---|---|---|---|---|
| June | Hamilton Place (1) | 4.36% | June 2026 | $ 107,000 |
| June | Statesboro Crossing (2) | LIBOR + 1.80% | June 2017 (3) | 11,035 |
| April | Hickory Point Mall (4) | 5.85% | December 2018 (5) | 27,446 |

(1) Proceeds from the non-recourse loan were used to retire an existing $98,181 loan with an interest rate of 5.86% that was scheduled to mature in August 2016. The Company's share of excess proceeds was used to reduce outstanding balances on its credit facilities.

(2) The loan was modified to extend the maturity date.

(3) The loan has a one-year extension option at the Company's election for an outside maturity date of June 2018.

(4) The loan was modified to extend the maturity date. The interest rate remains at 5.85% but future amortization payments have been eliminated.

(5) The loan has a one-year extension option at the Company's election for an outside maturity date of December 2019.

Other

The non-recourse loans secured by Chesterfield Mall, Midland Mall and Wausau Center are in default and in receivership at September 30, 2016. The malls generate insufficient income levels to cover the debt service on the mortgages, which had an aggregate balance of $189,642 at September 30, 2016. The Company plans to return these malls to the respective lenders when foreclosure proceedings are complete, which is estimated to be by year-end or in early 2017.

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Construction Loan

The following table presents the construction loan, secured by the related consolidated property, that was entered into in 2016:

| Date | Property | Stated Interest Rate | Maturity Date | Amount Financed |
|---|---|---|---|---|
| May | The Outlet Shoppes at Laredo [1] | LIBOR + 2.5% [2] | May 2019 [3] | $91,300 |

(1) The consolidated 65/35 joint venture closed on a construction loan for the development of The Outlet Shoppes at Laredo, an outlet center located in Laredo, TX. The Operating Partnership has guaranteed 100% of the loan.

(2) The interest rate will be reduced to LIBOR + 2.25% once the development is complete and certain debt and operational metrics are met.

(3) The loan has one 24-month extension option, which is at the joint venture's election, subject to continued compliance with the terms of the loan agreement, for an outside maturity date of May 2021.

Loan Repayments

The Company repaid the following fixed-rate loans, secured by the related consolidated Properties, in 2016:

| Date | Property | Interest Rate at Repayment Date | Scheduled Maturity Date | Principal Balance Repaid [1] |
|---|---|---|---|---|
| August | Dakota Square Mall | 6.23% | November 2016 | $51,605 |
| June | Hamilton Place [2] | 5.86% | August 2016 | 98,181 |
| April | CoolSprings Crossing | 4.54% | April 2016 | 11,313 |
| April | Gunbarrel Pointe | 4.64% | April 2016 | 10,083 |
| April | Stroud Mall | 4.59% | April 2016 | 30,276 |
| April | York Galleria | 4.55% | April 2016 | 48,337 |

(1) The Company retired the loans with borrowings from its credit facilities unless otherwise noted.

(2) The Company retired the loan with proceeds from a $107,000 fixed-rate non-recourse loan. See above for more information.

Additionally, the $38,237 loan secured by Fashion Square was assumed by the buyer in conjunction with the sale of the mall in July 2016. The fixed-rate loan bore interest at 4.95% and had a maturity date of June 2022.

Subsequent to September 30, 2016, the Company retired a mortgage loan that was scheduled to mature in January 2017. See Note 16 for more information.

Scheduled Principal Payments

As of September 30, 2016, the scheduled principal amortization and balloon payments on all of the Company’s consolidated mortgage and other indebtedness, excluding extensions available at the Company’s option, are as follows:

| | |
|---|---|
| 2016 [1] | $85,143 |
| 2017 | 840,726 |
| 2018 | 708,861 |
| 2019 | 170,270 |
| 2020 | 609,740 |
| Thereafter [2] | 1,942,580 |
| | 4,357,320 |
| Net unamortized premiums (discounts) | (988) |
| | 4,356,332 |
| Unamortized deferred financing costs | (14,705) |
| Principal balance of loans secured by Lender Malls in foreclosure [3] | 189,642 |
| Total mortgage and other indebtedness | $4,531,269 |

(1) Excludes $171,953 of maturities related to Midland Mall and Chesterfield Mall, which are in foreclosure.

(2) Excludes $17,689 related to Wausau Center, which is in foreclosure.

(3) Represents principal balances of three non-recourse loans secured by the malls listed above, which the Company plans to return to the respective lenders when the foreclosure process is complete.

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The $85,143 of scheduled principal payments in 2016 includes $70,801 related to the maturing principal balance of the operating property loan secured by Greenbrier Mall and $14,342 represents scheduled principal amortization. The Company is in final negotiations with the lender to extend the maturity date of the loan secured by Greenbrier Mall. The Company's mortgage and other indebtedness had a weighted-average maturity of 4.0 years as of September 30, 2016 and 4.4 years as of December 31, 2015.

Interest Rate Hedge Instruments

The Company records its derivative instruments in its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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

The Company's outstanding interest rate derivatives, that were designated as cash flow hedges of interest rate risk, matured on April 1, 2016.

| Instrument Type | Location in Condensed Consolidated Balance Sheet | Notional Amount Outstanding | Designated Benchmark Interest Rate | Strike Rate | Fair Value at 9/30/16 | Fair Value at 12/31/15 | Maturity Date |
|---|---|---|---|---|---|---|---|
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $48,337 (amortizing to $48,337) | 1-month LIBOR | 2.149% | $ — | $ (208) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $30,276 (amortizing to $30,276) | 1-month LIBOR | 2.187% | — | (133) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $11,313 (amortizing to $11,313) | 1-month LIBOR | 2.142% | — | (48) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $10,083 (amortizing to $10,083) | 1-month LIBOR | 2.236% | — | (45) | April 2016 |
| | | | | | $ — | $ (434) | |

| Hedging Instrument | Gain Recognized in OCI/L (Effective Portion) Three Months Ended September | Location of Losses Reclassified from AOCI into Earnings (Effective Portion) | Loss Recognized in Earnings (Effective Portion) Three Months Ended September | Location of Gain Recognized in Earnings (Ineffective Portion) | Gain Recognized in Earnings (Ineffective Portion) Three Months Ended September |
|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30, 2016 | 2015 | | 30, 2016 | 2015 | | 30, 2016 | 2015 |
| Interest rate contracts | $ — | $ 457 | Interest Expense | $ — | $ (518) | Interest Expense | $ — | $ — |

| Hedging Instrument | Gain Recognized in OCI/L (Effective Portion) | | Location of Losses Reclassified from AOCI into Earnings (Effective Portion) | Loss Recognized in Earnings (Effective Portion) | | Location of Gain Recognized in Earnings (Ineffective Portion) | Gain Recognized in Earnings (Ineffective Portion) | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | Nine Months Ended September 30, | | | Nine Months Ended September 30, | |
| | 2016 | 2015 | | 2016 | 2015 | | 2016 | 2015 |
| Interest rate contracts | $434 | $1,387 | Interest Expense | $(443) | $(1,687) | Interest Expense | $ — | $ — |

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Note 7 – Comprehensive Income

Accumulated Other Comprehensive Income of the Company

Comprehensive income (loss) of the Company includes all changes in redeemable noncontrolling interests and total equity during the period, except those resulting from investments by shareholders and partners, distributions to shareholders and partners and redemption valuation adjustments. OCI/L includes changes in unrealized gains (losses) on available-for-sale securities and interest rate hedge agreements.

The Company did not have any AOCI for the three months ended September 30, 2016.

The changes in the components of AOCI for the three months ended September 30, 2015 are as follows:

| | Redeemable Noncontrolling Interests | The Company | Noncontrolling Interests | |
|---|---|---|---|---|
| | Unrealized Gains (Losses) - Hedging Agreements | | | Total |
| Beginning balance, July 1, 2015 | $410 | $ 1,109 | $ (2,938) | $(1,419) |
| OCI before reclassifications | 9 | 903 | 63 | 975 |
| Amounts reclassified from AOCI [1] | — | (518) | — | (518) |
| Net current quarterly period OCI | 9 | 385 | 63 | 457 |
| Ending balance, September 30, 2015 | $419 | $ 1,494 | $ (2,875) | $(962) |

(1) Reclassified $518 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations.

The changes in the components of AOCI for the nine months ended September 30, 2016 and 2015 are as follows:

| | Redeemable Noncontrolling Interests | The Company | Noncontrolling Interests | |
|---|---|---|---|---|
| | Unrealized Gains (Losses) - Hedging Agreements | | | Total |
| Beginning balance, January 1, 2016 | $433 | $ 1,935 | $ (2,802) | $(434) |
| OCI before reclassifications | 3 | 814 | 60 | 877 |
| Amounts reclassified from AOCI [1] | (436) | (2,749) | 2,742 | (443) |
| Net current year-to-date period OCI | (433) | (1,935) | 2,802 | 434 |
| Ending balance, September 30, 2016 | $— | $ — | $ — | $— |

(1) Reclassified $443 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations. The cash flow hedges matured April 1, 2016.

| | Redeemable Noncontrolling Interests | | The Company | | Noncontrolling Interests | | |
|---|---|---|---|---|---|---|---|
| | Unrealized Gains (Losses) | | | | | | |
| | Hedging Agreements | Available-for-Sale Securities | Hedging Agreements | Available-for-Sale Securities | Hedging Agreements | Available-for-Sale Securities | Total |
| Beginning balance, January 1, 2015 | $401 | $ 384 | $303 | $ 13,108 | $(3,053) | $ 2,826 | $13,969 |
| OCI before reclassifications | 18 | 10 | 2,878 | 160 | 178 | 72 | 3,316 |
| Amounts reclassified from AOCI [1] | — | (394) | (1,687) | (13,268) | — | (2,898) | (18,247) |
| Net current year-to-date period OCI | 18 | (384) | 1,191 | (13,108) | 178 | (2,826) | (14,931) |
| Ending balance, September 30, 2015 | $419 | $ — | $1,494 | $ — | $(2,875) | $ — | $(962) |

(1) Reclassified $16,560 realized gain on sale of available-for-sale securities to Gain on Investment and reclassified $1,687 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations.

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Accumulated Other Comprehensive Income (Loss) of the Operating Partnership

Comprehensive income (loss) of the Operating Partnership includes all changes in redeemable common units and partners' capital during the period, except those resulting from investments by unitholders, distributions to unitholders and redemption valuation adjustments. OCI/L includes changes in unrealized gains (losses) on available-for-sale securities and interest rate hedge agreements.

The Operating Partnership did not have any AOCI for the three months ended September 30, 2016.

The changes in the components of AOCI for the three months ended September 30, 2015 are as follows:

| | Redeemable Common Units | Partners' Capital | |
|---|---|---|---|
| | Unrealized Gains (Losses) - Hedging Agreements | | Total |
| Beginning balance, July 1, 2015 | $411 | $(1,830) | $(1,419) |
| OCI before reclassifications | 9 | 966 | 975 |
| Amounts reclassified from AOCI [1] | — | (518) | (518) |
| Net current quarterly period OCI | 9 | 448 | 457 |
| Ending balance, September 30, 2015 | $420 | $(1,382) | $(962) |

(1) Reclassified $518 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations.

The changes in the components of AOCI for the nine months ended September 30, 2016 and 2015 are as follows:

| | Redeemable Common Units | Partners' Capital | |
|---|---|---|---|
| | Unrealized Gains (Losses) - Hedging Agreements | | Total |
| Beginning balance, January 1, 2016 | $434 | $(868) | $(434) |
| OCI before reclassifications | 3 | 874 | 877 |
| Amounts reclassified from AOCI [1] | (437) | (6) | (443) |
| Net current year-to-date period OCI | (434) | 868 | 434 |
| Ending balance, September 30, 2016 | $— | $— | $— |

(1) Reclassified $443 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations. The cash flow hedges matured April 1, 2016.

| | Redeemable Common Units | | Partners' Capital | | |
|---|---|---|---|---|---|
| | Unrealized Gains (Losses) | | | | |
| | Hedging Agreements | Available-for-Sale Securities | Hedging Agreements | Available-for-Sale Securities | Total |
| Beginning balance, January 1, 2015 | $401 | $ 384 | $(2,750) | $ 15,934 | $13,969 |
| OCI before reclassifications | 19 | 10 | 3,055 | 232 | 3,316 |
| Amounts reclassified from AOCI [1] | — | (394) | (1,687) | (16,166) | (18,247) |
| Net current year-to-date period OCI | 19 | (384) | 1,368 | (15,934) | (14,931) |
| Ending balance, September 30, 2015 | $420 | $ — | $(1,382) | $ — | $(962) |

(1) Reclassified $16,560 realized gain on sale of available-for-sale securities to Gain on Investment and reclassified $1,687 of interest on cash flow hedges to Interest Expense in the condensed consolidated statement of operations.

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Note 8 – Mortgage and Other Notes Receivable

Each of the Company's mortgage notes receivable is collateralized by either a first mortgage, a second mortgage, or by an assignment of 100% of the partnership interests that own the real estate assets. Other notes receivable include amounts due from tenants or government-sponsored districts and unsecured notes received from third parties as whole or partial consideration for property or investments. The Company believes that its mortgage and other notes receivable balance is fully collectable as of September 30, 2016. Mortgage and other notes receivable consist of the following:

| | | As of September 30, 2016 | | As of December 31, 2015 | |
|---|---|---|---|---|---|
| | Maturity Date | Interest Rate | Balance | Interest Rate | Balance |
| Mortgages: | | | | | |
| Columbia Place Outparcel | Feb 2022 | 5.00% | $326 | 5.00% | $342 |
| Park Place | May 2022 | 5.00% | 1,242 | 5.00% | 1,369 |
| Village Square [1] | Mar 2018 | 3.75% | 1,655 | 3.50% | 1,685 |
| Other [2] | Dec 2016 - Jan 2047 | 3.03% - 9.50% | 2,521 | 2.93% - 9.50% | 4,380 |
| | | | 5,744 | | 7,776 |
| Other Notes Receivable: | | | | | |
| Horizon Group [3] | N/A | —% | — | 7.00% | 3,096 |
| RED Development Inc. | Nov 2023 | 5.00% | 6,787 | 5.00% | 7,366 |
| Southwest Theaters | Apr 2026 | 5.00% | 750 | —% | — |
| Other | Jan 2017 | 7.00% | 300 | —% | — |
| | | | 7,837 | | 10,462 |
| | | | $13,581 | | $18,238 |

(1) In May 2016, the mortgage note receivable related to Village Square was extended to March 2018. The interest rate increased from 3.5% to 3.75% for the period from April 2016 through March 2017, with an increase to a rate of 4.0% from April 2017 through the maturity date.

(2) In conjunction with the foreclosure of Gulf Coast Town Center, the Company wrote off the $1,846 balance of a note receivable. The note bore interest at a rate of 6.32% and was due to mature in March 2017.

(3) In May 2016, in conjunction with the formation of the Laredo joint venture (see Note 5), the Company contributed its interest in the note of $5,280 as a capital contribution to the joint venture.

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Note 9 – Segment Information

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

| Three Months Ended September 30, 2016 | Malls | Associated Centers | Community Centers | All Other [1] | Total |
|---|---|---|---|---|---|
| Revenues | $228,918 | $ 9,997 | $ 4,776 | $8,030 | $251,721 |
| Property operating expenses [2] | (68,189) | (2,311) | (1,149) | 805 | (70,844) |
| Interest expense | (35,915) | (1,424) | (858) | (16,095) | (54,292) |
| Other expense | — | — | — | (5,576) | (5,576) |
| Gain on sales of real estate assets | 273 | — | — | 4,653 | 4,926 |
| Segment profit (loss) | $125,087 | $ 6,262 | $ 2,769 | $(8,183) | 125,935 |
| Depreciation and amortization expense | | | | | (71,794) |
| General and administrative expense | | | | | (13,222) |
| Interest and other income | | | | | 451 |
| Loss on extinguishment of debt | | | | | (6) |
| Loss on impairment | | | | | (53,558) |
| Equity in earnings of unconsolidated affiliates | | | | | 10,478 |
| Income tax benefit | | | | | 2,386 |
| Net income | | | | | $670 |
| Capital expenditures [3] [4] | $64,085 | $ 61 | $ 1,452 | $32,420 | $98,018 |

| Three Months Ended September 30, 2015 | Malls | Associated Centers | Community Centers | All Other [1] | Total |
|---|---|---|---|---|---|
| Revenues | $234,095 | $ 9,693 | $ 5,231 | $13,616 | $262,636 |
| Property operating expenses [2] | (69,690) | (2,260) | (1,114) | 1,145 | (71,918) |
| Interest expense | (39,707) | (1,732) | (1,003) | (14,008) | (56,451) |
| Other expense | — | — | — | (8,787) | (8,787) |
| Gain on sales of real estate assets | — | 2,769 | — | 468 | 3,237 |
| Segment profit (loss) | $124,698 | $ 8,470 | $ 3,114 | $(7,566) | 128,717 |
| Depreciation and amortization expense | | | | | (74,045) |
| General and administrative expense | | | | | (12,995) |
| Interest and other income | | | | | 579 |
| Loss on impairment | | | | | (884) |
| Equity in earnings of unconsolidated affiliates | | | | | 3,508 |
| Income tax provision | | | | | (448) |
| Net income | | | | | $44,432 |
| Capital expenditures [3] | $66,311 | $ 1,134 | $ 489 | $5,549 | $73,483 |

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| Nine Months Ended September 30, 2016 | Malls | Associated Centers | Community Centers | All Other [1] | Total |
|---|---|---|---|---|---|
| Revenues | $700,407 | $ 30,096 | $ 14,747 | $24,514 | $769,764 |
| Property operating expenses [2] | (208,975) | (7,010) | (3,552) | 6,805 | (212,732) |
| Interest expense | (105,797) | (4,557) | (321) | (52,035) | (162,710) |
| Other expense | — | — | — | (20,313) | (20,313) |
| Gain on sales of real estate assets | 489 | 478 | 3,239 | 10,297 | 14,503 |
| Segment profit (loss) | $386,124 | $ 19,007 | $ 14,113 | $(30,732) | 388,512 |
| Depreciation and amortization expense | | | | | (220,505) |
| General and administrative expense | | | | | (46,865) |
| Interest and other income | | | | | 1,062 |
| Loss on impairment | | | | | (116,736) |
| Equity in earnings of unconsolidated affiliates | | | | | 107,217 |
| Income tax benefit | | | | | 2,974 |
| Net income | | | | | $115,659 |
| Capital expenditures [3] [4] | $125,406 | $ 3,158 | $ 2,420 | $49,554 | $180,538 |

| Nine Months Ended September 30, 2015 | Malls | Associated Centers | Community Centers | All Other [1] | Total |
|---|---|---|---|---|---|
| Revenues | $694,310 | $ 30,164 | $ 14,925 | $37,988 | $777,388 |
| Property operating expenses [2] | (209,850) | (7,206) | (3,392) | 4,803 | (215,645) |
| Interest expense | (128,168) | (5,561) | (3,233) | (37,400) | (174,362) |
| Other expense | — | — | — | (21,191) | (21,191) |
| Gain on sales of real estate assets | 264 | 16,260 | — | 1,643 | 18,167 |
| Segment profit (loss) | $356,556 | $ 33,657 | $ 8,300 | $(14,157) | 384,357 |
| Depreciation and amortization expense | | | | | (221,550) |
| General and administrative expense | | | | | (46,440) |
| Interest and other income | | | | | 6,242 |
| Gain on extinguishment of debt | | | | | 256 |
| Loss on impairment | | | | | (3,665) |
| Gain on investment | | | | | 16,560 |
| Equity in earnings of unconsolidated affiliates | | | | | 12,212 |
| Income tax provision | | | | | (2,004) |
| Net income | | | | | $145,968 |
| Capital expenditures [3] | $326,607 | $ 2,523 | $ 1,884 | $18,978 | $349,992 |

| Total Assets | Malls | Associated Centers | Community Centers | All Other [1] | Total |
|---|---|---|---|---|---|
| September 30, 2016 | $5,472,051 | $ 261,107 | $ 246,748 | $194,415 | $6,174,321 |
| December 31, 2015 | $5,766,084 | $ 252,188 | $ 263,614 | $198,105 | $6,479,991 |

(1) The All Other category includes mortgage and other notes receivable, office buildings, the Management Company and the Company's subsidiary that provides security and maintenance services.

(2) Property operating expenses include property operating, real estate taxes and maintenance and repairs.

(3) Amounts include acquisitions of real estate assets and investments in unconsolidated affiliates. Developments in progress are included in the All Other category.

(4)

Primarily related to the development of The Outlet Shoppes at Laredo, which is a consolidated 65/35 joint venture. Costs are reflected at 100% in the above table.

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Note 10 – Equity and Capital

At-The-Market Equity Program

On March 1, 2013, the Company entered into separate controlled equity offering sales agreements (collectively, the "Sales Agreements") with a number of sales agents to sell shares of CBL's common stock, having an aggregate offering price of up to $300,000, from time to time in "at-the-market" equity offerings (as defined in Rule 415 of the Securities Act of 1933, as amended) or in negotiated transactions (the "ATM program"). In accordance with the Sales Agreements, the Company sets the parameters for the sales of shares, including the number of shares to be issued, the time period during which sales are to be made and any minimum price below which sales may not be made. The Sales Agreements provide that the sales agents are entitled to compensation for their services at a mutually agreed commission rate not to exceed 2.0% of the gross proceeds from the sales of shares sold through the ATM program. For each share of common stock issued by CBL, the Operating Partnership issues a corresponding number of common units of limited partnership interest to CBL in exchange for the contribution of the proceeds from the stock issuance. The Company includes only share issuances that have settled in the calculation of shares outstanding at the end of each period.

The Company has not sold any shares under the ATM program since 2013. Since the commencement of the ATM program, CBL has issued 8,419,298 shares of common stock, at a weighted-average sales price of $25.12 per share, and approximately $88,507 remains available that may be sold under this program as of September 30, 2016. Actual future sales under this program, if any, will depend on a variety of factors including but not limited to market conditions, the trading price of CBL's common stock and the Company's capital needs. The Company has no obligation to sell the remaining shares available under the ATM program.

Common Stock Repurchase Program

In July 2015, CBL's Board of Directors authorized a common stock repurchase program, which expired on August 31, 2016. Under the program, the Company could purchase up to $200,000 of CBL's common stock from time to time, in the open market, in privately negotiated transactions or otherwise, depending on market prices and other conditions. The Company was not obligated to repurchase any shares of stock under the program. No shares were repurchased under this program prior to its expiration.

Note 11 – Earnings per Share and Earnings per Unit

Earnings per Share of the Company

Basic earnings per share (“EPS”) is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners’ rights to convert their noncontrolling interests in the Operating Partnership into shares of common stock are not dilutive.

The following summarizes the impact of potential dilutive common shares on the denominator used to compute EPS:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Denominator – basic | 170,792 | 170,494 | 170,751 | 170,470 |
| Effect of performance stock units [1] | — | — | — | 30 |
| Denominator – diluted | 170,792 | 170,494 | 170,751 | 170,500 |

(1) Performance stock units are contingently issuable common shares and are included in earnings per share if the effect is dilutive. See Note 13 for a description of the long-term incentive program, which was adopted in 2015, that these units relate to.

Earnings per Unit of the Operating Partnership

Basic earnings per unit (“EPU”) is computed by dividing net income attributable to common unitholders by the weighted-average number of common units outstanding for the period. Diluted EPU assumes the issuance of common units for all potential dilutive common units outstanding.

The following summarizes the impact of potential dilutive common units on the denominator used to compute EPU:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Denominator – basic | 200,004 | 199,751 | 199,992 | 199,728 |
| Effect of performance stock units [1] | — | — | — | 30 |
| Denominator – diluted | 200,004 | 199,751 | 199,992 | 199,758 |

(1) Performance stock units are contingently issuable common units and are included in earnings per unit if the effect is dilutive. See Note 13 for a description of the long-term incentive program, which was adopted in 2015, that these units relate to.

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Note 12 – Contingencies

Litigation

The Company is currently involved in certain litigation that arises in the ordinary course of business, most of which is expected to be covered by liability insurance. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters using the latest information available. The Company records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, the Company accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, the Company discloses the nature and estimate of the possible loss of the litigation. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on the liquidity, results of operations, business or financial condition of the Company.

On May 27, 2016, Tommy French filed a putative class action in the United States District Court for the Eastern District of Tennessee on behalf of himself and all persons who purchased the Company's common stock between August 8, 2013 and May 24, 2016. Two additional suits were filed shortly thereafter with similar allegations. On June 9, 2016, The Allan J. and Sherry R. Potts Living Trust filed a putative class action in the same Court on behalf of the trust and all persons who purchased the Company's common stock between August 8, 2013 and May 24, 2016, and on June 24, 2016, International Union of Painters & Allied Trades District Council No. 35 Pension Plan filed another putative class action in the same Court on behalf of itself and all persons who purchased the Company's common stock between August 9, 2011 and May 24, 2016, containing similar allegations. On July 26, 2016, motions were submitted to the Court for the consolidation of these three cases, as well as for the appointment of a lead plaintiff. On September 26, 2016, the Court granted the motion, consolidated the cases into one action, and appointed the New Mexico Educational Retirement Board as lead plaintiff and its counsel, Bernstein Liebhard, as lead counsel. The Court granted the lead plaintiff 60 days to file a consolidated amended complaint, and once filed, the Company will file a response. The previously filed complaints are all based on substantially similar allegations that certain of the Company’s financing arrangements were obtained through fraud and/or misrepresentation, and that the Company and certain of its officers and directors made materially misleading statements to the market by failing to disclose material information concerning these alleged misrepresentations, and concerning the supposed involvement by insiders of the Company in alleged trading in the Company’s stock by a United States senator on the basis of material nonpublic information. Based on these allegations, these complaints assert claims for violation of the securities laws and seek a variety of relief, including unspecified monetary damages as well as costs and attorneys’ fees. The Company believes these complaints are without merit and intends to defend itself vigorously.

On July 29, 2016, Henry Shebitz filed a shareholder derivative suit in the Chancery Court for Hamilton County, Tennessee alleging that the Company's directors, three former directors and certain current and former officers breached their fiduciary duties by causing the Company to make materially misleading statements to the market by failing to disclose material information concerning these alleged misrepresentations, and concerning the supposed involvement by insiders of the Company in alleged trading in the Company’s stock by a United States senator on the basis of material nonpublic information. The complaint further alleges that certain of the Company's current and former officers and directors improperly engaged in transactions in the Company’s stock while in possession of material nonpublic information concerning the Company’s alleged misleading statements. The complaint purports to seek relief on behalf of the Company for unspecified damages as well as costs and attorneys’ fees. The Company believes that this complaint is without merit and intends to defend against it vigorously.

Environmental Contingencies

The Company evaluates potential loss contingencies related to environmental matters using the same criteria described above related to litigation matters. Based on current information, an unfavorable outcome concerning such environmental matters, both individually and in the aggregate, is considered to be reasonably possible. However, the Company believes its maximum potential exposure to loss would not be material to its results of operations or

financial condition. The Company has a master insurance policy that provides coverage through 2022 for certain environmental claims up to $10,000 per occurrence and up to $50,000 in the aggregate, subject to deductibles and certain exclusions. At certain locations, individual policies are in place.

Guarantees

The Operating Partnership may guarantee the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the joint venture on its investment, and a higher return on the Operating Partnership's investment in the joint venture. The Operating Partnership may receive a fee from the joint venture for providing the guaranty. Additionally, when the Operating Partnership issues a guaranty, the terms of the joint venture agreement typically provide that the Operating Partnership may receive indemnification from the joint venture partner or have the ability to increase its ownership interest. The guarantees expire upon repayment of the debt, unless noted otherwise.

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The following table represents the Operating Partnership's guarantees of unconsolidated affiliates' debt as reflected in the accompanying condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015:

| | As of September 30, 2016 | | | | | | Obligation recorded to reflect guaranty | |
|---|---|---|---|---|---|---|---|---|
| Unconsolidated Affiliate | Company's Ownership Interest | Outstanding Balance | Percentage Guaranteed by the Operating Partnership | | Maximum Guaranteed Amount | Debt Maturity Date [1] | 9/30/2016 | 12/31/2015 |
| West Melbourne I, LLC - Phase I | 50% | $ 42,997 | 20% | [2] | $ 8,599 | Feb-2018 [3] | $86 | $ 99 |
| West Melbourne I, LLC - Phase II | 50% | 16,617 | 20% | [2] | 3,323 | Feb-2018 [3] | 33 | 87 |
| Port Orange I, LLC | 50% | 58,138 | 20% | [2] | 11,628 | Feb-2018 [3] | 116 | 148 |
| Fremaux Town Center JV, LLC - Phase I | 65% | — | —% | [4] | — | Aug-2016 | — | 62 |
| Fremaux Town Center JV, LLC - Phase II | 65% | — | —% | [4] | — | Aug-2016 | — | 161 |
| Ambassador Town Center JV, LLC | 65% | — | —% | [4] | — | Dec-2017 | — | 462 |
| Ambassador Infrastructure, LLC | 65% | 11,700 | 100% | [5] | 11,700 | Dec-2017 [6] | 177 | 177 |
| | | | Total guaranty liability | | | | $412 | $ 1,196 |

(1) Excludes any extension options.

(2) The guaranty was reduced from 25% to 20% when the loan was modified and extended in February 2016. See Note 5.

(3) The loan has a one-year extension option, which is at the unconsolidated affiliate's election, for an outside maturity date of February 2019.

(4) The guaranty was removed in June 2016 when the construction loan was retired using proceeds from a non-recourse mortgage loan. See Note 5 for additional information.

(5) The guaranty will be reduced to 50% on March 1st of such year as payment-in-lieu of taxes ("PILOT") payments received and attributed to the prior calendar year by Ambassador Infrastructure and delivered to the lender are $1,200 or more, provided no event of default exists. The guaranty will be reduced to 20% when the PILOT payments are $1,400 or more, provided no event of default exists.

(6) The loan has two one-year extension options, which are the unconsolidated affiliate's election, for an outside maturity date of December 2019.

The Company has guaranteed the lease performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party’s obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord’s lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC’s performance under this agreement up to a maximum of $22,000, which decreases by $800 annually until the guaranteed amount is reduced to $10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $14,800 as of September 30, 2016. The Company entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts it is obligated to fund under the guaranty. The Company did not include an obligation for this guaranty because it determined that the fair value of the guaranty was not material as of September 30, 2016 and

December 31, 2015.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. The total amount outstanding on these bonds was $14,274 and $16,452 at September 30, 2016 and December 31, 2015, respectively.

Note 13 – Share-Based Compensation

As of September 30, 2016, there were two share-based compensation plans under which the Company has outstanding awards, the CBL & Associates Properties, Inc. 2012 Stock Incentive Plan ("the 2012 Plan") and the CBL & Associates Properties, Inc. Second Amended and Restated Stock Incentive Plan ("the 1993 Plan"). The Company can only make new awards under the 2012 Plan, which was approved by the Company's shareholders in May 2012. The 2012 Plan permits the Company to issue stock options and common stock to selected officers, employees and non-employee directors of the Company up to a total of 10,400,000 shares. The Company did not issue any new awards under the 1993 Plan, which was approved by the Company's shareholders in May 2003, between the adoption of the 2012 Plan to replace the 1993 Plan in May 2012 and the termination of the 1993 Plan (as to new awards) on May 5, 2013. As the primary operating subsidiary of the Company, the Operating Partnership participates in and bears the compensation expense associated with the Company's share-based compensation plans.

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Restricted Stock Awards

The Company may make restricted stock awards to independent directors, officers and its employees under the 2012 Plan. These awards are generally granted based on the performance of the Company and its employees. None of these awards have performance requirements other than a service condition of continued employment, unless otherwise provided. Compensation expense is recognized on a straight-line basis over the requisite service period.

Share-based compensation expense related to the restricted stock awards was $886 and $692 for the three months ended September 30, 2016 and 2015, respectively, and $2,834 and $3,615 for the nine months ended September 30, 2016 and 2015, respectively. Share-based compensation cost capitalized as part of real estate assets was $83 and $60 for the three months ended September 30, 2016 and 2015, respectively, and $274 and $213 for the nine months ended September 30, 2016 and 2015, respectively.

A summary of the status of the Company’s nonvested restricted stock awards as of September 30, 2016, and changes during the nine months ended September 30, 2016, is presented below:

| | Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2016 | 533,404 | $ 19.19 |
| Granted | 319,660 | $ 10.02 |
| Vested | (207,229) | $ 16.44 |
| Forfeited | (10,520 ) | $ 16.91 |
| Nonvested at September 30, 2016 | 635,315 | $ 15.51 |

As of September 30, 2016, there was $7,622 of total unrecognized compensation cost related to nonvested stock awards granted under the plans, which is expected to be recognized over a weighted-average period of 2.9 years.

Long-Term Incentive Program

In 2015, the Company adopted a long-term incentive program ("LTIP") for its named executive officers, which consists of performance stock unit ("PSU") awards and annual restricted stock awards, that may be issued under the 2012 Plan. The number of shares related to the PSU awards that each named executive officer may receive upon the conclusion of a three-year performance period is determined based on the Company's achievement of specified levels of long-term total stockholder return ("TSR") performance relative to the National Association of Real Estate Investment Trusts ("NAREIT") Retail Index, provided that at least a "Threshold" level must be attained for any shares to be earned. Shares earned pursuant to the PSU awards vest 60% at the conclusion of the performance period while the remaining 40% of the PSU award vests 20% on each of the first two anniversaries thereafter.

Annual Restricted Stock Awards

Under the LTIP, annual restricted stock awards consist of shares of time-vested restricted stock awarded based on a qualitative evaluation of the performance of the Company and the named executive officer during the fiscal year. Annual restricted stock awards under the LTIP vest 20% on the date of grant with the remainder vesting in four equal annual installments.

Performance Stock Units

The fair value of the PSU awards are estimated on the date of grant using a Monte Carlo Simulation model. The valuation consists of computing the fair value using CBL's simulated stock price as well as TSR over a three-year performance period. The award is modeled as a contingent claim in that the expected return on the underlying shares is risk-free and the rate of discounting the payoff of the award is also risk-free.

In February 2016, the Company granted 282,995 PSUs at a grant-date fair value of $4.98 per PSU. In March 2015, the Company granted 138,680 PSUs at a grant-date fair value of $15.52 per PSU.

Compensation cost is recognized on a tranche-by-tranche basis using the accelerated attribution method. The resulting expense is recorded regardless of whether any PSU awards are earned as long as the required service period is met.

Share-based compensation expense related to the PSUs was $258 and $156 for the three months ended September 30, 2016 and 2015, respectively. Share-based compensation expense related to the PSUs was $774 and $468 for the nine months ended September 30, 2016 and 2015, respectively. Unrecognized compensation costs related to the PSUs was

$2,163 as of September 30, 2016.

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Note 14 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the nine months ended September 30, 2016 and 2015:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Accrued dividends and distributions payable | $54,313 | $54,490 |
| Additions to real estate assets accrued but not yet paid | 16,495 | 10,114 |
| Capital contribution of note receivable to joint venture [1] | 5,280 | — |
| Capital contribution from noncontrolling interest to joint venture | 155 | — |
| Write-off of notes receivable [1] | 1,846 | — |
| Mortgage loan assumed by buyer of Fashion Square [2] | 38,237 | — |
| Mortgage loan assumed by buyer of EastGate Crossing [2] | — | 14,570 |
| Deconsolidation of River Ridge Mall: [3] | | |
| Decrease in real estate assets | (14,025) | — |
| Increase in investment in unconsolidated affiliate | 14,030 | — |
| Decrease in accounts payable and accrued liabilities | (5) | — |

(1) See Note 8 for further details.

(2) See Note 4 for additional information.

(3) See Note 3 and Note 5 for more information.

Note 15 – Income Taxes

The Company is qualified as a REIT under the provisions of the Internal Revenue Code. To maintain qualification as a REIT, the Company is required to distribute at least 90% of its taxable income to shareholders and meet certain other requirements.

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates and it may not be able to qualify as a REIT for four subsequent years. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State tax expense was $700 and $895 during the three months ended September 30, 2016 and 2015, respectively, and $2,724 and $2,715 during the nine months ended September 30, 2016 and 2015, respectively.

The Company has also elected taxable REIT subsidiary status for some of its subsidiaries. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. For these entities, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance resulting from changes in circumstances that may affect the realizability of the related deferred tax asset is included in income or expense, as applicable.

The Company recorded an income tax benefit (provision) as follows for the three and nine month periods ended September 30, 2016 and 2015:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Current tax benefit (provision) | $927 | $(660) | $1,194 | $(2,063) |
| Deferred tax benefit | 1,459 | 212 | 1,780 | 59 |
| Income tax benefit (provision) | $2,386 | $(448) | $2,974 | $(2,004) |

The Company had a net deferred tax asset of $6,251 at September 30, 2016 and a net deferred tax liability of $672 at December 31, 2015. The net deferred tax asset at September 30, 2016 is included in intangible lease assets and other assets. The net deferred tax liability at December 31, 2015 is included in accounts payable and accrued liabilities. These balances primarily consisted of operating expense accruals and differences between book and tax depreciation.

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The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its condensed consolidated statements of operations. In addition, any interest incurred on tax assessments is reported as interest expense. The Company reported nominal interest and penalty amounts for the nine month periods ended September 30, 2016 and 2015, respectively.

Note 16 – Subsequent Events

In October 2016, the Company retired the operating property loan secured by Southaven Towne Center, which had a balance of $38,314 at September 30, 2016, with borrowings on its lines of credit. The loan was scheduled to mature in January 2017 and bore interest at a fixed-rate of 5.5%.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and accompanying notes that are included in this Form 10-Q. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations have the same meanings as defined in the notes to the condensed consolidated financial statements. In this discussion, the terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the text requires.

Certain statements made in this section or elsewhere in this report 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," "intends," "projects," "goals" "targets," "predicts," "plans," "seeks," or similar expressions. Any forward-looking statement 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 described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015, 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 demand and 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;
- sales of real property;
- changes in our credit ratings; 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.

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EXECUTIVE OVERVIEW

We are a self-managed, self-administered, fully integrated REIT that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air and mixed-use centers, outlet 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 consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a VIE. As of September 30, 2016, we owned interests in the following properties:

| | Malls [1] | Associated Centers | Community Centers | Office Buildings | Total |
|---|---|---|---|---|---|
| Consolidated properties | 68 [2] | 20 | 5 | 7 [3] | 100 |
| Unconsolidated properties [4] | 9 | 4 | 5 | 5 [5] | 23 |
| Total | 77 | 24 | 10 | 12 | 123 |

(1) Category consists of regional malls, open-air centers and outlet centers (including one mixed-use center).

(2) Includes three malls that are classified as held for sale at September 30, 2016. See Note 4 to the condensed consolidated financial statements for more information.

(3) Includes our two corporate office buildings.

(4) We account for these investments using the equity method because one or more of the other partners have substantive participating rights.

(5) Includes four office buildings that are classified as held for sale at September 30, 2016. See Note 5 to the condensed consolidated financial statements for further details.

At September 30, 2016, we had interests in the following properties under development:

| | Consolidated Properties | | Unconsolidated Properties | |
|---|---|---|---|---|
| | Malls | Community Centers | Malls | Community Centers |
| Development | 1 | — | — | — |
| Expansions | 2 | 1 | 1 | 1 |
| Redevelopments | 5 | — | — | — |

We also hold options to acquire certain development properties owned by third parties.

Third quarter 2016 continued to showcase the positive results from our portfolio transformation and disposition program that we announced in our April 2014 investor call. To date, we have closed or have in process 17 mall transactions, representing a value of over $700 million. We have a binding contract to sell three malls for $32.3 million. Although we experienced a net loss for the quarter ended September 30, 2016 due primarily to a $53.6 million loss on impairment, which was primarily to write down these three malls to their fair value, we are better positioned for long-term growth as the quality of our portfolio evolves. The results of this process are evident as we note that back in 2014, approximately 22% of our total mall NOI was derived from Tier 3 malls, which we define as malls with sales of less than $300 per square foot. In contrast, our Tier 3 malls currently represent only approximately 7% of our total mall NOI. Ongoing expansions, redevelopments and select development projects also contribute to the strengthening of our portfolio. We also sold two malls, a community center and an office building during the quarter.

We recorded a net loss attributable to common shareholders of $10.2 million for the quarter ended September 30, 2016 as compared to net income of $26.3 million for the quarter ended September 30, 2015, which was primarily related to the loss on impairment discussed above. For the nine months ended September 30, 2016, we had net income of $70.4 million compared to $92.0 million for the nine months ended September 30, 2015. Same-center NOI (see below) grew 2.6% for the quarter driven by occupancy increases and higher base rents as well as savings in operating costs. We realized a 1.8% increase in FFO, as adjusted, per diluted share (see below) to $0.57 per share for the quarter and an increase of 6.8% for the year-to-date period to $1.72 per share as compared to the prior-year period.

Leasing spreads for our stabilized malls were 10.2% for leases signed in the third quarter of 2016, including a 7.3% increase in renewal spreads, and new lease spreads were 19.7%. For the trailing twelve months ended September 30,

2016, same-center sales decreased 0.5% to $377 per square foot as compared to $379 per square foot in the prior-year period. Occupancy for our total portfolio increased 110 basis points to 93.5% as of September 30, 2016 as compared to 92.4% in the prior-year period while occupancy for our same-center malls improved by 90 basis points to 92.7% as of September 30, 2016 as compared to 91.8% for the prior quarter ended September 30, 2015. Average annual base rents per square foot for our same-center malls increased to $32.06 compared to $31.41 in the prior-year period.

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Same-center NOI and FFO are non-GAAP measures. For a description of Same-center NOI, a reconciliation from net income to Same-center NOI, and an explanation of why we believe this is a useful performance measure, see Non-GAAP Measure - Same-center Net Operating Income in "Results of Operations." For a description of FFO, a reconciliation from net income (loss) attributable to common shareholders to FFO allocable to Operating Partnership common unitholders, and an explanation of why we believe this is a useful performance measure, see Non-GAAP Measure - Funds from Operations in "Critical Accounting Policies."

RESULTS OF OPERATIONS

Properties that were in operation for the entire year during 2015 and the nine months ended September 30, 2016 are referred to as the "Comparable Properties." Since January 1, 2015, we have opened two community center developments and acquired one mall as follows:

| Property | Location | Date Opened/ Acquired |
|---|---|---|
| New Developments: | | |
| Ambassador Town Center [1] | Lafayette, LA | April 2016 |
| Parkway Plaza | Fort Oglethorpe, GA | March 2015 |
| Acquisition: | | |
| Mayfaire Town Center | Wilmington, NC | June 2015 |

(1) Ambassador Town Center is a 65/35 joint venture that is accounted for using the equity method of accounting and is included in equity in earnings of unconsolidated affiliates in the accompanying consolidated statements of operations.

The properties listed above, with the exception of Ambassador Town Center, are included in our operations on a consolidated basis and are collectively referred to as the "New Properties." The transactions related to the New Properties impact the comparison of the results of operations for the three and nine months ended September 30, 2016 to the results of operations for the three and nine months ended September 30, 2015.

Comparison of the Three Months Ended September 30, 2016 to the Three Months Ended September 30, 2015

Revenues

Total revenues decreased $10.9 million for the three months ended September 30, 2016 compared to the prior-year period. Rental revenues and tenant reimbursements decreased by $9.9 million primarily due to a decrease of $10.3 million related to dispositions, which was partially offset by increases of $0.3 million from the Comparable Properties and $0.1 million related to the New Properties. The $0.3 million increase in revenues at the Comparable Properties was primarily due to an increase of $0.9 million at our core properties, partially offset by a $0.6 million decrease related to non-core properties and those in redevelopment. Positive leasing spreads and increases in base rents from occupancy gains contributed to the $0.9 million increase in revenues at our core properties.

Our cost recovery ratio for the quarter ended September 30, 2016 was 98.1% compared with 100.8% for the prior-year period due to an increase in maintenance and repairs expense.

The increase of $1.4 million in management, development and leasing fees was primarily attributable to an increase of $0.7 million in management fees from new contracts to manage six malls and one community center for third parties, an increase of $0.5 million in development fees primarily related to a redevelopment project at CoolSprings Galleria, and a $0.3 million increase from financing fees related to the loan secured by Hamilton Place, which closed in June 2016.

Other revenues decreased $2.5 million primarily due to a decrease in revenue related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses increased $46.4 million for the three months ended September 30, 2016 compared to the prior-year period. The increase was primarily due to impairment of real estate as described below. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $1.1 million primarily due to a $2.2 million decrease attributable to dispositions, which was partially offset by an increase of $1.1 million related to the

Comparable Properties. The $1.1 million increase at the Comparable Properties was primarily driven by increases in bad debt expense and maintenance and repairs expense, which were partially offset by decreases in payroll and utilities expense.

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The decrease in depreciation and amortization expense of $2.3 million primarily resulted from a decrease of $2.6 million attributable to dispositions, which was partially offset by an increase of $0.6 million from the Comparable Properties. The $0.6 million increase from the Comparable Properties includes an increase of $1.7 million attributable to our core properties, which was partially offset by a $1.2 million decrease related to non-core properties.

General and administrative expenses increased $0.2 million. General and administrative expenses in the third quarter of 2016 include $0.7 million of non-recurring professional fees expense (which represent one-time expenses that are not part of our normal operations) related to the recently completed SEC investigation. General and administrative expenses include $0.6 million and $0.3 million of expense related to litigation settlements in the third quarter of 2016 and 2015, respectively. After considering the impact of these items, general and administrative expenses decreased approximately $0.7 million primarily due to decreases in consulting and information technology expenses related to process and technology improvements completed in the prior-year period, which were partially offset by an increase in payroll and related expenses.

In the third quarter of 2016, we recognized impairments of real estate of $53.6 million to write down the book value of three malls, one community center and three office buildings. In the second quarter of 2015, we recognized an impairment of real estate of $0.9 million which was primarily related to the sale of two outparcels. See Note 3 to the condensed consolidated financial statements for additional information.

Other expenses decreased $3.2 million due to $2.0 million of abandoned projects that were expensed in the prior-year quarter and a $1.2 million decrease in expenses related to our subsidiary that provides security and maintenance services to third parties.

Other Income and Expenses

Interest expense decreased $2.2 million for the three months ended September 30, 2016 compared to the prior-year period. The $2.2 million decrease consists of $1.8 million attributable to the Comparable Properties and $0.4 million related to dispositions. The $1.8 million decrease related to the Comparable Properties consists of a decrease of $3.2 million attributable to core properties, which was partially offset by an increase of $1.4 million in accrued default interest related to three malls that are in foreclosure proceedings. Interest expense related to property-level debt declined $2.9 million from the retirement of secured debt with borrowings from our lines of credit. These decreases were partially offset by an increase in interest expense related to our corporate-level debt as our lines of credit and a new $350.0 million unsecured term loan entered into in the fourth quarter of 2015 were used to retire property-level debt.

The income tax benefit of $2.4 million for the three months ended September 30, 2016 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current and deferred tax benefit of $0.9 million and $1.5 million. During the three months ended September 30, 2015, we recorded an income tax provision of $0.4 million, consisting of a current tax provision of less than $0.7 million and a deferred tax benefit of $0.2 million.

Equity in earnings of unconsolidated affiliates increased by $7.0 million during the third quarter of 2016 compared to the prior-year period. The increase is primarily due to the sale of High Pointe Commons, a community center owned in a 50/50 joint venture. See Note 5 to the condensed consolidated financial statements for more information.

In the third quarter of 2016, we recognized a $4.9 million gain on sales of real estate assets, primarily related to the sale of six outparcels. We recognized a $3.2 million gain on sales of real estate assets in the third quarter of 2015 which consisted primarily of $2.8 million from the sale of an associated center and $0.4 million related to the sale of an outparcel.

Comparison of the Nine Months Ended September 30, 2016 to the Nine Months Ended September 30, 2015

Revenues

Total revenues decreased $7.6 million for the nine months ended September 30, 2016 compared to the prior-year period. Rental revenues and tenant reimbursements decreased by $5.3 million primarily due to a decrease of $19.5 million related to dispositions, which was partially offset by increases of $7.9 million related to the Comparable Properties and $6.2 million attributable to the New Properties. The $7.9 million increase in revenue at our Comparable Properties primarily consists of a $10.1 million increase related to our core properties partially offset by a decrease of $2.2 million attributable to non-core properties. Positive leasing spreads and increases in base rents from occupancy

gains led to increases in minimum and percentage rents, while increases in occupancy and annual contractual increases contributed to the increase in tenant reimbursements leading to the $10.1 million increase at our core properties.

Our cost recovery ratio for the nine months ended September 30, 2016 was 100.1% compared with 99.6% for the prior-year period.

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The increase of $2.6 million in management, development, financing and leasing fees for the nine months ended September 30, 2016 compared to the prior-year period was primarily attributable to an increase of $1.4 million in management fees from new contracts to manage six malls and one community center for third parties, an increase of $1.0 million from financing fees related to the loans secured by Ambassador Town Center, Fremaux Town Center and Hamilton Place, which closed in June 2016, and an increase of $0.4 million in development fees.

Other revenues decreased $4.9 million for the nine months ended September 30, 2016 compared to the prior-year period primarily due to a decrease in revenue related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses increased $108.7 million for the nine months ended September 30, 2016 compared to the prior-year period. The increase was primarily due to impairment of real estate as described below. Property operating expenses, including real estate taxes and maintenance and repairs, decreased $2.9 million primarily due to decreases of $5.1 million attributable to dispositions, partially offset by increases of $1.3 million related to the New Properties and $0.9 million attributable to the Comparable Properties. The $0.9 million increase at our Comparable Properties was primarily driven by increases in bad debt expense, maintenance and repairs expense, and real estate taxes. These increases were partially offset by decreases in payroll and related costs, marketing costs and utilities expense.

The decrease in depreciation and amortization expense of $1.0 million for the nine months ended September 30, 2016 compared to the prior-year period resulted from decreases of $4.3 million attributable to dispositions and $0.6 million related to the Comparable Properties, which were partially offset by an increase of $3.9 million related to the New Properties. The $0.6 million decrease attributable to the Comparable Properties was due to a decrease of $2.1 million from our non-core properties, which was partially offset by increases of $1.3 million related to our core properties and $0.2 million attributable to developments.

General and administrative expenses increased $0.4 million. General and administrative expenses in the nine months ended September 30, 2016 include $1.8 million of non-recurring professional fees expense (which represent one-time expenses that are not part of our normal operations) related to the recently completed SEC investigation and $2.3 million of expense related to litigation settlements. After considering the impact of these items, general and administrative expenses decreased approximately $3.7 million as compared to the prior-year period primarily due to decreases in consulting and information technology expenses related to process and technology improvements completed in the prior-year period, as well as a decrease in payroll and related expenses. These decreases were partially offset by an increase in travel expenses and a decrease in capitalized overhead related to development projects.

In the nine months ended September 30, 2016, we recognized impairments of real estate of $116.7 million to write down the book value of nine malls, an associated center, a community center, three office buildings and three outparcels. In the nine months ended September 30, 2015, we recognized impairment of real estate of $3.7 million, of which $2.6 million related to the disposition of one mall in the second quarter of 2015, $0.9 million was from the sale of two outparcels and $0.2 million related to the sale of a building at a formerly owned mall. See Note 3 and Note 4 to the condensed consolidated financial statements for additional information.

Other expenses decreased $0.9 million due to $2.1 million of abandoned projects that were expensed in the prior-year period, partially offset by a $1.3 million increase in expenses related to our subsidiary that provides security and maintenance services to third parties.

Other Income and Expenses

Interest and other income decreased $5.2 million compared to the prior-year period primarily due to $4.9 million received in the prior year as a partial settlement of a lawsuit.

Interest expense decreased $11.7 million for the nine months ended September 30, 2016 compared to the prior-year period. The $11.7 million decrease consists of $10.9 million attributable to the Comparable Properties and $0.7 million related to dispositions. The $10.9 million decrease related to the Comparable Properties primarily consists of a decrease of $12.2 million attributable to core properties, partially offset by an increase of $1.4 million in accrued default interest related to three malls that are in foreclosure proceedings. Interest expense related to property-level debt declined $15.7 million from the retirement of secured debt with borrowings from our lines of credit and net

proceeds from dispositions. We also recognized a $1.2 million decrease in expense related to our interest rate swaps, which matured in April 2016. These decreases were partially offset by an increase in interest expense related to our corporate-level debt as our lines of credit and a new $350.0 million unsecured term loan entered into in the fourth quarter of 2015 were used to retire property-level debt.

During the nine months ended September 30, 2015, we recorded a gain on extinguishment of debt of $0.3 million due to the early retirement of a mortgage loan.

We recorded a gain on investment of $16.6 million during the nine months ended September 30, 2015 related to the sale of all of our available-for-sale securities.

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The income tax benefit of $3.0 million for the nine months ended September 30, 2016 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current and deferred tax benefit of $1.2 million and $1.8 million. During the nine months ended September 30, 2015, we recorded an income tax provision of $2.0 million, consisting of a current tax provision of $2.1 million and a deferred tax benefit of $0.1 million.

Equity in earnings of unconsolidated affiliates increased by $95.0 million during the nine months ended September 30, 2016 compared to the prior-year period. The increase is primarily due to a gain of $29.2 million related to the foreclosure of Gulf Coast Town Center (owned in a 50/50 joint venture) million and $63.7 million from the sale of three unconsolidated affiliates in 2016. See Note 5 to the condensed consolidated financial statements for more information.

During the nine months ended September 30, 2016, we recognized a $14.5 million gain on sales of real estate assets which consisted primarily of $12.3 million related to the sale of a community center and eight outparcels and $2.2 million related to a parking deck project. We recognized an $18.2 million gain on sales of real estate assets during the nine months ended September 30, 2015 which consisted primarily of $16.3 million from the sale of two associated centers and $1.9 million associated with the sale of four outparcels.

Non-GAAP Measure

Same-center Net Operating Income

NOI is a supplemental non-GAAP measure of the operating performance of our shopping centers and other properties. We define NOI as property operating revenues (rental revenues, tenant reimbursements and other income) less property operating expenses (property operating, real estate taxes and maintenance and repairs).

We compute NOI based on the Operating Partnership's pro rata share of both consolidated and unconsolidated properties. We believe that presenting NOI and same-center NOI (described below) based on our Operating Partnership’s pro rata share of both consolidated and unconsolidated properties is useful since we conduct substantially all of our business through our Operating Partnership and, therefore, it reflects the performance of the properties in absolute terms regardless of the ratio of ownership interests of our common shareholders and the noncontrolling interest in the Operating Partnership. Our definition of NOI may be different than that used by other companies, and accordingly, our calculation of NOI may not be comparable to that of other companies.

Since NOI includes only those revenues and expenses related to the operations of our shopping center properties, we believe that same-center NOI provides a measure that reflects trends in occupancy rates, rental rates, sales at the malls and operating costs and the impact of those trends on our results of operations. Our calculation of same-center NOI excludes lease termination income, straight-line rent adjustments, and amortization of above and below market lease intangibles in order to enhance the comparability of results from one period to another.

We include a property in our same-center pool when we have owned all or a portion of the property since January 1 of the preceding calendar year and it has been in operation for both the entire preceding calendar year and current year-to-date period. New Properties are excluded from same-center NOI, until they meet this criteria. Properties excluded from the same-center pool that would otherwise meet this criteria are properties which are being repositioned or properties where we are considering alternatives for repositioning, where we intend to renegotiate the terms of the debt secured by the related property or return the property to the lender and those in which we own a minority interest of 25% or less. Lender properties consisted of Chesterfield Mall, Midland Mall and Wausau Center as of September 30, 2016. Properties that we are currently repositioning are Cary Towne Center and Hickory Point Mall at September 30, 2016. Properties in which we own a minority interest at September 30, 2016 include Triangle Town Center, Triangle Town Place and River Ridge Mall.

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Due to the exclusions noted above, same-center NOI should only be used as a supplemental measure of our performance and not as an alternative to GAAP operating income (loss) or net income (loss). A reconciliation of our same-center NOI to net income for the three and nine month periods ended September 30, 2016 and 2015 is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | $670 | $44,432 | $115,659 | $145,968 |
| Adjustments: [1] | | | | |
| Depreciation and amortization | 80,313 | 82,625 | 242,910 | 245,968 |
| Interest expense | 58,632 | 64,359 | 177,371 | 198,145 |
| Abandoned projects expense | 11 | 2,058 | 44 | 2,183 |
| Gain on sales of real estate assets | (12,944) | (3,803) | (107,843) | (19,897) |
| Gain on investment | — | — | — | (16,560) |
| Gain on extinguishment of debt | 6 | — | — | (256) |
| Loss on impairment | 53,558 | 884 | 116,736 | 3,665 |
| Income tax (benefit) provision | (2,386) | 448 | (2,974) | 2,004 |
| Lease termination fees | (857) | (1,346) | (2,202) | (4,383) |
| Straight-line rent and above- and below-market lease amortization | (464) | (2,455) | (4,006) | (4,856) |
| Net (income) loss attributable to noncontrolling interests in other consolidated subsidiaries | (983) | (2,198) | 449 | (4,557) |
| General and administrative expenses | 13,222 | 12,995 | 46,865 | 46,440 |
| Management fees and non-property level revenues | (1,379) | (5,877) | (12,429) | (22,914) |
| Operating Partnership's share of property NOI | 187,399 | 192,122 | 570,580 | 570,950 |
| Non-comparable NOI | (10,816) | (19,974) | (39,526) | (55,557) |
| Total same-center NOI | $176,583 | $172,148 | $531,054 | $515,393 |

(1) Adjustments are based on our Operating Partnership's pro rata ownership share, including our share of unconsolidated affiliates and excluding noncontrolling interests' share of consolidated properties.

Same-center NOI increased 2.6% for the three months ended September 30, 2016 as compared to the prior-year period. The $4.4 million increase for the three month period ended September 30, 2016 compared to the same period in 2015 consisted of a $3.5 million increase in revenue, primarily due to an increase in minimum rents as we realized benefits from rent growth and occupancy increases, and a $1.0 million decrease in operating expenses due to improved operating efficiency.

The 3.0% increase in same-center NOI for the nine months ended September 30, 2016 as compared to the prior-year period included a $14.4 million increase in revenue, which included favorable variances of $11.6 million in minimum rents and $1.9 million in tenant reimbursements. We also benefited from a $2.3 million decline in property operating costs due to savings from costs controls offset by $0.9 million in higher real estate taxes.

The growth in revenues for the three and nine months ended September 30, 2016 was driven by increases of 2.1% in average annual base rents and 0.9% in occupancy in our same-center mall portfolio. These increases were partially offset by a moderation in sales growth as we experienced a slight decrease of 0.5% in stabilized mall same-center sales per square foot for the rolling 12-month period ended September 30, 2016. Holiday sales forecasts published by industry organizations, such as the National Retail Federation and International Council of Shopping Centers, generally project a positive holiday sales season leading us to be cautiously optimistic.

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Operational Review

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

We classify our regional malls into three categories:

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

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

(2) Shoppes of the Bluegrass and The Outlet Shoppes at Atlanta were classified as non-stabilized malls as of September 30, 2016. The Outlet Shoppes of the Bluegrass, The Outlet Shoppes at Atlanta and Fremaux Town Center were classified as non-stabilized malls as of September 30, 2015.

(3) Excluded malls - We exclude malls from our core portfolio if they fall in the following categories, for which operational metrics are excluded:

Lender Properties - Properties for which we are working or intend to work with the lender on a restructure of the terms of the loan secured by the property or convey the secured property to the lender. As of September 30, 2016, Chesterfield Mall, Midland Mall and Wausau Center were classified as Lender Properties. As of September 30, 2015, Gulf Coast Town Center, Triangle Town Center and Triangle Town Place were classified as Lender

a. Properties. In the first quarter of 2016, Triangle Town Center and Triangle Town Place were recategorized as Minority Interest Properties as described below. In the second quarter of 2016, the foreclosure of Gulf Coast Town Center was complete. Lender Properties are excluded from our same-center pool as decisions made while in discussions with the lender may lead to metrics that do not provide relevant information related to the condition of these properties or they may be under cash management agreements with the respective servicers.

Repositioning Properties - Properties that are currently being repositioned or 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. This may include major redevelopment or an alternative retail or non-retail format, or after evaluating alternative strategies for the property, we may determine that the property no longer meets our criteria for long-term investment. The steps taken to reposition these properties, such as signing tenants to short-term leases, which are not included in occupancy percentages, or leasing to regional or local tenants,

b. which typically do not report sales, may lead to metrics which do not provide relevant information related to the condition of these properties. Therefore, traditional performance measures, such as occupancy percentages and leasing metrics, exclude Repositioning Properties. Cary Towne Center and Hickory Point are classified as Repositioning Properties as of September 30, 2016. Chesterfield Mall and Wausau Center were categorized as Repositioning Properties as of September 30, 2015. Chesterfield Mall was reclassified to the Lender Property category as of March 31, 2016. Wausau Center was moved from Repositioning to the Lender Property category as of June 30, 2016 when it was determined after evaluating redevelopment options that an appropriate risk-adjusted return was not achievable and the mall should be returned to the lender.

Minority Interest Properties - Properties in which we have a 25% or less ownership interest. As of September 30, 2016, we had two malls and an associated center in the Minority Interest Property category. Triangle Town Center and Triangle Town Place were reclassified from the Lender Property category in February 2016 upon the

c. Company's sale of its 50% interest in these properties to a newly formed joint venture in which the Company has a 10% ownership interest. The associated debt on these properties was restructured in conjunction with the sale. The Company also sold a 75% interest in River Ridge Mall to a new joint venture in March 2016. See Note 5 to the condensed consolidated financial statements for more information on these unconsolidated affiliates.

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We derive the majority of our revenues from the mall properties. The sources of our revenues by property type were as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Malls | 91.0% | 89.3% |
| Associated centers | 3.9 % | 3.9 % |
| Community centers | 1.9 % | 1.9 % |
| Mortgages, office buildings and other | 3.2 % | 4.9 % |

Mall Store Sales

Mall store sales include reporting mall tenants of 10,000 square feet or less for stabilized malls and exclude license agreements, which are retail contracts that are temporary or short-term in nature and generally last more than three months but less than twelve months. Stabilized Mall store sales for the trailing twelve months ended September 30, 2016 on a comparable center basis decreased approximately 0.5% to $377 per square foot compared to $379 per square foot for the trailing twelve months ended September 30, 2015. The decrease in sales was primarily driven by large declines generated by two properties located in energy markets, which offset sales growth in other markets.

Occupancy

Our portfolio occupancy is summarized in the following table [(1)]:

| | As of September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Total portfolio | 93.5% | 92.4% |
| Total mall portfolio | 92.6% | 91.7% |
| Same-center malls | 92.7% | 91.8% |
| Stabilized malls | 92.5% | 91.6% |
| Non-stabilized malls [(2)] | 93.6% | 95.0% |
| Associated centers | 96.1% | 93.8% |
| Community centers | 97.5% | 96.6% |

(1) As noted above, excluded properties are not included in occupancy metrics.

(2) Represents occupancy for The Outlet Shoppes of the Bluegrass and The Outlet Shoppes at Atlanta as of September 30, 2016 and occupancy for The Outlet Shoppes of the Bluegrass, The Outlet Shoppes at Atlanta and Fremaux Town Center as of September 30, 2015. Fremaux Town Center was classified as a community center as of March 31, 2016.

Leasing

The following is a summary of the total square feet of leases signed in the three and nine month periods ended September 30, 2016 as compared to the prior-year period:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Operating portfolio: | | | | |
| New leases | 334,006 | 450,982 | 1,155,870 | 1,156,666 |
| Renewal leases | 429,350 | 793,329 | 1,863,460 | 2,018,121 |
| Development portfolio: | | | | |
| New leases | 28,701 | 31,409 | 538,769 | 310,027 |
| Total leased | 792,057 | 1,275,720 | 3,558,099 | 3,484,814 |

Year-to-date leasing activity is up 2.1% as compared to the prior-year period. The 37.9% decrease in leases signed during the three months ended September 30, 2016 is a timing difference as we signed 67.0% more leases in the

second quarter of 2016 as compared to the same period in the prior year. We have finalized our negotiations with the new owners of Aeropostale and after closing several stores, we ended the third quarter with 58 stores. In January 2017, an additional 9 stores will close and rents at certain locations will be reduced. We estimate the gross rent impact in 2017 from these additional store closures and lease modifications will approximate $3.0 million.

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Average annual base rents per square foot are based on contractual rents in effect as of September 30, 2016 and 2015, including the impact of any rent concessions. Average annual base rents per square foot for comparable small shop space of less than 10,000 square feet were as follows for each property type [1]:

| | As of September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Same-center malls | $32.06 | $31.41 |
| Stabilized malls | 32.18 | 30.93 |
| Non-stabilized malls [2] | 26.48 | 25.53 |
| Associated centers [3] | 13.90 | 13.32 |
| Community centers [3] | 15.55 | 15.65 |
| Office buildings [3] | 20.01 | 19.45 |

(1) As noted above, excluded properties are not included in base rent.

(2) Represents average annual base rents for The Outlet Shoppes of the Bluegrass and The Outlet Shoppes at Atlanta as of September 30, 2016 and average annual base rents for The Outlet Shoppes of the Bluegrass, The Outlet Shoppes at Atlanta and Fremaux Town Center as of September 30, 2015. Fremaux Town Center was classified as a community center as of March 31, 2016.

(3) Includes annual base rent per square foot for all leased locations regardless of size.

Results from new and renewal leasing of comparable small shop space of less than 10,000 square feet during the nine month period ended September 30, 2016 for spaces that were previously occupied, based on the contractual terms of the related leases inclusive of the impact of any rent concessions, are as follows:

| Property Type | Square Feet | Prior Gross Rent PSF | New Initial Gross Rent PSF | % Change Initial | New Average Gross Rent PSF [1] | % Change Average |
|---|---|---|---|---|---|---|
| Quarter: | | | | | | |
| All Property Types [2] | 352,402 | $44.85 | $47.86 | 6.7 % | $49.25 | 9.8 % |
| Stabilized malls | 329,875 | 46.12 | 49.35 | 7.0 % | 50.81 | 10.2 % |
| New leases | 82,967 | 42.60 | 47.62 | 11.8 % | 51.01 | 19.7 % |
| Renewal leases | 246,908 | 47.31 | 49.93 | 5.5 % | 50.74 | 7.3 % |
| | | | | | | |
| Year-to-Date: | | | | | | |
| All Property Types [2] | 1,419,167 | $41.80 | $43.17 | 3.3 % | $44.55 | 6.6 % |
| Stabilized malls | 1,324,018 | 43.10 | 44.49 | 3.2 % | 45.93 | 6.6 % |
| New leases | 363,185 | 39.21 | 45.80 | 16.8 % | 48.56 | 23.8 % |
| Renewal leases | 960,833 | 44.57 | 44.00 | (1.3)% | 44.94 | 0.8 % |

(1) Average gross rent does not incorporate allowable future increases for recoverable common area expenses.

(2) Includes stabilized malls, associated centers, community centers and office buildings.

New and renewal leasing activity of comparable small shop space of less than 10,000 square feet for the nine month period ended September 30, 2016 based on commencement date is as follows:

| | Number of Leases | Square Feet | Term (in years) | Initial Rent PSF | Average Rent PSF | Expiring Rent PSF | Initial Rent Spread | | Average Rent Spread | |
|---|---|---|---|---|---|---|---|---|---|---|
| Commencement 2016: | | | | | | | | | | |
| New | 122 | 376,275 | 8.78 | $47.21 | $49.86 | $39.55 | $7.66 | 19.4 % | $10.31 | 26.1% |
| Renewal | 448 | 1,295,436 | 3.68 | 41.82 | 42.70 | 42.03 | (0.21) | (0.5)% | 0.67 | 1.6 % |
| Commencement 2016 Total | 570 | 1,671,711 | 4.77 | $43.03 | $44.31 | $41.47 | $1.56 | 3.8 % | $2.84 | 6.8 % |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Commencement 2017: | | | | | | | | | | |
| New | 21 | 44,984 | 9.00 | $61.73 | $ 66.21 | $ 51.62 | $10.11 | 19.6 % | $14.59 | 28.3% |
| Renewal | 78 | 201,484 | 3.89 | 41.12 | 41.75 | 40.45 | 0.67 | 1.7 % | 1.30 | 3.2 % |
| Commencement 2017 Total | 99 | 246,468 | 4.97 | $44.89 | $ 46.21 | $ 42.49 | $2.40 | 5.6 % | $3.72 | 8.8 % |
| Total 2016/2017 | 669 | 1,918,179 | 4.80 | $43.27 | $ 44.56 | $ 41.60 | $1.67 | 4.0 % | $2.96 | 7.1 % |

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LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2016, we had approximately $439.0 million outstanding on our three unsecured credit facilities leaving approximately $661.0 million of availability. Our borrowing rate continues to improve as we refinance maturing loans at lower interest rates. We have also used proceeds realized from dispositions to reduce balances on our credit lines, which had been used to retire secured property-level debt. In the third quarter of 2016, we retired the $51.6 million loan secured by Dakota Square Mall with borrowings from our lines of credit and the $38.2 million loan secured by Fashion Square was assumed by the buyer in conjunction with the sale of the mall. We also retired two loans secured by unconsolidated properties, of which our pro rata share of the debt aggregated to $16.6 million and had a weighted-average interest rate of 6.25%. In addition to realizing a gain of $8.4 million from the sale of High Pointe Commons, a 50/50 joint venture, we used a portion of the proceeds to retire $17.4 million of debt at our share. Total pro rata debt has decreased by $460 million for the nine months ended September 30, 2016 as compared to the prior-year period as a result of our continued efforts to deleverage our balance sheet. We anticipate further improvement of $189.6 million when the three malls in receivership are returned to the respective lenders in satisfaction of the non-recourse debt. We are also in negotiations with the lender to extend the maturity of the $70.8 million loan secured by Greenbrier Mall. Subsequent to September 30, 2016, we used availability on our credit facilities to retire the $38.3 million loan secured by Southaven Towne Center, which was scheduled to mature in January 2017 and had an interest rate of 5.5%. Our priorities are to continue the progress we have made to enhance our credit metrics, grow EBITDA and reduce debt. We have also made significant progress in growing and improving the quality of our unencumbered pool of assets. As we have retired secured loans by utilizing unsecured borrowings and disposition proceeds, our consolidated unencumbered NOI has increased to 48% of our total consolidated NOI as of September 30, 2016 from 29% as of December 31, 2013.

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

Cash Flows - Operating, Investing and Financing Activities

There was $24.5 million of unrestricted cash and cash equivalents as of September 30, 2016, a decrease of $12.4 million from December 31, 2015. Our net cash flows are summarized as follows (in thousands):

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2016 | 2015 | Change |
| Net cash provided by operating activities | $339,625 | $359,882 | $(20,257) |
| Net cash used in investing activities | (4,323) | (299,604) | 295,281 |
| Net cash used in financing activities | (347,726) | (65,779) | (281,947) |
| Net cash flows | $(12,424) | $(5,501) | $(6,923) |

Cash Provided by Operating Activities

Cash provided by operating activities decreased $20.3 million primarily due to decreases in cash flows from dispositions and timing differences related to working capital items as compared to the prior-year period. These decreases were partially offset by cash flows from the growth in same-center NOI, cash flows from New Properties and lower cash paid for interest as we continued our strategy of retiring higher-rate secured debt with lower-rate unsecured debt.

Cash Used in Investing Activities

Cash flows used in investing activities was $4.3 million, representing a $295.3 million difference as compared to cash used in investing activities of $299.6 million during the prior year period, primarily due to the acquisition of Mayfaire Town Center in the prior-year period, partially offset by proceeds received from the sale of several consolidated and unconsolidated properties in the current year.

Cash Used in Financing Activities

Cash flows used in financing activities increased by $281.9 million as we used proceeds from sales of consolidated and unconsolidated properties to reduce borrowings on our lines of credit. Additionally, the prior year period included borrowings of $192.0 million to acquire Mayfaire Town Center.

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Debt

Debt of the Company

CBL has no indebtedness. Either the Operating Partnership or one of its consolidated subsidiaries, that it has a direct or indirect ownership interest in, is the borrower on all of our debt. CBL is a limited guarantor of the Notes, issued by the Operating Partnership in November 2013 and October 2014, respectively, for losses suffered solely by reason of fraud or willful misrepresentation by the Operating Partnership or its affiliates. We also provide a similar limited guarantee of the Operating Partnership's obligations with respect to our unsecured credit facilities and three unsecured term loans as of September 30, 2016.

Debt of the Operating Partnership

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

| September 30, 2016 | Consolidated | Noncontrolling Interests | Unconsolidated Affiliates | Total | Weighted-Average Interest Rate [1] |
|---|---|---|---|---|---|
| Fixed-rate debt: | | | | | |
| Non-recourse loans on operating properties [2] | $2,505,055 | $ (109,701) | $ 523,833 | $2,919,187 | 5.37% |
| Senior unsecured notes due 2023 [3] | 446,450 | — | — | 446,450 | 5.25% |
| Senior unsecured notes due 2024 [4] | 299,938 | — | — | 299,938 | 4.60% |
| Total fixed-rate debt | 3,251,443 | (109,701) | 523,833 | 3,665,575 | 5.30% |
| Variable-rate debt: | | | | | |
| Non-recourse term loans on operating properties | 19,155 | (7,537) | 2,309 | 13,927 | 3.03% |
| Recourse term loans on operating properties | 25,847 | — | 71,253 | 97,100 | 2.69% |
| Construction loan | 10,573 | — | — | 10,573 | 3.03% |
| Unsecured lines of credit | 438,956 | — | — | 438,956 | 1.72% |
| Unsecured term loans | 800,000 | — | — | 800,000 | 1.96% |
| Total variable-rate debt | 1,294,531 | (7,537) | 73,562 | 1,360,556 | 1.96% |
| Total fixed-rate and variable-rate debt | 4,545,974 | (117,238) | 597,395 | 5,026,131 | 4.39% |
| Unamortized deferred financing costs | (14,705) | 1,015 | (2,286) | (15,976) | |
| Total mortgage and other indebtedness | $4,531,269 | $ (116,223) | $ 595,109 | $5,010,155 | |

| December 31, 2015 | Consolidated | Noncontrolling Interests | Unconsolidated Affiliates | Total | Weighted-Average Interest Rate [1] |
|---|---|---|---|---|---|
| Fixed-rate debt: | | | | | |
| Non-recourse loans on operating properties [2] | $2,736,538 | $ (110,411) | $ 664,249 | $3,290,376 | 5.51% |
| Senior unsecured notes due 2023 [3] | 446,151 | — | — | 446,151 | 5.25% |
| Senior unsecured notes due 2024 [4] | 299,933 | — | — | 299,933 | 4.60% |
| Other | 2,686 | (1,343) | — | 1,343 | 3.50% |
| Total fixed-rate debt | 3,485,308 | (111,754) | 664,249 | 4,037,803 | 5.41% |
| Variable-rate debt: | | | | | |
| Non-recourse term loans on operating properties | 16,840 | (6,981) | 2,546 | 12,405 | 2.55% |
| Recourse term loans on operating properties | 25,635 | — | 102,377 | 128,012 | 2.51% |
| Construction loans | — | — | 30,047 | 30,047 | 2.12% |

| | | | | | |
|---|---|---|---|---|---|
| Unsecured lines of credit | 398,904 | — | — | 398,904 | 1.54% |
| Unsecured term loans | 800,000 | — | — | 800,000 | 1.82% |
| Total variable-rate debt | 1,241,379 | (6,981) | 134,970 | 1,369,368 | 1.81% |
| Total fixed-rate and variable-rate debt | 4,726,687 | (118,735) | 799,219 | 5,407,171 | 4.50% |
| Unamortized deferred financing costs | (16,059) | 855 | (1,486) | (16,690) | |
| Total mortgage and other indebtedness | $4,710,628 | $ (117,880) | $ 797,733 | $5,390,481 | |

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

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(2) We had four interest rate swaps with notional amounts outstanding totaling $101,151 as of December 31, 2015 related to four of our variable-rate loans on consolidated operating properties to effectively fix the interest rates on these loans. Therefore, these amounts are reflected in fixed-rate debt at December 31, 2015. The swaps matured April 1, 2016. We have two interest rate swaps with notional amounts outstanding totaling $120,045 as of September 30, 2016 related to two of our variable-rate loans on unconsolidated operating properties to effectively fix the interest rates on these loans. Therefore, there amounts are reflected in fixed-rate debt at September 30, 2016.

(3) Net of unamortized discount of $3,550 and $3,849 as of September 30, 2016 and December 31, 2015, respectively.

(4) Net of unamortized discount of $62 and $67 as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, $242.8 million of consolidated debt is scheduled to mature in 2016, which represents three loans secured by wholly owned malls. We are in final negotiations with the lender to restructure and extend the maturity date on the $70.8 million loan secured by Greenbrier Mall. The $172.0 million aggregate remaining balance relates to the loans secured by Midland Mall and Chesterfield Mall, which we plan to return to the respective lenders as part of the foreclosure process. The $17.7 million loan secured by Wausau Center, which is scheduled to mature in 2021, is also in foreclosure.

The weighted-average remaining term of our total share of consolidated and unconsolidated debt was 3.9 years and 4.1 years at September 30, 2016 and December 31, 2015, respectively. The weighted-average remaining term of our pro rata share of fixed-rate debt was 4.3 years and 4.5 years at September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016 and December 31, 2015, our pro rata share of consolidated and unconsolidated variable-rate debt represented 27.1% and 25.3%, respectively, of our total pro rata share of debt. As of September 30, 2016, our share of consolidated and unconsolidated variable-rate debt represented 16.9% of our total market capitalization (see Equity below) as compared to 16.1% as of December 31, 2015. The increase is due to the decline in our stock price from $12.37 at December 31, 2015 to $12.14 at September 30, 2016.

See Note 6 to the condensed consolidated financial statements for additional information concerning the amount and terms of our outstanding indebtedness and compliance with applicable covenants and restrictions as of September 30, 2016.

Mortgages on Operating Properties

Financings

The following table presents loans, secured by the related properties, that were entered into in 2016 (in thousands):

| Date | Property | Consolidated/ Unconsolidated Property | Stated Interest Rate | | Maturity Date (1) | | Amount Financed or Extended | |
|---|---|---|---|---|---|---|---|---|
| June | Hamilton Place (2) | Consolidated | 4.36% | | June 2026 | | $107,000 | |
| June | Statesboro Crossing (3) | Consolidated | LIBOR + 1.80% | | June 2017 | (4) | 11,035 | |
| June | Fremaux Town Center (5) | Unconsolidated | 3.70% | (6) | June 2026 | | 73,000 | |
| June | Ambassador Town Center (7) | Unconsolidated | 3.22% | (8) | June 2023 | | 47,660 | |
| May | The Outlet Shoppes at Laredo (9) | Consolidated | LIBOR + 2.5% | (10) | May 2019 | (11) | 91,300 | |
| April | Hickory Point Mall (12) | Consolidated | 5.85% | (12) | December 2018 | (13) | 27,446 | |
| February | Port Orange (14) | Unconsolidated | LIBOR + 2.0% | | February 2018 | (15) | 58,628 | |
| February | Hammock Landing - Phase I (14) | Unconsolidated | LIBOR + 2.0% | | February 2018 | (15) | 43,347 | (16) |
| February | Hammock Landing - Phase II (14) | Unconsolidated | LIBOR + 2.0% | | February 2018 | (15) | 16,757 | |
| February | | Unconsolidated | 4.00% | (18) | | (19) | 171,092 | |

| | |
|---|---|
| Triangle Town Center, Triangle Town Place, Triangle Town Commons [17] | December 2018 |

(1) Excludes any extension options.

(2) Proceeds from the non-recourse loan were used to retire an existing $98,181 loan with an interest rate of 5.86% that was scheduled to mature in August 2016. Our share of excess proceeds was used to reduce outstanding balances on our credit facilities.

(3) The loan was modified to extend the maturity date.

(4) The loan has a one-year extension option at our election for an outside maturity date of June 2018.

(5) Net proceeds from the non-recourse loan were used to retire two existing construction loans with an aggregate balance of $71,125.

(6) The joint venture has an interest rate swap on a notional amount of $73,000, amortizing to $52,130 over the term of the swap, related to Fremaux Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(7) The non-recourse loan was used to retire an existing construction loan with a balance of $41,900 and excess proceeds were utilized to fund remaining construction costs.

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(8) The joint venture has an interest rate swap on a notional amount of $47,660, amortizing to $38,866 over the term of the swap, related to Ambassador Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(9) The consolidated 65/35 joint venture closed on a construction loan for the development of The Outlet Shoppes at Laredo, an outlet center located in Laredo, TX. The Operating Partnership has guaranteed 100% of the loan.

(10) The interest rate will be reduced to LIBOR + 2.25% once the development is complete and certain debt and operational metrics are met.

(11) The loan has one 24-month extension option, which is at the joint venture's election, for an outside maturity date of May 2021.

(12) The loan was modified to extend the maturity date. The interest rate remains at 5.85% but future amortization payments have been eliminated.

(13) The loan has a one-year extension option at our election for an outside maturity date of December 2019.

(14) The guaranty was reduced from 25% to 20% in conjunction with the refinancing. See Note 12 to the condensed consolidated financial statements for more information.

(15) The loan was modified and extended to February 2018 with a one-year extension option.

(16) The capacity was increased from $39,475 to fund the expansion.

(17) The loan was amended and modified in conjunction with the sale of the property to a newly formed joint venture. See Note 5 to the condensed consolidated financial statements for more information.

(18) The interest rate was reduced from 5.74% to 4.00% interest-only payments through the initial maturity date.

(19) The loan was extended to December 2018 with two one-year extension options.

Loan Repayments

We repaid the following loans, secured by the related properties, in 2016 (in thousands):

| Date | Property | Consolidated/ Unconsolidated Property | Interest Rate at Repayment Date | Scheduled Maturity Date | Principal Balance Repaid (1) |
|---|---|---|---|---|---|
| September | Governor's Square Mall | Unconsolidated | 8.23% | September 2016 | $ 14,089 |
| September | High Pointe Commons - Phase I (2) | Unconsolidated | 5.74% | May 2017 | 12,401 |
| September | High Pointe Commons - PetCo (2) | Unconsolidated | 3.20% | July 2017 | 19 |
| September | High Pointe Commons - Phase II (2) | Unconsolidated | 6.10% | July 2017 | 4,968 |
| August | Dakota Square Mall | Consolidated | 6.23% | November 2016 | 51,605 |
| July | Kentucky Oaks Mall | Unconsolidated | 5.27% | January 2017 | 19,912 |
| June | Hamilton Place (3) | Consolidated | 5.86% | August 2016 | 98,181 |
| April | CoolSprings Crossing | Consolidated | 4.54% | April 2016 | 11,313 |
| April | Gunbarrel Pointe | Consolidated | 4.64% | April 2016 | 10,083 |
| April | Stroud Mall | Consolidated | 4.59% | April 2016 | 30,276 |
| April | York Galleria | Consolidated | 4.55% | April 2016 | 48,337 |

(1) We retired the loans with borrowings from our credit facilities unless otherwise noted.

(2) The loan secured by the property was paid off using proceeds from the sale of the property in September 2016. See Note 5 to the condensed consolidated financial statements for more information.

(3) We retired the loan with proceeds from a $107,000 fixed-rate non-recourse loan. See above for more information.

Other

The non-recourse loans secured by Chesterfield Mall, Midland Mall and Wausau Center are in default and in receivership at September 30, 2016. The malls generate insufficient income levels to cover the debt service on the mortgages, which had an aggregate balance of $189.6 million at September 30, 2016. The Company plans to return these malls to the respective lenders when foreclosure proceedings are complete, which is estimated to be by year-end or in early 2017.

JG Gulf Coast Town Center LLC - Phases I and II

In June 2016, the foreclosure process was complete and the mortgage lender received title to the mall in satisfaction of the non-recourse mortgage loan secured by Phases I and II of Gulf Coast Town Center in Ft. Myers, FL. Gulf Coast Town Center generated insufficient cash flow to cover the debt service on the mortgage, which had a balance of $190.8 million (of which our 50.0% share was $95.4 million) and a contractual maturity date of July 2017. In the third quarter of 2015, the lender on the loan began receiving the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments. We recognized a gain on the net investment in Gulf Coast of $29.3 million, which is included in equity in earnings of unconsolidated affiliates in the condensed consolidated statements of operations.

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Interest Rate Hedging Instruments

Our outstanding interest rate derivatives, that were designated as cash flow hedges of interest rate risk, matured on April 1, 2016: (dollars in thousands):

| Instrument Type | Location in Condensed Consolidated Balance Sheet | Notional Amount Outstanding | Designated Benchmark Interest Rate | Strike Rate | Fair Value at 9/30/16 | Fair Value at 12/31/15 | Maturity Date |
|---|---|---|---|---|---|---|---|
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $48,337 (amortizing to $48,337) | 1-month LIBOR | 2.149% | $ — | $ (208) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $30,276 (amortizing to $30,276) | 1-month LIBOR | 2.187% | — | (133) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $11,313 (amortizing to $11,313) | 1-month LIBOR | 2.142% | — | (48) | April 2016 |
| Pay fixed/ Receive variable Swap | Accounts payable and accrued liabilities | $10,083 (amortizing to $10,083) | 1-month LIBOR | 2.236% | — | (45) | April 2016 |
| | | | | | $ — | $ (434) | |

Equity

During the nine months ended September 30, 2016, we paid dividends of $169.4 million to holders of CBL's common stock and preferred stock, as well as $35.7 million in distributions to the noncontrolling interest investors in the Operating Partnership and other consolidated subsidiaries. The Operating Partnership paid distributions of $33.7 million and $160.2 million on the preferred units and common units, respectively, as well as distributions of $11.2 million to the noncontrolling interests in other consolidated subsidiaries.

In the third quarter of 2016, we elected to pay cash of $11.6 million to a holder of 950,000 common units in the Operating Partnership upon the exercise of its conversion rights. In the second quarter of 2016, we elected to pay cash of $0.1 million to three holders of 14,796 common units in the Operating Partnership upon the exercise of their conversion rights.

On August 24, 2016, we announced a third quarter 2016 common stock dividend of $0.265 per share payable in cash that was payable on October 14, 2016. On June 2, 2016, we announced a second quarter 2016 common stock dividend of $0.265 per share payable in cash that was paid on July 15, 2016. On February 26, 2016, we announced a first quarter 2016 common stock dividend of $0.265 per share payable in cash that was paid on April 15, 2016. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration.

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

At-The-Market Equity Program

On March 1, 2013, we entered into Sales Agreements with a number of sales agents to sell shares of CBL's common stock, having an aggregate offering price of up to $300.0 million, from time to time through an ATM program. In accordance with the Sales Agreements, we set the parameters for the sales of shares, including the number of shares to be issued, the time period during which sales are to be made and any minimum price below which sales may not be made. The Sales Agreements provide that the sales agents are entitled to compensation for their services at a mutually

agreed commission rate not to exceed 2.0% of the gross proceeds from the sales of shares sold through the ATM program. For each share of common stock issued by CBL, the Operating Partnership issues a corresponding number of common units of limited partnership interest to CBL in exchange for the contribution of the proceeds from the stock issuance. We include only share issuances that have settled in our calculation of shares outstanding at the end of each period.

We have not sold any shares under the ATM program since 2013. The net proceeds from the ATM sales were used to reduce the balances on our credit facilities. Since the commencement of the ATM program, CBL has issued 8,419,298 shares of common stock, at a weighted-average sales price of $25.12 per share, and approximately $88.5 million remains available that may be sold under this program. Actual future sales under this program, if any, will depend on a variety of factors including but not

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limited to market conditions, the trading price of CBL's common stock and our capital needs. We have no obligation to sell the remaining shares available under the ATM program.

Common Stock Repurchase Program

In July 2015, CBL's Board of Directors authorized a common stock repurchase program, which expired on August 31, 2016. Under the program, we could purchase up to $200.0 million of CBL's common stock from time to time, in the open market, in privately negotiated transactions or otherwise, depending on market prices and other conditions. We were not obligated to repurchase any shares of stock under the program. No shares were repurchased under this program prior to its expiration.

Debt-To-Total Market Capitalization

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value of equity) ratio was 62.3% at September 30, 2016, compared to 61.9% at September 30, 2015. The increase in the debt-to-market capitalization ratio is primarily due to a decrease in CBL's stock price to $12.14 at September 30, 2016 from $13.75 at September 30, 2015. Our debt-to-market capitalization ratio at September 30, 2016 was computed as follows (in thousands, except stock prices):

| | Shares Outstanding | Stock Price [1] | Value |
|---|---|---|---|
| Common stock and operating partnership units | 199,083 | $ 12.14 | $2,416,868 |
| 7.375% Series D Cumulative Redeemable Preferred Stock | 1,815 | 250.00 | 453,750 |
| 6.625% Series E Cumulative Redeemable Preferred Stock | 690 | 250.00 | 172,500 |
| Total market equity | | | 3,043,118 |
| Company’s share of total debt | | | 5,026,131 |
| Total market capitalization | | | $8,069,249 |
| Debt-to-total-market capitalization ratio | | | 62.3 % |

(1) Stock price for common stock and Operating Partnership units equals the closing price of CBL's common stock on September 30, 2016. The stock prices for the preferred stock represent the liquidation preference of each respective series of preferred stock.

Covenants and Restrictions

The agreements for the unsecured lines of credit, the Notes and unsecured term loans contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum unencumbered asset and interest ratios, maximum secured indebtedness ratios, maximum total indebtedness ratios and limitations on cash flow distributions. We believe we were in compliance with all financial covenants and restrictions at September 30, 2016

Unsecured Lines of Credit and Unsecured Term Loans

The following presents our compliance with key covenant ratios, as defined, of the credit facilities and term loans as of September 30, 2016:

| Ratio | Required | Actual |
|---|---|---|
| Debt to total asset value | < 60% | 49% |
| Unencumbered asset value to unsecured indebtedness | > 1.6x | 2.4x |
| Unencumbered NOI to unsecured interest expense | > 1.75x | 4.57x |
| EBITDA to fixed charges (debt service) | > 1.5x | 2.5x |

The agreements for the unsecured credit facilities and unsecured term loans described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50.0 million or any non-recourse indebtedness greater than $150.0 million (for the pro rata ownership share) of CBL, the Operating Partnership or any Subsidiary, as defined, will constitute an event of default under the agreements to the credit facilities. The 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 for the credit facilities.

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Senior Unsecured Notes

The following presents our compliance with key covenant ratios, as defined, of the Notes as of September 30, 2016:

| Ratio | Required | Actual |
|---|---|---|
| Total debt to total assets | < 60% | 53% |
| Secured debt to total assets | < 45% (1) | 30% |
| Total unencumbered assets to unsecured debt | > 150% | 218% |
| Consolidated income available for debt service to annual debt service charge | > 1.5x | 3.3x |

(1) On January 1, 2020 and thereafter, secured debt to total assets must be less than 40%.

The agreements for the Notes described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50.0 million of the Operating Partnership will constitute an event of default under the Notes.

Capital Expenditures

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

The following table, which excludes expenditures for developments and expansions, summarizes these capital expenditures, including our share of unconsolidated affiliates' capital expenditures, for the three and nine month period ended September 30, 2016 compared to the same period in 2015 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Tenant allowances (1) | $17,811 | $17,685 | $50,707 | $49,725 |
| Renovations | 6,390 | 11,227 | 11,011 | 23,273 |
| Deferred maintenance: | | | | |
| Parking lot and parking lot lighting | 9,171 | 10,689 | 11,936 | 18,136 |
| Roof repairs and replacements | 2,178 | 545 | 3,221 | 2,654 |
| Other capital expenditures | 1,464 | 4,610 | 7,292 | 6,769 |
| Total deferred maintenance | 12,813 | 15,844 | 22,449 | 27,559 |
| Capitalized overhead | 1,103 | 971 | 4,051 | 4,680 |
| Capitalized interest | 616 | 909 | 1,612 | 3,141 |
| Total capital expenditures | $38,733 | $46,636 | $89,830 | $108,378 |

(1) Tenant allowances primarily relate to new leases. Tenant allowances related to renewal leases were not material for the periods presented.

Our total investment in renovations that are scheduled for 2016 is projected to be $15.0 million, which includes approximately $7.0 million, at our share, of a $13.8 million renovation at CoolSprings Galleria in Nashville, TN as well as other eco-friendly green renovations. Annual capital expenditures budgets are prepared for each of our properties that are intended to provide for all necessary recurring and non-recurring capital expenditures. We believe that property operating cash flows, which include reimbursements from tenants for certain expenses, will provide the necessary funding for these expenditures.

Developments and Expansions

Since 2013, we have completed or have under construction over 20 redevelopment projects which represent an investment of approximately $250 million at our share with an average return of 8.5%.

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The following tables summarize our development projects as of September 30, 2016.

Properties Opened During the Nine Months Ended September 30, 2016
(Dollars in thousands)

| Property | Location | CBL Ownership Interest | Total Project Square Feet | CBL's Share of Total Cost [1] | CBL's Share of Cost to Date [2] | Opening Date | Initial Unleveraged Yield |
|---|---|---|---|---|---|---|---|
| Community Center: | | | | | | | |
| Ambassador Town Center | Lafayette, LA | 65% | 431,139 | $40,295 | $33,444 | Apr-16 | 8.5% |
| Mall Expansion: | | | | | | | |
| Hamilton Place - Theatre | Chattanooga, TN | 90% | 30,169 | 4,868 | 3,239 | Sep-16 | 9.1% |
| Kirkwood Mall - Self Development (Panera Bread, Verizon, Caribou Coffee) | Bismarck, ND | 100% | 12,570 | 3,702 | 4,189 | Mar-16 | 10.5% |
| | | | 42,739 | 8,570 | 7,428 | | |
| Community Center Expansion: | | | | | | | |
| High Pointe Commons (Petco) [3] | Harrisburg, PA | 50% | 12,885 | 1,012 | 797 | Sep-16 | 10.5% |
| Mall Redevelopments: | | | | | | | |
| CoolSprings Galleria - Sears Redevelopment (American Girl, Cheesecake Factory) | Nashville, TN | 50% | 208,976 | 32,307 | 34,066 | May-16 | 7.2% |
| Oak Park Mall - Self Development | Overland Park, KS | 50% | 6,735 | 1,230 | 1,100 | Jul/Aug-16 | 8.2% |
| Randolph Mall - JCP Redevelopment (Ross/ULTA) | Asheboro, NC | 100% | 33,796 | 4,513 | 4,257 | May/Jul-16 | 7.8% |
| | | | 249,507 | 38,050 | 39,423 | | |
| Total Properties Opened | | | 736,270 | $87,927 | $81,092 | | |

(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 community center was sold in September 2016.

Properties Under Development at September 30, 2016
(Dollars in thousands)

| Property | Location | CBL Ownership Interest | Total Project Square Feet | CBL's Share of Total Cost [1] | CBL's Share of Cost to Date [2] | Expected Opening Date | Initial Unleveraged Yield |
|---|---|---|---|---|---|---|---|
| Outlet Center: | | | | | | | |
| The Outlet Shoppes at Laredo | Laredo, TX | 65% | 357,756 | $69,926 | $20,738 | Spring-17 | 9.6% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Mall Expansions: | | | | | | | |
| Dakota Square Mall - Expansion | Minot, ND | 100% | 23,922 | 7,284 | 2,932 | Fall-16 | 7.5% |
| Friendly Center - Cheesecake Factory | Greensboro, NC | 50% | 9,156 | 2,330 | 1,191 | Fall-16 | 10.8% |
| Friendly Center - Shops | Greensboro, NC | 50% | 12,765 | 2,546 | 1,931 | Fall-16 | 8.1% |
| Mayfaire Town Center - Phase I | Wilmington, NC | 100% | 67,766 | 19,395 | 6,058 | Spring-17 | 8.4% |
| | | | 113,609 | 31,555 | 12,112 | | |
| Community Center Expansions: | | | | | | | |
| The Forum at Grandview - Expansion | Madison, MS | 75% | 24,516 | 5,486 | 1,589 | Fall-16 | 8.5% |
| Hammock Landing - Expansion | West Melbourne, FL | 50% | 23,717 | 2,351 | 1,575 | Fall-16 | 10.7% |
| | | | 48,233 | 7,837 | 3,164 | | |
| Mall Redevelopments: | | | | | | | |
| College Square - JCP Redevelopment (Dick's/ULTA) | Morristown, TN | 100% | 90,879 | 14,881 | 7,534 | Fall-16 | 7.6% |
| East Towne Mall (Planet Fitness/Shops) | Madison, WI | 100% | 27,692 | 2,142 | 983 | Winter-16 | 12.1% |
| Hickory Point Mall (T.J. Maxx/Shops) | Forsyth, IL | 100% | 50,030 | 3,581 | 43 | Fall-17 | 10.0% |
| Northpark Mall (Dunham's Sports) | Joplin, MO | 100% | 80,524 | 4,007 | 3,809 | Fall-16 | 9.5% |

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| Property | Location | CBL Ownership Interest | Total Project Square Feet | CBL's Share of Total Cost [1] | Cost to Date [2] | Expected Opening Date | Initial Unleveraged Yield |
|---|---|---|---|---|---|---|---|
| York Galleria - Partial JCP Redevelopment (H&M/Shops) | York, PA | 100% | 42,672 | 5,597 | 205 | Winter-16 | 7.8% |
| York Galleria - Partial JCP Redevelopment (Gold's Gym/Shops) | York, PA | 100% | 40,832 | 5,658 | 115 | Spring-17 | 12.8% |
| | | | 332,629 | 35,866 | 12,689 | | |
| Total Properties Under Development | | | 852,227 | $145,184 | $48,703 | | |

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

Construction continues on The Outlet Shoppes at Laredo, our 65/35 joint venture with Horizon. The leasing is nearing 80% and includes tenants such as Michael Kors, Brooks Brothers, Nike, Under Armour and Puma.

We began construction in the third quarter on several redevelopments. These include the addition of T. J. Maxx at Hickory Point Mall and a Planet Fitness that will open by year-end at East Towne Mall.

Additionally, anchor redevelopment projects are under construction at several malls. These projects involve former department stores, which afford us the opportunity to revitalize these spaces with a new mix of tenants and enhance the value of our properties. We proactively negotiated a lease termination last year to obtain the former JC Penney space at College Square. We are replacing a former Shopko with a Dunham's Sporting Goods store at Northpark Mall and redeveloping the former JC Penney at York Galleria, which will include Gold's Gym, H&M and additional stores and restaurants.

We own land and hold options to acquire certain development properties owned by third parties. Except for the projects presented above, we do not have any other material capital commitments as of September 30, 2016.

Acquisitions and Dispositions

See Note 4 and Note 5 to the condensed consolidated financial statements for a description of our acquisition and disposition activity related to consolidated and unconsolidated affiliates.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 17 unconsolidated affiliates as of September 30, 2016 that are described in Note 5 to the condensed consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the condensed consolidated balance sheets as “Investments in Unconsolidated Affiliates.” The following are circumstances when we may consider entering into a joint venture with a third party:

- Third parties may approach us with opportunities in which they have obtained land and performed some pre-development activities, but they may not have sufficient access to the capital resources or the development and leasing expertise to bring the project to fruition. We enter into such arrangements when we determine such a project is viable and we can achieve a satisfactory return on our investment. We typically earn development fees from the joint venture and provide management and leasing services to the property for a fee once the property is placed in operation.
- We determine that we may have the opportunity to capitalize on the value we have created in a property by selling an interest in the property to a third party. This provides us with an additional source of capital that can be used to develop or acquire additional real estate assets that we believe will provide greater potential for growth. When we retain an interest in an asset rather than selling a 100% interest, it is typically because this allows us to continue to manage the property, which provides us the ability to earn fees for management, leasing, development and financing

services provided to the joint venture.

Guarantees

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

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The following table represents our guarantees of unconsolidated affiliates' debt as reflected in the accompanying condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015 (in thousands):

| | As of September 30, 2016 | | | | | | Obligation recorded to reflect guaranty | |
|---|---|---|---|---|---|---|---|---|
| Unconsolidated Affiliate | Company's Ownership Interest | Outstanding Balance | Percentage Guaranteed by the Operating Partnership | | Maximum Guaranteed Amount | Debt Maturity Date [1] | 9/30/2016 | 12/31/2015 |
| West Melbourne I, LLC - Phase I | 50% | $ 42,997 | 20% | [2] | $ 8,599 | Feb-2018 [3] | $86 | $ 99 |
| West Melbourne I, LLC - Phase II | 50% | 16,617 | 20% | [2] | 3,323 | Feb-2018 [3] | 33 | 87 |
| Port Orange I, LLC | 50% | 58,138 | 20% | [2] | 11,628 | Feb-2018 [3] | 116 | 148 |
| Fremaux Town Center JV, LLC - Phase I | 65% | — | —% | [4] | — | Aug-2016 | — | 62 |
| Fremaux Town Center JV, LLC - Phase II | 65% | — | —% | [4] | — | Aug-2016 | — | 161 |
| Ambassador Town Center JV, LLC | 65% | — | —% | [4] | — | Dec-2017 | — | 462 |
| Ambassador Infrastructure, LLC | 65% | 11,700 | 100% | [5] | 11,700 | Dec-2017 [6] | 177 | 177 |
| | | | Total guaranty liability | | | | $412 | $ 1,196 |

(1) Excludes any extension options.

(2) The guaranty was reduced from 25% to 20% when the loan was modified and extended in February 2016. See Note 5 to the condensed consolidated financial statements.

(3) The loan has a one-year extension option, which is at the unconsolidated affiliate's election, for an outside maturity date of February 2019.

(4) The guaranty was removed in June 2016 when the construction loan was retired using proceeds from a non-recourse mortgage loan. See Note 5 to the condensed consolidated financial statements or additional information.

(5) The guaranty will be reduced to 50% on March 1st of such year as PILOT payments received and attributed to the prior calendar year by Ambassador Infrastructure and delivered to the lender are $1,200 or more, provided no event of default exists. The guaranty will be reduced to 20% when the PILOT payments are $1,400 or more, provided no event of default exists.

(6) The loan has two one-year extension options, which are the unconsolidated affiliate's election, for an outside maturity date of December 2019.

We have guaranteed the lease performance of YTC, an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party’s obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord’s lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. We have guaranteed YTC’s performance under this agreement up to a maximum of $22.0 million, which decreases by $0.8 million annually until the guaranteed amount is reduced to $10.0 million. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $14.8 million as of September 30, 2016. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We did not include an obligation for this guaranty because we determined that the fair value of the guaranty was not

material as of September 30, 2016 and December 31, 2015.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and disclosures. Some of these estimates and assumptions require application of difficult, subjective, and/or complex judgment about the effect of matters that are inherently uncertain and that may change in subsequent periods. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our Annual Report on Form 10-K for the year ended December 31, 2015 contains a discussion of our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations section.

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There have been no material changes to these policies and estimates during the nine months ended September 30, 2016. Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements for information on recently issued accounting pronouncements.

Impact of Inflation and Deflation

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

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

Non-GAAP Measure

Funds from Operations

FFO is a widely used non-GAAP measure of the operating performance of real estate companies that supplements net income (loss) determined in accordance with GAAP. NAREIT defines FFO as net income (loss) (computed in accordance with GAAP) excluding gains or losses on sales of depreciable operating properties and impairment losses of depreciable properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures and noncontrolling interests. Adjustments for unconsolidated partnerships, joint ventures and noncontrolling interests are calculated on the same basis. We define FFO as defined above by NAREIT less dividends on preferred stock of the Company or distributions on preferred units of the Operating Partnership, as applicable. Our method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

We believe that FFO provides an additional indicator of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes the value of real estate assets declines predictably over time. Since values of well-maintained real estate assets have historically risen with market conditions, we believe that FFO enhances investors' understanding of our operating performance. The use of FFO as an indicator of financial performance is influenced not only by the operations of our properties and interest rates, but also by our capital structure.

We present both FFO allocable to Operating Partnership common unitholders and FFO allocable to common shareholders, as we believe that both are useful performance measures. We believe FFO allocable to Operating Partnership common unitholders is a useful performance measure since we conduct substantially all of our business through our Operating Partnership and, therefore, it reflects the performance of the properties in absolute terms regardless of the ratio of ownership interests of our common shareholders and the noncontrolling interest in our Operating Partnership. We believe FFO allocable to common shareholders is a useful performance measure because it is the performance measure that is most directly comparable to net income (loss) attributable to common shareholders. In our reconciliation of net income attributable to common shareholders to FFO allocable to Operating Partnership common unitholders that is presented below, we make an adjustment to add back noncontrolling interest in income (loss) of our Operating Partnership in order to arrive at FFO of the Operating Partnership common unitholders. We then apply a percentage to FFO of the Operating Partnership common unitholders to arrive at FFO allocable to common shareholders. The percentage is computed by taking the weighted-average number of common shares

outstanding for the period and dividing it by the sum of the weighted-average number of common shares and the weighted-average number of Operating Partnership units held by noncontrolling interests during the period.

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

FFO, as adjusted, for the three and nine months ended September 30, 2016 grew 1.8% and 6.8%, respectively, to $0.57 and $1.72 per share compared to the prior-year periods. The increase in FFO, as adjusted, for the three and nine month periods

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ended September 30, 2016, was primarily due to rent growth and occupancy increases in the same-center pool as well as contributions from new developments and interest rate savings. This growth was partially offset by dilution from asset sales completed year-to-date.

FFO, as adjusted, during the three months ended September 30, 2016, excludes $0.7 million of nonrecurring professional fees expense, $0.6 million of litigation expense, $1.1 million of equity in losses from the disposals of unconsolidated affiliates and $1.4 million of non-cash default interest expense. Additionally, during the nine months ended September 30, 2016, we recognized a $54.5 million increase in equity earnings, of which $27.9 million related to the foreclosure of the loan secured by Gulf Coast Town Center and $26.4 million related to the sale of our 50% interest in Triangle Town Center; $2.3 million of litigation expense and $1.8 million of nonrecurring professional fees expense. During the three months ended September 30, 2015, we recognized $0.3 million of expense related to a litigation settlement and a $0.3 million gain on extinguishment of debt. Additionally, during the nine months ended September 30, 2015 we recognized a $16.6 million gain on investment related to the sale of marketable securities, a $0.3 million gain on extinguishment of debt and received income of $1.3 million, net of related expense, as a partial settlement of ongoing litigation. Considering the significance and nature of these items, we believe it is important to identify the impact of these changes on our FFO measures for a reader to have a complete understanding of our results of operations. Therefore, we have also presented FFO, as adjusted, excluding these items.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net income (loss) attributable to common shareholders | $(10,164) | $26,346 | $70,383 | $91,959 |
| Noncontrolling interest in income of Operating Partnership | (1,372) | 4,665 | 12,056 | 15,783 |
| Depreciation and amortization expense of: | | | | |
| Consolidated properties | 71,794 | 74,045 | 220,505 | 221,550 |
| Unconsolidated affiliates | 10,756 | 10,734 | 29,090 | 31,354 |
| Non-real estate assets | (838) | (711) | (2,397) | (2,284) |
| Noncontrolling interests' share of depreciation and amortization | (2,237) | (2,154) | (6,685) | (6,936) |
| Loss on impairment, net of tax | 51,812 | 884 | 114,990 | 3,665 |
| Gain on depreciable property, net of tax | (8,685) | (2,849) | (44,206) | (15,045) |
| FFO allocable to Operating Partnership common unitholders | 111,066 | 110,960 | 393,736 | 340,046 |
| Litigation settlements, net of related expenses [1] | 601 | 325 | 2,308 | (1,329) |
| Nonrecurring professional fees expense [1] | 662 | — | 1,781 | — |
| Gain on investment | — | — | — | (16,560) |
| Equity in (earnings) losses from disposals of unconsolidated affiliates | 1,145 | — | (54,485) | — |
| Non-cash default interest expense | 1,374 | — | 1,374 | — |
| Gain on extinguishment of debt | 6 | — | — | (256) |
| FFO allocable to Operating Partnership common unitholders, as adjusted | $114,854 | $111,285 | $344,714 | $321,901 |
| FFO per diluted share | $0.56 | $0.56 | $1.97 | $1.70 |
| FFO, as adjusted, per diluted share | $0.57 | $0.56 | $1.72 | $1.61 |
| Weighted-average common and potential dilutive common shares outstanding with Operating Partnership units fully converted | 200,004 | 199,751 | 199,992 | 199,758 |

(1) Litigation settlement income is included in Interest and Other Income in the Condensed Consolidated Statements of Operations. Litigation expense, including settlements paid, is included in General and Administrative expense in the Condensed Consolidated Statements of Operations. Nonrecurring professional fees expense is included in

General and Administrative expense in the Condensed Consolidated Statements of Operations.

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The reconciliation of diluted EPS to FFO per diluted share is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Diluted EPS attributable to common shareholders | $(0.06) | $0.15 | $0.41 | $0.54 |
| Eliminate amounts per share excluded from FFO: | | | | |
| Depreciation and amortization expense, including amounts from consolidated properties, unconsolidated affiliates, non-real estate assets and excluding amounts allocated to noncontrolling interests | 0.40 | 0.42 | 1.21 | 1.22 |
| Loss on impairment | 0.26 | — | 0.57 | 0.01 |
| Gain on depreciable property, net of tax | (0.04) | (0.01) | (0.22) | (0.07) |
| FFO per diluted share | $0.56 | $0.56 | $1.97 | $1.70 |

The reconciliations of FFO allocable to Operating Partnership common unitholders to FFO allocable to common shareholders, including and excluding the net litigation settlements, gain on investment and gain on extinguishment of debt, are as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| FFO allocable to Operating Partnership common unitholders | $111,066 | $110,960 | $393,736 | $340,046 |
| Percentage allocable to common shareholders [1] | 85.39 % | 85.35 % | 85.38 % | 85.35 % |
| FFO allocable to common shareholders | $94,839 | $94,704 | $336,172 | $290,229 |
| FFO allocable to Operating Partnership common unitholders, as adjusted | $114,854 | $111,285 | $344,714 | $321,901 |
| Percentage allocable to common shareholders [1] | 85.39 % | 85.35 % | 85.38 % | 85.35 % |
| FFO allocable to common shareholders, as adjusted | $98,074 | $94,982 | $294,317 | $274,743 |

(1) Represents the weighted-average number of common shares outstanding for the period divided by the sum of the weighted-average number of common shares and the weighted-average number of Operating Partnership units held by noncontrolling interests during the period.

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at September 30, 2016, a 0.5% increase or decrease in interest rates on variable-rate debt would decrease or increase annual cash flows by approximately $6.8 million and $2.1 million, respectively, and increase or decrease annual interest expense, after the effect of capitalized interest, by approximately $6.7 million and $2.0 million, respectively.

Based on our proportionate share of total consolidated and unconsolidated debt at September 30, 2016, a 0.5% increase in interest rates would decrease the fair value of debt by approximately $77.3 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately $80.4 million.

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ITEM 4: Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, an evaluation was performed under the supervision of our Chief Executive Officer and Chief Financial Officer and with the participation of our management, of the effectiveness of the design and operation of the Company's and the Operating Partnership's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's and the Operating Partnership's disclosure controls and procedures are effective to ensure that information that the Company and the Operating Partnership are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and to ensure that information we are required to disclose 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.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's or the Operating Partnership's internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

We are currently involved in certain litigation that arises in the ordinary course of business, most of which is expected to be covered by liability insurance. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on our liquidity, results of operations, business or financial condition.

On May 27, 2016, Tommy French filed a putative class action in the United States District Court for the Eastern District of Tennessee on behalf of himself and all persons who purchased our common stock between August 8, 2013 and May 24, 2016. Two additional suits were filed shortly thereafter with similar allegations. On June 9, 2016, The Allan J. and Sherry R. Potts Living Trust filed a putative class action in the same Court on behalf of the trust and all persons who purchased our common stock between August 8, 2013 and May 24, 2016, and on June 24, 2016, International Union of Painters & Allied Trades District Council No. 35 Pension Plan filed another putative class action in the same Court on behalf of itself and all persons who purchased our common stock between August 9, 2011 and May 24, 2016, containing similar allegations. On July 26, 2016, motions were submitted to the Court for the consolidation of these three cases, as well as for the appointment of a lead plaintiff. On September 26, 2016, the Court granted the motion, consolidated the cases into one action, and appointed the New Mexico Educational Retirement Board as lead plaintiff and its counsel, Bernstein Liebhard, as lead counsel. The Court granted the lead plaintiff 60 days to file a consolidated amended complaint, and once filed, the Company will file a response. The previously filed complaints are all based on substantially similar allegations that certain of the Company’s financing arrangements were obtained through fraud and/or misrepresentation, and that we and certain of our officers and directors made materially misleading statements to the market by failing to disclose material information concerning these alleged misrepresentations, and concerning the supposed involvement by insiders of the Company in alleged trading in the Company’s stock by a United States senator on the basis of material nonpublic information. Based on these allegations, these complaints assert claims for violation of the securities laws and seek a variety of relief, including unspecified monetary damages as well as costs and attorneys’ fees. We believe these complaints are without merit and intend to defend ourselves vigorously.

On July 29, 2016, Henry Shebitz filed a shareholder derivative suit in the Chancery Court for Hamilton County, Tennessee alleging that our directors, three former directors and certain current and former officers breached their fiduciary duties by causing us to make materially misleading statements to the market by failing to disclose material information concerning these alleged misrepresentations, and concerning the supposed involvement by insiders of the

Company in alleged trading in the Company's stock by a United States senator on the basis of material nonpublic information. The complaint further alleges that certain of our current and former officers and directors improperly engaged in transactions in the Company's stock while in possession of material nonpublic information concerning the Company's alleged misleading statements. The complaint purports to seek relief on behalf of us for unspecified damages as well as costs and attorneys' fees. We believe that this complaint is without merit and intends to defend against it vigorously.

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ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks that could materially affect our business, financial condition or results of operations that are discussed under the caption “Risk Factors” in Part I, Item1A of our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes to such risk factors since the filing of our Annual Report.

ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds

| Period | Total Number of Shares Purchased [1] [2] | Average Price Paid per Share [3] | Total Number of Shares Purchased as Part of a Publicly Announced Plan [2] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan [2] |
|---|---|---|---|---|
| July 1–31, 2016 | 392 | $ 10.79 | — | $ — |
| August 1–31, 2016 | — | — | — | — |
| September 1–30, 2016 | 1,732 | 12.09 | — | — |
| Total | 2,124 | $ 11.85 | — | $ — |

(1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax requirements related to the vesting of shares of restricted stock.

(2) Does not include any activity under the $200 million common stock repurchase program approved by the Company's Board of Directors in July 2015, pursuant to which no shares were repurchased during the quarter. This program expired in August 2016.

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

Operating Partnership Units

During the three months ended September 30, 2016, the Operating Partnership elected to pay $11.6 million in cash to one holder of 950,000 common units who exercised its conversion rights.

There is no established public trading market for the Operating Partnership’s common units and they are not registered under Section 12 of the Securities Exchange Act of 1934. Each limited partner in the Operating Partnership has the right to exchange all or a portion of its common units for shares of the Company’s common stock, or at the Company’s election, their cash equivalent.

ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Mine Safety Disclosures

Not applicable.

ITEM 5: Other Information

None.

ITEM 6: Exhibits

The Exhibit Index attached to this report is incorporated by reference into this Item 6.

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SIGNATURES

Pursuant to the requirements 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.

/s/ Farzana K. Mitchell

_____

Farzana K. Mitchell
Executive Vice President -
Chief Financial Officer and Treasurer
(Authorized Officer and Principal Financial Officer)

CBL & ASSOCIATES LIMITED PARTNERSHIP

By: CBL HOLDINGS I, INC., its general partner

/s/ Farzana K. Mitchell

_____

Farzana K. Mitchell
Executive Vice President -
Chief Financial Officer and Treasurer
(Authorized Officer and Principal Financial Officer)

Date: November 8, 2016

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INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|
| 12.1 | Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends of CBL & Associates Properties, Inc. |
| 12.2 | Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends of CBL & Associates Limited Partnership |
| 12.3 | Computation of Ratio of Earnings to Fixed Charges of CBL & Associates Properties, Inc. |
| 12.4 | Computation of Ratio of Earnings to Fixed Charges of CBL & Associates Limited Partnership |
| 31.1 | Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Properties, Inc. |
| 31.2 | Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Properties, Inc. |
| 31.3 | Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Limited Partnership |
| 31.4 | Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Limited Partnership |
| 32.1 | Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Properties, Inc. |
| 32.2 | Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Properties, Inc. |
| 32.3 | Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Limited Partnership |
| 32.4 | Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for CBL & Associates Limited Partnership |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |