

ORGANIZATIONAL EXAMINATION

of the

HAMILTON INSURANCE COMPANY, LLC

**2030 HAMILTON PLACE BOULEVARD
SUITE 500
CHATTANOOGA, TN 37421**

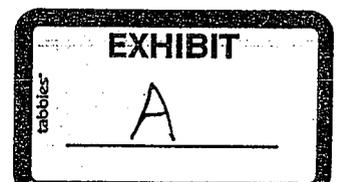
as of

December 22, 2008

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE



December 23, 2008
Chattanooga, Tennessee

Honorable Leslie A. Newman
Commissioner of Commerce and Insurance
State of Tennessee
Nashville, Tennessee

Commissioner Newman:

In accordance with your instructions and pursuant to the provisions of Section 56-13-106(b), Tennessee Code Annotated, a financial condition examination has been made concerning the records, affairs, and operations of

Hamilton Insurance Company, LLC

Chattanooga, Tennessee

hereinafter generally referred to as the Company, and a report thereon is submitted as follows.

SCOPE OF EXAMINATION

This financial examination was conducted as of December 22, 2008 to determine if the Company had complied with the statutory and regulatory requirements to apply for a Certificate of Authority to transact business in the State of Tennessee as a captive insurance company according to the provisions of Title 56, Chapter 13, Tennessee Code Annotated.

HISTORY AND ORGANIZATION

The Company was incorporated on December 2, 2008 as a for profit pure captive insurance company under the provisions of the Tennessee General Corporation Act and the Tennessee Captive Insurance Company Act. The duration of the Company is perpetual and the location of its principal office is 2030 Hamilton Place Boulevard, Suite 500, Chattanooga, Tennessee 37421.

According to the Articles of Organization, the purpose of the Company is to engage in the business of insurance as a principal. The kinds of insurance the Company shall be formed to transact are reinsurance and insurance to protect against professional liability, property, casualty, errors and omissions and comprehensive general liability, as such terms are defined under applicable Tennessee law, and to engage in any other lawful business under the laws of the State of Tennessee.

The Operating Agreement authorizes one thousand (1,000) units. As consideration for the issuance of such units, the Company was provided an irrevocable letter of credit issued by Regions Bank, Birmingham, Alabama on behalf of the Company and in favor of the Commissioner of Commerce and Insurance, State of Tennessee, as its designated beneficiary. Such irrevocable letter of credit was issued on November 26, 2008, to expire on November 26, 2009 with automatic one year extensions for a maximum amount of seven hundred fifty thousand dollars (\$750,000).

The Company designated four hundred thousand dollars (\$400,000) as capital paid in and three hundred fifty thousand dollars (\$350,000) as gross paid in and contributed surplus pursuant to the provisions of Tenn. Code Ann. Sections 56-13-116 and 119.

MANAGEMENT AND CONTROL

As of December 2, 2008, the following persons were Officers and Managers of the Company,

Officers

Charles B. Lebovitz	Chairman and CEO
Stephen P. Lebovitz	President and Secretary
John N. Foy	Vice Chairman, CFO and Treasurer

Managers

Charles B. Lebovitz
Stephen P. Lebovitz
John N. Foy

PROPOSED PLAN OF OPERATION

Hamilton Insurance Company, LLC is being formed as a single parent captive insurance company under the laws of the State of Tennessee. The purpose of the company is to provide property coverage to CBL & Associates Limited Partnership.

STATUTORY DEPOSIT

Effective December 5, 2008, the Company submitted an irrevocable letter of credit to the Department of Commerce and Insurance for deposit pursuant to the provisions of Sections 56-13-116 and 117, Tennessee Code Annotated. Such irrevocable letter of credit was issued by Regions Bank, Birmingham, Alabama, on November 26, 2008, to expire on November 26, 2009, with automatic one year extensions for a maximum amount of seven hundred fifty thousand dollars (\$750,000). The irrevocable letter of credit was determined by this examination to be substantially in the form and content as provided by Chapter 0780-1-41 of the Rules and Regulations of the Department of Commerce and Insurance.

FINANCIAL STATEMENT

As determined by this examination, the financial statement of the Company as of December 2, 2008 is as follows:

Assets

Irrevocable letter of credit	<u>\$750,000</u>
Total Assets	<u>\$750,000</u>

Liabilities, Capital, and Surplus

Common Capital Stock	\$400,000
Gross paid in and contributed surplus	350,000
Total Capital and Surplus	<u>750,000</u>
Total Liabilities, Capital and Surplus	<u>\$750,000</u>

RECOMMENDATIONS

According to Section 5, Paragraph 5.1 of the Operating Agreement, the ordinary and usual decisions concerning the business affairs of the Company shall be managed by the Sole Member (CBL & Associates Limited Partnership). Tenn. Code Ann. 56-13-107(a) requires that the business of each captive insurance company incorporated on or after March 14, 1978, under the laws of this, shall be managed by a board of directors consisting of such number of directors not less than three (3) as may be prescribed by the Articles of Incorporation or bylaws. It is recommended that the Company amend the Operating Agreement so that it complies with the requirements of Tenn. Code Ann. 56-13-107(a).

CONCLUSION

I have verified the foregoing financial statement as included in this examination report. In conjunction, I have inspected the following documents and records of the Company: The opening statements on an NAIC blank; Articles of Organization; copies of the Irrevocable Standby letter of Credit held by Regions Bank; Admission fee paid; the Approved memo – Application for Admission.

It appears that the Company has fulfilled all necessary requirements to receive a Certificate of Authority to transact business in the State of Tennessee. Therefore, I recommend that Hamilton Insurance Company, LLC be issued a Certificate of Authority pursuant to the provisions of Section 56-13-104(a), Tennessee Code Annotated.

Respectfully submitted,



Philip L. Blustein, CFE
Director of Examinations
State of Tennessee

PLB:hd

EXAMINATION AFFIDAVIT

The undersigned desposes and says that he has duly executed the attached examination report of Hamilton Insurance Company, LLC, dated December 23, 2008 made as of December 22, 2008, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the fact therein set forth are true to the best of his knowledge, information and belief.

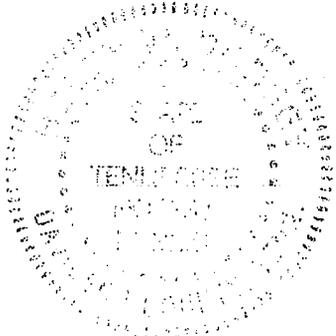
Philip L. Blustein

Philip L. Blustein, CFE
Director of Examinations
State of Tennessee

County Davidson
State Tennessee

Subscribed and sworn to before me
This 23rd day of December, 2008.

Helen H. Dorsey
Notary



My Commission Expires MAY 20, 2010

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January 26, 2009

VIA HAND DELIVERY

BURR.COM

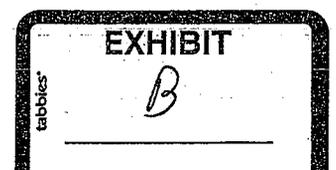
Phil Blustein
Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Roberson Parkway
Davy Crockett Tower, 4th floor
Nashville, TN 37243

Re: Response to Opening Examination Report for Hamilton Insurance Company, LLC

Dear Mr. Blustein:

Please allow this letter to serve as Hamilton Insurance Company, LLC's ("Hamilton") response to the draft Organizational Examination Report ("Report") issued by the Tennessee Department of Commerce and Insurance (the "Department"). First, I want to call to your attention technical errors in the Report before addressing the Report's only Recommendation. Under the "History and Organization" section, the Report should be clarified to recognize that Hamilton is formed under the Tennessee Revised Limited Liability Company Act (the "LLC Act") and not the Tennessee General Corporation Act. Second, under the "Management and Control" section, the Report lists Charles B. Lebovitz, Stephen P. Lebovitz and John N. Foy as "managers" of Hamilton. As an LLC, Hamilton is not required to have managers and is in fact member managed. While these individuals are indeed officers of Hamilton, they are not "managers" as that term is defined in the LLC Act.

The only Recommendation in the Report is that Hamilton amend its Operating Agreement so that it is managed by at least three (3) directors. Hamilton would like the Department to reconsider this for the reasons outlined in this letter. First, Hamilton is organized as an LLC and not a corporation; as such, it does not have "directors" like a corporation would. While we realize that Tenn. Code Ann. § 56-13-107(a) requires a board of directors of at least three (3) to manage the captive insurance company, this law was written in 1978, well before LLCs were recognized entities. When this law was written, corporate entities were only permitted to operate with a board of directors. One of the main differences between corporations and LLCs is that LLCs are not required to be managed by a board of directors.



Phil Blustein
January 26, 2009
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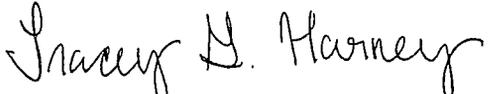
Hamilton understands the Department's need to be informed and approve of those individuals that are operating the captive insurance company, as well as to have at least three (3) qualified individuals who are responsible for its management. It is our belief that Hamilton's organization and structure satisfies the intent and purpose of the captive law. Specifically, Hamilton is a single parent captive owned by CBL & Associates Limited Partnership ("CBL") its purpose is to provide property insurance coverage to its parent. CBL is the operating entity for CBL & Associates Properties, Inc., a real estate investment trust listed on the New York Stock Exchange, and it owns, holds interest in, or manages over one hundred fifty-eight (158) properties across the country.

CBL is the sole member of Hamilton and acts through its general partner, CBL Holdings I, Inc. ("CBL Holdings"). Because Hamilton and CBL are both pass through entities, CBL Holdings ultimately makes decisions for Hamilton. The officers and directors of CBL Holdings are Charles B. Lebovitz, Stephen P. Lebovitz and John N. Foy. These individuals are also the officers of Hamilton and have completed biographical affidavits as part of the application process. If these individuals cease to be the officers and directors of CBL Holdings, the Department will be timely notified and any new officers and directors of CBL Holdings will be subject to the Department's approval.

We believe this approach balances the Department's need for proper regulatory oversight and controls, while also recognizing the differences between corporations and LLCs. With this approach, the Department maintains regulatory control over these three (3) individuals who control Hamilton and any future individuals that may serve in this same capacity. We believe that the structure of Hamilton as set forth in this letter complies with Tenn. Code Ann. § 56-13-107(a) and that no further changes are necessary. We are happy to provide any additional information that you may require or to discuss this matter further at your earliest convenience.

Thank you for your consideration of this issue.

Very truly yours,


Tracey G. Harney

TGH/

cc: Tony Greer, Assistant General Counsel
Vickie Berghel, Esq.
Kevin M. Doherty, Esq.