COPART INC
Form 10-K
October 01, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Form 10-K

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

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended: July 31, 2007**
	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 number 0-23255

Copart, Inc.

(Exact name of registrant as specified in its charter)

California	**94-2867490**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
4665 Business Center Drive Fairfield, California	**94534**
(Address of principal executive offices)	*(Zip code)*

Registrant s telephone number, including area code:

(707) 639-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of each exchange on which registered**
Common Stock, no par value (Including associated Preferred Stock Rights)	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in the Exchange Act Rule 12b-2).

Large Accelerated Filer þ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting and non-voting Common Stock held by non-affiliates of the registrant as of January 31, 2007 (the last business day of the registrant s most recently completed second fiscal quarter) was $1,607,905,000 based upon the closing sales price reported for such date on the NASDAQ Global Select Market (formerly the NASDAQ National Market). For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

At September 27, 2007, registrant had 88,357,359 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13, and 14 of Part III incorporate certain information by reference from the registrant s definitive proxy statement for its 2007 Annual Meeting of Shareholders (Proxy Statement) to be filed pursuant to Regulation 14A within 120 days after the registrant s fiscal year end of July 31, 2007. Except with respect to the information specifically incorporated by reference, the Proxy Statement is not deemed to be filed as a part hereof.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, including the information incorporated by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). In some cases, you can identify forward-looking statements by terms such as may, will, should, expect, plan, intend, forecast, anticipate, belie predict, potential, continue or the negative of these terms or other comparable terminology. The forward-looking statements contained in this report involve known and unknown risks, uncertainties and situations that may cause our or our industry s actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These factors include those listed in Item 1A Business under the caption entitled Risk Factors beginning on page 19 of this annual report on Form 10-K and those discussed elsewhere in this annual report on Form 10-K. We encourage investors to review these factors carefully together with the other matters referred to herein, as well as in the other documents we file with the Securities and Exchange Commission (the SEC). We may from time to time make additional written and oral forward-looking statements, including statements contained in the Company s filings with the SEC. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Although we believe that, based on information currently available to Copart and its management, the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements.

PART I

Item 1. ***Business***

General

Copart, Inc. is a leading provider of vehicle remarketing services in the United States (US) and the United Kingdom (UK).

We provide vehicle suppliers, primarily insurance companies, with a full range of remarketing services to process and sell salvage vehicles primarily over the Internet through our Virtual Bidding Second Generation Internet auction-style sales technology, which we refer to as VB2. We sell principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters. Salvage vehicles are either damaged vehicles deemed a total loss or not economically repairable by the insurance companies or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. We offer vehicle suppliers a full range of remarketing services that expedite each stage of the salvage vehicle sales process and minimize administrative and processing costs. In the US we sell vehicles primarily as an agent and derive revenue primarily from sales transaction fees paid by vehicle suppliers and vehicle buyers as well as related fees for services such as towing and storage. In the UK we operate primarily on a principal basis, purchasing the salvage vehicle outright from the insurance companies and reselling the vehicle to buyers through a combination of live auctions and Internet sales. We intend to implement VB2 at our UK facilities where appropriate during fiscal 2008.

We have grown our salvage business through a combination of acquisitions, the development of new facilities and also by increasing our buyer base and implementing additional value-added services for both buyers and suppliers. For fiscal year 2007, which ended July 31, 2007, our revenues were approximately $560.7 million and our operating income was approximately $203.1 million. On June 14, 2007, we acquired Universal Salvage plc, or Universal. Universal, based in the UK, operates seven salvage yards in the UK and is a leading provider of vehicle remarketing services to the motor insurance and automotive industries. Universal specializes in the disposal of accident-damaged, End-of-Life, fee-based non-salvage vehicles. On August 1, 2007, we acquired Century Salvage Sales Limited, or Century, in the UK. Century operates three salvage yards in the UK. During the fiscal year ended July 31, 2007, we opened three new salvage vehicle storage facilities located in Baltimore, Maryland; Woodburn, Oregon and Punta Gorda, Florida. During the year we also closed one facility, located in Grand Island, Nebraska. As of July 31, 2007, we had 123 facilities in the US, 1 facility in Canada and 7 facilities in the UK.

During fiscal 2004, we converted all of our North American salvage vehicle storage facilities to an Internet based auction-style model using VB2. This second generation technology combines two bidding processes. An open Preliminary Bidding feature allows a buyer to enter bids either at a bidding station at the storage facility during the preview days or over the Internet. To improve the effectiveness of bidding, the VB2 system lets a buyer see the current high bid on the vehicle they want to purchase. The preliminary bidding phase is an open sales format. Buyers enter the maximum price they are willing to pay for a vehicle and VB2 s BID4U feature will

incrementally bid the vehicle on their behalf. Preliminary bidding ends one hour prior to the start of an Internet-only virtual sale. BID4U will represent the high preliminary bidder at the Internet-only virtual sale. This feature allows bidders the opportunity to bid against each other and the high preliminary bidder. The bidders enter bids via the Internet in a real time format. BID4U submits bids for the high preliminary bidder, up to their maximum bid. When bidding stops, a countdown is initiated. If no bids are received during the countdown, the vehicle sells to the highest bidder. VB2 opens our sales process to registered buyers anywhere in the world who have Internet access.

We believe the implementation of VB2 across our North American salvage operations has increased the pool of available buyers for each sale and the added competition has increased the amount buyers are willing to pay for vehicles from us. We also believe that it has improved the efficiency of our operations by eliminating the expense and capital requirements associated with live auctions. For fiscal 2007, sales of North American vehicles, on a unit basis, to buyers outside the state where the vehicle is located accounted for 50.8% of total vehicles sold (25.1% of salvage vehicles were sold to out of state buyers and 25.7% were sold to out of country buyers, based on registration). As we integrate our recent UK acquisitions we intend to implement VB2 at our UK facilities where appropriate. We can not predict whether the implementation of VB2 in the UK will have the same favorable impact on our buyer base and operating efficiencies that we experienced in the US.

We believe that we offer the highest level of service in the salvage vehicle sales and remarketing industry and have established our leading market position by:

- providing coverage that facilitates supplier access to buyers around the world, reducing towing and third-party storage expenses, offering a local presence for vehicle inspection stations, and providing prompt response to catastrophes and natural disasters by specially-trained teams;

- providing a comprehensive range of customer services that include merchandising services, efficient title processing, timely pick-up and delivery of vehicles and Internet sales;

- establishing and efficiently integrating new facilities and acquisitions;

- increasing the number of bidders that can participate at each sale through the ease and convenience of Internet bidding;

- applying technology to enhance operating efficiency through Internet bidding, web-based order processing, salvage value quotes, electronic communication with buyers and sellers, vehicle imaging and an electronic used vehicle parts locator service; and

- providing the venue for insurance customers through our Virtual Insured Exchange VIX product to enter a vehicle into a live virtual sale to establish its true value, allowing the insurance customer to avoid dealing with estimated values when negotiating with owners who wish to retain their damaged vehicles.

We adopted a formal plan in fiscal 2006 to discontinue the operations of Motors Auction Group, or MAG, a wholly owned subsidiary, and dispose of the related assets or convert them to our salvage business. We operated six public automobile sales facilities located in Detroit, Michigan; Chesapeake, Virginia; New Castle, Delaware; Greencastle, Pennsylvania; Pittsburgh, Pennsylvania and Richmond, Virginia. We sold the businesses located in Chesapeake, New Castle and Greencastle prior to the end of fiscal 2006. We converted Detroit, Pittsburgh and Richmond into salvage facilities. As of the end of fiscal 2006, no MAG operations remained.

We were incorporated in California in 1982 and became a public company in 1994. Our principal executive offices are located at 4665 Business Center Drive, Fairfield, California 94534, and our telephone number at that address is (707) 639-5000. We maintain a website, *http://www.copart.com*, where we make available, free of charge, our code of ethics, other corporate information, and our SEC filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. We are providing the address to our website solely for the information of investors. Information contained on our website is not incorporated by reference herein and our web address is included as an inactive textual reference only.

Industry Overview

The salvage vehicle industry provides a venue for salvage vehicle suppliers to liquidate total loss vehicles. In the United States and Canada, salvage vehicle sales companies generally auction or sell salvage vehicles on consignment either for a fixed fee or a percentage of the sales price. On occasion in the US and Canada and on a primary basis in the UK, salvage sales companies will purchase vehicles from vehicle suppliers at a formula-based price, based usually either on a percentage of the vehicles estimated pre-loss actual cash value and/or based on the extent of damage and sell the vehicles for their own account. Salvage vehicle sales companies typically operate from one or more salvage facilities where vehicles are processed, viewed, stored and sold. However, in the United States and Canada, Copart, through the introduction of VB2, eliminated local live auctions, and we now sell all of our salvage vehicles over the Internet. In the UK, Copart sells vehicles though a combination of live auctions and Internet sales.

Although there are other suppliers of salvage vehicles, such as financial institutions, vehicle leasing companies, automobile rental companies, charities and automobile dealers, the primary source of salvage vehicles is insurance companies.

Automobile manufacturers are incorporating new standard features, including unibody construction, passenger safety cages with surrounding crumple zones to absorb impacts, plastic components, airbags, xenon lights, computer systems, heated seats and navigation systems. We believe that one effect of these additional features is that newer vehicles involved in accidents are more costly to repair and, accordingly, more likely to be deemed a total loss for insurance purposes. This could result in an increasing supply of total loss salvage vehicles in the future.

The primary buyers of salvage vehicles are vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters. Vehicle dismantlers, which we believe are the largest group of salvage vehicle buyers, either dismantle a vehicle and sell parts individually or sell the entire vehicle to rebuilders, used vehicle dealers or the public. Vehicle rebuilders and vehicle repair licensees generally purchase salvage vehicles to repair and resell. Used vehicle dealers generally purchase recovered stolen or slightly damaged vehicles for resale.

Following an accident involving an insured vehicle, the damaged vehicle is generally towed to a storage facility or a vehicle repair facility for temporary storage pending insurance company examination. The vehicle is inspected by the insurance company s adjuster, who estimates the costs of repairing the vehicle and gathers information regarding the damaged vehicle s mileage, options and condition in order to estimate its actual cash value (fair market value). The adjuster determines whether to pay for repairs or to classify the vehicle as a total loss based upon the adjuster s estimate of repair costs and the vehicle s salvage value, as well as customer service considerations. If the cost of repair is greater than the actual cash value less the estimated salvage value, the insurance company generally will classify the vehicle as a total loss. The insurance company will thereafter assign the vehicle to a salvage vehicle sales company, settle with the insured vehicle owner and receive title to the vehicle.

We believe the primary factors that vehicle suppliers consider when selecting a salvage vehicle sales company include:

- the anticipated percentage return on salvage (i.e., gross salvage proceeds, minus vehicle handling and selling expenses, divided by the actual cash value);
- the services provided by the salvage vehicle sales company and the degree to which such services reduce administrative costs and expenses;
- the price the salvage vehicle sales company charges for its services;
- national coverage and ability to respond on a national scale;
- the ability to generate custom seller reports; and
- in the UK, the percentage of the actual cash value paid for the vehicle.

In the UK, insurance companies generally tender periodic contracts for the purchase of salvaged vehicles. The salvage company that is willing to pay the highest price for the vehicles will generally be awarded the contract.

Generally, upon receipt of the pick up order (the assignment), the salvage vehicle sales company arranges for the transport of a vehicle to a facility. In North America, as a service to the vehicle supplier, the salvage vehicle sales company will customarily pay advance charges (reimbursable charges paid on behalf of vehicle suppliers) to obtain the subject vehicle s release from a towing company or vehicle repair facility. Typically, advance charges paid on behalf of the vehicle supplier are recovered upon sale of the salvage vehicle.

The vehicle then remains in storage at our facility until ownership documents are transferred from the insured vehicle owner and the title to the vehicle is cleared through the appropriate state s motor vehicle regulatory agency, or DMV. Generally total loss vehicles may be sold in most states only after obtaining a salvage title from the DMV. Upon receipt of the appropriate documentation from the DMV, which is generally received within 45 to 60 days of vehicle pick-up, the vehicle is sold either on behalf of the insurance company of for our own account, depending on the terms of the contract. In the UK, upon release of interest by the vehicle owner, the insurance company notifies us that the vehicle is available for sale.

Operating and Growth Strategy

Our growth strategy is to increase our revenues and profitability by, among other things (i) acquiring and developing new salvage vehicle storage facilities in key markets including foreign markets, (ii) pursuing national and regional vehicle supply agreements, (iii) expanding our remarketing service offerings to suppliers and buyers and (iv) expanding the application of VB2 into new markets. In addition, to maximize gross sales proceeds and cost efficiencies at each of our acquired facilities we introduce our (i) pricing structure, (ii) selling processes, (iii) operational procedures, (iv) management information systems and, when necessary, (v) redeploy existing personnel.

As part of our overall expansion strategy, our objective is to increase our revenues, operating profits and market share in the vehicle sales industry. To implement our growth strategy, we intend to continue to do the following:

Acquire and Develop New Salvage Vehicle Storage Facilities in Key Markets Including Foreign Markets

Our strategy is to offer integrated services to vehicle suppliers on a national or regional basis by acquiring or developing salvage facilities in new and existing markets. When appropriate we integrate our new acquisitions into our global network and capitalize on certain operating efficiencies resulting from, among other things, the reduction of duplicative overhead and the implementation of our operating procedures.

The following table sets forth facilities that we have acquired or opened from August 1, 2004 through July 31, 2007.

Salvage Locations	Acquisition/ Opening Date	Geographic Service Area
Strongsville, Ohio	January 2005	Northwest Ohio
Ocala, Florida	February 2005	Central Florida
Knoxville, Tennessee	February 2005	Eastern Tennessee
Lexington, Kentucky	April 2005	Northern and Central Kentucky
Loganville, Georgia	April 2005	Central Georgia
Spokane, Washington	July 2005	Eastern Washington and Northern Idaho
Tallahassee, Florida	July 2005	Gulf Region
Hialeah, Florida	July 2005	Southeast Florida
Columbia, Missouri	July 2005	Central Missouri
Honolulu, Hawaii	August 2005	Hawaii
Greenwood, Nebraska	September 2005	Eastern Nebraska
Grand Island, Nebraska	September 2005	Eastern Nebraska
York Haven, Pennsylvania	November 2005	Southern Pennsylvania
Chambersburg, Pennsylvania	November 2005	Southern Pennsylvania
Altoona, Pennsylvania	November 2005	Central Pennsylvania
Fruitland, Maryland	November 2005	Eastern Maryland
Lansing, Michigan	December 2005	Central Michigan
Billings, Montana	March 2006	Central Montana
Dover, Florida	July 2006	Western Florida
Jacksonville, Florida	July 2006	Northeast Florida
Baltimore Maryland	November 2006	Central Maryland
Woodburn, Oregon	January 2007	Central Oregon
Sandy, England	June 2007	East England and Midlands
Sandtoft, England	June 2007	Northern England
Sandwich, England	June 2007	London and South East United Kingdom
Westbury, England	June 2007	South Wales and South West United Kingdom
Chester, England	June 2007	North Wales and North West England
Denny, Scotland	June 2007	Scotland
Wootton, England	June 2007	Central United Kingdom
Punta Gorda, Florida	July 2007	Southwest Florida

Pursue National and Regional Vehicle Supply Agreements

Our broad national presence enhances our ability to enter into local, regional or national supply agreements with vehicle suppliers. We actively seek to establish national and regional supply agreements with insurance companies by promoting our ability to achieve high net returns and broader access to buyers through our national coverage and electronic commerce capabilities. By utilizing our existing insurance company supplier relationships, we are able to build new supplier relationships and pursue additional supply agreements in existing and new markets.

Expand Our Service Offerings to Suppliers and Buyers

Over the past several years, we have expanded our available service offerings to vehicle suppliers and buyers. The primary focus of these new remarketing service offerings is to maximize returns to our suppliers and maximize product value to our buyers. Recent service enhancements include, for our suppliers, real-time access to sales data over the Internet and, for our buyers, the implementation of VB2 real-time bidding at all of our North American facilities, permitting buyers at any location worldwide to participate in the sales at all of our yards in North America. We plan to continue to refine and expand our remarketing services, including offering software that can assist our suppliers in expediting claims and salvage management tools that help suppliers integrate their systems with ours.

Our Competitive Advantages

We believe that the following attributes and the services that we offer position us to take advantage of many opportunities in the salvage vehicle remarketing service industry.

National Coverage and Ability to Respond on a National Scale

Since our inception in 1982, we have expanded from a single facility in Vallejo, California to an integrated network of 131 facilities located in the United States, Canada and the United Kingdom as of July 31, 2007. We are able to offer integrated services to our vehicle suppliers, which allows us to respond to the needs of our suppliers and buyers with maximum efficiency. Our coverage provides our suppliers with key advantages, including:

- a reduction in administrative time and effort;
- a reduction in overall vehicle towing costs;
- convenient local facilities;
- improved access to buyers throughout the world;
- a prompt response in the event of a natural disaster or other catastrophe; and
- consistency in remarketing of salvage vehicles.

Value-Added Services

We believe that we offer the most comprehensive range of remarketing services in our industry, including:

- Internet bidding, Internet proxy bidding and virtual sales powered by VB2, which enhance the competitive bidding process;
- online payment capabilities via our ePay product;
- e-mail notifications to potential buyers of salvage vehicles that match desired characteristics;

- sophisticated vehicle processing at storage sites, including ten-view digital imaging of each vehicle and the scanning of each vehicle s title and other significant documents such as body shop invoices, all of which are available from us through the Internet;
- CoPartfinder, our Internet-based used vehicle parts locator that provides vehicle dismantlers with greater resale opportunities for their salvage purchases;
- Specialty sales, which allow buyers the opportunity to focus on select types of vehicles: i.e. motorcycles, heavy equipment, boats, recreational vehicles and rental cars; and
- Interactive Online Counter Bidding, which allows sellers who have placed a minimum bid or a bid to be approved on a vehicle to directly counter bid the current high bidder.

Proven Ability to Acquire and Integrate Acquisitions

We have a proven track record of successfully acquiring and integrating salvage vehicle storage facilities. Since becoming a public company in 1994, we have completed the acquisition of 74 salvage vehicle storage facilities both in North America and the UK. As part of our acquisition and integration strategy, we seek to:

- expand our global presence;
- strengthen our networks and access new markets;
- utilize our existing corporate and technology infrastructure over a larger base of operations; and
- introduce our comprehensive services and operational expertise.

We strive to integrate all new facilities, when appropriate, into our existing network without disruption of service to vehicle suppliers. We work with new suppliers to implement our fee structures and new service programs. We typically retain existing employees at acquired facilities in order to retain knowledge about, and respond to, the local market. We also assign a special integration team to help convert newly acquired facilities to our own management information and proprietary software systems, enabling us to ensure a smooth and consistent transition to our business operating and sales systems.

Technology to Enhance and Expand Our Business

We have developed management information and proprietary software systems that allow us to deliver a fully integrated service offering. Our proprietary software programs provide vehicle suppliers with online access to data and reports regarding their salvage vehicles being processed at any of our facilities. This technology allows vehicle suppliers to monitor each stage of our salvage vehicle sales process, from pick up to sale and settlement by the buyer. Our full range of Internet services allows us to expedite each stage of the salvage vehicle sales process and minimizes the administrative and processing costs for us as well as our suppliers. We believe that our integrated technology systems generate improved capacity and financial returns for our clients, resulting in high client retention, and allow us to expand our national supply contracts.

Our Service Offerings

We offer vehicle suppliers a full range of vehicle remarketing services, which expedite each stage of the salvage vehicle sales process, maximizing proceeds and minimizing costs. Not all service offerings are available in all markets.

Online Supplier Access

Through Copart Access, our Internet-based service for vehicle suppliers, we enable suppliers to assign vehicles for sale, check sales calendars, view vehicle images and history, view and reprint body shop invoices and towing receipts and view the historical performance of the vehicles sold at our sales.

Salvage Estimation Services

We offer Copart ProQuote, a proprietary service that assists suppliers in the vehicle claims evaluation process by providing online salvage value estimates, which helps suppliers determine whether to repair a particular vehicle or deem it a total loss.

Estimating Services

We offer vehicle suppliers in the UK estimating services for vehicles taken to our sites. Estimating services provide our insurance company suppliers repair estimates which allows the insurance company to determine if the vehicle is a total loss vehicle. If the vehicle is determined to be a total loss, it is assigned to inventory.

End-of-Life Vehicle Processing

In the UK, Universal is an authorized treatment facility, or ATF, for the disposal of End-of-Life vehicles, or ELVs.

Virtual Insured Exchange (VIX)

We provide the venue for insurance customers to enter a vehicle into a live virtual auction-style sale to establish its true value, thereby allowing the insurance customer to avoid dealing with estimated values when negotiating with owners who wish to retain their damaged vehicles.

Transportation Services

We maintain contracts with third-party vehicle transport companies, which enables us to pick up most of our suppliers vehicles within 24 hours. Our national network and transportation capabilities provides cost and time savings to our vehicle suppliers and ensures on-time vehicle pick up and prompt response to catastrophes and natural disasters in North America. In the UK, we perform transportation services primarily utilizing our employees and our fleet of over 100 vehicles.

Vehicle Inspection Stations

We offer certain of our major insurance company suppliers office and yard space to house vehicle inspection stations on-site at our storage facilities. We have over 30 vehicle inspection stations at our facilities. An on-site vehicle inspection station provides our insurance company suppliers with a central location to inspect potential total loss vehicles, which reduces storage charges that otherwise may be incurred at the initial storage or repair facility.

On-Demand Reporting

We provide vehicle suppliers with on-demand reports online, via fax or e-mail that summarize data on salvage vehicles that we process for the particular supplier. These reports track our vehicle suppliers gross and net returns on each vehicle, service charges, and other data that enable our vehicle suppliers to more easily administer and monitor the salvage vehicle disposition process. In addition, we have developed a database containing over 240 fields of real-time and historical information accessible by our insurance customers allowing for their generation of custom ad hoc reports and customer specific analysis.

DMV Processing

We have extensive expertise in DMV document and title processing for salvage vehicles. We have developed a computer system which provides a direct link to the DMV computer systems of several states. This allows us to expedite the processing of vehicle title paperwork.

Flexible Vehicle Processing Programs

At the election of the vehicle supplier, we sell vehicles pursuant to our Percentage Incentive Program (PIP), Consignment Program or Purchase Program.

Percentage Fee Consignment. Our Percentage Incentive Program is an innovative processing program designed to broadly serve the needs of vehicle suppliers. Under PIP, we agree to sell all of the salvage vehicles of a vehicle supplier in a specified market, usually for a predetermined percentage of the vehicle sales price. Because our revenues under PIP are directly linked to the vehicle s sale price, we have an incentive to actively merchandise those vehicles to maximize the net return on salvage vehicles. We provide the vehicle supplier, at our expense, with transport of the vehicle to our nearest facility, storage for up to 90 days and DMV document and title processing. In addition, we provide merchandising services such as covering or taping openings to protect vehicle interiors from weather, washing vehicle exteriors, vacuuming vehicle interiors, cleaning and polishing dashboards and tires, making keys for drivable vehicles and identifying drivable vehicles. We believe our merchandising efforts increase the sales prices of salvage vehicles, thereby increasing the return on salvage vehicles to both vehicle suppliers and us.

Consignment Program. Under our consignment program, we sell vehicles for a fixed consignment fee. Although sometimes included in the consignment fee, we may also charge additional fees for the cost of transporting the vehicle to our facility, storage of the vehicle, and other incidental costs.

Purchase Program. *Under* the purchase program, we purchase vehicles from a vehicle supplier at a formula price, based on a percentage of the vehicles estimated pre-accident value (PAV), or actual cash value (ACV), and sell the vehicles for our own account.

Buyer Network

We maintain a database of thousands of registered buyers of salvage vehicles in the vehicle dismantling, rebuilding, repair, resale and exporting businesses. Our database includes each buyer s vehicle preference and purchasing history. This data enables us to notify via e-mail prospective buyers throughout the world of salvage vehicles available for bidding that match their vehicle preferences. Listings of salvage vehicles to be sold on a particular day and location are also made available on the Internet.

Sales Process

We offer a flexible and unique sales process designed to maximize the sale prices of the vehicles. We utilize VB2, an auction-style sales methodology that we developed. This second generation technology combines two bidding processes. An open Preliminary Bidding feature allows a buyer to enter bids either at a bidding station at the storage facility during the three preview days or over the Internet. To improve the effectiveness of bidding, the VB2 system lets a buyer see the current high bid on the vehicle they want to purchase. The preliminary bidding phase is an open sales format. Buyers enter the maximum price they are willing to pay for a vehicle and our BID4U feature will incrementally bid the vehicle on their behalf. Preliminary bidding ends one hour prior to the start of an Internet-only virtual sale. BID4U will represent the high preliminary bidder at the Internet-only virtual sale. This feature allows bidders the opportunity to bid against each other and the high preliminary bidder. The bidders enter bids via the Internet in a real time format. BID4U submits bids for the high preliminary bidder, up to their maximum bid. When bidding stops, a countdown is initiated. If no bids are received during the countdown, the vehicle sells to the highest bidder. VB2 opens our sales process to registered buyers anywhere in the world who have Internet access.

CoPartfinder

CoPartfinder is our unique Internet search engine that enables users to locate used vehicle parts quickly and efficiently. CoPartfinder is accessible by the public through a Copart-sponsored website. CoPartfinder lists vehicles recently sold through VB2 and identifies certain purchasers. This allows vehicle dismantlers and other resellers to streamline their parts sale process and access a large pool of potential buyers. Parts buyers can use CoPartfinder to search for specific vehicle makes and models and view digital images of vehicles that meet their requirements. Once a specific parts supplier is identified for a specific part requirement, buyers have the option

to call, fax, or e-mail the dismantler/supplier. We believe that CoPartfinder provides an incentive for vehicle dismantlers to purchase their salvage vehicles through our sales process.

Supply Arrangements and Supplier Marketing

We obtain salvage vehicles from hundreds of different vehicle suppliers. State Farm Insurance Company accounted for 11%, 14% and 12% of our revenues for fiscal years 2007, 2006 and 2005, respectively. Of the total number of vehicles that we processed in fiscal years 2007, 2006 and 2005, we obtained approximately 83%, 83% and 79%, respectively, from insurance company suppliers. Our arrangements with our suppliers are typically subject to cancellation by either party upon 30 to 90 days notice.

We typically contract with the regional or branch office of an insurance company or other vehicle suppliers. The agreements are customized to each vehicle supplier s particular needs and often provide for the disposition of different types of salvage vehicles by differing methods. Our arrangements generally provide that we will sell total loss and recovered stolen vehicles generated by the vehicle supplier in a designated geographic area.

We market our services to vehicle suppliers through an in-house sales force that utilizes a variety of sales techniques, including targeted mailing of our sales literature, telemarketing, follow-up personal sales calls, and participation in trade shows and vehicle and insurance industry conventions. Based upon our historical data on salvage vehicles and vehicle information supplied by vehicle suppliers, our marketing personnel will provide vehicle suppliers with detailed analysis of the net return on salvage vehicles and a proposal setting forth ways in which we believe that we can improve net returns on salvage vehicles and reduce administrative costs and expenses.

Buyers

We maintain a database of thousands of registered buyers of salvage vehicles in the vehicle dismantling, rebuilding, repair, resale and export businesses. We believe that we have established a broad international and domestic buyer base by providing buyers of salvage vehicles with a variety of programs and services. To gain admission to one of our sales and become a registered buyer, prospective buyers must first pay an initial registration fee and an annual fee, provide requested personal and business information and have, in most states, a vehicle dismantler s, dealer s, resale, repair or export license. In certain venues we may sell to the public. Registration entitles a buyer to transact business at any of our sales subject to local licensing and permitting requirements. A buyer may also bring guests to a facility for a fee to preview vehicles for sale. Strict admission procedures are intended to prevent frivolous bids that would invalidate the sale. We market to buyers on the Internet and via e-mail notifications, sales notices, telemarketing and participation in trade show events.

Competition

We face significant competition for the supply of salvage vehicles and for the buyers of those vehicles. We believe our principal competitors include vehicle auction and sales companies and vehicle dismantlers. These national, regional and local competitors may have established relationships with vehicle suppliers and buyers and may have financial resources that are greater than ours. The largest national or regional vehicle auctioneers in North America include the ADESA Corporation; Auction Broadcasting Company; Insurance Auto Auctions, Inc.; Manheim Auctions and SADISCO. The largest national dismantlers include Greenleaf and LKQ Corporation. These national dismantlers, in addition to trade groups of dismantlers such as the American Recycling Association and the United Recyclers Group, may purchase salvage vehicles directly from insurance companies, thereby bypassing vehicle sales companies entirely, including us. In the UK, our principal competitors are privately held independent salvage companies.

Management Information Systems

Our primary management information system consists of an IBM AS/400 mainframe computer system, integrated computer interfaces and proprietary business operating software that we developed and which tracks salvage sales vehicles throughout the sales process. We have implemented our proprietary business operating software at all of our North American salvage storage facilities. In addition, we have integrated our mainframe computer system with Internet and Intranet systems in order to provide secure access to our data and images in a variety of formats.

Our auction-style service product, VB2, is served by an array of identical high-density, high-performance servers. Each individual sale is configured to run on an available server in the array and can be rapidly provisioned to any other available server in the array as required. Our sale, Internet and imaging services are load balanced across different geographical data centers.

We have invested in a production data center that is designed to run the business in the event of an emergency. The facility s electrical and mechanical systems are continually monitored. This facility is located in an area considered to be free of weather-related disasters and earthquakes.

The management information systems employed in the UK are a combination of proprietary and licensed software and are independent and separate from those in North America.

Employees

As of July 31, 2007, we had 2,536 full-time employees, of whom approximately 381 were engaged in general and administrative functions and approximately 2,155 were engaged in yard operations. As of July 31, 2007, we had 2,198 and 338 employees located in North America and the UK, respectively. We are not currently subject to any collective bargaining agreements and believe our relationships with our employees are good.

Environmental Matters

Our operations inside and outside the US are subject to various laws and regulations regarding the protection of the environment. In the salvage vehicle remarketing industry, large numbers of wrecked vehicles are stored at facilities and, during that time, spills of fuel, motor oils and other fluids may occur, resulting in soil, surface water or groundwater contamination. Certain of our facilities store petroleum products and other hazardous materials in above-ground containment tanks and some of our facilities generate waste materials such as solvents or used oils that must be disposed of as non-hazardous or hazardous waste, as appropriate. We have implemented procedures to reduce the amount of soil contamination that may occur at our facilities, and we have initiated safety programs and training of personnel on the safe storage and handling of hazardous materials. We believe that we are in compliance, in all material respects, with all applicable environmental regulations and we do not anticipate any material capital expenditures to remain in environmental compliance. If additional or more stringent requirements are imposed on us in the future, we could incur additional capital expenditures.

In connection with the acquisition of our Dallas, Texas facility in 1994, we set aside $3.0 million to cover the costs of environmental remediation, stabilization and related consulting expenses for a six-acre portion of the facility that contained elevated levels of lead due to the activities of the former operators. We began the stabilization process in 1996 and completed it in 1999. We paid all remediation and related costs from the $3.0 million fund and, in accordance with the acquisition agreement, distributed the remainder of the fund to the seller of the Dallas facility, less $0.2 million which was held back to cover the costs of obtaining the no-further-action letter. In September 2002, our environmental engineering consultant issued a report, which concludes that the soil stabilization has effectively stabilized the lead-impacted soil, and that the concrete cap should prevent impact to storm water and subsequent surface water impact. Our consultant thereafter submitted an Operations and Maintenance Plan (Plan) to the Texas Commission on Environmental Quality (TCEQ) providing for a two-year inspection and maintenance plan for the concrete cap, and a two-year ground and surface water monitoring plan. In January of 2003, the TCEQ approved the Plan, subject to the additions of upstream (background) surface water samples from the intermittent stream adjacent to the facility and documentation of any repairs to the concrete cap during the post closure-monitoring period. The first semi-annual water sampling was conducted in April 2003, which reflected that the lead-impacted, stabilized soil is not impacting the ground and/or surface water. The second round of semi-annual water samples collected in October and November 2003 reported concentration of lead in one storm water and one surface water sample in excess of the established upstream criteria for lead. In correspondence, which we received in July 2004, the TCEQ approved with comment our water monitoring report dated February 24, 2004. The TCEQ instructed us to continue with post-closure monitoring and maintenance activities and submit the next report in accordance with the approved schedules. In February 2005, a report from our environmental engineering consultant was transmitted to the TCEQ containing the results of annual monitoring activities consisting of two (2) semi-annual sampling events which occurred in April/June 2004 and October/November 2004. Laboratory analytical results indicated no lead concentrations exceeding the target concentration level set in the Corrective Measures Study

for the site, but some results were in excess of Texas surface water quality standards. The Company s environmental engineering consultant concluded in the February 2005 report to the TECQ that it is unlikely that lead concentrations detected in the storm water runoff samples are attributable to the lead impacted soils. Based on the results of the 2004 samplings, we requested that no further action be taken and that a closure letter be issued by the TCEQ. In September 2007, the TCEQ notified us that they did not concur with our consultant s conclusions and recommendations. The TCEQ said it would not provide a closure letter until additional sampling of surface water is performed which reflects concentrations of lead below Texas surface water quality standards. This sampling is anticipated to be performed in September or October, 2007. We are not assured of receiving the no-further-action letter and we may incur further liabilities if the stabilization process proves ineffective, or if later testing of surface or ground water reflects concentrations of lead which exceed Texas surface or ground water quality standards. In addition, in 1994, we detected a small quantity of two hazardous substances in a temporary groundwater monitoring well at the Dallas facility. Our environmental consultants concluded that both substances arose from an off-site source and no further action was recommended.

We do not believe that any of the above environmental matters will, either individually or in the aggregate, have a material adverse effect on our financial position, results of operations or cash flows.

Governmental Regulations

Our operations are subject to regulation, supervision and licensing under various federal, national, international, provincial, state and local statutes, ordinances and regulations. The acquisition and sale of damaged and recovered stolen vehicles is regulated by various state, provincial and international motor vehicle departments. In addition to the regulation of sales and acquisitions of vehicles, we are also subject to various local zoning requirements with regard to the location of our storage facilities. These zoning requirements vary from location to location. At various times, we may be involved in disputes with local governmental officials regarding the development and/or operation of our business facilities. We believe that we are in compliance in all material respects with applicable regulatory requirements. We may be subject to similar types of regulations by federal, national, international, provincial, state, and local governmental agencies in new markets.

Legal Proceedings

We are involved in litigation and damage claims arising in the ordinary course of business, such as actions related to injuries, property damage, and handling or disposal of vehicles. This litigation includes the following matters:

On September 16, 2005, Richard M. Gray filed suit against Copart of Connecticut, Inc. and A. Safrin, in the State Court for the County of Chatham, State of Georgia, alleging a class action for unreasonable amounts claimed for storage liens by us, and related claims. Relief sought includes class certification, damages, fees, costs and expenses. Our motion for summary judgment was heard on January 31, 2007 and was denied. We believe the claim is without merit, and are defending the lawsuit vigorously.

On July 28, 2006, Foreign Car Sales and Service LLC (FCS) filed suit against Copart in the United States District Court for the Middle District of Louisiana, originally alleging antitrust violations and unfair trade practices. Relief sought originally included class certification based on both unfair trade practices and Sherman Act violations, damages, fees, costs and expenses. On January 5, 2007, the Magistrate required FCS to amend its complaint. A First Amended Complaint was rejected, and a Second Amended Complaint was submitted February 16, 2007, in which FCS abandoned its unfair trade practices claims, and now relies simply on breach of contract claims. FCS continues to seek certification of a class based upon violations of the Sherman Act. Plaintiff is in *pro se* and is demanding a total award of 51% of our issued stock, as well as approximately $97,000 in damages arising from damages to vehicles. We filed a motion to dismiss based on lack of subject matter jurisdiction, improper venue, and failure to state a claim. We believe the claims are without merit, and are defending the lawsuit vigorously.

On August 7, 2006, Kimberly and Jason Green filed suit against Copart in the Superior Court of the State of California, County of Sacramento, making allegations pursuant to a California consumer protection statute similar to a class action for unreasonable amounts claimed for storage liens by us, and related claims. Relief sought includes class certification, damages, fees, costs and expenses. We filed an answer on September 1, 2006 denying the claim. On July 2, 2007, the parties entered into a settlement agreement terminating the lawsuit.

We accrue for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations cannot be predicted because any such effect depends on future results of operations, the amount and timing of the resolution of such matters. We believe that any ultimate liability will not have a material effect on our financial position, results of operations or cash flows. However, the amount of the liabilities associated with these claims, if any, cannot be determined with certainty.

Intellectual Property and Proprietary Rights

In June 2003, we filed a provisional US patent application on VB2 in the United States. This provisional patent application was followed by a US utility application filed in July 2003 and a concurrent international application that has since been nationalized and is pending in Canada, Australia, China, the European Union, Mexico and Japan. Generally, patents issued in the US are effective for 20 years from the earliest asserted filing date of the patent application. The duration of foreign patents varies in accordance with the provisions of applicable local law. We are not dependent upon any single patent application and there can be no assurance that any patents will be issued from pending applications or that any patents that are issued will provide meaningful protection or other commercial advantages to us.

We also rely on a combination of trade secret, copyright and trademark laws, as well as contractual agreements to safeguard our proprietary rights in technology and products. In seeking to limit access to sensitive information to the greatest practical extent, we routinely enter into confidentiality and assignment of invention agreements with each of our employees and consultants and nondisclosure agreements with our key customers and vendors.

Item 1A. *Risk Factors*

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below before making an investment decision. Our business could be harmed if any of these risks as well as other risks not currently known to us or that we currently deem immaterial, materialized. The trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this Form 10-K, including our consolidated financial statements and the related notes and schedule, and other filings with the SEC before deciding to purchase any shares of our common stock.

We depend on a limited number of major suppliers of salvage vehicles. The loss of one or more of these major suppliers could adversely affect our results of operations and financial condition, and an inability to increase our sources of vehicle supply could adversely affect our growth rates.

Historically, a limited number of vehicle suppliers have accounted for a substantial portion of our revenues. In fiscal 2007, vehicles supplied by our largest supplier accounted for approximately 11% of our revenues. Supplier arrangements are either written or oral agreements typically subject to cancellation by either party upon 30 to 90 days notice. Vehicle suppliers have terminated agreements with us in the past in particular markets, which has affected the pricing for sales services in those markets. There can be no assurance that our existing agreements will not be cancelled. Furthermore, there can be no assurance that we will be able to enter into future agreements with vehicle suppliers or that we will be able to retain our existing supply of salvage vehicles. A reduction in vehicles from a significant vehicle supplier or any material changes in the terms of an arrangement with a substantial vehicle supplier could have a material adverse effect on our results of operations and financial condition. In addition, a failure to increase our sources of vehicle supply could adversely affect our earnings and revenue growth rates.

Our United Kingdom acquisition of Universal Salvage plc on June 14, 2007 and our subsequent acquisition of Century Salvage Sales Limited on August 1, 2007 will expose us to risks arising from the acquisitions and risks associated with operating in markets outside North America. We may acquire additional companies in the United Kingdom or Europe or seek to establish new yards or facilities to complement the acquired companies operations. We have no prior experience operating outside North America, and any failure to integrate these recently acquired companies or future UK or European acquisitions into our operations successfully could have an adverse effect on our financial position, results of operations or cash flows.

During fiscal 2007, we announced the acquisition of Universal Salvage plc, or Universal, our first acquisition in the UK. Subsequently, in August 2007, we announced the acquisition of Century Salvage Sales Limited, or Century, also in the UK. We may acquire additional companies or operations in the UK or Europe or may seek to establish new yards or operations in the UK or Europe now that we have established a presence in these markets. We have no experience operating our business outside North America, which presents numerous strategic, operating, and financial risks to us.

Our recent acquisitions in the UK and continued expansion of our operations outside North America pose substantial risks and uncertainties that could have an adverse effect on our future operating results. In particular, we may not be successful in realizing anticipated synergies from these acquisitions, or we may experience unanticipated costs or expenses integrating the acquired operations into our existing business. We may also incur substantial expenses establishing new yards or operations in the UK or Europe. Among other things, we intend to eventually deploy our VB2 vehicle remarketing technologies at all of our operations in the UK, where appropriate, and we cannot predict whether this deployment will be successful or will result in increases in the revenues or operating efficiencies of any acquired companies relative to their historic operating performance. Integration of our respective operations, including information technology integration and integration of financial and administrative functions, may not proceed as we currently anticipate and could result in presently unanticipated costs or expenses (including unanticipated capital expenditures) that could have an adverse effect on our future operating results. We cannot provide any assurances that we will achieve our business and financial objectives in connection with these acquisitions or our strategic decision to expand our operations internationally.

We have no experience operating our business outside North America and lack familiarity with local laws, regulations and business practices. We will need to develop policies and procedures to manage our business on a global scale. Operationally, the businesses of Universal and Century have depended on key customer and supplier relationships, and we will need to maintain those. If we fail to maintain those relationships it would have an adverse effect on our operating objectives for the UK and could have an adverse effect on our future operating results.

In addition, we anticipate our international operations will subject us to a variety of risks associated with operating on an international basis, including:

- the difficulty of managing and staffing foreign offices and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- the need to localize our product offerings, particularly with respect to VB2;
- tariffs and trade barriers and other regulatory or contractual limitations on our ability to operate in certain foreign markets; and
- exposure to foreign currency exchange rate risk, which we have not been previously subject to in any material amounts.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and have an adverse effect on our operating results.

The period-to-period comparability of our operating results and financial condition is substantially affected by business acquisitions during such periods. In particular, the UK acquisition, because of its size and, also, because the UK operates primarily on the principal model versus the agency model employed in the US, will have a significant impact on the comparability of revenues, margins and margin percentages in future periods. Further operating on a principal basis will have a negative impact on our future consolidated gross margins.

In the UK we operate primarily on a principal basis, purchasing the salvage vehicle outright from the insurance companies and reselling the vehicle to buyers. This exposes us to inventory risks including:

- loss from theft or damage;
- loss from devaluation; and
- loss from obsolescence.

Our strategic shift from live salvage sales to an entirely Internet-based sales model presents new risks, including substantial technology risks.

In fiscal 2004, we converted all our North American salvage sales from a live auction process to an entirely Internet-based auction-style model based on technology developed internally by us. The conversion represents a significant change in the way we conduct business and presents numerous risks, including our increased reliance on the availability and reliability of our network systems. In particular, we believe the conversion presents the following risks, among others:

- Our operating results in a particular period could be adversely affected in the event our networks are not operable for an extended period of time for any reason, as a result of Internet viruses, or as a result of any other technological circumstance that makes us unable to conduct our virtual sales.

- Our business is increasingly reliant on internally developed technology, and we have limited historic experience developing technologies or systems for large-scale implementation and use.

- Our general and administrative expenses have tended to increase as a percentage of revenue as our information technology payroll has increased.

- The change in our business model may make it more difficult for management, investment analysts, and investors to model or predict our future operating results until sufficient historic data is available to evaluate the effect of the VB2 implementation over a longer period of time and in different economic environments.

- Our increasing reliance on proprietary technology subjects us to intellectual property risks, including the risk of third party infringement claims or the risk that we cannot establish or protect intellectual property rights in our technologies. We have filed patent applications for VB2 in the United States, the Netherlands, and Europe, but we cannot provide any assurances that the patents will actually be issued, or if issued that the patents would not later be found to be unenforceable or invalid.

Our results of operations may not continue to benefit from the implementation of VB2 to the extent we have experienced in recent periods.

We believe that the implementation of our proprietary VB2 sales technologies across our North America salvage operations has had a favorable impact on our results of operations by increasing the size and geographic scope of our buyer base and increasing the average selling price for vehicles sold through our sales. VB2 was implemented across all our salvage yards beginning in the third quarter of fiscal 2004. We do not believe, however, that we will continue to experience improvements in our results of operations at the same relative rates we have experienced in the last few years. In addition, we cannot predict whether we will experience the same initial benefits from the implementation of VB2 in the UK market, or in future markets we may enter, that we experienced in North America.

Failure to have sufficient capacity to accept additional cars at one or more of our salvage yards could adversely affect our relationships with insurance companies or other suppliers of salvage vehicles.

Capacity at our salvage yards varies from period to period and from region to region. For example, following adverse weather conditions in a particular area, our yards in that area may fill and limit our ability to accept additional salvage vehicles while we process existing inventories. As discussed below, Hurricanes Katrina and Rita had an adverse effect on our operating results, in part because of yard capacity constraints in the Gulf Coast area. We regularly evaluate our capacity in all our markets and, where appropriate, seek to increase capacity through the acquisition of additional land and yards. We may not be able to reach agreements to purchase independent salvage yards in markets where we have limited excess capacity, and zoning restrictions or difficulties obtaining use permits may limit our ability to expand our capacity through acquisitions of new land. Failure to have sufficient capacity at one or more of our yards could adversely affect our relationships with insurance companies or other suppliers of salvage vehicles, which could have an adverse effect on our operating results.

Factors such as mild weather conditions can have an adverse effect on our revenues and operating results as well as our revenue and earnings growth rates by reducing the available supply of salvage vehicles. Conversely, extreme weather conditions can result in an oversupply of salvage vehicles that requires us to incur abnormal expenses to respond to market demands.

Mild weather conditions tend to result in a decrease in the available supply of salvage vehicles because traffic accidents decrease and fewer automobiles are damaged. Accordingly, mild weather can have an adverse effect on our salvage vehicle inventories, which would be expected to have an adverse effect on our revenue and operating results and related growth rates. Conversely, our inventories will tend to increase in poor weather such as a harsh winter or as a result of adverse weather-related conditions such as flooding. During periods of mild weather conditions, our ability to increase our revenues and improve our operating results and related growth will be increasingly dependent on our ability to obtain additional vehicle suppliers and to compete more effectively in the market, each of which is subject to the other risks and uncertainties described in these sections. In addition, extreme weather conditions, although they increase the available supply of salvage cars, can have an adverse effect on our operating results. For example, during the year ended July 31, 2006, we recognized substantial additional costs associated with the impact of Hurricanes Katrina and Rita in Gulf Coast states. These additional costs, characterized as abnormal under Statement of Financial Accounting Standards 151, were recognized during the year ended July 31, 2006, and included the additional subhauling, payroll, equipment and facilities expenses directly related to the operating conditions created by the hurricanes. In the event that we were to again experience extremely adverse weather or other anomalous conditions that result in an abnormally high number of salvage vehicles in one or more of our markets, those conditions could have an adverse effect on our future operating results.

High fuel prices may have an adverse effect on our revenues and operating results as well as our earnings growth rates.

Significant increases in the cost of fuel could lead to a reduction in miles driven per car and a reduction in accident rates. A material reduction in accident rates could have a material impact on revenue growth. In addition, under our percentage incentive program contracts, or PIP, the cost of towing the vehicle to one of our facilities is included in the PIP fee. We may incur increased fees, which we will not be able to pass on to our suppliers of salvage vehicles. A material increase in tow rates could have a material impact on our operating results.

The salvage vehicle sales industry is highly competitive and we may not be able to compete successfully.

We face significant competition for the supply of salvage vehicles and for the buyers of those vehicles. We believe our principal competitors include other vehicle remarketing companies with whom we compete directly in obtaining vehicles from insurance companies and other suppliers, and large vehicle dismantlers, who may buy salvage vehicles directly from insurance companies, bypassing the salvage sales process. Many of the insurance companies have established relationships with competitive remarketing companies and large

dismantlers. Certain of our competitors may have greater financial resources than us. Due to the limited number of vehicle suppliers, particularly in the UK, the absence of long-term contractual commitments between us and our suppliers and the increasingly competitive market environment, there can be no assurance that our competitors will not gain market share at our expense.

We may also encounter significant competition for local, regional and national supply agreements with vehicle suppliers. There can be no assurance that the existence of other local, regional or national contracts entered into by our competitors will not have a material adverse effect on our business or our expansion plans. Furthermore, we are likely to face competition from major competitors in the acquisition of salvage vehicle remarketing facilities, which could significantly increase the cost of such acquisitions and thereby materially impede our expansion objectives or have a material adverse effect on our results of operations. These potential new competitors may include consolidators of automobile dismantling businesses, organized salvage vehicle buying groups, automobile manufacturers, automobile auctioneers and software companies. While most vehicle suppliers have abandoned or reduced efforts to sell salvage vehicles directly without the use of service providers such as us, there can be no assurance that this trend will continue, which could adversely affect our market share, results of operations and financial condition. Additionally, existing or new competitors may be significantly larger and have greater financial and marketing resources than us; therefore, there can be no assurance that we will be able to compete successfully in the future.

Because the growth of our business has been due in large part to acquisitions and development of new salvage vehicle facilities, the rate of growth of our business and revenues may decline if we are not able to successfully complete acquisitions and develop new facilities.

We seek to increase our sales and profitability through the acquisition of other salvage vehicle facilities and the development of new salvage vehicle facilities. There can be no assurance that we will be able to:

- continue to acquire additional facilities on favorable terms;
- expand existing facilities in no-growth regulatory environments;
- increase revenues and profitability at acquired and new facilities;
- maintain the historical revenue and earnings growth rates we have been able to obtain through facility openings and strategic acquisitions; or
- create new salvage vehicle storage facilities that meet our current revenue and profitability requirements.

As we continue to expand our operations, our failure to manage growth could harm our business and adversely affect our results of operations and financial condition.

Our ability to manage growth is not only dependent on our ability to successfully integrate new facilities, but also on our ability to:

- hire, train and manage additional qualified personnel;
- establish new relationships or expand existing relationships with vehicle suppliers;
- identify and acquire or lease suitable premises on competitive terms;
- secure adequate capital; and
- maintain the supply of vehicles from vehicle suppliers.

Our inability to control or manage these growth factors effectively could have a material adverse effect on our financial position, results of operations, or cash flows.

Our annual and quarterly performance may fluctuate, causing the price of our stock to decline.

Our revenues and operating results have fluctuated in the past and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Factors that may affect our operating results include, but are not limited to, the following:

- fluctuations in the market value of salvage and used vehicles;
- as a result of our recently acquired companies in the UK, the impact of foreign exchange gain and loss;
- our ability to successfully integrate our newly acquired operations in the UK and any additional international markets we may enter;
- the availability of salvage vehicles;
- variations in vehicle accident rates;
- buyer participation in the Internet bidding process;
- delays or changes in state title processing;
- changes in international, state or federal laws or regulations affecting salvage vehicles;
- changes in local laws affecting who may purchase salvage vehicles;
- our ability to integrate and manage our acquisitions successfully;
- the timing and size of our new facility openings;
- the announcement of new vehicle supply agreements by us or our competitors;
- severity of weather and seasonality of weather patterns;

- the amount and timing of operating costs and capital expenditures relating to the maintenance and expansion of our business, operations and infrastructure;
- the availability and cost of general business insurance;
- labor costs and collective bargaining;
- availability of subhaulers at competitive rates;
- acceptance of buyers and sellers of our Internet-based model deploying VB2, a proprietary Internet auction-style sales technology, including in the UK market where we still sell salvage vehicles using live auctions;
- changes in the current levels of out of state and foreign demand for salvage vehicles;
- the introduction of a similar Internet product by a competitor; and
- the ability to obtain necessary permits to operate salvage storage facilities.

Due to the foregoing factors, our operating results in one or more future periods can be expected to fluctuate. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. In the event such fluctuations result in our financial performance being below the expectations of public market analysts and investors, the price of our common stock could decline substantially.

Our strategic shift to an Internet-based sales model has increased the relative importance of intellectual property assets to our business, and any inability to protect those rights could have a material adverse effect on our business, financial condition, or results of operations.

Implementation of VB2 across our North American salvage operations has increased the relative importance of intellectual property rights to our business. Our intellectual property rights include pending patent applications for VB2 as well as trademarks, trade secrets, copyrights and other intellectual property rights. We are in the process of prosecuting an initial patent application relating to VB2 and cannot predict whether a patent will actually issue from that application. Even if a patent is issued, the scope of the protection gained may be insufficient or any issued patent could subsequently be deemed invalid or unenforceable. In addition, we are increasingly entering into agreements with third parties regarding the license or other use of our intellectual property in foreign jurisdictions. Effective intellectual property protection may not be available in every country in which our products and services are distributed, deployed, or made available. We seek to maintain certain intellectual property rights as trade secrets. The secrecy could be compromised by third parties, or intentionally or accidentally by our employees, which would cause us to lose the competitive advantage resulting from those trade secrets. Any significant impairment of our intellectual property rights, or any inability to protect our intellectual property rights, could have a material adverse effect on our financial position, results of operations, or cash flows.

We have in the past been and may in the future be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages, and could limit our ability to use certain technologies in the future.

Litigation based on allegations of infringement or other violations of intellectual property rights are common among companies who rely heavily on intellectual property rights. Our reliance on intellectual property rights has increased significantly in recent years as we have implemented our VB2 auction-style sales technologies across our business and ceased conducting live auctions in our North American operations. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Litigation and any other intellectual property claims, whether with or without merit, can be time-consuming, expensive to litigate and settle, and can divert management resources and attention from our core business. An adverse determination in current or future litigation could prevent us from offering our products and services in the manner currently conducted. We may also have to pay damages or seek a license for the technology, which may not be available on reasonable terms and which may significantly increase our operating expenses, if it is available for us to license at all. We could also be required to develop alternative non-infringing technology, which could require significant effort and expense.

New accounting pronouncements or new interpretations of existing standards could require us to make changes or adjustments in our accounting policies and procedures that could adversely affect our financial statements.

The Financial Accounting Standards Board, the SEC, or other accounting organizations or governmental entities issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies and procedures. To date, we do not believe any new pronouncements or interpretations have had an adverse effect on our financial condition or results of operations, but future pronouncements or interpretations could require us to change our policies or procedures. Moreover, we continually review our critical accounting policies in light of the accounting literature and changes in our operations.

Government regulation of the salvage vehicle sales industry may impair our operations, increase our costs of doing business and create potential liability.

Participants in the salvage vehicle sales industry are subject to, and may be required to expend funds to ensure compliance with a variety of governmental, regulatory and administrative rules, regulations, land use ordinances, licensure requirements and procedures, including those governing vehicle registration, the environment, zoning and land use. Failure to comply with present or future regulations or changes in interpretations of existing regulations may result in impairment of our operations and the imposition of penalties and other liabilities. At various times, we may be involved in disputes with local governmental officials regarding the development and/or operation of our business facilities. We believe that we are in compliance in all material respects with applicable regulatory requirements. We may be subject to similar types

of regulations by federal, national, international, provincial, state, and local governmental agencies in new markets. In addition, new regulatory requirements or changes in existing requirements may delay or increase the cost of opening new facilities, may limit our base of salvage vehicle buyers and may decrease demand for our vehicles.

The operation of our storage facilities poses certain environmental risks, which could adversely affect our financial position, results of operations or cash flows.

Our operations are subject to federal, state, national, provincial and local laws and regulations regarding the protection of the environment in the countries which we have storage facilities. In the salvage vehicle remarketing industry, large numbers of wrecked vehicles are stored at storage facilities and, during that time, spills of fuel, motor oil and other fluids may occur, resulting in soil, surface water or groundwater contamination. In addition, certain of our facilities generate and/or store petroleum products and other hazardous materials, including waste solvents and used oil. In the UK, we provide vehicle de-pollution and crushing services for End-of-Life program vehicles. We could incur substantial expenditures for preventative, investigative or remedial action and could be exposed to liability arising from our operations, contamination by previous users of certain of our acquired facilities, or the disposal of our waste at off-site locations. Environmental laws and regulations could become more stringent over time and there can be no assurance that we or our operations will not be subject to significant costs in the future. Although we have obtained indemnification for pre-existing environmental liabilities from many of the persons and entities from whom we have acquired facilities, there can be no assurance that such indemnifications will be adequate. Any such expenditures or liabilities could have a material adverse effect on our results of operations and financial condition.

If we experience problems with our providers of fleet operations, our business could be harmed.

We rely solely upon independent subhaulers to pick up and deliver vehicles to and from our North American storage facilities. Our failure to pick up and deliver vehicles in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business. Further, an increase in fuel cost may lead to increased prices charged by our independent subhaulers, which may significantly increase our cost. We may not be able to pass these costs on to our sellers or buyers.

If we experience problems with our UK trucking fleet operations, our business could be harmed.

We use a fleet of company owned trucks to pick up and deliver vehicles to and from our UK storage facilities. We are subject to the risks associated with providing trucking services, including inclement weather, disruptions in transportation infrastructure, availability and price of fuel, any of which could result in an increase in our operating expenses and reduction in our net income.

We are partially self-insured for certain losses.

We are partially self-insured for certain losses related to medical insurance, general liability, workers compensation and auto liability. Our liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity of claims and medical cost inflation, differ from our estimates, our results of operations could be impacted. Further, we rely on independent actuaries to assist us in establishing the proper amount of reserves for anticipated payouts associated with these self-insured exposures.

Our executive officers, directors and their affiliates hold a large percentage of our stock and their interests may differ from other shareholders.

Our executive officers, directors and their affiliates beneficially own, in the aggregate, approximately 20% of our common stock as of July 31, 2007. If they were to act together, these shareholders would have significant influence over most matters requiring approval by shareholders, including the election of directors, any amendments to our articles of incorporation and certain significant corporate transactions, including potential merger or acquisition transactions. In addition, without the consent of these shareholders, we could be delayed or prevented from entering into transactions that could be beneficial to us or our other investors. These shareholders may take these actions even if they are opposed by our other investors.

We have a shareholder rights plan, or poison pill, which could affect the price of our common stock and make it more difficult for a potential acquirer to purchase a large portion of our securities, to initiate a tender offer or a proxy contest, or to acquire us.

In March 2003, our board of directors adopted a shareholder rights plan, commonly known as a poison pill. The poison pill may discourage, delay, or prevent a third party from acquiring a large portion of our securities, initiating a tender offer or proxy contest, or acquiring us through an acquisition, merger, or similar transaction. Such an acquirer could be prevented from consummating one of these transactions even if our shareholders might receive a premium for their shares over then-current market prices.

If we lose key management or are unable to attract and retain the talent required for our business, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team, all of whom are employed on an at-will basis and none of whom are subject to any agreements not to compete. If we lose the service of one or more of our executive officers or key employees, in particular Willis J. Johnson, our Chief Executive Officer, and A. Jayson Adair, our President, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives.

Executive Officers of the Registrant

Executive Officers

Our executive officers and their ages as of July 31, 2007 were as follows:

Name	Age	Position
Willis J. Johnson	60	Chairman of the Board, Chief Executive Officer and Director
A. Jayson Adair	37	President and Director
James E. Meeks	57	Executive Vice President, Chief Operating Officer and Director
William E. Franklin	51	Senior Vice President and Chief Financial Officer
Paul A. Styer	51	Senior Vice President, General Counsel and Secretary
Vincent W. Mitz	44	Senior Vice President of Marketing
David L. Bauer	46	Senior Vice President of Information Technology and Chief Information Officer
Russell D. Lowy	48	Senior Vice President of Operations
Thomas E. Wylie	56	Senior Vice President of Human Resources
Robert H. Vannuccini	40	Vice President of National Accounts
Simon E. Rote	35	Vice President of Finance

Willis J. Johnson, our founder, has served as our Chairman of the Board since 2004, Chief Executive Officer since 1986 and as a director since 1982. Mr. Johnson served as our President from 1986 until May 1995. Mr. Johnson was an officer and director of U-Pull-It, Inc., or UPI, a self-service auto dismantler which he co-founded in 1982, from 1982 through September 1994. Mr. Johnson sold his entire interest in UPI in September 1994. Mr. Johnson has over 30 years of experience in owning and operating auto dismantling companies.

A. Jayson Adair has served as our President since November 1996 and as a director since September 1992. From April 1995 until October 1996, Mr. Adair served as our Executive Vice President. From August 1990 until April 1995, Mr. Adair served as our Vice President of Sales and Operations and from June 1989 to August 1990, Mr. Adair served as our Manager of Operations.

James E. Meeks has served as our Vice President and Chief Operating Officer since September 1992 when he joined us concurrent with our purchase of South Bay Salvage Pool, our San Martin operation. Mr. Meeks has served as our Executive Vice President and director since October 1996 and as Senior Vice President since April 1995. From April 1986 to September 1992, Mr. Meeks, together with his family, owned and operated the San Martin operation. Mr. Meeks was also an officer, director and part owner of Cas & Meeks, Inc., a towing and subhauling service company, which he operated from 1991 to March 2001. Mr. Meeks has over 30 years of experience in the vehicle dismantling business. Effective December 31, 2007, Mr. Meeks will retire. Effective August 1, 2007, Mr. Meeks relinquished his operational responsibilities as Chief Operating Officer but will remain with the Company in an advisory capacity until his retirement. Mr. Meeks will also continue as a member of our Board of Directors.

William E. Franklin has served as our Senior Vice President and Chief Financial Officer since March 2004. Mr. Franklin has over 20 years of international finance and executive management experience. From October 2001 to March 2004, he served as the Chief Financial Officer of Ptek Holdings, Inc., an international telecommunications company. Prior to that he was the President and CEO of Clifford Electronics, an international consumer electronics company. Mr. Franklin received a Master s degree in Business Administration from the University of Southern California and his Bachelor s of Science degree in Finance from California State University, Bakersfield. Mr. Franklin is a Certified Public Accountant.

Paul A. Styer has served as our General Counsel since September 1992, served as our Senior Vice President since April 1995 and as our Vice President from September 1992 until April 1995. Mr. Styer served as one of our directors from September 1992 until October 1993. Mr. Styer has served as our Secretary since October 1993. From August 1990 to September 1992, Mr. Styer conducted an independent law practice. Mr. Styer received a B.A. from the University of California, Davis and a J.D. from the University of the Pacific. Mr. Styer is a member of the California State Bar Association.

Vincent W. Mitz has served as our Senior Vice President of Marketing since May 1995. Prior thereto, Mr. Mitz was employed by NER Auction Systems from 1981 until its acquisition by Copart in 1995. At NER, Mr. Mitz held numerous positions culminating as Vice President of Sales and Operations for NER s New York region from 1990 to 1993 and Vice President of Sales & Marketing from 1993 to 1995. On August 1, 2007, Mr. Mitz relinquished the title and responsibilities of Senior Vice President of Marketing and assumed the title and responsibilities of Executive Vice President.

David L. Bauer has served as our Senior Vice President of Information Technology and Chief Information Officer since joining Copart in December 1995. Prior thereto, Mr. Bauer was an independent systems consultant from 1987 to 1995. Prior to working independently, Mr. Bauer spent 1983 to 1987 working in Arthur Andersen & Company s Management Information Consulting Division, leaving in 1987 as a Consulting Manager. Mr. Bauer earned a B.A. in Economics from the University of California, San Diego in 1981 and an MBA from University of California, Davis in 1983.

Russell D. Lowy has served as our Senior Vice President of Operations since July 2002. Mr. Lowy served as Vice President of Operations, Eastern Division from December 1999 to July 2002. From December 1998 to December 1999, Mr. Lowy served as Director of Training and Auditing. Mr. Lowy served as Assistant Vice President of Operations from 1996 to 1997, Regional Manager of Northern California from 1995 to 1996 and Marketing Manager from 1993 to 1994. Prior to joining us, Mr. Lowy spent nine years with ADP Claims Solutions Group. Mr. Lowy received a B.S. in Business Administration from California State University, Chico in 1982. On August 1, 2007, Mr. Lowy relinquished the title of Senior Vice President of Operations and assumed the title and responsibilities of Chief Operating Officer.

Thomas E. Wylie has served as our Senior Vice President of Human Resources since September 2003. Mr. Wylie has over 25 years of human resources and organizational change management experience. From January 2001 to November 2003 he served as Vice President, Human Resources, Systems and Administration for the California Division of Kaiser Permanente, a health care organization headquartered in Oakland, California. Prior to that he was the Vice President of Human Resources for Global Business Services, a division of Honeywell International in Morristown, New Jersey. He held several other positions with Honeywell starting in 1979. Mr. Wylie received a bachelor s degree from Hamline University in St. Paul, Minnesota.

Robert H. Vannuccini was promoted to Senior Vice President of Marketing on August 1, 2007. Prior thereto, Mr. Vannuccini served as our Vice President of National Accounts from 1999 to 2007 and our Midwest regional Account Manager from 1995 to 1999. Prior to that, Mr. Vannuccini was employed by NER as the Midwest Regional Account Manager from 1994 until its acquisition by Copart in 1995. Prior to his experience at NER, Mr. Vannuccini was an Assistant Vice President with Fleet Financial Group from 1991 to 1994. Mr. Vannuccini received his Bachelor of Business Administration degree in Banking and Finance from Hofstra University, Hempstead, New York in 1988.

Simon E. Rote has served as our Vice President of Finance since March 2003. Prior thereto, Mr. Rote served as our Controller from December 1998 to March 2003, and as our Assistant Controller from December 1997 to December 1998. Mr. Rote was an auditor with KPMG LLP from 1994 to 1997. Mr. Rote received a B.S. in Accounting from St. Mary s College in 1994.

Our executive officers are elected by our board of directors and serve at the discretion of the board. There are no family relationships among any of our directors or executive officers, except that A. Jayson Adair is the son-in-law of Willis J. Johnson.

Item 1B. *Unresolved Staff Comments*

Not Applicable.

Item 2. ***Properties***

Our corporate headquarters are located in Fairfield, California. This facility consists of approximately 100,000 square feet of office space owned by Copart. We also own or lease an additional 131 operating facilities. In the US, we have facilities in every state except Delaware, New Hampshire, North Dakota, Rhode Island, South Dakota, Vermont and Wyoming. In Canada we are only in the province of Ontario. In the UK, as of July 31, 2007, we owned or leased 7 operating facilities. We believe that our existing facilities are adequate to meet current requirements and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations and additional offices.

Item 3. ***Legal Proceedings***

We are involved in litigation and damage claims arising in the ordinary course of business, such as actions related to injuries, property damage, and handling or disposal of vehicles. This litigation includes the following matters:

On September 16, 2005, Richard M. Gray filed suit against Copart of Connecticut, Inc. and A. Safrin, in the State Court of the County of Chatham, State of Georgia, alleging a class action for unreasonable amounts claimed for storage liens by us, and related claims. Relief sought includes class certification, damages, fees, costs and expenses. Our motion for summary judgment was heard on January 31, 2007 and was denied. We believe the claim is without merit, and are defending the lawsuit vigorously.

On July 28, 2006, Foreign Car Sales and Service LLC (FCS) filed suit against Copart in the United States District Court for the Middle District of Louisiana, originally alleging antitrust violations and unfair trade practices. Relief sought originally included class certification based on both unfair trade practices and Sherman Act violations, damages, fees, costs and expenses. On January 5, 2007, the Magistrate required FCS to amend its complaint. A First Amended Complaint was rejected, and a Second Amended Complaint was submitted February 16, 2007, in which FCS abandoned its unfair trade practices claims, and now relies simply on breach of contract claims. FCS continues to seek certification of a class based upon violations of the Sherman Act. Plaintiff is *pro se* and is demanding a total award of 51% of our issued stock, as well as $97,000 in damages arising form damages to vehicles. We filed a motion to dismiss based on lack of subject matter jurisdiction, improper venue, and failure to state a claim. We believe the claims are without merit, and are defending the lawsuit vigorously.

On August 7, 2006, Kimberly and Jason Green filed suit against Copart in the Superior Court of the State of California, County of Sacramento, making allegations pursuant to a California consumer protection statute similar to a class action for unreasonable amounts claimed for storage liens by us, and related claims. Relief sought included class certification, damages, fees, costs and expenses. We filed an answer on September 1, 2006 denying the claim. On July 2, 2007, the parties entered into a settlement agreement terminating the lawsuit.

We accrue for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations cannot be predicted because any such effect depends on future results of operations, the amount and timing of the resolution of such matters. We believe that any ultimate liability will not have a material effect on our financial position, results of operations or cash flows. However, the amount of the liabilities associated with these claims, if any, cannot be determined with certainty.

Item 4. ***Submission of Matters to a Vote of Security Holders***

We did not submit any matters to a vote of our shareholders during the fourth quarter of our 2007 fiscal year.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Market Information

The following table summarizes the high and low sales prices per share of our common stock for each quarter during the last two fiscal years. As of July 31, 2007, there were 88,333,677 shares outstanding. Our common stock has been quoted on the Nasdaq under the symbol CPRT since March 17, 1994. As of July 31, 2007, we had 1,561 shareholders of record.

Fiscal Year 2007	**High**	**Low**
Fourth Quarter	31.42	28.11
Third Quarter	30.45	27.36
Second Quarter	31.42	28.52
First Quarter	30.39	26.31

Fiscal Year 2006	**High**	**Low**
Fourth Quarter	27.92	23.51
Third Quarter	27.86	24.70
Second Quarter	25.80	21.14
First Quarter	25.50	22.00

Dividend Policies

We have not paid a cash dividend since becoming a public company in 1994. We currently intend to retain any earnings for use in our business.

We expect to continue to use cash flows from operations to finance our working capital needs and to develop and grow our business. In addition to our stock repurchase, we are considering a variety of alternative potential uses for our remaining cash balances and our cash flow from operations. These alternative potential uses include additional stock repurchases, the payment of dividends and acquisitions.

Stock Repurchase

In February 2003, our Board of Directors authorized us to repurchase up to 9.0 million shares of our common stock. The repurchases may be effected through solicited or unsolicited transactions in the open market or in privately negotiated transactions. No time limit has been placed on the duration of the share repurchase program. The repurchases will be made at such times and in such amounts as we deem appropriate and may be discontinued at any time. For the year ended July 31, 2007, we repurchased 2,995,405 shares at a weighted average price of $29.91. For the year ended July 31, 2006, we repurchased 366,000 shares at a weighted average price of $24.24. For the year ended July 31, 2005, we did not repurchase any shares. The total

number of shares repurchased under the program as of July 31, 2007 is 7,033,705 million, leaving 1,966,295 million available under the repurchase program.

The number and average price of shares purchased in each fiscal year are set forth in the table below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
Fiscal 2007				
First Quarter				
Second Quarter				
Third Quarter				
Fourth Quarter	2,995,405	$ 29.91	7,033,705	1,966,295
Fiscal 2006				
First Quarter				
Second Quarter	366,000	$ 24.24	4,038,300	4,961,700
Third Quarter				
Fourth Quarter				

Issuances of Unregistered Securities

There were no issuances of unregistered securities in the quarter ended July 31, 2007.

Performance Graph

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed filed with the SEC or Soliciting Material under the Exchange Act, or subject to Regulation 14A or 14C, or to liabilities of Section 18 of the Exchange Act except to the extent we specifically request that such information be treated as soliciting material or to the extent we specifically request that such information be treated as soliciting material or to the extent we specifically incorporate this information by reference.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Copart, Inc., The NASDAQ Composite Index
And A Peer Group

Item 6. ***Selected Financial Data***

The following selected operating and balance sheet data, as of and for the years ended July 31, 2007, 2006, and 2005 have been derived from the audited consolidated financial statements of the Company. The following selected operating and balance sheet data, as of and for the years ended July 31, 2004 and 2003 have been derived from audited and unaudited consolidated financial statements of the Company, respectively. The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Company s consolidated financial statements and the notes thereto.

	Fiscal Year Ending July 31,				
	2007	2006	2005	2004	2003
	(In 000s except per share and other data)				
Operating Data					
Revenues	$ 560,680	$ 528,571	$ 447,731	$ 391,014	$ 335,407
Operating Income	203,145	171,562	156,436	124,461	90,638
Income from continuing operations before income taxes	217,421	174,522	164,595	129,921	93,994
Income tax expense	(81,083)	(61,862)	(62,772)	(50,929)	(36,877)
Income from continuing operations	136,338	112,660	101,823	78,992	57,117
Income (loss) from discontinued operations, net of income tax effects		(15,713)	293	228	105
Net income	136,338	96,947	102,116	79,220	57,222
Basic per share amounts:					
Income from continuing operations	$ 1.50	$ 1.24	$ 1.13	$ 0.89	$ 0.63
Discontinued operations	$	$ (0.17)	$	$	$
Net income per share	$ 1.50	$ 1.07	$ 1.13	$ 0.89	$ 0.63
Weighted average shares	90,651	90,372	90,162	89,457	91,408
Diluted per share amounts:					
Income from continuing operations	$ 1.46	$ 1.21	$ 1.10	$ 0.87	$ 0.62
Discontinued operations	$	$ (0.17)	$	$	$
Net income per share	$ 1.46	$ 1.04	$ 1.10	$ 0.87	$ 0.62
Weighted average shares	93,455	92,925	92,984	91,537	93,018
Balance Sheet Data					
Cash, cash equivalents and short-term investments	$ 200,990	$ 275,315	$ 252,548	$ 178,320	$ 116,746
Working capital	$ 247,850	$ 328,017	$ 293,696	$ 228,535	$ 166,746
Total assets	$ 1,005,344	$ 894,705	$ 793,528	$ 673,023	$ 587,100
Total debt	$ 2,793	$	$	$ 16	$ 107
Shareholders equity	$ 880,866	$ 809,970	$ 709,379	$ 602,263	$ 525,640
Other Data					
Number of storage facilities	131	122	117	107	102

Item 7. *Management Discussion and Analysis of Financial Condition and Results of Operations*

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, including the information incorporated by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. In some cases, you can identify forward-looking statements by terms such as may, will, should, expect, plan, intend, forecast, anticipate, believe, estimate, predict, potential negative of these terms or other comparable terminology. The forward-looking statements contained in this report involve known and unknown risks, uncertainties and situations that may cause our or our industry s actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These factors include those listed in Part I, Item 1A. Risk Factors beginning on page 19 of this annual report on Form 10-K and those discussed elsewhere in this annual report on Form 10-K. We encourage investors to review these factors carefully together with the other matters referred to herein, as well as in the other documents we file with the Securities and Exchange Commission (the SEC). The Company may from time to time make additional written and oral forward-looking statements, including statements contained in the Company s filings with the SEC. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Although we believe that, based on information currently available to the Company and its management, the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements.

Overview

We provide vehicle suppliers, primarily insurance companies, with a full range of remarketing services to process and sell vehicles primarily over the Internet through our Virtual Bidding Second Generation, or VB2, Internet auction-style sales technology. In the United Kingdom, or UK, we sell salvage vehicles through a combination of live auctions and Internet bidding. We sell principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters. Salvage vehicles are either damaged vehicles deemed a total loss or not economically repairable by the insurance companies or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. We offer vehicle suppliers a full range of remarketing services that expedite each stage of the salvage vehicle sales process and minimize administrative and processing costs. In the United States, or US, we sell vehicles primarily as an agent and derive revenue primarily from fees paid by vehicle suppliers and vehicle buyers as well as related fees for services such as towing and storage. In the United Kingdom, we operate primarily on a principal basis,

purchasing the salvage vehicle outright from the insurance companies and reselling the vehicle for our own account to buyers through a combination of live auctions and Internet sales.

Our revenues consist of salvage fees charged to vehicle suppliers and vehicle buyers, transportation revenue and purchased vehicle revenues. Consignment revenues from suppliers are generally generated either on a fixed fee contract basis where we collect a fixed amount for selling the vehicles regardless of the selling price of the vehicle or, under our Percentage Incentive Program, or PIP program, our fees are generally based on a predetermined percentage of the vehicle sales price. Under the fixed fee program, we generally charge an additional fee for title processing and special preparation. Although sometimes included in the consignment fee, we may also charge additional fees for the cost of transporting the vehicle to our facility, storage of the vehicle, and other incidental costs. Under the consignment programs, only the fees associated with vehicle processing are recorded in revenue, not the actual sales price (gross proceeds). Salvage fees also include fees charged to vehicle buyers for purchasing vehicles, storage and annual registration. Transportation revenue includes charges to suppliers for towing vehicles under certain contracts. Transportation revenue also includes towing charges assessed to buyers for delivering vehicles. Purchased vehicle revenue, includes the gross sales price of the vehicle which we have purchased or are otherwise considered to own and primarily generated in the UK.

Operating costs consist primarily of operating personnel (which includes yard management, clerical and yard employees), rent, contract vehicle towing, insurance, fuel, equipment maintenance and repair, and costs of vehicles we sold under purchase contracts. Because we operate as a principal in the UK, purchasing and reselling salvaged vehicles for our own account, we expect operating costs to increase as a percentage of revenue in future periods. Costs associated with general and administrative expenses consist primarily of executive management, accounting, data processing, sales personnel, human resources, professional fees, research and development and marketing expenses.

During fiscal 2004, we converted all of our North American vehicle remarketing facilities to an Internet-based auction-style model using our VB2 Internet sales technology. This process employs a two-step bidding process. The first step, called the preliminary bid, allows buyers to submit bids up to one hour before a real time virtual action begins. The second step allows buyers to bid against each other, and the high bidder from the preliminary bidding process, in a real-time process over the Internet.

During the second quarter of fiscal 2006, we adopted a formal plan to discontinue the operations of our public auction business Motors Auction Group, or MAG, and dispose of or convert the related assets. The MAG yards converted into salvage facilities will continue to be included in the results of continuing operations on the income statements.

Acquisitions and New Operations

We have experienced significant growth as we have acquired sixteen vehicle storage facilities and established fourteen new facilities since the beginning of fiscal 2005. All of these acquisitions have been accounted for using the purchase method of accounting.

As part of our overall expansion strategy of offering integrated services to vehicle suppliers, we anticipate acquiring and developing facilities in new regions, as well as the regions currently served by our facilities. As part of this strategy, in fiscal 2007 we acquired seven new facilities in the UK located in Sandy; Sandtoft, Sandwich, Westbury, Chester, Denny; and Wootton and in North America we opened new facilities in Baltimore, Maryland, Woodburn, Oregon and Punta Gorda, Florida. In fiscal 2006 we acquired new facilities in or near Greenwood, Nebraska; Grand Island, Nebraska; York Haven, Pennsylvania; Chambersburg, Pennsylvania; Altoona, Pennsylvania; Fruitland, Maryland; Billings, Montana and opened new facilities in or near Honolulu, Hawaii; Lansing, Michigan; Dover, Florida and Jacksonville, Florida. In fiscal 2005 we acquired new facilities in or near Lexington, Kentucky and Columbia, Missouri and opened new facilities in Strongsville, Ohio; Ocala, Florida; Knoxville, Tennessee; Loganville, Georgia; Spokane, Washington; Tallahassee, Florida and Hialeah, Florida. We believe that these acquisitions and openings strengthen our coverage as we have 131 facilities located in North America and the United Kingdom and are able to provide national coverage for our suppliers.

On June 14, 2007, we acquired all the issued share capital of Universal Salvage plc, or Universal, for £2.00 per share (approximately $3.94 based on currency exchange rates on June 14, 2007). Universal, based in the UK and operating exclusively within the UK, is a service provider to the motor insurance and automotive industries. The aggregate acquisition consideration paid by us totaled approximately £60.7 million (approximately $120.0 million based on currency exchange rates on June 14, 2007) and was funded from our available cash resources. We also assumed outstanding indebtedness of Universal totaling approximately £2.3 million ($4.5 million as of June 14, 2007). The acquisition marks our first acquisition outside North America and includes the seven facilities discussed above.

The period-to-period comparability of our operating results and financial condition is substantially affected by business acquisitions, new openings, weather and product introductions during such periods. In particular, the UK acquisition, because of its size and, also, because the UK operates primarily on the principal model versus the agency model employed in the United States, will have a significant impact on the comparability of revenues and gross margin percentages in future periods.

In addition to growth through acquisitions, we seek to increase revenues and profitability by, among other things, (i) acquiring and developing new salvage vehicle storage facilities in key markets, (ii) pursuing national and regional vehicle supply agreements, (iii) expanding our service offerings to suppliers and buyers, and (iv) expanding the application of VB2 into new markets. In addition, we implement our pricing structure and merchandising procedures and attempt to effect cost efficiencies at each of our acquired facilities by implementing our operational procedures, integrating our management information systems and redeploying personnel, when necessary.

Results of Operations

The following table sets forth for the periods indicated below, certain information derived from our consolidated statements of income presented in absolute dollars and as a percentage of revenues. There can be no assurance that any trend in operating results will continue in the future.

Fiscal 2007 Compared to Fiscal 2006

Revenues

The following sets forth information on customer revenue by geographic region based on the location of the selling entity (in thousands, except percentages):

	2007	Percentage of Revenue	2006	Percentage of Revenue				
North America	$ 545,861	97 %	$ 528,571	Hillcrest Village	1999	1991	14,530	100.0%

Keller Town Center	1999	1999	114,937	96.3%	Tom Thumb	
Lebanon/Legacy Center	2000	2002	56,674	97.9%	(Albertsons)	
Main Street Center (4)	2002	2002	42,754	81.4%	(Albertsons)	
Market at Preston Forest	1999	1990	91,624	100.0%	Tom Thumb	PETCO
Mockingbird Common	1999	1987	120,321	98.4%	Tom Thumb	
Preston Park	1999	1985	273,826	80.7%	Tom Thumb	Gap, Williams Sonoma
Prestonbrook	1998	1998	91,537	98.8%	Kroger	
Prestonwood Park	1999	1999	101,167	67.6%	(Albertsons)	
Rockwall Town Center (3)	2002	2004	45,969	79.7%	(Kroger)	(Walgreens)
Shiloh Springs	1998	1998	110,040	97.5%	Kroger	
Signature Plaza	2003	2004	32,415	80.0%	(Kroger)	
Trophy Club	1999	1999	106,507	88.5%	Tom Thumb	(Walgreens)

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Property Name	Year Acquired	Year Constructed (1)	Gross Leasable Area (GLA)	Percent Leased (2)	Grocery Anchor	Drug Store & Other Anchors > 10,000 Sq Ft
TEXAS (Continued)						
Houston						
Alden Bridge	2002	1998	138,953	100.0%	Kroger	Walgreens
Atascocita Center	2002	2003	97,240	87.7%	Kroger	
Cochran s Crossing	2002	1994	138,192	96.5%	Kroger	CVS
Fort Bend Center	2000	2000	30,164	79.0%	(Kroger)	
Highland Knoll (4)	2007	1998	87,470	97.0%	Randalls Food	
Indian Springs Center (4)	2002	2003	136,625	100.0%	H.E.B.	
Kleinwood Center (4)	2002	2003	148,964	91.6%	H.E.B.	(Walgreens)
Kleinwood Center II	2005	2005	45,001	100.0%		LA Fitness
Memorial Collection Shopping Center (4)	2005	1974	103,330	97.5%	Randalls Food	Walgreens
Panther Creek	2002	1994	165,560	100.0%	Randalls Food	CVS, Sears Paint & Hardware
South Shore (3)	2005	2005	27,939	72.7%	(Kroger)	
Sterling Ridge	2002	2000	128,643	100.0%	Kroger	CVS
Sweetwater Plaza (4)	2001	2000	134,045	99.0%	Kroger	Walgreens
Waterside Marketplace (3)	2007	2007	24,520	19.2%	(Kroger)	
Weslayan Plaza East (4)	2005	1969	169,693	99.1%		Berings, Ross Dress for Less, Michaels, Linens-N-Things, Berings Warehouse, Chuck E Cheese, Next Level
Weslayan Plaza West (4)	2005	1969	185,834	95.9%	Randalls Food	Walgreens, PETCO, Jo Ann s
Westwood Village (3)	2006	2006	184,176	76.9%		(Target)
Woodway Collection (4)	2005	1974	111,165	98.2%	Randalls Food	Eckerd
Subtotal/Weighted Average (TX)			4,524,621	90.7%		
VIRGINIA						
Richmond						
Gayton Crossing (4)	2005	1983	156,917	95.1%	Ukrop s	
Glen Lea Centre (4)	2005	1969	78,494	54.3%		Eckerd
Hanover Village (4)	2005	1971	96,146	86.5%		Rite Aid
Laburnum Park Shopping Center (4)	2005	1977	64,992	96.8%	(Ukrop s)	Rite Aid
Village Shopping Center (4)	2005	1948	111,177	100.0%	Ukrop s	CVS

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VIRGINIA (Continued)						
Other Virginia						
601 King Street (4)	2005	1980	8,349	95.9%		
Ashburn Farm Market Center	2000	2000	91,905	94.3%	Giant Food	
Ashburn Farm Village Center (4)	2005	1996	88,897	98.7%	Shoppers Food Warehouse	
Braemar Shopping Center (4)	2004	2004	96,439	95.9%	Safeway	
Brafferton Center (4)	2005	1997	97,872	95.9%		
Brookville Plaza (4)	2005	1996	104,155	98.8%	Shoppers Food Warehouse	Sears
Centre Ridge Marketplace (4)	2000	2000	97,156	97.0%	Safeway	PETCO
Cheshire Station	2006	2006	93,368	68.5%		PetSmart, Staples, (Target)
Culpeper Colonnade (3)	2007	1955	85,482	92.0%		Parvizian Masterpiece
Fairfax Shopping Center	2005	1990	165,130	97.4%	Shoppers Food Warehouse	
Festival at Manchester Lakes (4)	2004	2004	90,131	96.1%	Shoppers Food Warehouse	(Target), Rite Aid
Fortuna Center Plaza (4)	2005	1977	103,269	100.0%	Giant Food	
Fox Mill Shopping Center (4)	2005	1972	345,935	97.4%	Giant Food	CVS, HMY Roomstore, Total Beverage, Ross Dress for Less, Marshalls, PETCO
Greenbriar Town Center (4)	2005	1960	71,825	100.0%		Borders Books
Hollymead Town Center	2005	1966	74,703	100.0%	Giant Food	CVS
Kamp Washington Shopping Center (4)	2006	2005	132,445	100.0%	Shoppers Food Warehouse	Advanced Design Group
Kings Park Shopping Center (4)	2006	2005	64,437	86.5%		
Lorton Station Marketplace (4)	2003	2003	149,791	95.7%	Safeway	Boat U.S., USA Discounters
Lorton Town Center (4)	2005	1977	101,587	100.0%	Giant Food	
Market at Opitz Crossing	2005	2005	96,696	102.5%	Harris Teeter	
Saratoga Shopping Center (4)	2003	2004	95,172	96.2%	Shoppers Food Warehouse	
Shops at County Center	2007	2007	318,682	76.4%	Wegmans	Staples, Ross Dress For Less, Bed Bath & Beyond, Michaels
Signal Hill	2005	1980	190,069	100.0%	Giant Food	Washington Sports Club, Party Depot

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VIRGINIA (Continued)						
Statler Square Phase I	2002	1991	298,282	95.8%	Shoppers Food Warehouse	CVS, Advance Auto Parts, Chuck E. Cheese, Gold s Gym, PETCO, Staples, The Thrift Store
Stonewall (3)	2005	1952	105,376	97.1%		CVS, Balleys Health Care
Town Center at Sterling Shopping Center (4)	2005	1986	127,449	97.5%	Safeway	
Village Center at Dulles (4)	1998	1991	63,665	100.0%	Kroger	
Willston Centre I (4)	2003	2004	153,739	97.0%	Harris Teeter	(Target), Petsmart
Willston Centre II (4)	1998	1996	133,660	90.2%	Kroger	Staples
Subtotal/Weighted Average (VA)			4,153,392	93.8%		
ILLINOIS						
Chicago						
Baker Hill Center (4)	2004	1998	135,285	83.2%	Dominick s	
Brentwood Commons (4)	2005	1962	125,585	87.8%	Dominick s	Dollar Tree
Civic Center Plaza (4)	2005	1989	264,973	89.9%	Dominick s (5)	Petsmart, Murray s Discount Auto, Home Depot
Deer Grove Center (4)	2004	1996	239,356	95.9%	Dominick s	(Target), Linen s-N-Things, Michaels, PETCO, Factory Card Outlet, Dress Barn, Staples
Frankfort Crossing Shpg Ctr	2003	1992	114,534	89.8%	Jewel / OSCO	Ace Hardware
Geneva Crossing (4)	2004	1997	123,182	93.9%	Dominick s	John s Christian Stores
Heritage Plaza Chicago (4)	2005	2005	128,871	97.3%	Jewel / OSCO	Ace Hardware
Hinsdale	1998	1986	178,960	98.4%	Dominick s	Ace Hardware, Murray s Party Time Supplies
McHenry Commons Shopping Center (4)	2005	1988	100,526	96.2%	Dominick s	
Oaks Shopping Center (4)	2005	1983	135,006	91.2%	Dominick s	
Riverside Sq & River s Edge (4)	2005	1986	169,435	100.0%	Dominick s	Ace Hardware, Party City
Riverview Plaza (4)	2005	1981	139,256	97.8%	Dominick s	Walgreens, Toys R Us
Shorewood Crossing (4)	2004	2001	87,705	94.8%	Dominick s	
Shorewood Crossing II (4)	2007	2005	86,276	98.1%		

					Babies R Us, Staples, PETCO, Factory Card
Stearns Crossing (4)	2004	1999	96,613	98.6%	Dominick s

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ILLINOIS (Continued)						
Stonebrook Plaza Shopping Center (4)	2005	1984	95,825	97.7%	Dominick s	
Westbrook Commons	2001	1984	121,502	85.3%	Dominick s	
Champaign/Urbana						
Champaign Commons (4)	2007	1990	88,105	92.3%	Schnucks	
Urbana Crossing (4)	2007	1997	85,196	98.4%	Schnucks	
Springfield						
Montvale Commons (4)	2007	1996	73,937	100.0%	Schnucks	
Other Illinois						
Carbondale Center (4)	2007	1997	59,726	100.0%	Schnucks	
Country Club Plaza (4)	2007	2001	86,866	100.0%	Schnucks	
Granite City (4)	2007	2004	46,237	100.0%	Schnucks	
Swansea Plaza (4)	2007	1988	118,892	97.1%	Schnucks	Fashion Bug
Subtotal/Weighted Average (IL)			2,901,849	94.5%		
GEORGIA						
Atlanta						
Ashford Place	1997	1993	53,450	88.7%		
Briarcliff La Vista	1997	1962	39,204	100.0%		Michaels
Briarcliff Village	1997	1990	187,156	89.8%	Publix	La-Z-Boy Furniture Galleries, Office Depot, Party City, PETCO, TJ Maxx
Buckhead Court	1997	1984	48,338	100.0%		
Buckhead Crossing (4)	2004	1989	221,874	98.4%		Office Depot, HomeGoods, Marshalls, Michaels, Hancock Fabrics, Ross Dress for Less
Cambridge Square Shopping Ctr	1996	1979	71,474	98.7%	Kroger	
Chapel Hill (3)	2005	2005	66,970	89.5%		
Coweta Crossing (4)	2004	1994	68,489	95.5%	Publix	
Cromwell Square	1997	1990	70,283	91.5%		CVS, Hancock Fabrics, Haverty s-Antiques & Interiors of Sandy Springs
Delk Spectrum	1998	1991	100,539	90.7%	Publix	
Dunwoody Hall	1997	1986	89,351	94.2%	Publix	Eckerd
Dunwoody Village	1997	1975	120,598	93.0%	Fresh Market	Walgreens, Dunwoody Prep

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GEORGIA (Continued)						
Howell Mill Village (4)	2004	1984	97,990	97.8%	Publix	Eckerd
King Plaza (4)	2007	1998	81,432	94.3%	Publix	
Lindbergh Crossing (4)	2004	1998	27,059	96.0%		CVS
Loehmanns Plaza Georgia	1997	1986	137,139	100.0%		Loehmann s, Dance 101
Lost Mountain Shopping Center (4)	2007	1994	72,568	93.2%	Publix	
Northlake Promenade (4)	2004	1986	25,394	90.7%		
Orchard Square (4)	1995	1987	93,222	81.1%	Publix	Harbor Freight Tools, Remax Elite
Paces Ferry Plaza	1997	1987	61,697	93.5%		Harry Norman Realtors
Powers Ferry Kroger (4)	2004	1983	45,528	100.0%	Kroger	
Powers Ferry Square	1997	1987	95,704	99.0%		CVS, Pearl Arts & Crafts
Powers Ferry Village	1997	1994	78,996	99.9%	Publix	CVS, Mardi Gras
Rivermont Station	1997	1996	90,267	76.8%	Kroger	
Rose Creek (4)	2004	1993	69,790	94.8%	Publix	
Roswell Crossing (4)	2004	1999	201,979	95.8%	Trader Joe s	PetSmart, Office Max, Pike Nursery, Party City, Walgreens, LA Fitness
Russell Ridge	1994	1995	98,559	87.5%	Kroger	
Thomas Crossroads (4)	2004	1995	84,928	96.3%	Kroger	
Trowbridge Crossing (4)	2004	1998	62,558	100.0%	Publix	
Woodstock Crossing (4)	2004	1994	66,122	96.2%	Kroger	
Subtotal/Weighted Average (GA)			2,628,658	94.0%		
COLORADO						
Colorado Springs						
Cheyenne Meadows (4)	1998	1998	89,893	100.0%	King Soopers	
Falcon Marketplace (3)	2005	2005	22,491	58.7%	(Wal-Mart Supercenter)	
Marketplace at Briargate	2006	2006	29,075	100.0%	(King Soopers)	
Monument Jackson Creek	1998	1999	85,263	100.0%	King Soopers	
Woodmen Plaza	1998	1998	116,233	90.2%	King Soopers	
Denver						
Applewood Shopping Center (4)	2005	1956	375,622	94.2%	King Soopers	Applejack Liquors, PetSmart, Wells Fargo Bank, Wal-Mart

Arapahoe Village (4)	2005	1957	159,237	92.8%	Safeway	Jo-Ann Fabrics, PETCO, Pier 1 Imports

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COLORADO (Continued)						
Belleview Square	2004	1978	117,335	100.0%	King Soopers	
Boulevard Center	1999	1986	88,512	86.9%	(Safeway)	One Hour Optical
Buckley Square	1999	1978	116,146	97.2%	King Soopers	True Value Hardware
Centerplace of Greeley (4)	2002	2003	148,575	100.0%	Safeway	Ross Dress For Less, Famous Footwear
Centerplace of Greeley Phase III (3)	2007	2007	119,014	60.6%		
Cherrywood Square (4)	2005	1978	86,161	100.0%	King Soopers	
Crossroads Commons (4)	2001	1986	105,041	79.2%	Whole Foods	Barnes & Noble, Mann Theatres, Bicycle Village
Fort Collins Center	2005	2005	99,359	100.0%		JC Penney
Hilltop Village (4)	2002	2003	100,029	97.3%	King Soopers	
South Lowry Square	1999	1993	119,916	95.4%	Safeway	
Littleton Square	1999	1997	94,257	91.3%	King Soopers	Walgreens
Lloyd King Center	1998	1998	83,326	100.0%	King Soopers	
Loveland Shopping Center (3)	2005	2005	93,142	44.7%		Murdoch s Ranch
Ralston Square Shopping Center (4)	2005	1977	82,750	98.2%	King Soopers	
Stroh Ranch	1998	1998	93,436	98.5%	King Soopers	
Subtotal/Weighted Average (CO)			2,424,813	91.4%		
OHIO						
Cincinnati						
Beckett Commons	1998	1995	121,498	100.0%	Kroger	Stein Mart
Cherry Grove	1998	1997	195,512	93.8%	Kroger	Hancock Fabrics, Shoe Carnival, TJ Maxx
Hyde Park	1997	1995	397,893	98.0%	Kroger, Biggs	Walgreens, Jo-Ann Fabrics, Famous Footwear, Michaels, Staples
Indian Springs Market Center (4)	2005	2005	146,258	100.0%		Kohl s, Office Depot
Red Bank Village (3)	2006	2006	215,219	86.4%		
Regency Commons	2004	2004	30,770	72.7%		
Regency Milford Center (4)	2001	2001	108,923	91.7%	Kroger	(CVS)
Shoppes at Mason	1998	1997	80,800	100.0%	Kroger	
Westchester Plaza	1998	1988	88,182	96.9%	Kroger	

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OHIO (Continued)						
Columbus						
East Pointe	1998	1993	86,503	100.0%	Kroger	
Kingsdale Shopping Center	1997	1999	266,878	44.5%	Giant Eagle	
Kroger New Albany Center	1999	1999	91,722	91.7%	Kroger	
Maxtown Road (Northgate)	1998	1996	85,100	98.4%	Kroger	(Home Depot)
Park Place Shopping Center	1998	1988	106,833	58.9%		Big Lots
Windmiller Plaza Phase I	1998	1997	141,110	100.0%	Kroger	Sears Orchard
Wadsworth Crossing (3)	2005	2005	107,731	71.3%		Office Max, Bed, Bath & Beyond, MC Sports, PETCO, (Kohl s), (Lowe s), (Target)
Subtotal/Weighted Average (OH)			2,270,932	86.7%		
MISSOURI						
St. Louis						
Affton Plaza (4)	2007	2000	67,760	100.0%	Schnucks	
Bellerive Plaza (4)	2007	2000	115,208	90.8%	Schnucks	
Brentwood Plaza (4)	2007	2002	60,452	100.0%	Schnucks	
Bridgeton (4)	2007	2005	70,762	100.0%	Schnucks	
Butler Hill Centre (4)	2007	1987	90,889	100.0%	Schnucks	
City Plaza (4)	2007	1998	80,149	100.0%	Schnucks	
Crestwood Commons (4)	2007	1994	67,285	100.0%	Schnucks	
Dardenne Crossing (4)	2007	1996	67,430	100.0%	Schnucks	
Dorsett Village (4)	2007	1998	104,217	98.7%	Schnucks	Walgreens
Kirkwood Commons (4)	2007	2000	467,703	100.0%		TJ Maxx, Homegoods, Famous Footwear
Lake St. Louis (4)	2007	2004	75,643	100.0%	Schnucks	
O Fallon Centre (4)	2007	1984	71,300	91.7%	Schnucks	
Plaza 94 (4)	2007	2005	66,555	100.0%	Schnucks	
Richardson Crossing (4)	2007	2000	82,994	98.6%	Schnucks	
Shackelford Center (4)	2007	2006	49,635	97.4%	Schnucks	
Sierra Vista Plaza (4)	2007	1993	74,666	98.4%	Schnucks	
Twin Oaks (4)	2007	2006	71,682	100.0%	Schnucks	
University City Square (4)	2007	1997	79,280	98.2%	Schnucks	
Washington Crossing (4)	2007	1999	117,626	100.0%	Schnucks	Michaels, Altemueller Jewelry

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MISSOURI (Continued)						
Wentzville Commons (4)	2007	2000	74,205	100.0%	Schnucks	
Wildwood Crossing (4)	2007	1997	108,200	85.4%	Schnucks	
Zumbehl Commons (4)	2007	1990	116,682	94.2%	Schnucks	Westlakes Ace
Other Missouri						
Capital Crossing (4)	2007	2002	85,149	98.6%	Schnucks	
Subtotal/Weighted Average (MO)			2,265,472	97.9%		
NORTH CAROLINA						
Charlotte						
Carmel Commons	1997	1979	132,651	98.4%	Fresh Market	Chuck E. Cheese, Party City, Eckerd
Cochran Commons (4)	2007	2003	66,020	100.0%	Harris Teeter	
Greensboro						
Harris Crossing (3)	2007	2007	76,818	69.5%	Harris Teeter	
Kernersville Plaza	1998	1997	72,590	95.0%	Harris Teeter	
Raleigh / Durham						
Bent Tree Plaza (4)	1998	1994	79,503	98.5%	Kroger	
Cameron Village (4)	2004	1949	635,918	91.4%	Harris Teeter, Fresh Market	Eckerd, Talbots, Wake County Public Library, Great Outdoor Provision Co., Blockbuster Video, York Properties, Carolina Antique Mall, The Junior League of Raleigh, K&W Cafeteria, Johnson-Lambe Sporting Goods, Home Economics, Pier 1 Imports
Fuquay Crossing (4)	2004	2002	124,774	93.5%	Kroger	Gold s Gym, Dollar Tree
Garner	1998	1998	221,776	98.8%	Kroger	Office Max, Petsmart, Shoe Carnival, (Target), United Artist Theater, (Home Depot)
Glenwood Village	1997	1983	42,864	94.4%	Harris Teeter	
Lake Pine Plaza	1998	1997	87,691	100.0%	Kroger	
Maynard Crossing	1998	1997	122,782	91.9%	Kroger	
Middle Creek Commons (3)	2006	2006	73,635	78.0%	Lowes Foods	

Shoppes of Kildaire (4)	2005	1986	148,204	87.0%	Trader Joe s	Athletic Clubs Inc, Home Comfort Furniture, Gold s Gym, Staples
Southpoint Crossing	1998	1998	103,128	96.6%	Kroger	

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NORTH CAROLINA (Continued)						
Sutton Square (4)	2006	1985	101,846	90.4%	Harris Teeter	Eckerd
Woodcroft Shopping Center	1996	1984	89,833	96.8%	Food Lion	True Value Hardware
Subtotal/Weighted Average (NC)			2,180,033	92.7%		
MARYLAND						
Baltimore						
Elkridge Corners (4)	2005	1990	73,529	100.0%	Super Fresh	Rite Aid
Festival at Woodholme (4)	2005	1986	81,027	98.0%	Trader Joe s	
Lee Airport (3)	2005	2005	129,340	77.3%	(Giant Food)	
Northway Shopping Center (4)	2005	1987	98,016	98.5%	Shoppers Food Warehouse	Goodwill Industries
Parkville Shopping Center (4)	2005	1961	162,435	99.6%	Super Fresh	Rite Aid, Parkville Lanes, Castlewood Realty
Southside Marketplace (4)	2005	1990	125,146	96.5%	Shoppers Food Warehouse	Rite Aid
Valley Centre (4)	2005	1987	247,920	96.8%		TJ Maxx, Sony Theatres, Ross Dress for Less, Homegoods, Staples, Annie Sez
Other Maryland						
Bowie Plaza (4)	2005	1966	104,037	89.0%	Giant Food	CVS
Clinton Park (4)	2003	2003	206,050	98.8%	Giant Food	Sears, GCO Carpet Outlet, (Toys R Us)
Cloppers Mill Village (4)	2005	1995	137,035	97.2%	Shoppers Food Warehouse	CVS
Firstfield Shopping Center (4)	2005	1978	22,328	100.0%		
Goshen Plaza (4)	2005	1987	45,654	94.3%		CVS
King Farm Apartments (4)	2004	2001	64,775	72.2%		
King Farm Village Center (4)	2004	2001	120,326	99.0%	Safeway	
Mitchellville Plaza (4)	2005	1991	156,125	92.9%	Food Lion	
Takoma Park (4)	2005	1960	106,469	100.0%	Shoppers Food Warehouse	
Watkins Park Plaza (4)	2005	1985	113,443	97.1%	Safeway	CVS
Woodmoor Shopping Center (4)	2005	1954	64,682	94.0%		CVS
Subtotal/Weighted Average (MD)			2,058,337	95.0%		

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PENNSYLVANIA						
Allentown / Bethlehem						
Allen Street Shopping Center (4)	2005	1958	46,420	90.2%	Ahart Market	Eckerd
Lower Nazareth Commons (3)	2007	2007	106,462	0.0%		
Stefko Boulevard Shopping Center (4)	2005	1976	133,824	91.7%	Valley Farm Market	
Harrisburg						
Silver Spring Square (3)	2005	2005	188,122	84.8%	Wegmans	Ross Dress For Less, Bed Bath and Beyond, Best Buy, Office Max, Ulta
Philadelphia						
City Avenue Shopping Center (4)	2005	1960	159,669	96.3%		Ross Dress for Less, TJ Maxx, Sears
Gateway Shopping Center	2004	1960	219,337	95.4%	Trader Joe s	Gateway Pharmacy, Staples, TJ Maxx, Famous Footwear, JoAnn Fabrics
Kulpsville Village Center (3)	2006	2006	14,820	100.0%		Walgreens
Mayfair Shopping Center (4)	2005	1988	112,276	92.7%	Shop N Bag	Eckerd, Dollar Tree
Mercer Square Shopping Center (4)	2005	1988	91,400	100.0%	Genuardi s	
Newtown Square Shopping Center (4)	2005	1970	146,893	92.0%	Acme Markets	Eckerd
Towamencin Village Square (4)	2005	1990	122,916	95.9%	Genuardi s	Eckerd, Sears, Dollar Tree
Warwick Square Shopping (4)	2005	1999	89,680	96.5%	Genuardi s	
Other Pennsylvania						
Kenhorst Plaza (4)	2005	1990	159,150	95.7%	Redner s Market	Rite Aid, Sears, US Post Office
Hershey	2000	2000	6,000	100.0%		
Subtotal/Weighted Average (PA)			1,596,969	87.4%		
WASHINGTON						
Portland						
Orchards Market Center I (4)	2002	2004	100,663	100.0%		Sportsman s Warehouse, Jo-Ann Fabrics, PETCO
Orchards Market Center II (3)	2005	2005	77,478	89.9%		Wallace Theaters, Office Depot

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WASHINGTON (Continued)						
Seattle						
Aurora Marketplace (4)	2005	1991	106,921	98.3%	Safeway	TJ Maxx
Cascade Plaza (4)	1999	1999	211,072	99.0%	Safeway	Bally Total Fitness, Fashion Bug, Jo-Ann Fabrics, Longs Drug, Ross Dress For Less
Eastgate Plaza (4)	2005	1956	78,230	100.0%	Albertsons	Rite Aid
Inglewood Plaza	1999	1985	17,253	100.0%		
James Center (4)	1999	1999	140,240	94.7%	Fred Myer	Rite Aid
Lynnwood Meryvns (3)	2007	2007	77,028	100.0%	H Mart	
Overlake Fashion Plaza (4)	2005	1987	80,555	100.0%		Marshalls, (Sears)
Pine Lake Village	1999	1989	102,953	100.0%	Quality Foods	Rite Aid
Puyallup Meryvns (3)	2007	2007	76,682	100.0%		
Sammamish Highland	1999	1992	101,289	100.0%	(Safeway)	Bartell Drugs, Ace Hardware
Southcenter	1999	1990	58,282	98.2%		(Target)
Thomas Lake	1999	1998	103,872	100.0%	Albertsons	Rite Aid
Subtotal/Weighted Average (WA)			1,332,518	98.5%		
OREGON						
Portland						
Cherry Park Market (4)	1999	1997	113,518	90.0%	Safeway	
Greenway Town Center (4)	2005	1979	93,101	100.0%	Unified Western Grocers	Rite Aid, Dollar Tree
Hillsboro Market Center (4)	2000	2000	148,051	98.1%	Albertsons	Petsmart, Marshalls
Hillsboro Mervyns (3)	2006	2006	76,844	100.0%		
Murrayhill Marketplace	1999	1988	148,967	100.0%	Safeway	Segal s Baby News
Sherwood Crossroads	1999	1999	87,966	100.0%	Safeway	
Sherwood Market Center	1999	1995	124,259	100.0%	Albertsons	
Sunnyside 205	1999	1988	52,710	100.0%		
Tanasbourne Market	2006	2006	71,000	100.0%	Whole Foods	
Walker Center	1999	1987	89,610	95.7%		Sportmart
Other Oregon						
Corvallis Market Center (3)	2006	2006	82,671	81.2%		TJ Maxx, Michael s
Subtotal/Weighted Average (OR)			1,088,697	96.9%		

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Property Name	Year Acquired	Year Constructed (1)	Gross Leasable Area (GLA)	Percent Leased (2)	Grocery Anchor	Drug Store & Other Anchors > 10,000 Sq Ft
NEVADA						
Anthem Highland Shopping Center (3)	2004	2004	119,313	89.7%	Albertsons	Sav-On Drugs
Centennial Crossroads (4)	2007	2002	99,064	98.9%	Von s Food & Drug	
Deer Springs Town Center (3)	2007	2007	556,359	24.0%		
Subtotal/Weighted Average (NV)			774,736	43.7%		
DELAWARE						
Dover						
White Oak Dover, DE	2000	2000	10,908	100.0%		Eckerd
Wilmington						
First State Plaza (4)	2005	1988	164,668	86.6%	Shop Rite	Cinemark
Newark Shopping Center (4)	2005	1987	183,017	75.7%		Blue Hen Lanes, Cinema Center, Dollar Express, La Tolteca Restaurant, Goodwill Industries
Pike Creek	1998	1981	229,510	99.6%	Acme Markets	K-Mart, Eckerd
Shoppes of Graylyn (4)	2005	1971	66,676	100.0%		Rite Aid
Subtotal/Weighted Average (DE)			654,779	89.7%		
TENNESSEE						
Memphis						
Collierville Crossing (4)	2007	2004	86,065	98.8%	Schnucks	
Nashville						
Harding Place	2004	2004	7,348	24.9%		(Wal-Mart)
Lebanon Center (3)	2006	2006	63,802	78.1%	Publix	
Harpeth Village Fieldstone	1997	1998	70,091	100.0%	Publix	
Nashboro	1998	1998	86,811	100.0%	Kroger	(Walgreens)
Northlake Village I & II	2000	1988	141,685	96.8%	Kroger	CVS, PETCO
Peartree Village	1997	1997	109,904	100.0%	Harris Teeter	Eckerd, Office Max
Other Tennessee						
Dickson Tn	1998	1998	10,908	100.0%		Eckerd
Subtotal/Weighted Average (TN)			576,614	95.7%		

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Property Name	Year Acquired	Year Constructed (1)	Gross Leasable Area (GLA)	Percent Leased (2)	Grocery Anchor	Drug Store & Other Anchors > 10,000 Sq Ft
MASSACHUSETTS						
Boston						
Shops at Saugus (3)	2006	2006	94,194	40.6%		La-Z-Boy
Speedway Plaza (4)	2006	1988	185,279	100.0%	Stop & Shop	BJ s Wholesale
Twin City Plaza	2006	2004	281,703	92.4%	Shaw s	Brooks Pharmacy, K&G Fashion, Dollar Tree, Gold s Gym, Marshall s
Subtotal/Weighted Average (MA)			561,176	86.2%		
SOUTH CAROLINA						
Charleston						
Merchants Village (4)	1997	1997	79,724	97.5%	Publix	
Orangeburg	2006	2006	14,820	100.0%		Walgreens
Queensborough (4)	1998	1993	82,333	100.0%	Publix	
Columbia						
Murray Landing (4)	2002	2003	64,359	97.8%	Publix	
Rosewood Shopping Center (4)	2001	2001	36,887	94.3%	Publix	
Greenville						
Fairview Market (4)	2004	1998	53,888	100.0%	Publix	
Pelham Commons	2002	2003	76,541	93.7%	Publix	
Other South Carolina						
Buckwalter Village (3)	2006	2006	79,302	61.0%	Publix	
Surfside Beach Commons (4)	2007	1999	59,881	100.0%	Bi-Lo	
Subtotal/Weighted Average (SC)			547,735	92.5%		
ARIZONA						
Phoenix						
Anthem Marketplace	2003	2000	113,292	100.0%	Safeway	
Palm Valley Marketplace (4)	2001	1999	107,633	98.1%	Safeway	
Pima Crossing	1999	1996	239,438	99.3%		Bally Total Fitness, Chez Antiques, E & J Designer Shoe Outlet, Paddock Pools Store, Pier 1 Imports, Stein Mart
Shops at Arizona	2003	2000	35,710	94.1%		Ace Hardware
Subtotal/Weighted Average (AZ)			496,073	98.8%		

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Property Name	Year Acquired	Year Constructed (1)	Gross Leasable Area (GLA)	Percent Leased (2)	Grocery Anchor	Drug Store & Other Anchors > 10,000 Sq Ft
MINNESOTA						
Apple Valley Square (4)	2006	1998	184,841	95.2%	Rainbow Foods	PETCO
Colonial Square (4)	2005	1959	93,200	97.9%	Lund s	
Rockford Road Plaza (4)	2005	1991	205,897	96.3%	Rainbow Foods	PetSmart, Homegoods, TJ Maxx
Subtotal/Weighted Average (MN)			483,938	96.2%		
KENTUCKY						
Franklin Square (4)	1998	1988	203,318	93.9%	Kroger	Rite Aid, Chakeres Theatre, JC Penney, Office Depot
Silverlake (4)	1998	1988	99,352	96.7%	Kroger	
Walton Towne Center (3)	2007	2007	23,122	0.0%	(Kroger)	
Subtotal/Weighted Average (KY)			325,792	88.1%		
MICHIGAN						
Independence Square	2003	2004	89,083	98.0%	Kroger	
Fenton Marketplace	1999	1999	97,224	92.9%	Farmer Jack	Michaels
State Street Crossing (3)	2006	2006	21,049	35.0%		(Wal-Mart)
Waterford Towne Center	1998	1998	96,101	90.3%	Kroger	
Subtotal/Weighted Average (MI)			303,457	89.6%		
INDIANA						
Chicago						
Airport Crossing (3)	2006	2006	11,922	0.0%		
Augusta Center	2006	2006	14,537	60.4%	(Menards)	
Evansville						
Evansville West Center (4)	2007	1989	79,885	93.7%	Schnucks	
Indianapolis						
Greenwood Springs	2004	2004	28,028	55.1%	(Wal-Mart Supercenter)	(Gander Mountain)
Willow Lake Shopping Center (4)	2005	1987	85,923	85.1%	(Kroger)	Factory Card Outlet
Willow Lake West Shopping Center (4)	2005	2001	52,961	97.3%	Trader Joe s	
Subtotal/Weighted Average (IN)			273,256	81.9%		

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Property Name	Year Acquired	Year Constructed (1)	Gross Leasable Area (GLA)	Percent Leased (2)	Grocery Anchor	Drug Store & Other Anchors > 10,000 Sq Ft
WISCONSIN						
Racine Centre Shopping Center (4)	2005	1988	135,827	98.2%	Piggly Wiggly	Office Depot, Factory Card Outlet, Dollar Tree
Whitnall Square Shopping Center (4)	2005	1989	133,301	97.2%	Pick N Save	Harbor Freight Tools, Dollar Tree
Subtotal/Weighted Average (WI)			269,128	97.7%		
ALABAMA						
Southgate Village Shopping Ctr (4)	2001	1988	75,092	96.7%	Publix	Pet Supplies Plus
Valleydale Village Shop Center (4)	2002	2003	118,466	75.1%	Publix	
Subtotal/Weighted Average (AL)			193,558	83.5%		
CONNECTICUT						
Corbin s Corner (4)	2005	1962	179,860	100.0%	Trader Joe s	Toys R Us, Best Buy, Old Navy, Office Depot, Pier 1 Imports
Subtotal/Weighted Average (CT)			179,860	100.0%		
NEW JERSEY						
Haddon Commons (4)	2005	1985	52,640	93.4%	Acme Markets	CVS
Plaza Square (4)	2005	1990	103,842	96.1%	Shop Rite	
Subtotal/Weighted Average (NJ)			156,482	95.2%		
NEW HAMPSHIRE						
Merrimack Shopping Center (3)	2004	2004	91,692	74.8%	Shaw s	
Subtotal/Weighted Average (NH)			91,692	74.8%		
DISTRICT OF COLUMBIA						
Shops at The Columbia (4)	2006	2006	22,812	82.3%	Trader Joe s	
Spring Valley Shopping Center (4)	2005	1930	16,834	75.3%		CVS

Subtotal/Weighted Average (DC)	39,646	79.4%
Total Weighted Average	51,106,824	91.7%

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(1) Or latest renovation.
(2) Includes development properties. If development properties are excluded, the total percentage leased would be 95.2% for Company shopping centers.
(3) Property under development or redevelopment.
(4) Owned by a co-investment partnership with outside investors in which RCLP or an affiliate is the general partner.
(5) Dark Grocer

Note: Shadow anchor is indicated by parentheses.

Item 3. Legal Proceedings

We are a party to various legal proceedings which arise in the ordinary course of our business. We are not currently involved in any litigation nor to our knowledge, is any litigation threatened against us, the outcome of which would, in our judgment based on information currently available to us, have a material adverse effect on our financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for stockholder vote during the fourth quarter of 2007.

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PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol REG . We currently have approximately 26,000 stockholders. The following table sets forth the high and low prices and the cash dividends declared on our common stock by quarter for 2007 and 2006.

	2007			2006		
Quarter Ended	High Price	Low Price	Cash Dividends Declared	High Price	Low Price	Cash Dividends Declared
March 31	$ 93.48	75.90	.66	69.00	58.64	.595
June 30	85.30	67.64	.66	67.99	59.18	.595
September 30	77.00	61.99	.66	69.06	60.86	.595
December 31	80.68	61.41	.66	81.42	67.59	.595

We intend to pay regular quarterly distributions to our common stockholders. Future distributions will be declared and paid at the discretion of our Board of Directors, and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, and such other factors as our Board of Directors deem relevant. Distributions by us to the extent of our current and accumulated earnings and profits for federal income tax purposes will be taxable to stockholders as either ordinary dividend income or capital gain income if so declared by us. Distributions in excess of earnings and profits generally will be treated as a non-taxable return of capital. Such distributions have the effect of deferring taxation until the sale of a stockholder s common stock. In order to maintain our qualification as a REIT, we must make annual distributions to stockholders of at least 90% of our taxable income. Under certain circumstances, which we do not expect to occur, we could be required to make distributions in excess of cash available for distributions in order to meet such requirements. We currently maintain the Regency Centers Corporation Dividend Reinvestment and Stock Purchase Plan which enables our stockholders to automatically reinvest distributions, as well as make voluntary cash payments towards the purchase of additional shares.

Under the loan agreement of our line of credit, in the event of any monetary default, we may not make distributions to stockholders except to the extent necessary to maintain our REIT status.

We sold the following equity securities during the quarter ended December 31, 2007 that we did not report on Form 8-K because they represent in the aggregate less than 1% of our outstanding common stock. All shares were issued to one accredited investor, an unrelated party, in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, in exchange for an equal number of common units of our operating partnership, Regency Centers, L.P.

Date	Number of Shares
11/20/07	8,500

The following table provides information about the Company s purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2007:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number or approximate dollar value of shares that may yet be purchased under the plans or programs

Period	Shares		Price
October 1 through October 31, 2007			
November 1 through November 30, 2007	87	$	71.20
December 1 through December 31, 2007			
Total	87	$	71.20

(1) Represents shares delivered in payment of withholding taxes in connection with restricted stock vesting by a participant under Regency s Long-Term Omnibus Plan.

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Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities (Continued)

The following graph compares Regency s cumulative total stockholder return since December 31, 2002

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Item 6. Selected Financial Data (in thousands, except per share data and number of properties)

The following table sets forth Selected Financial Data for Regency on a historical basis for the five years ended December 31, 2007. This information should be read in conjunction with the consolidated financial statements of Regency (including the related notes thereto) and Management s Discussion and Analysis of the Financial Condition and Results of Operations, each included elsewhere in this Form 10-K. This historical Selected Financial Data has been derived from the audited consolidated financial statements and restated for discontinued operations.

	2007	2006	2005	2004	2003
Operating Data:					
Revenues	$ 451,508	416,968	383,623	346,947	321,575
Operating expenses	256,764	239,360	205,259	194,939	174,328
Other expenses (income)	30,279	14,170	67,559	40,802	33,545
Minority interests	6,139	10,633	10,338	22,028	32,461
Equity in income (loss) of investments in real estate partnerships	18,093	2,580	(2,908)	10,194	11,276
Income from continuing operations	176,419	155,385	97,559	99,373	92,517
Income from discontinued operations	27,232	63,126	65,088	36,955	38,272
Net income	203,651	218,511	162,647	136,327	130,789
Preferred stock dividends	19,675	19,675	16,744	8,633	4,175
Net income for common stockholders	183,976	198,836	145,903	127,694	126,614
Income per common share diluted:					
Income from continuing operations	$ 2.26	1.97	1.23	1.56	1.58
Net income for common stockholders	$ 2.65	2.89	2.23	2.08	2.12
Balance Sheet Data:					
Real estate investments before accumulated depreciation	$ 4,398,195	3,901,633	3,775,433	3,332,671	3,166,346
Total assets	4,143,012	3,671,785	3,616,215	3,243,824	3,098,229
Total debt	2,007,975	1,575,386	1,616,386	1,493,090	1,452,777
Total liabilities	2,194,244	1,734,572	1,739,225	1,610,743	1,562,530
Minority interests	78,382	83,896	88,165	134,364	254,721
Stockholders equity	1,870,386	1,853,317	1,788,825	1,498,717	1,280,978
Other Information:					
Common dividends declared per share	$ 2.64	2.38	2.20	2.12	2.08
Common stock outstanding including exchangeable operating partnership units	70,112	69,759	69,218	64,297	61,227
Combined Basis gross leasable area (GLA)	51,107	47,187	46,243	33,816	30,348
Combined Basis number of properties owned	451	405	393	291	265
Ratio of earnings to fixed charges	2.1	2.3	2.1	2.1	1.7

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview and Operating Philosophy

Regency is a qualified real estate investment trust (REIT), which began operations in 1993. Our primary operating and investment goal is long-term growth in earnings per share and total shareholder return, which we work to achieve by focusing on a strategy of owning, operating and developing high-quality community and neighborhood shopping centers that are tenanted by market-dominant grocers, category-leading anchors, specialty retailers and restaurants located in areas with above average household incomes and population densities. All of our operating, investing and financing activities are performed through our operating partnership, Regency Centers, L.P. (RCLP), RCLP s wholly owned subsidiaries, and through its investments in co-investment partnerships with third parties. Regency currently owns 99% of the outstanding operating partnership units of RCLP.

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At December 31, 2007, we directly owned 232 shopping centers (the Consolidated Properties) located in 23 states representing 25.7 million square feet of gross leasable area (GLA). Our cost of these shopping centers is $4.0 billion before depreciation. Through co-investment partnerships, we own partial interests in 219 shopping centers (the Unconsolidated Properties) located in 27 states and the District of Columbia representing 25.4 million square feet of GLA. Our investment in the partnerships that own the Unconsolidated Properties is $432.9 million. Certain portfolio information described below is presented (a) on a Combined Basis, which is a total of the Consolidated Properties and the Unconsolidated Properties, (b) for our Consolidated Properties only and (c) for the Unconsolidated Properties that we own through co-investment partnerships. We believe that presenting the information under these methods provides a more complete understanding of the properties that we wholly-own versus those that we partially-own, but for which we provide asset management, property management, leasing, investing and financing services. The shopping center portfolio that we manage, on a Combined Basis, represents 451 shopping centers located in 29 states and the District of Columbia and contains 51.1 million square feet of GLA.

We earn revenues and generate cash flow by leasing space in our shopping centers to market-leading grocers, major retail anchors, specialty side-shop retailers, and restaurants, including ground leasing or selling building pads (out-parcels) to these potential tenants. We experience growth in revenues by increasing occupancy and rental rates at currently owned shopping centers, and by acquiring and developing new shopping centers. Community and neighborhood shopping centers generate substantial daily traffic by conveniently offering daily necessities and services. This high traffic generates increased sales, thereby driving higher occupancy and rental-rate growth, which we expect will sustain our growth in earnings per share and increase the value of our portfolio over the long term.

We seek a range of strong national, regional and local specialty retailers, for the same reason that we choose to anchor our centers with leading grocers and major retailers who provide a mix of goods and services that meet consumer needs. We have created a formal partnering process the Premier Customer Initiative (PCI) to promote mutually beneficial relationships with our specialty retailers. The objective of PCI is for Regency to build a base of specialty tenants who represent the best-in-class operators in their respective merchandising categories. Such retailers reinforce the consumer appeal and other strengths of a center s anchor, help to stabilize a center s occupancy, reduce re-leasing downtime, reduce tenant turnover and yield higher sustainable rents.

We grow our shopping center portfolio through acquisitions of operating centers and new shopping center development, where we acquire the land and construct the building. Development is customer driven, meaning we generally have an executed lease from the anchor before we start construction. Developments serve the growth needs of our anchors and specialty retailers, resulting in modern shopping centers with long-term anchor leases that produce attractive returns on our invested capital. This development process generally requires three to four years from initial land or redevelopment acquisition through construction, lease-up and stabilization of rental income, but can take longer depending upon the size of the project. Generally, anchor tenants begin operating their stores prior to the completion of construction of the entire center, resulting in rental income during the development phase.

We intend to maintain a conservative capital structure to fund our growth program, which should preserve our investment-grade ratings. Our approach is founded on our self-funding business model. This model utilizes center recycling as a key component, which requires ongoing monitoring of each center to ensure that it continues to meet our investment standards. We sell the operating properties that no longer measure up to our standards. We also develop certain retail centers because of their attractive profit margins with the intent of selling them to co-investment partnerships or other third parties upon completion. These sale proceeds are re-deployed into new, higher-quality developments and acquisitions that are expected to generate sustainable revenue growth and more attractive returns.

Joint venturing of shopping centers also provides us with a capital source for new developments and acquisitions, as well as the opportunity to earn fees for asset and property management services. As asset manager, we are engaged by our partners to apply similar operating, investment, and capital strategies to the portfolios owned by the co-investment partnerships. Co-investment partnerships grow their shopping center investments through acquisitions from third parties or direct purchases from Regency. Although selling properties to co-investment partnerships reduces our ownership interest, we continue to share in the risks and rewards of centers that meet our high quality standards and long-term investment strategy. We currently have no obligations or liabilities of the co-investment partnerships beyond our economic ownership interest.

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We have identified certain significant risks and challenges affecting our industry, and we are addressing them accordingly. The current economic downturn could result in a decline in occupancy levels at our shopping centers, which would reduce our rental revenues. We believe that our investment focus on neighborhood and community shopping centers that conveniently provide daily necessities should minimize the current economy s negative impact to our shopping centers, although we may incur slower income growth and potentially no growth depending upon the severity of the economic downturn. Increased competition and the slowing economy could result in higher than usual retailer store closings. We are closely monitoring the operating performance and tenants sales in our shopping centers including those tenants operating retail formats that are experiencing significant changes in competition or business practice. We also continue to monitor retail trends and market our shopping centers based on consumer demand. In the current environment retailers are reducing their demand for new stores. A significant slowdown in retailer new store demand could cause a corresponding reduction in our shopping center development program that would reduce our future rental revenues and profits from development sales. A significant reduction in our development program including future developments being pursued could reduce our net income as a result of (i) potentially higher write-offs of pre-development costs on new development pursuits, (ii) lower capitalized interest from not converting land currently owned and held for future development into an active development or stopping development of a current project, and (iii) reduced capitalized employee costs (See Critical Accounting Policies and Estimates Capitalization of Costs described further below). Based upon our current pipeline of development projects undergoing due diligence, which is our best indication of retailer expansion plans, the presence of our development teams in key markets in combination with their excellent relationships with leading anchor tenants, we remain cautiously optimistic about our development program. However, if economic growth stalls, our volume of new development activity may be less than that of historical levels until the economy returns to its historical levels of growth.

Shopping Center Portfolio

The following tables summarize general operating statistics related to our shopping center portfolio, which we use to evaluate and monitor our performance.

	December 31, 2007	December 31, 2006
Number of Properties (a)	451	405
Number of Properties (b)	232	218
Number of Properties (c)	219	187
Properties in Development (a)	49	47
Properties in Development (b)	48	43
Properties in Development (c)	1	4
Gross Leasable Area (a)	51,106,824	47,187,462
Gross Leasable Area (b)	25,722,665	24,654,082
Gross Leasable Area (c)	25,384,159	22,533,380
Percent Leased (a)	91.7%	91.0%
Percent Leased (b)	88.1%	87.3%
Percent Leased (c)	95.2%	95.0%

We seek to reduce our operating and leasing risks through diversification which we achieve by geographically diversifying our shopping centers; avoiding dependence on any single property, market, or tenant, and owning a portion of our shopping centers through co-investment partnerships.

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The following summarizes the four largest grocery tenants occupying our shopping centers at December 31, 2007:

Grocery Anchor	Number of Stores (a)	Percentage of Company-owned GLA (b)	Percentage of Annualized Base Rent (b)
Kroger	68	8.9%	5.9%
Publix	66	6.7%	4.3%
Safeway	65	5.3%	3.5%
Super Valu	35	3.2%	2.5%

(a) For the Combined Properties including stores owned by grocery anchors that are attached to our centers.
(b) GLA and annualized base rent include the Consolidated Properties plus Regency s pro-rata share of the Unconsolidated Properties.

Although base rent is supported by long-term lease contracts, tenants who file bankruptcy are given the right to cancel any or all of their leases and close related stores, or to continue to operate. In the event that a tenant with a significant number of leases in our shopping centers files bankruptcy and cancels its leases, we could experience a significant reduction in our revenues. We continually monitor industry trends and sales data to help us identify declines in retail categories or tenants who might be experiencing financial difficulties especially in light of the current downturn in the economy. We continue to monitor the video rental industry while its operators transition to different rental formats including on-line rental programs. At December 31, 2007, we had leases with 123 video rental stores representing $8.9 million of annual rental income to the Consolidated Properties and our pro-rata share of the Unconsolidated Properties.

In October 2007, Movie Gallery filed for Chapter 11 bankruptcy protection. Movie Gallery has closed six stores and has served notice of five additional store closings. The annual base rent on a pro-rata basis is approximately $860,000 or .24% associated with these eleven stores. Subsequent to these closings, we expect that Movie Gallery will continue to operate 21 stores with annual base rent on a pro-rata basis of approximately $950,000 or .26%.

We are not aware at this time of the current or pending bankruptcy of any other tenants that would cause a significant reduction in our revenues, and no tenant represents more than 6% of the total of our annual base rental revenues and our pro-rata share of the base revenues of the Unconsolidated Properties.

Liquidity and Capital Resources

We expect that cash generated from operating activities combined with gains on the sale of development properties will provide the necessary funds to pay our operating expenses, interest expense, scheduled principal payments on outstanding indebtedness, capital expenditures necessary to maintain and improve our shopping centers, and dividends to stockholders. Net cash provided by operating activities was $224.3 million, $216.8 million, and $205.4 million, and gains from the sale of real estate were $79.6 million, $124.8 million, and $76.7 million, for the years ended December 31, 2007, 2006 and 2005, respectively. During 2007, 2006, and 2005, we incurred capital expenditures to improve our shopping centers of $15.1 million, $14.0 million, and $14.4 million, we paid scheduled principal payments of $4.5 million, $4.5 million, and $5.5 million to our lenders on mortgage loans, and we paid dividends to our stockholders and unit holders of $204.3 million, $185.2 million, and $167.4 million, respectively. The increase in dividends during 2007 relates to a 10.9% increase in our annual dividend per common share.

We intend to continue to grow our portfolio by investing in shopping centers through ground up development of new centers or acquisition of existing centers. Because development and acquisition activities are discretionary in nature, they are not expected to burden the capital resources we have currently available for liquidity requirements. However, our development program continues to be a significant part of our business model and we expect to continue to start new development projects each year based upon retailer store demand, capital availability, and adequate investment returns. We expect to meet our long-term capital investment requirements for development, acquisitions, and maturing secured mortgage loans primarily from: (i) residual cash generated from operating activities after the payments described above, (ii) draws on our line of credit, and (iii) proceeds from the sale or joint venturing of real estate. We would expect that maturing unsecured public debt would be repaid from the proceeds of similar new

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in the future. Although we have no maturing public debt in 2008, we do have $50 million and $160 million maturing in 2009 and 2010, respectively. Although common or preferred equity raised in the public markets is a funding option, and we consider our access to these markets to be good, we do not currently anticipate issuing equity to fund our development program or repay maturing debt. We would consider issuing equity as part of a financing plan to maintain our leverage ratios at acceptable levels as determined by our Board of Directors. At December 31, 2007, we had an unlimited amount available under our shelf registration for equity securities and RCLP had $200 million available for debt under its shelf registration.

The following table summarizes net cash flows related to operating, investing and financing activities (in thousands):

	2007	2006	2005
Net cash provided by operating activities	$ 224,297	216,815	205,403
Net cash (used in) provided by investing activities	(418,291)	38,231	(484,778)
Net cash provided by (used in) financing activities	178,616	(263,458)	226,513
Net decrease in cash and equivalents	$ (15,378)	(8,412)	(52,862)

At December 31, 2007 we had 49 properties under construction or undergoing major renovations on a Combined Basis, which when completed, will represent a net investment of $1.1 billion after projected sales of adjacent land and out-parcels. This compares to 47 properties that were under construction at the end of 2006 representing an investment of $1.1 billion upon completion. We estimate that we will earn an average return on our investment from our current development projects of 8.39% on a fully allocated basis including direct internal costs and the cost to acquire any residual interests held by minority development partners. Average returns have declined over previous years primarily the result of higher costs associated with the acquisition of land and construction. We believe that our development returns are sufficient on a risk adjusted basis. Costs necessary to complete the current development projects, net of projected land sales, are estimated to be $447.4 million and will likely be expended through 2011. The costs to complete these developments will be funded from our $600.0 million line of credit, which had $392.0 million of available funding at December 31, 2007, and from expected proceeds from the future sale of shopping centers as part of the capital recycling program described above.

During 2007, we acquired five shopping centers for a purchase price of $106.0 million, which included the assumption of $42.3 million in debt, net of a $1.2 million discount. In accordance with Statement 141, acquired lease intangible assets and acquired lease intangible liabilities of $9.3 million and $4.7 million, respectively were recorded for these acquisitions. The acquisitions were accounted for as a purchase business combination and the results of their operations are included in the consolidated financial statements from the date of acquisition.

<u>Investments in Unconsolidated Real Estate Partnerships (Co-investment partnerships)</u>

At December 31, 2007, we had investments in unconsolidated real estate partnerships of $432.9 million. The following table is a summary of unconsolidated combined assets and liabilities of these co-investment partnerships and our pro-rata share (see note below) at December 31, 2007 and 2006 (dollars in thousands):

	2007	2006
Number of Joint Ventures	19	18
Regency s Ownership	16.35%-50%	20%-50%
Number of Properties	219	187
Combined Assets	$ 4,767,553	$ 4,365,675
Combined Liabilities	2,889,238	2,574,860
Combined Equity	1,878,315	1,790,815
Regency s Share of (1):		

Assets	$ 1,151,872	$ 1,106,803
Liabilities	692,804	646,346

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(1) Pro-rata financial information is not, and is not intended to be, a presentation in accordance with U.S. generally accepted accounting principles. However, management believes that providing such information is useful to investors in assessing the impact of its unconsolidated real estate partnership activities on the operations of Regency, which includes such items on a single line presentation under the equity method in its consolidated financial statements.

We account for all investments in real estate partnerships in which we own 50% or less and do not have a controlling financial interest using the equity method. We have determined that these investments are not variable interest entities as defined in Financial Accounting Standards Board (FASB) Interpretation No. 46(R) Consolidation of Variable Interest Entities (FIN 46(R)) and do not require consolidation under Emerging Issues Task Force Issue No. 04-5 Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-5) or the American Institute of Certified Public Accountants (AICPA) Statement of Position 78-9, Accounting for Investments in Real Estate Ventures (SOP 78-9), and therefore are subject to the voting interest model in determining our basis of accounting. Major decisions, including property acquisitions not meeting pre-established investment criteria, dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners.

Investments in real estate partnerships are primarily composed of co-investment partnerships where we invest with three co-investment partners and an open-end real estate fund (Regency Retail Partners or the Fund), as further described below.

In addition to earning our pro-rata share of net income or loss in each of these partnerships, we receive fees for asset management, property management, leasing, investment and financing services. During 2007, 2006 and 2005, we received fees from these co-investment partnerships of $32.3 million, $30.9 million, and $26.8 million, respectively. Our investments in real estate partnerships as of December 31, 2007 and 2006 consist of the following (in thousands):

	Ownership	2007	2006
Macquarie CountryWide-Regency (MCWR I)	25.00%	$ 40,557	60,651
Macquarie CountryWide Direct (MCWR I)	25.00%	6,153	6,822
Macquarie CountryWide-Regency II (MCWR II)	24.95%	214,450	234,378
Macquarie CountryWide-Regency III (MCWR II)	24.95%	812	1,140
Macquarie CountryWide-Regency-DESCO (MCWR-DESCO)	16.35%	29,478	
Columbia Regency Retail Partners (Columbia)	20.00%	33,801	36,096
Cameron Village LLC (Columbia)	30.00%	20,364	20,826
Columbia Regency Partners II (Columbia)	20.00%	20,326	11,516
RegCal, LLC (RegCal)	25.00%	17,110	18,514
Regency Retail Partners (the Fund) (1)	20.00%	13,296	5,139
Other investments in real estate partnerships	50.00%	36,563	39,008
Total		$ 432,910	434,090

(1) At December 31, 2006, our ownership interest in Regency Retail Partners was 26.8%.

We co-invest with the Oregon Public Employees Retirement Fund in three co-investment partnerships (collectively Columbia), in which we have ownership interests of 20% or 30%. As of December 31, 2007, Columbia owned 28 shopping centers, had total assets of $648.2 million, and net income of $12.7 million for the year ended. Our share of Columbia s total assets and net income was $142.1 million and $2.6 million, respectively which represents 3.4% of our total assets and 1.4% of our net income available for common stockholders. During 2007, Columbia acquired eight shopping centers from unrelated parties for a purchase price of $88.7 million, net of $15.2 million of assumed debt and $31.1 million in financing obtained by Columbia. We contributed $9.3 million to Columbia for our pro-rata share of the purchase price.

We co-invest with the California State Teachers Retirement System (CalSTRS) in a joint venture (RegCal) in which we have a 25% ownership interest. As of December 31, 2007, RegCal owned eight shopping centers, had total assets of $167.3 million, and had net income of $2.8 million for the year ended. Our share of RegCal s total assets and

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net income was $41.8 million and $662,217, respectively which represents 1.0% of our total assets and less than 1.0% of our net income available for common stockholders, respectively. During 2007, CalSTRS sold one shopping center to an unrelated party for $13.2 million for a gain of $1.4 million.

We co-invest with Macquarie CountryWide Trust of Australia (MCW) in five co-investment partnerships, two in which we have an ownership interest of 25% (MCWR I), two in which we have an ownership interest of 24.95% (MCWR II), and one in which we have an ownership interest of 16.35% (MCWR-DESCO).

As of December 31, 2007, MCWR I owned 42 shopping centers, had total assets of $612.0 million, and net income of $32.7 million for the year ended. Our share of MCWR I s total assets and net income was $153.1 million and $10.3 million, respectively. During 2007, MCWR I sold nine shopping centers for $137.4 million to unrelated parties for a gain of $22.6 million. During 2007 MCWR I acquired one shopping center from an unrelated party for a purchase price of $23.0 million, which included the assumption of $10.8 million of debt. We contributed $2.2 million to MCWR I for our pro-rata share of the purchase price.

As of December 31, 2007, MCWR II owned 96 shopping centers, had total assets of $2.6 billion and recorded a net loss of $13.1 million for the year ended. Our share of MCWR II s total assets and net loss was $651.0 million and $3.2 million, respectively. As a result of the significant amount of depreciation and amortization expense recorded by MCWR II in connection with the acquisition of the First Washington Portfolio in 2005, the joint venture may continue to report a net loss in future years, but is expected to produce positive cash flow from operations. During 2007, MCWR II sold one shopping center to an unrelated party for $13.5 million for a gain of $560,169. We have the ability to receive an acquisition fee of approximately $5.2 million (the Contingent Acquisition Fee) deferred from the original acquisition date of the First Washington Portfolio which is subject to achieving cumulative targeted income levels through 2008. The Contingent Acquisition Fee will only be recognized if earned, and the recognition of income will be limited to that percentage of MCWR II, or 75.05%, of the joint venture not owned by us.

On August 10, 2007, MCWR-DESCO closed on the acquisition of 32 retail centers for a purchase price of approximately $396.2 million including debt of approximately $209.5 million. We contributed $29.7 million to the venture for our pro-rata share of the purchase price for our 16.35% equity ownership. The acquisition was accounted for as a purchase business combination by MCWR-DESCO. As of December 31, 2007, MCWR-DESCO had total assets of $419.9 million and recorded a net loss of $3.3 million since inception primarily related to depreciation and amortization expense, but is expected to produce positive cash flow from operations. Our share of the venture s total assets and net loss was $68.7 million and $465,028, respectively.

Our investment in the five co-investment partnerships with MCW totals $291.5 million and represents 7.0% of our total assets at December 31, 2007. Our pro-rata share of the assets and net income of these ventures was $872.8 million and $6.7 million, respectively, which represents 21.1% and 3.6% of our total assets and net income available for common stockholders, respectively.

In December, 2006, we formed Regency Retail Partners, LP (the Fund), an open-end, infinite-life investment fund with an ownership interest of 26.8%. During the first quarter of 2007, we reduced our ownership interest to 20% with the admission of additional partners into the Fund and recognized a gain of $2.2 million that had previously been deferred. The Fund has the right to acquire all future Regency-developed large format community centers, upon stabilization, that meet the Fund s investment criteria subject to the Fund s capital availability. A community center is generally defined as a shopping center with at least 250,000 square feet of GLA including tenant-owned GLA. As of December 31, 2007, the Fund owned seven shopping centers, had total assets of $209.0 million and net income of $1.2 million for the year ended. Our share of the Fund s total assets and net income was $41.7 million and $325,861, respectively. Our share of the Fund represents 1.0% of our total assets and less than 1.0% of our net income available for common stockholders, respectively. During 2007, the Fund acquired six community shopping centers from us for a sales price of $126.4 million or $102.8 million on a net basis. As part of the transaction we provided a short-term note receivable to the Fund of $12.1 million, which the Fund repaid to us in January 2008. We recognized a gain of $42.8 million after excluding our ownership interest.

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Recognition of gains from sales to co-investment partnerships is recorded on only that portion of the sales not attributable to our ownership interest. The gains and operations are not recorded as discontinued operations because of our continuing involvement in these shopping centers. Columbia, RegCal, the co-investment partnerships with MCW, and the Fund intend to continue to acquire retail shopping centers, some of which they may acquire directly from us. For those properties acquired from unrelated parties, we are required to contribute our pro-rata share of the purchase price to the partnerships.

Contractual Obligations

We have debt obligations related to our mortgage loans, unsecured notes, and our unsecured line of credit as described further below. We have shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to us to construct and/or operate a shopping center. In addition, we have non-cancelable operating leases pertaining to office space from which we conduct our business. The table excludes obligations for approximately $3.4 million related to environmental remediation as discussed below under Environmental Matters as the timing of the remediation is not currently known. The table also excludes obligations related to construction or development contracts because payments are only due upon the satisfactory performance under the contract. Costs necessary to complete the 49 development projects currently in process are estimated to be $447.4 million and will likely be expended through 2011. The following table summarizes our debt maturities including interest, (excluding recorded debt premiums that are not obligations), and obligations under non-cancelable operating leases as of December 31, 2007 including our pro-rata share of obligations within unconsolidated co-investment partnerships (in thousands):

Contractual Obligations	**2008**	**2009**	**2010**	**2011**	**2012**	**Beyond 5 years**	**Total**
Notes Payable:							
Regency (1)	$ 148,910	183,154	276,551	537,089	310,882	1,079,838	2,536,424
Regency s share of JV	21,882	63,776	165,775	129,388	90,569	179,883	651,273
Operating Leases:							
Regency	5,197	5,129	5,131	5,107	4,659	17,221	42,444
Regency s share of JV							
Ground Leases:							
Regency	210	210	217	218	229	2,827	3,911
Regency s share of JV	262	262	270	269	269	13,114	14,446
Total	$ 176,461	252,531	447,944	672,071	406,608	1,292,883	3,248,498

(1) Amounts include interest payments based on contractual terms and current interest rates for variable rate debt.

Notes Payable

Outstanding debt at December 31, 2007 and 2006 consists of the following (in thousands):

	2007	**2006**
Notes Payable:		
Fixed rate mortgage loans	$ 196,915	186,897
Variable rate mortgage loans	5,821	68,662
Fixed rate unsecured loans	1,597,239	1,198,827
Total notes payable	1,799,975	1,454,386

Unsecured Line of Credit	208,000	121,000
Total	$ 2,007,975	1,575,386

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Mortgage loans are secured and may be prepaid, but could be subject to yield maintenance premiums. Mortgage loans are generally due in monthly installments of principal and interest, and mature over various terms through 2018. We intend to repay mortgage loans at maturity from proceeds from our unsecured line of credit (the Line). Fixed interest rates on mortgage loans range from 5.22% to 8.95% and average 6.37%. We have one variable rate mortgage loan with an interest rate equal to LIBOR plus a spread of 100 basis points.

On June 5, 2007, RCLP completed the sale of $400.0 million of ten-year senior unsecured notes. The 5.875% notes are due June 15, 2017 and were priced at 99.527% to yield 5.938%. The net proceeds were used to reduce the Line.

In February 2007, we entered into a new loan agreement under the Line which increased the commitment to $600.0 million with the right to increase the facility size an additional $150.0 million subject to additional lender syndication. The Line has a four-year term which expires in 2011 with a one-year extension at our option and the interest rate was reduced to LIBOR plus .55%. Contractual interest rates were 5.425% at December 31, 2007 and 6.125% at December 31, 2006 based on LIBOR plus .55% and .75%, respectively. The balance on the Line was $208.0 million at December 31, 2007.

The spread on the Line is dependent upon maintaining specific investment-grade ratings. We are also required to comply, and are in compliance, with certain financial covenants such as Minimum Net Worth, Total Liabilities to Gross Asset Value (GAV), Recourse Secured Debt to GAV, Fixed Charge Coverage and other covenants customary with this type of unsecured financing. The Line is used primarily to finance the development and acquisition of real estate, but is also available for general working-capital purposes. On December 5, 2007, Standard and Poor s Rating Services raised Regency s corporate credit and senior unsecured ratings to BBB+ from BBB. As a result of this upgrade, the interest rate on the Line was reduced to LIBOR plus .40% effective January 1, 2008.

As of December 31, 2007, scheduled principal repayments on notes payable and the Line were as follows (in thousands):

Scheduled Principal Payments by Year:	Scheduled Principal Payments	Term Loan Maturities	Total Payments
2008	$ 4,270	19,402	23,672
2009	4,079	58,606	62,685
2010	4,038	176,971	181,009
2011 (includes the Line)	3,830	459,133	462,963
2012	4,043	249,850	253,893
Beyond 5 Years	9,549	1,014,705	1,024,254
Unamortized debt discounts, net		(501)	(501)
Total	$ 29,809	1,978,166	2,007,975

Our investments in real estate partnerships had notes and mortgage loans payable of $2.7 billion at December 31, 2007, which mature through 2028. Our pro-rata share of these loans was $653.3 million, of which 93.6% had weighted average fixed interest rates of 5.3% and the remaining had variable interest rates based on LIBOR plus a spread in a range of 50 to 100 basis points. The loans are primarily non-recourse, but for those that are guaranteed by a joint venture, our liability does not extend beyond our economic interest in the joint venture.

We are exposed to capital market risk such as changes in interest rates. In order to manage the volatility related to interest-rate risk, we originate new debt with fixed interest rates, or we may enter into interest-rate hedging arrangements. We do not utilize derivative financial instruments for trading or speculative purposes. We engage outside experts who evaluate and make recommendations about hedging strategies when appropriate. We account for derivative instruments under Statement of Financial Accounting Standards SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended (Statement 133). On March 10, 2006, we entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399% and 5.415%. We

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designated these swaps as cash flow hedges to fix the rate on $400.0 million of new financing expected to occur in 2010 and 2011, and these proceeds will be used to repay maturing debt at that time. The change in fair value of these swaps from inception was a liability of $9.8 million at December 31, 2007, and is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheet and in accumulated other comprehensive income (loss) in the consolidated statement of stockholders equity and comprehensive income (loss).

At December 31, 2007, 89.4% of our total debt had fixed interest rates, compared with 88.0% at December 31, 2006. We intend to limit the percentage of variable interest-rate debt to be no more than 30% of total debt, which we believe to be an acceptable risk. Currently, our variable rate debt represents 10.7% of our total debt. Based upon the variable interest-rate debt outstanding at December 31, 2007, if variable interest rates were to increase by 1%, our annual interest expense would increase by $2.1 million.

On February 26, 2008, we were notified by Wells Fargo Bank that they had received commitments from a group of banks, which in combination with their commitment will provide us with an estimated $341.5 million, three-year term loan facility (the Term Facility). The Term Facility will include a term loan amount of $227.7 million that will fund at closing plus a $113.8 million revolver component that is accessible by us at our discretion. The Term Facility will be subject to similar loan covenants that are contained within the Line and our other unsecured fixed rate loans. The term loan has a variable interest rate equal to LIBOR plus 105 basis points, and the revolver has a variable interest rate equal to LIBOR plus 110 basis points, both of which are subject to our current debt ratings. The Term Facility does not affect the Company s existing $600.0 million Line commitment. The proceeds from the funding of the Term Facility will be used for general working capital purposes including the reduction of any debt balances, at our discretion. The Term Facility is expected to close during March 2008 subject to final terms and conditions.

Equity Transactions

From time to time, we issue equity in the form of exchangeable operating partnership units or preferred units of RCLP, or in the form of common or preferred stock of Regency Centers Corporation. As previously discussed, these sources of long-term equity financing allow us to fund our growth while maintaining a conservative capital structure.

Preferred Units

We have issued Preferred Units in various amounts since 1998, the net proceeds of which were used to reduce the balance of the Line. We issue Preferred Units primarily to institutional investors in private placements. Generally, the Preferred Units may be exchanged by the holders for Cumulative Redeemable Preferred Stock after a specified date at an exchange rate of one share for one unit. The Preferred Units and the related Preferred Stock are not convertible into Regency common stock. At December 31, 2007 and 2006, only the Series D Preferred Units were outstanding with a face value of $50.0 million and a fixed distribution rate of 7.45%. These Units may be called by us in 2009, and have no stated maturity or mandatory redemption. Included in the Series D Preferred Units are original issuance costs of $842,023 that will be expensed if they are redeemed in the future.

Preferred Stock

As of December 31, 2007 we had three series of Preferred stock outstanding, two of which underlie depositary shares held by the public. The depositary shares each represent 1/10th of a share of the underlying preferred stock and have a liquidation preference of $25 per depository share. In 2003, we issued 7.45% Series 3 Cumulative Redeemable Preferred Stock underlying three million depositary shares. In 2004, we issued 7.25% Series 4 Cumulative Redeemable preferred stock underlying five million depositary shares. In 2005, we issued three million shares, or $75.0 million of 6.70% Series 5 Preferred Stock, with a liquidation preference of $25 per share. All series of Preferred Stock are perpetual, are not convertible into common stock of the Company and are redeemable at par upon our election beginning five years after the issuance date. The terms of the Preferred Stock do not contain any unconditional obligations that would require us to redeem the securities at any time or for any purpose.

On January 1, 2008, the Company split each share of existing Series 3 and Series 4 Preferred Stock each having a liquidation preference of $250 per share and a redemption price of $250 per share into ten shares of Series 3 and Series 4 Stock, respectively, each having a liquidation preference of $25 per share and a redemption price of $25 per

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share. The Company then exchanged each Series 3 and 4 Depository Share into shares of New Series 3 and 4 Stock, respectively, which have the same dividend rights and other rights and preferences identical to the depositary shares.

Common Stock

On April 5, 2005, we entered into an agreement to sell 4,312,500 shares of common stock to an affiliate of Citigroup Global Markets Inc. (Citigroup) at $46.60 per share, in connection with a forward sale agreement (the Forward Sale Agreement). On August 1, 2005, we issued 3,782,500 shares to Citigroup for net proceeds of approximately $175.5 million and on September 7, 2005, the remaining 530,000 shares were issued for net proceeds of $24.4 million. The proceeds from the sales were used to reduce the Line and redeem the Series E and F Preferred Units.

Critical Accounting Policies and Estimates

Knowledge about our accounting policies is necessary for a complete understanding of our financial results, and discussion and analysis of these results. The preparation of our financial statements requires that we make certain estimates that impact the balance of assets and liabilities at a financial statement date and the reported amount of income and expenses during a financial reporting period. These accounting estimates are based upon, but not limited to, our judgments about historical results, current economic activity, and industry accounting standards. They are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from those judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. However, the amounts we may ultimately realize could differ from such estimates.

Revenue Recognition and Tenant Receivables Tenant receivables represent revenues recognized in our financial statements, and include base rent, percentage rent, and expense recoveries from tenants for common area maintenance costs, insurance and real estate taxes. We analyze tenant receivables, historical bad debt levels, customer creditworthiness and current economic trends when evaluating the adequacy of our allowance for doubtful accounts. In addition, we analyze the accounts of tenants in bankruptcy, and we estimate the recovery of pre-petition and post-petition claims. Our reported net income is directly affected by our estimate of the recoverability of tenant receivables.

Recognition of Gains from the Sales of Real Estate We account for profit recognition on sales of real estate in accordance with SFAS Statement No. 66, Accounting for Sales of Real Estate. Profits from sales of real estate will not be recognized under the full accrual method by us unless (i) a sale has been consummated; (ii) the buyer s initial and continuing investment is adequate to demonstrate a commitment to pay for the property; (iii) we have transferred to the buyer the usual risks and rewards of ownership; and (iv) we do not have significant continuing involvement with the property. Recognition of gains from sales to co-investment partnerships is recorded on only that portion of the sales not attributable to our ownership interest.

Capitalization of Costs We capitalize the acquisition of land, the construction of buildings and other specifically identifiable development costs incurred by recording them into Properties in Development on our consolidated balance sheets and account for them in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects (SFAS 67) and EITF Issue No. 97-11, Accounting for Internal Costs Relating to Real Estate Property Acquisitions . In summary, SFAS 67 establishes that a rental project changes from nonoperating to operating when it is substantially completed and held available for occupancy. At that time, costs should no longer be capitalized. Other development costs include pre-development costs essential to the development of the property, as well as, interest, real estate taxes, and direct employee costs incurred during the development period. Pre-development costs are incurred prior to land acquisition during the due diligence phase and include contract deposits, legal, engineering and other professional fees related to evaluating the feasibility of developing a shopping center. If we determine that the development of a specific project undergoing due diligence was no longer probable, we would immediately expense all related capitalized pre-development costs not considered recoverable. At December 31, 2007 we had $22.7 million of capitalized pre-development costs and during 2007 we expensed $5.3 million related to developments that were no longer considered probable. Interest costs are capitalized into each development project

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based on applying our weighted average borrowing rate to that portion of the actual development costs expended. We generally cease interest cost capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in no event would we capitalize interest on the project beyond 12 months after substantial completion of the building shell. During 2007 we capitalized interest on our development projects of $35.4 million. We have a large staff of employees who support the due diligence, land acquisition, construction, anchor leasing, and financial analysis (the Investment Group) of our development program. All direct internal costs related to these development activities are capitalized as part of each development project. During 2007 we capitalized $39.0 million of direct costs incurred by the Investment Group. If future accounting standards were to limit the amount of internal costs that may be capitalized, or if our development activity were to decline significantly without a proportionate decrease in internal costs, we could incur a significant increase in our operating expenses and a reduction in net income.

Real Estate Acquisitions Upon acquisition of operating real estate properties, we estimate the fair value of acquired tangible assets (consisting of land, building and improvements), and identified intangible assets, liabilities (consisting of above- and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with SFAS No. 141, Business Combinations (Statement 141). Based on these estimates, we allocate the purchase price to the applicable assets acquired and liabilities assumed. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. We evaluate the useful lives of amortizable intangible assets each reporting period and account for any changes in estimated useful lives over the revised remaining useful life.

Valuation of Real Estate Investments Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable. We review long-lived assets for impairment whenever events or changes in circumstances indicate such an evaluation is warranted. The review involves a number of assumptions and estimates used to determine whether impairment exists. Depending on the asset, we use varying methods to determine fair value of the asset such as i) estimating discounted future cash flows, ii) determining resale values by market, or iii) applying a capitalization rate to net operating income using prevailing rates in a given market. These methods of determining fair value can fluctuate significantly as a result of a number of factors, including changes in the general economy of those markets in which we operate, tenant credit quality and demand for new retail stores. Capitalization rates may change and could rise above existing levels causing our real estate values to decline. If we determine that the carrying amount of a property is not recoverable and exceeds its fair value, we will write down the asset to fair value for held-and-used assets and to fair value less costs to sell for held-for-sale assets.

Discontinued Operations The application of current accounting principles that govern the classification of any of our properties as held-for-sale on the balance sheet, or the presentation of results of operations and gains on the sale of these properties as discontinued, requires management to make certain significant judgments. In evaluating whether a property meets the criteria set forth by SFAS No. 144 Accounting for the Impairment and Disposal of Long-Lived Assets (Statement 144), we make a determination as to the point in time that it is probable that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Due to these uncertainties, it is not likely that we can meet the criteria of Statement 144 prior to the sale formally closing. Therefore, any properties categorized as held-for-sale represent only those properties that management has determined are probable to close within the requirements set forth in Statement 144. Prior to sale, we evaluate the extent of involvement and significance of cash flows it will have with a property subsequent to its sale, in order to determine if the results of operations and gain on sale should be reflected as discontinued. Consistent with Statement 144, any property sold in which we have significant continuing involvement or cash flows (most often sales to co-investment partnerships) is not considered to be discontinued. In addition, any property which we sell to an unrelated third party, but we retain a property or asset management function, is not considered discontinued. Therefore, based on our evaluation of Statement 144, only properties sold, or to be sold, to unrelated third parties, where we will have no significant continuing involvement or significant cash flows are classified as discontinued.

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Investments in Real Estate Co-Investment Partnerships In addition to owning real estate directly, we invest in real estate through our co-investment partnerships (also referred to as joint ventures). Joint venturing provides us with a capital source to acquire real estate, and to earn our pro-rata share of the net income from the co-investment partnerships in addition to fees for services. As asset and property manager, we conduct the business of the Unconsolidated Properties held in the co-investment partnerships in the same way that we conduct the business of the Consolidated Properties that are wholly-owned; therefore, the Critical Accounting Policies as described are also applicable to our investments in the co-investment partnerships. We account for all investments in which we do not have a controlling financial interest using the equity method. We have determined that these investments are not variable interest entities as defined in the FIN 46(R) and do not require consolidation under EITF 04-5 or SOP 78-9, and therefore, are subject to the voting interest model in determining our basis of accounting. Major decisions, including property acquisitions and dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners, or in the case of the Fund, its advisory committee.

Income Tax Status The prevailing assumption underlying the operation of our business is that we will continue to operate in order to qualify as a REIT, as defined under the Internal Revenue Code. We are required to meet certain income and asset tests on a periodic basis to ensure that we continue to qualify as a REIT. As a REIT, we are allowed to reduce taxable income by all or a portion of our distributions to stockholders. We evaluate the transactions that we enter into and determine their impact on our REIT status. Determining our taxable income, calculating distributions, and evaluating transactions requires us to make certain judgments and estimates as to the positions we take in our interpretation of the Internal Revenue Code. Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, our positions are subject to change at a later date upon final determination by the taxing authorities.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements (Statement 160). This Statement, among other things, establishes accounting and reporting standards for a parent company s interest in a subsidiary. This Statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact of adopting the statement.

In December 2007, the FASB issued SFAS No. 141(R) Business Combinations (Statement 141(R)). This Statement, among other things, establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. This Statement also establishes disclosure requirements of the acquirer to enable users of the financial statements to evaluate the effect of the business combination. This Statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact of adopting the statement.

In November 2007, the EITF issued Issue No. 07-6 Accounting for the Sale of Real Estate to the Requirements of FASB Statement No. 66, Accounting for the Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause (EITF 07-6). EITF 07-6 is applicable to investors who enter into an arrangement to create a jointly owned entity, one investor sells real estate to that entity, and a buy-sell clause is included. This EITF is effective for new arrangements entered into in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact of adopting the EITF.

In February 2007, the FASB Issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (Statement 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, although early adoption is allowed. We do not believe that the adoption of Statement 159 will have a material effect on our consolidated financial statements.

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In September 2006, the FASB issued Statement No. 157 Fair Value Measurements (Statement 157). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under FASB Statement No. 123(R). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB amended Statement 157 with FASB Staff Position Effective Date of FASB Statement No. 157 (FSP 157-2) to delay the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities to be effective for financial statements issued for fiscal years beginning after November 15, 2008. Although Statement 157 will require remeasurements of the derivative financial instruments, the Company does not believe adoption of this Statement will have a material effect on its consolidated financial statements for either financial or nonfinancial assets or liabilities

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. We adopted this Interpretation effective January 1, 2007. We do not have any material unrecognized tax benefits; therefore, the adoption of FIN 48 did not have a material impact on our consolidated financial statements. We believe that we have appropriate support for the income tax positions taken and to be taken on our tax returns and that our accruals for tax liabilities are adequate for all open years (after 2003 for federal and state) based on an assessment of many factors including past experience and interpretations of tax laws applied to the facts of each matter.

Results from Operations

Comparison of the years ended December 31, 2007 to 2006:

At December 31, 2007, on a Combined Basis, we were operating or developing 451 shopping centers, as compared to 405 shopping centers at the end of 2006. We identify our shopping centers as either development properties or operating properties. Development properties are defined as properties that are in the construction or initial lease-up process and have not reached their initial full occupancy (reaching full occupancy generally means achieving at least 93% leased and rent paying on newly constructed or renovated GLA). At December 31, 2007, on a Combined Basis, we were developing 49 properties, as compared to 47 properties at the end of 2006.

Our revenues increased by $34.5 million, or 8% to $451.5 million in 2007 as summarized in the following table (in thousands):

	2007	2006	Change
Minimum rent	$ 320,323	294,728	25,595
Percentage rent	4,661	4,428	233
Recoveries from tenants	93,460	86,007	7,453
Management, acquisition, and other fees	33,064	31,805	1,259
Total revenues	$ 451,508	416,968	34,540

The increase in revenues was primarily related to higher minimum rent from (i) growth in rental rates from renewing expiring leases or re-leasing vacant space in the operating properties, (ii) new minimum rent generated from recent shopping center acquisitions, and (iii) recently completed shopping center developments commencing operations in the current year net of properties sold. In addition to collecting minimum rent from our tenants, we also collect percentage rent based upon their sales volumes. Recoveries from tenants represents reimbursements from

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tenants for their pro-rata share of the operating, maintenance, and real estate tax expenses that we incur to operate our shopping centers. Recoveries increased as a result of an increase in our operating expenses.

We earn fees for asset management, property management, leasing, acquisition and financing services that we provide to our co-investment partnerships and third parties summarized as follows (in thousands):

	2007	2006	Change
Asset management fees	$ 11,021	5,977	5,044
Property management fees	13,865	11,041	2,824
Leasing commissions	2,319	2,210	109
Acquisition and financing fees	5,055	11,683	(6,628)
Other fees	804	894	(90)
	$ 33,064	31,805	1,259

Property management fees increased in 2007 as a result of providing property management services to MCWR-DESCO and the Fund. Asset management fees were higher in 2007 because the agreement to provide asset management services to MCWR II did not commence until December 2006; and the closing and related commencement of the agreements with the Fund did not occur until December 2006. Acquisition and financing fees earned in 2007 include a $3.2 million acquisition fee from MCWR-DESCO related to the acquisition of 32 retail centers described above. Acquisition and financing fees earned in 2006 include fees earned as part of the acquisition of the First Washington portfolio by MCWR II.

Our operating expenses increased by $17.4 million, or 7%, to $256.8 million in 2007 related to increased operating and maintenance costs, general and administrative costs and depreciation expense, as further described below. The following table summarizes our operating expenses (in thousands):

	2007	2006	Change
Operating, maintenance and real estate taxes	$ 102,846	93,777	9,069
General and administrative	50,580	45,495	5,085
Depreciation and amortization	93,257	84,160	9,097
Other expenses, net	10,081	15,928	(5,847)
Total operating expenses	$ 256,764	239,360	17,404

The increase in operating, maintenance, and real estate taxes was primarily due to acquisitions and recently completed developments commencing operations in the current year, and to general price increases incurred by the operating properties, net of properties sold. On average, approximately 80% of these costs are recovered from our tenants through reimbursements included in our revenues.

The increase in general and administrative expense is related to annual salary increases and higher costs associated with incentive compensation, in addition to, increased staffing and recruiting costs to manage the growth in our shopping center development program.

The increase in depreciation and amortization expense is primarily related to acquisitions and recently completed developments commencing operations in the current year, net of properties sold.

The decrease in other expenses is related to lower income tax expense incurred by Regency Realty Group, Inc. (RRG), our taxable REIT subsidiary. RRG is subject to federal and state income taxes and files separate tax returns.

The following table presents the change in interest expense from 2007 to 2006 (in thousands):

	2007	2006	Change
Interest on the Line	$ 10,117	7,557	2,560
Interest on notes payable	110,880	100,397	10,483
Capitalized interest	(35,424)	(23,952)	(11,472)
Interest income	(3,079)	(4,232)	1,153
	$ 82,494	79,770	2,724

Interest expense on the Line and notes payable increased during 2007 by $13.0 million due to higher outstanding debt balances including the issuance of $400.0 million of unsecured debt in June 2007, increased development activity and the acquisition of shopping centers. The increase in development activity also resulted in an increase in capitalized interest.

Our equity in income (loss) of investments in real estate partnerships (co-investment partnerships or joint ventures) increased $15.5 million during 2007 as follows (in thousands):

	Ownership	2007	2006	Change
Macquarie CountryWide-Regency (MCWR I)	25.00%	$ 9,871	4,747	5,124
Macquarie CountryWide Direct (MCWR I)	25.00%	457	615	(158)
Macquarie CountryWide-Regency II (MCWR II)	24.95%	(3,236)	(7,005)	3,769
Macquarie CountryWide-Regency III (MCWR II)	24.95%	67	(38)	105
Macquarie CountryWide-Regency-DESCO (MCWR-DESCO)	16.35%	(465)		(465)
Columbia Regency Retail Partners (Columbia)	20.00%	2,440	2,350	90
Cameron Village LLC (Columbia)	30.00%	(74)	(119)	45
Columbia Regency Partners II (Columbia)	20.00%	189	62	127
RegCal, LLC (RegCal)	25.00%	662	517	145
Regency Retail Partners (the Fund)	20.00%	326	7	319
Other investments in real estate partnerships	50.00%	7,856	1,444	6,412
Total		$ 18,093	2,580	15,513

The increase in our equity in income (loss) of investments in real estate partnerships is primarily related to growth in rental income generally realized in all of the joint venture portfolios and higher gains from the sale of shopping centers sold by MCWR I, as well as, the sale of a shopping center owned by a joint venture classified above in Other investments.

Gains from the sale of real estate were $52.2 million in 2007 as compared to $65.6 million in 2006. Included in 2007 gains are $8.9 million in gains from the sale of 28 out-parcels for net proceeds of $59.2 million, $42.8 million from the sale of six properties in development to a joint venture for net proceeds of $102.8 million; and a $2.2 million gain related to the partial sale of our interest in the Fund as discussed previously. Included in 2006 gains are $20.2 million in gains from the sale of 30 out-parcels for net proceeds of $53.5 million, $35.9 million from the sale of six shopping centers to co-investment partnerships for net proceeds of $122.7 million; as well as a $9.5 million gain related to the partial sale of our interest in MCWR II as previously discussed. These gains are included in continuing operations rather than discontinued operations because they were either properties that had no operating income, or they were properties sold to co-investment partnerships where we have continuing involvement through our equity investment.

Income from discontinued operations was $27.2 million for the year ended December 31, 2007 related to two operating properties and four development properties sold to unrelated parties for net proceeds of $109.0 million. Income from discontinued operations was $63.1 million for the year ended December 31, 2006 related to eight operating properties and three development properties sold to unrelated parties for net proceeds of $149.6 million and to the operations of shopping centers sold or classified as

held-for-sale in 2006 and 2007. In compliance with Statement 144, if we sell an asset in the current year, we are required to re-present its operations into discontinued

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operations for all prior periods. This practice results in a re-presentation of amounts previously reported as continuing operations into discontinued operations. Our income from discontinued operations is shown net of minority interest of exchangeable operating partnership units totaling $225,833 and $830,793 for the years ended December 31, 2007 and 2006, respectively, and income taxes totaling $2.0 million for the year ended December 31, 2007.

Net income for common stockholders decreased $14.9 million to $184.0 million in 2007 as compared with $198.8 million in 2006 primarily related to lower gains recognized from the sale of real estate in 2007. Diluted earnings per share was $2.65 in 2007 as compared to $2.89 in 2006 or 8% lower.

Results from Operations

Comparison of the years ended December 31, 2006 to 2005:

At December 31, 2006, on a Combined Basis, we were operating or developing 405 shopping centers, as compared to 393 shopping centers at the end of 2005. At December 31, 2006, on a Combined Basis, we were developing 47 properties, as compared to 31 properties at the end of 2005.

Our revenues increased by $33.3 million, or 9%, to $417.0 million in 2006 as summarized in the following table (in thousands):

	2006	2005	Change
Minimum rent	$ 294,728	273,382	21,346
Percentage rent	4,428	4,364	64
Recoveries from tenants	86,007	77,858	8,149
Management, acquisition, and other fees	31,805	28,019	3,786
Total revenues	$ 416,968	383,623	33,345

The increase in revenues was primarily related to higher minimum rent from growth in rental rates from renewing expiring leases or re-leasing vacant space in the operating properties, and from new minimum rent generated from recently completed developments commencing operations in the current year net of properties sold. Recoveries from tenants, which represent reimbursements from tenants for their pro-rata share of the operating expenses that we incur to operating our shopping centers, increased 10.5% during 2006 directly related to a 16.6% increase in our operating expenses.

We earn fees for asset management, property management, leasing, investing, and financing services that we provide to our co-investment partnerships and third parties summarized as follows (in thousands):

	2006	2005	Change
Asset management fees	$ 5,977	5,106	871
Property management fees	11,041	7,283	3,758
Leasing commissions	2,210		2,210
Acquisition and financing fees	11,683	14,430	(2,747)
Other fees	894	1,200	306
	$ 31,805	28,019	3,786

Property management fees increased in 2006 as a result of managing the First Washington Portfolio acquisition for MCWR II for an entire 12 months during 2006 as compared to seven months during 2005. This also resulted in higher leasing commissions earned during 2006. Acquisition and financing fees were lower in 2006 due to a lower level of acquisition activity in 2006 as compared to 2005. Fees earned in 2005 were primarily related to the acquisition of the First Washington Portfolio by MCWR II. During 2006, we

earned additional fees from MCWR II for achieving certain income performance results related to the First Washington Portfolio.

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Our operating expenses increased by $34.1 million, or 17%, to $239.4 million in 2006 related to increased operating and maintenance costs, general and administrative costs and depreciation expense, as further described below. The following table summarizes our operating expenses (in thousands):

	2006	2005	Change
Operating, maintenance and real estate taxes	$ 93,777	87,987	5,790
General and administrative	45,495	37,815	7,680
Depreciation and amortization	84,160	76,698	7,462
Other expenses, net	15,928	2,759	13,169
Total operating expenses	$ 239,360	205,259	34,101

The increase in operating, maintenance, and real estate taxes was primarily due to shopping center developments that were recently completed and did not incur operating expenses for a full 12 months during the previous year, and to general price increases incurred by the operating properties, net of properties sold. On average, approximately 80% of these costs are recovered from our tenants as expense reimbursements and included in our revenues.

The increase in general and administrative expense is related to additional salary costs for new employees hired to manage the First Washington Portfolio under a property management agreement with MCWR II, as well as, staffing increases related to increases in our shopping center development program.

The increase in depreciation and amortization expense is primarily related to new development properties recently completed and placed in service in the current year, net of properties sold, or if placed in service in the previous year, were not operational for a full 12 months.

The increase in other expenses pertains to an increase in the income tax provision of RRG, our taxable REIT subsidiary, from $4.1 million in 2005 to $11.8 million in 2006. RCLP also incurred intangible taxes of $1.8 million in 2006 as compared to $352,416 in 2005.

The following table presents the change in interest expense from 2006 to 2005:

	2006	2005	Change
Interest on the Line	$ 7,557	8,633	(1,076)
Interest on notes payable	100,397	92,658	7,739
Capitalized interest	(23,952)	(12,400)	(11,552)
Interest income	(4,232)	(2,361)	(1,871)
	$ 79,770	86,530	(6,760)

Interest expense on the Line and notes payable increased due to higher outstanding balances on the Line during the year associated with an increase in properties in development and the acquisitions purchased in 2006. The increase in development activity also resulted in an increase in capitalized interest.

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Our equity in income (loss) of investments in real estate partnerships (co-investment partnerships or joint ventures) increased $5.5 million to $2.6 million in 2006 as follows (in thousands):

	Ownership	2006	2005	Change
Macquarie CountryWide-Regency (MCWR I)	25.00%	$ 4,747	1,601	3,146
Macquarie CountryWide Direct (MCWR I)	25.00%	615	578	37
Macquarie CountryWide-Regency II (MCWR II)	24.95%	(7,005)	(11,228)	4,223
Macquarie CountryWide-Regency III (MCWR II)	24.95%	(38)	(47)	9
Columbia Regency Retail Partners (Columbia)	20.00%	2,350	4,241	(1,891)
Cameron Village LLC (Columbia)	30.00%	(119)	(98)	(21)
Columbia Regency Partners II (Columbia)	20.00%	62	63	(1)
RegCal, LLC (RegCal)	25.00%	517	609	(92)
Regency Retail Partners (the Fund)	20.00%	7		7
Other investments in real estate partnerships	50.00%	1,444	1,373	71
Total		$ 2,580	(2,908)	5,488

The increase was primarily a result of MCWR II earning revenues for a full year from the First Washington Portfolio as compared to seven months during 2005. MCWR I recorded higher gains from the sale of real estate during 2006 as compared to 2005. Columbia recorded lower gains from the sale of real estate during 2006 as compared to 2005.

Gains from the sale of real estate were $65.6 million in 2006 as compared to $19.0 million in 2005. Included in 2006 are gains of $20.2 million from the sale of 30 out-parcels for net proceeds of $53.5 million, $35.9 million from the sale of six shopping centers to co-investment partnerships for net proceeds of $122.7 million; and a $9.5 million gain related to the partial sale of our interest in MCWR II as discussed previously. Included in 2005 are gains of $8.7 million in gains from the sale of 26 out-parcels for net proceeds of $29.0 million and $10.3 million in gains related to the sale of three development properties and one operating property. These gains are included in continuing operations rather than discontinued operations because they were either properties that had no operating income, or they were properties sold to co-investment partnerships where we have continuing involvement through our equity investment.

We review our real estate portfolio for impairment whenever events or changes in circumstances indicate that we may not be able to recover the carrying amount of an asset. We determine whether impairment has occurred by comparing the property s carrying value to an estimate of fair value based upon methods described in our Critical Accounting Policies. In the event a property is impaired, we write down the asset to fair value for held-and-used assets and to fair value less costs to sell for held-for- sale assets. During 2006 and 2005 we established provisions for loss of $500,000 and $550,000 respectively, to adjust operating properties to their estimated fair values.

Income from discontinued operations was $63.1 million in 2006 related to eight operating and three development properties sold to unrelated parties for net proceeds of $149.6 million. Income from discontinued operations was $65.1 million in 2005 related to nine operating and five development properties sold to unrelated parties for net proceeds of $175.2 million and to the operations of shopping centers sold or classified as held-for-sale in 2006 and 2005. In compliance with Statement 144, if we sell an asset in the current year, we are required to reclassify its operating income into discontinued operations for all prior periods. This practice results in a reclassification of amounts previously reported as continuing operations into discontinued operations. Our income from discontinued operations is shown net of minority interest of exchangeable operating partnership units totaling $830,793 and $1.3 million, for the years ended December 31, 2006 and 2005, respectively, and income taxes totaling $3.6 million for the year ended December 31, 2005.

Minority interest of preferred units declined $4.4 million to $3.7 million in 2006 as a result of redeeming $125.0 million of preferred units in 2005. Preferred stock dividends increased $2.9 million to $19.7 million in 2006 as a result of the issuance of $75.0 million of preferred stock in 2005.

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Net income for common stockholders increased $52.9 million to $198.8 million in 2006 as compared with $145.9 million in 2005 primarily related to increases in revenues described above and higher gains recognized from sale of real estate. Diluted earnings per share was $2.89 in 2006 as compared to $2.23 in 2005 or 30% higher.

Environmental Matters

We are subject to numerous environmental laws and regulations as they apply to our shopping centers pertaining to chemicals used by the dry cleaning industry, the existence of asbestos in older shopping centers, and underground petroleum storage tanks (UST s). We believe that the tenants who currently operate dry cleaning plants or gas stations do so in accordance with current laws and regulations. Generally, we use all legal means to cause tenants to remove dry cleaning plants from our shopping centers or convert them to non-chlorinated solvent systems. Where available, we have applied and been accepted into state-sponsored environmental programs. We have a blanket environmental insurance policy that covers us against third-party liabilities and remediation costs on shopping centers that currently have no known environmental contamination. We have also placed environmental insurance, where possible, on specific properties with known contamination, in order to mitigate our environmental risk. We monitor the shopping centers containing environmental issues and in certain cases voluntarily remediate the sites. We also have legal obligations to remediate certain sites and we are in the process of doing so. We estimate the cost associated with these legal obligations to be approximately $3.4 million, all of which has been reserved. We believe that the ultimate disposition of currently known environmental matters will not have a material affect on our financial position, liquidity, or operations; however, we can give no assurance that existing environmental studies with respect to our shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant or tenant did not create any material environmental condition not known to us; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to us.

Inflation

Inflation has been historically low and has had a minimal impact on the operating performance of our shopping centers; however, more recently inflation has been increasing and may become a greater concern within the current economy. Substantially all of our long-term leases contain provisions designed to mitigate the adverse impact of inflation. Such 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. Such escalation clauses are often related to increases in the consumer price index or similar inflation indices. In addition, many of our leases are for terms of less than ten years, which permits us to seek increased rents upon re-rental at market rates. Most of our leases require tenants to pay their pro-rata share of operating expenses, including common-area maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are exposed to two components of interest-rate risk. Our Line has a variable interest rate that is based upon LIBOR plus a spread of 55 basis points. LIBOR rates charged on the Line change monthly. Based upon our current Line balance, a 1% increase in LIBOR would equate to an additional $2.1 million of interest costs per year. The spread on the Line is dependent upon maintaining specific credit ratings. If our credit ratings were downgraded, the spread on the Line would increase resulting in higher interest costs. We are also exposed to higher interest rates when we refinance our existing long-term fixed rate debt. The objective of our interest-rate risk management is to limit the impact of interest-rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we borrow primarily at fixed interest rates and may enter into derivative financial instruments such as interest-rate swaps, caps or treasury locks in order to mitigate our interest-rate risk on a related financial instrument. We do not enter into derivative or interest-rate transactions for speculative purposes. We have approximately $428.1 million of fixed rate debt maturing in 2010 and 2011, which includes $400.0 million of unsecured long-term debt. During 2006 we entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399% and 5.415%. We designated these swaps as cash flow hedges to fix the future interest rates on the $400.0 million of financing expected to occur in 2010 and 2011.

Our interest-rate risk is monitored using a variety of techniques. The table below presents the principal cash flows (in thousands), weighted average interest rates of remaining debt, and the fair value of total debt (in thousands) as of December 31, 2007, by year of expected maturity to evaluate the expected cash flows and sensitivity to interest-rate changes.

	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Fixed rate debt	$ 23,510	57,026	181,009	254,963	253,893	1,024,254	1,794,655	1,288,052
Average interest rate for all fixed rate debt	6.42%	6.37%	6.14%	5.80%	5.57%	5.54%		
Variable rate LIBOR debt	$ 162	5,659		208,000			213,821	213,821
Average interest rate for all variable rate debt	5.41%	5.41%	5.41%					

As the table incorporates only those exposures that exist as of December 31, 2007, it does not consider those exposures or positions that could arise after that date. Moreover, because firm commitments are not presented in the table above, the information presented above has limited predictive value. As a result, our ultimate realized gain or loss with respect to interest-rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time, and actual interest rates.

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Item 8. Consolidated Financial Statements and Supplementary Data

Regency Centers Corporation

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All other schedules are omitted because of the absence of conditions under which they are required, materiality or because information required therein is shown in the consolidated financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Regency Centers Corporation:

We have audited the accompanying consolidated balance sheets of Regency Centers Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regency Centers Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Regency Centers Corporation s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2008 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Certified Public Accountants

Jacksonville, Florida

February 27, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Regency Centers Corporation:

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

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Regency Centers Corporation as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 27, 2008, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Certified Public Accountants

Jacksonville, Florida

February 27, 2008

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REGENCY CENTERS CORPORATION

Consolidated Balance Sheets

December 31, 2007 and 2006

(in thousands, except share data)

	2007	2006
Assets		
Real estate investments at cost (notes 2, 3, 4 and 12):		
Land	$ 968,859	862,851
Buildings and improvements	2,090,497	1,963,634
	3,059,356	2,826,485
Less: accumulated depreciation	497,498	427,389
	2,561,858	2,399,096
Properties in development	905,929	615,450
Operating properties held for sale, net		25,608
Investments in real estate partnerships	432,910	434,090
Net real estate investments	3,900,697	3,474,244
Cash and cash equivalents	18,668	34,046
Notes receivable (note 5)	44,543	19,988
Tenant receivables, net of allowance for uncollectible accounts of $2,482 and $3,532 at December 31, 2007 and 2006, respectively	75,441	67,162
Deferred costs, less accumulated amortization of $43,470 and $36,227 at December 31, 2007 and 2006, respectively	52,784	40,989
Acquired lease intangible assets, less accumulated amortization of $14,914 and $10,511 at December 31, 2007 and 2006, respectively (note 6)	17,228	12,315
Other assets	33,651	23,041
	$ 4,143,012	3,671,785
Liabilities and Stockholders Equity		
Liabilities:		
Notes payable (note 7)	$ 1,799,975	1,454,386
Unsecured line of credit (note 7)	208,000	121,000
Accounts payable and other liabilities	164,479	140,940
Acquired lease intangible liabilities, less accumulated accretion of $6,371 and $4,331 at December 31, 2007 and 2006, respectively (note 6)	10,354	7,729
Tenants security and escrow deposits	11,436	10,517
Total liabilities	2,194,244	1,734,572
Preferred units (note 9)	49,158	49,158
Exchangeable operating partnership units, aggregate redemption value of $30,543 at December 31, 2007	10,832	16,941
Limited partners interest in consolidated partnerships	18,392	17,797

Total minority interest	78,382	83,896
Commitments and contingencies (notes 12 and 13)		
Stockholders equity (notes 8, 9, 10, and 11):		
Preferred stock, $.01 par value per share, 30,000,000 shares authorized; 3,000,000 Series 5 and 800,000 Series 3 and 4 shares issued and outstanding at both December 31, 2007 and 2006 with liquidation preferences of $25 and $250 per share, respectively	275,000	275,000
Common stock $.01 par value per share, 150,000,000 shares authorized; 75,168,662 and 74,431,787 shares issued at December 31, 2007 and 2006, respectively	752	744
Treasury stock at cost, 5,530,025 and 5,413,792 shares held at December 31, 2007 and 2006, respectively	(111,414)	(111,414)
Additional paid in capital	1,766,280	1,744,201
Accumulated other comprehensive income (loss)	(18,916)	(13,317)
Distributions in excess of net income	(41,316)	(41,897)
Total stockholders equity	1,870,386	1,853,317
	$ 4,143,012	3,671,785

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statements of Operations

For the years ended December 31, 2007, 2006 and 2005

(in thousands, except per share data)

	2007	2006	2005
Revenues:			
Minimum rent (note 12)	$ 320,323	294,728	273,382
Percentage rent	4,661	4,428	4,364
Recoveries from tenants	93,460	86,007	77,858
Management, acquisition and other fees	33,064	31,805	28,019
Total revenues	451,508	416,968	383,623
Operating expenses:			
Depreciation and amortization	93,257	84,160	76,698
Operating and maintenance	56,930	50,981	49,429
General and administrative	50,580	45,495	37,815
Real estate taxes	45,916	42,796	38,558
Other expenses	10,081	15,928	2,759
Total operating expenses	256,764	239,360	205,259
Other expense (income):			
Interest expense, net of interest income of $3,079, $4,232 and $2,361 in 2007, 2006 and 2005, respectively	82,494	79,770	86,530
Gain on sale of operating properties and properties in development	(52,215)	(65,600)	(18,971)
Total other expense (income)	30,279	14,170	67,559
Income before minority interests and equity in income (loss) of investments in real estate partnerships	164,465	163,438	110,805
Minority interest of preferred units	(3,725)	(3,725)	(8,105)
Minority interest of exchangeable operating partnership units	(1,424)	(2,045)	(1,970)
Minority interest of limited partners	(990)	(4,863)	(263)
Equity in income (loss) of investments in real estate partnerships (note 4)	18,093	2,580	(2,908)
Income from continuing operations	176,419	155,385	97,559
Discontinued operations, net (note 3):			
Operating income from discontinued operations	1,947	4,759	11,848
Gain on sale of operating properties and properties in development	25,285	58,367	53,240
Income from discontinued operations	27,232	63,126	65,088
Net income	203,651	218,511	162,647
Preferred stock dividends	(19,675)	(19,675)	(16,744)

Net income for common stockholders	$ 183,976	198,836	145,903
Income per common share basic (note 11):			
Continuing operations	$ 2.26	1.98	1.24
Discontinued operations	0.39	0.93	1.01
Net income for common stockholders per share	$ 2.65	2.91	2.25
Income per common share diluted (note 11):			
Continuing operations	$ 2.26	1.97	1.23
Discontinued operations	0.39	0.92	1.00
Net income for common stockholders per share	$ 2.65	2.89	2.23

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss)

For the years ended December 31, 2007, 2006 and 2005

(in thousands, except per share data)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Restricted Stock Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Net Income	Total Stockholders Equity
Balance at December 31, 2004	$ 200,000	680	(111,414)	1,511,156	(16,844)	(5,291)	(79,570)	1,498,717
Comprehensive Income (note 8):								
Net income							162,647	162,647
Loss on settlement of derivative instruments						(7,310)		(7,310)
Amortization of loss on derivative instruments						909		909
Total comprehensive income								156,246
Reclassification of unearned deferred compensation upon adoption of FAS 123(R)				(16,844)	16,844			
Restricted stock issued, net of amortization (note 10)		4		16,951				16,955
Common stock redeemed for taxes withheld for stock based compensation, net		3		1,484				1,487
Tax benefit for issuance of stock options				305				305
Common stock issued for partnership units exchanged		3		6,383				6,386
Common stock issued for stock offering (note 9)		43		199,632				199,675
Series 5 preferred stock issued (note 9)	75,000			(2,284)				72,716
Reallocation of minority interest				(3,163)				(3,163)
Cash dividends declared:								
Preferred stock							(16,744)	(16,744)
Common stock ($2.20 per share)							(143,755)	(143,755)
Balance at December 31, 2005	$ 275,000	733	(111,414)	1,713,620		(11,692)	(77,422)	1,788,825
Comprehensive Income (note 8):								
Net income							218,511	218,511

Amortization of loss on derivative instruments					1,306		1,306
Change in fair value of derivative instruments					(2,931)		(2,931)
Total comprehensive income							216,886
Restricted stock issued, net of amortization (note 10)		3		16,581			16,584
Common stock redeemed for taxes withheld for stock based compensation, net		3		1,169			1,172
Tax benefit for issuance of stock options				1,624			1,624
Common stock issued for partnership units exchanged		5		21,490			21,495
Reallocation of minority interest				(10,283)			(10,283)
Cash dividends declared:							
Preferred stock						(19,675)	(19,675)
Common stock ($2.38 per share)						(163,311)	(163,311)
Balance at December 31, 2006	$ 275,000	744	(111,414)	1,744,201	(13,317)	(41,897)	1,853,317
Comprehensive Income (note 8):							
Net income						203,651	203,651
Amortization of loss on derivative instruments					1,306		1,306
Change in fair value of derivative instruments					(6,905)		(6,905)
Total comprehensive income							198,052
Restricted stock issued, net of amortization (note 10)		2		17,723			17,725
Common stock redeemed for taxes withheld for stock based compensation, net		3		(3,738)			(3,735)
Tax benefit for issuance of stock options				1,909			1,909
Common stock issued for partnership units exchanged		3		8,604			8,607
Reallocation of minority interest				(2,419)			(2,419)
Cash dividends declared:							
Preferred stock						(19,675)	(19,675)
Common stock ($2.64 per share)						(183,395)	(183,395)
Balance at December 31, 2007	$ 275,000	752	(111,414)	1,766,280	(18,916)	(41,316)	1,870,386

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2007, 2006 and 2005

(in thousands)

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 203,651	218,511	162,647
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	93,508	87,413	84,449
Deferred loan cost and debt premium amortization	3,249	4,411	2,740
Stock based compensation	19,138	17,950	18,755
Minority interest of preferred units	3,725	3,725	8,105
Minority interest of exchangeable operating partnership units	1,650	2,876	3,284
Minority interest of limited partners	990	4,863	263
Equity in (income) loss of investments in real estate partnerships	(18,093)	(2,580)	2,908
Net gain on sale of properties	(79,627)	(124,781)	(76,664)
Provision for loss on operating properties		500	550
Distribution of earnings from operations of investments in real estate partnerships	30,547	28,788	28,661
Hedge settlement			(7,310)
Changes in assets and liabilities:			
Tenant receivables	(10,040)	(10,284)	(1,186)
Deferred leasing costs	(9,562)	(7,285)	(6,829)
Other assets	(15,861)	(3,508)	(13,426)
Accounts payable and other liabilities	2,101	(2,638)	(818)
Above and below market lease intangibles, net	(1,926)	(1,387)	(954)
Tenants security and escrow deposits	847	241	228
Net cash provided by operating activities	224,297	216,815	205,403
Cash flows from investing activities:			
Acquisition of operating real estate	(63,117)	(19,337)	
Development of real estate including acquisition of land	(625,412)	(404,836)	(326,662)
Proceeds from sale of real estate investments	270,981	455,972	237,135
Repayment (issuance) of notes receivable, net	545	14,770	(8,456)
Investments in real estate partnerships	(42,660)	(21,790)	(417,713)
Distributions received from investments in real estate partnerships	41,372	13,452	30,918
Net cash (used in) provided by investing activities	(418,291)	38,231	(484,778)
Cash flows from financing activities:			
Net proceeds from common stock issuance	2,383	5,994	205,601
Net proceeds from issuance of preferred stock			72,716
Redemption of preferred units			(54,000)
Distributions to limited partners in consolidated partnerships, net	(4,632)	(2,619)	(50)
Distributions to exchangeable operating partnership unit holders	(1,572)	(2,270)	(2,918)
Distributions to preferred unit holders	(3,725)	(3,725)	(6,709)
Dividends paid to common stockholders	(179,325)	(159,507)	(141,003)
Dividends paid to preferred stockholders	(19,675)	(19,675)	(16,744)

Repayment of fixed rate unsecured notes			(100,000)
Proceeds from issuance of fixed rate unsecured notes	398,108		349,505
Proceeds (repayment) of unsecured line of credit, net	87,000	(41,000)	(38,000)
Proceeds from notes payable			10,000
Repayment of notes payable	(89,719)	(36,131)	(43,169)
Scheduled principal payments	(4,545)	(4,516)	(5,499)
Deferred loan costs	(5,682)	(9)	(3,217)
Net cash provided by (used in) financing activities	178,616	(263,458)	226,513
Net decrease in cash and cash equivalents	(15,378)	(8,412)	(52,862)
Cash and cash equivalents at beginning of the year	34,046	42,458	95,320
Cash and cash equivalents at end of the year	$ 18,668	34,046	42,458

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REGENCY CENTERS CORPORATION

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2007, 2006 and 2005

(in thousands)

	2007	2006	2005
Supplemental disclosure of cash flow information:			
Cash paid for interest (net of capitalized interest of $35,424, $23,952, and $12,400 in 2007, 2006, and 2005, respectively)	$ 82,833	82,285	84,839
Common stock issued for partnership units exchanged	$ 8,607	21,495	6,386
Mortgage loans assumed for the acquisition of real estate, at fair value	$ 42,272	44,000	
Real estate contributed as investments in real estate partnerships	$ 11,007	15,967	10,715
Notes receivable taken in connection with sales of properties in development and out-parcels	$ 25,099	490	12,370
Change in fair value of derivative instruments	$ (6,905)	(2,931)	
Common stock issued for dividend reinvestment plan	$ 4,070	3,804	2,752

See accompanying notes to consolidated financial statements.

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Regency Centers Corporation

Notes to Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies

(a) Organization and Principles of Consolidation

General

Regency Centers Corporation (Regency or the Company) began its operations as a Real Estate Investment Trust (REIT) in 1993, and is the managing general partner of its operating partnership, Regency Centers, L.P. (RCLP or the Partnership). Regency currently owns approximately 99% of the outstanding common partnership units (Units) of the Partnership. Regency engages in the ownership, management, leasing, acquisition, and development of retail shopping centers through the Partnership, and has no other assets or liabilities other than through its investment in the Partnership. At December 31, 2007, the Partnership directly owned 232 retail shopping centers and held partial interests in an additional 219 retail shopping centers through investments in joint ventures.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company, the Partnership, its wholly owned subsidiaries, and joint ventures in which the Partnership has a controlling interest. The equity interests of third parties held in the Partnership or its controlled joint ventures are included in the consolidated financial statements as preferred units, exchangeable operating partnership units, or limited partners interest in consolidated partnerships. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

Investments in real estate partnerships not controlled by the Company (Unconsolidated Joint Ventures) are accounted for under the equity method. The Company has evaluated its investment in the Unconsolidated Joint Ventures and has concluded that they are not variable interest entities as defined in Financial Accounting Standards Board (FASB) Interpretation No. 46(R) Consolidation of Variable Interest Entities (FIN 46(R)). Further, the venture partners in the Unconsolidated Joint Ventures have significant ownership rights, including approval over operating budgets and strategic plans, capital spending, sale or financing, and admission of new partners; therefore, the Company has concluded that the equity method of accounting is appropriate for these interests and they do not require consolidation under Emerging Issues Task Force Issue No. 04-5 Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-5) or the American Institute of Certified Public Accountants (AICPA) Statement of Position 78-9, Accounting for Investments in Real Estate Ventures (SOP 78-9). Under the equity method of accounting, investments in the Unconsolidated Joint Ventures are initially recorded at cost, and subsequently increased for additional contributions and allocations of income and reduced for distributions received and allocation of losses. These investments are included in the consolidated financial statements as Investments in real estate partnerships.

Ownership of the Company

Regency has a single class of common stock outstanding and three series of preferred stock outstanding (Series 3, 4, and 5 Preferred Stock). The dividends on the Series 3, 4, and 5 Preferred Stock are cumulative and payable in arrears on the last day of each calendar quarter. The Company owns corresponding Series 3, 4, and 5 preferred unit interests (Series 3, 4, and 5 Preferred Units) in the Partnership that entitle the Company to income and distributions from the Partnership in amounts equal to the dividends paid on the Company s Series 3, 4, and 5 Preferred Stock.

Ownership of the Operating Partnership

The Partnership s capital includes general and limited common Partnership Units, Series 3, 4, and 5 Preferred Units owned by the Company, and Series D Preferred Units owned by institutional investors.

Regency Centers Corporation

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(a) Organization and Principles of Consolidation (continued)

At December 31, 2007, the Company owned approximately 99% or 69,638,637 Partnership Units of the total 70,112,248 Partnership Units outstanding. Each outstanding common Partnership Unit not owned by the Company is exchangeable for one share of Regency common stock. The Company revalues the minority interest associated with the Partnership Units each quarter to maintain a proportional relationship between the book value of equity associated with common stockholders relative to that of the Partnership Unit holders since both have equivalent rights and the Partnership Units are convertible into shares of common stock on a one-for-one basis.

Net income and distributions of the Partnership are allocable first to the Preferred Units, and the remaining amounts to the general and limited Partnership Units in accordance with their ownership percentage. The Series 3, 4, and 5 Preferred Units owned by the Company are eliminated in consolidation.

(b) Revenues

The Company leases space to tenants under agreements with varying terms. Leases are accounted for as operating leases with minimum rent recognized on a straight-line basis over the term of the lease regardless of when payments are due. Accrued rents are included in tenant receivables. The Company makes estimates of the collectibility of the accounts receivable related to base rents, straight-line rents, expense reimbursements, and other revenue taking into consideration the Company s experience in the retail sector, available internal and external tenant credit information, payment history, industry trends, tenant credit-worthiness, and remaining lease terms. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized as part of the building, recorded as tenant improvements, and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue. Factors considered during this evaluation include, among others, who holds legal title to the improvements as well as other controlling rights provided by the lease agreement (e.g. unilateral control of the tenant space during the build-out process). Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease.

Recognition of lease revenue commences when the lessee is given possession of the leased space upon completion of tenant improvements when the Company is the owner of the leasehold improvements. However, when the leasehold improvements are owned by the tenant, the lease inception date is when the tenant obtains possession of the leased space for purposes of constructing its leasehold improvements.

Substantially all of the lease agreements contain provisions that provide for additional rents based on tenants sales volume (percentage rent) and reimbursement of the tenants share of real estate taxes, insurance, and common area maintenance (CAM) costs. Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements. Recovery of real estate taxes, insurance, and CAM costs are recognized as the respective costs are incurred in accordance with the lease agreements.

The Company accounts for profit recognition on sales of real estate in accordance with Statement of Financial Accounting Standards (SFAS) No. 66, Accounting for Sales of Real Estate (Statement 66). In summary, profits from sales will not be recognized under the full accrual method by the Company unless a sale is consummated; the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property; the Company s receivable, if applicable, is not

subject to future subordination; the Company has transferred to the buyer the usual risks and rewards of ownership; and the Company does not have substantial continuing involvement with the property.

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Regency Centers Corporation

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(b) Revenues (Continued)

The Company has been engaged by joint ventures under agreements to provide asset management, property management, leasing, investing, and financing services for such ventures shopping centers. The fees are market-based and generally calculated as a percentage of either revenues earned or the estimated values of the properties managed, and are recognized as services are rendered, when fees due are determinable, and collectibility is reasonably assured.

(c) Real Estate Investments

Land, buildings, and improvements are recorded at cost. All specifically identifiable costs related to development activities are capitalized into properties in development on the consolidated balance sheets and are accounted for in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects (Statement 67). In summary, Statement 67 establishes that a rental project changes from nonoperating to operating when it is substantially completed and held available for occupancy. At that time, costs should no longer be capitalized. The capitalized costs include pre-development costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, and direct employee costs incurred during the period of development.

The Company incurs costs prior to land acquisition including contract deposits, as well as legal, engineering, and other external professional fees related to evaluating the feasibility of developing a shopping center. These pre-development costs are included in properties in development. If the Company determines that the development of a particular shopping center is no longer probable, any related pre-development costs previously capitalized are immediately expensed. At December 31, 2007 and 2006, the Company had capitalized pre-development costs of $22.7 million and $23.3 million, respectively of which $10.8 million and $10.0 million, respectively were refundable deposits.

The Company s method of capitalizing interest is based upon applying its weighted average borrowing rate to that portion of the actual development costs expended. The Company generally ceases interest cost capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in no event would the Company capitalize interest on the project beyond 12 months after substantial completion of the building shell.

Maintenance and repairs that do not improve or extend the useful lives of the respective assets are recorded in operating and maintenance expense.

Depreciation is computed using the straight-line method over estimated useful lives of up to 40 years for buildings and improvements, the shorter of the useful life or the lease term for tenant improvements, and three to seven years for furniture and equipment.

The Company and the unconsolidated joint ventures allocate the purchase price of assets acquired (net tangible and identifiable intangible assets) and liabilities assumed based on their relative fair values at the date of acquisition pursuant to the provisions of SFAS No. 141, Business Combinations (Statement 141). Statement 141 provides guidance on the allocation of a portion of the purchase price of a property to intangible assets. The Company s methodology for this allocation includes estimating an as-if vacant fair value of the physical property, which is allocated to land, building, and improvements. The difference between the purchase price and the as-if vacant fair value is allocated to intangible assets. There are three categories of intangible assets to be considered: (i) value of in-place leases, (ii) above and below-market value of in-place leases, and (iii) customer relationship value.

The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases compared to the acquired in-place leases as well as the value associated with lost rental and recovery revenue during the assumed lease-up period. The value of in-place leases is recorded to amortization expense over the remaining initial term of the respective leases.

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Regency Centers Corporation

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(c) Real Estate Investments (Continued)

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the comparable in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The value of above-market leases is amortized as a reduction of minimum rent over the remaining terms of the respective leases. The value of below- market leases is accreted as an increase to minimum rent over the remaining terms of the respective leases, including below-market renewal options, if applicable. The Company does not allocate value to customer relationship intangibles if it has pre-existing business relationships with the major retailers in the acquired property since they do not provide incremental value over the Company s existing relationships.

The Company follows the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144). In accordance with Statement 144, the Company classifies an operating property or a property in development as held-for-sale when the Company determines that the property is available for immediate sale in its present condition, the property is being actively marketed for sale, and management believes it is probable that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow prospective buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements, often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Due to these uncertainties, it is not likely that the Company can meet the criteria of Statement 144 prior to the sale formally closing. Therefore, any properties categorized as held-for-sale represent only those properties that management has determined are probable to close within the requirements set forth in Statement 144. Operating properties held-for-sale are carried at the lower of cost or fair value less costs to sell. Depreciation and amortization are suspended during the held-for-sale period.

In accordance with Statement 144, when the Company sells a property or classifies a property as held-for-sale and will not have significant continuing involvement in the operation of the property, the operations and cash flows of the property are eliminated from ongoing operations. Its operations, including any mortgage interest and gain on sale, are reported in discontinued operations so that the operations and cash flows are clearly distinguished. Once classified in discontinued operations, these properties are eliminated from ongoing operations. Prior periods are also re-presented to reflect the operations of these properties as discontinued operations. When the Company sells operating properties to its joint ventures or to third parties, and will have continuing involvement, the operations and gains on sales are included in income from continuing operations.

The Company reviews its real estate portfolio for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable based upon expected undiscounted cash flows from the property. The Company determines impairment by comparing the property s carrying value to an estimate of fair value based upon varying methods such as i) estimating future discounted cash flows, ii) determining resale values by market, or iii) applying a capitalization rate to net operating income using prevailing rates in a given market. These methods of determining fair value can fluctuate significantly as a result of a number of factors, including changes in the general economy of those markets in which the Company operates, tenant credit quality, and demand for new retail stores. In the event that the carrying amount of a property is not recoverable and exceeds its fair value, the Company will write down the asset to fair value for held-and-used assets and to fair value less costs to sell for held-for-sale assets. During 2006 and 2005, the Company established a provision for loss of $500,000 and $550,000 based upon the criteria described above. If there was an impairment recorded on properties subsequently sold to third parties it would be included in operating income from discontinued operations.

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December 31, 2007

(d) Income Taxes

The Company believes it qualifies, and intends to continue to qualify, as a REIT under the Internal Revenue Code (the Code). As a REIT, the Company will generally not be subject to federal income tax, provided that distributions to its stockholders are at least equal to REIT taxable income.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which these temporary differences are expected to be recovered or settled.

Earnings and profits, which determine the taxability of dividends to stockholders, differs from net income reported for financial reporting purposes primarily because of differences in depreciable lives and cost bases of the shopping centers, as well as other timing differences.

The net book basis of real estate assets exceeds the tax basis by approximately $161.2 million and $158.4 million at December 31, 2007 and 2006, respectively, primarily due to the difference between the cost basis of the assets acquired and their carryover basis recorded for tax purposes.

The following summarizes the tax status of dividends paid during the respective years:

	2007	2006	2005
Dividend per share	$ 2.64	2.38	2.20
Ordinary income	85%	64%	79%
Capital gain	11%	21%	11%
Unrecaptured Section 1250 gain	4%	15%	10%

Regency Realty Group, Inc. (RRG), a wholly-owned subsidiary of RCLP, is a Taxable REIT Subsidiary as defined in Section 856(l) of the Code. RRG is subject to federal and state income taxes and files separate tax returns. Income tax expense consists of the following for the years ended December 31, 2007, 2006 and 2005 (in thousands):

	2007	2006	2005
Income tax expense			
Current	$ 5,069	10,256	4,980
Deferred	530	1,516	(891)
Total income tax expense	$ 5,599	11,772	4,089

Income tax expense is included in either other expenses if the related income is from continuing operations or discontinued operations on the consolidated statements of operations as follows for the years ended December 31, 2007, 2006, and 2005 (in thousands):

	2007	2006	2005
Income tax expense from:			
Continuing operations	$ 3,597	11,772	494
Discontinued operations	2,002		3,595
Total income tax expense	$ 5,599	11,772	4,089

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(d) Income Taxes (Continued)

Income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to pretax income for the years ended December 31, 2007 and 2006, respectively and 34% for the year ended December 31, 2005 as follows (in thousands):

	2007	2006	2005
Computed expected tax expense	$ 3,974	4,094	3,304
Increase in income tax resulting from state taxes	443	456	368
All other items	1,182	7,222	417
Total income tax expense	$ 5,599	11,772	4,089

All other items principally represent the tax effect of gains associated with the sale of properties to unconsolidated ventures.

RRG had net deferred tax assets of $8.8 million and $9.7 million at December 31, 2007 and 2006, respectively. The majority of the deferred tax assets relate to deferred interest expense and tax costs capitalized on projects under development. No valuation allowance was provided and the Company believes it is more likely than not that the future benefits associated with these deferred tax assets will be realized.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company adopted this Interpretation effective January 1, 2007. The Company does not have any material unrecognized tax benefits; therefore, the adoption of FIN 48 did not have a material impact on the Company s consolidated financial statements. The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years (after 2003 for federal and state) based on an assessment of many factors including past experience and interpretations of tax laws applied to the facts of each matter.

(e) Deferred Costs

Deferred costs include leasing costs and loan costs, net of accumulated amortization. Such costs are amortized over the periods through lease expiration or loan maturity, respectively. Deferred leasing costs consist of internal and external commissions associated with leasing the Company s shopping centers. Net deferred leasing costs were $41.2 million and $33.3 million at December 31, 2007 and 2006, respectively. Deferred loan costs consist of initial direct and incremental costs associated with financing activities. Net deferred loan costs were $11.6 million and $7.7 million at December 31, 2007 and 2006, respectively.

(f) Earnings per Share and Treasury Stock

The Company calculates earnings per share in accordance with SFAS No. 128, Earnings per Share (Statement 128). Basic earnings per share of common stock is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the conversion of obligations and the assumed

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(f) Earnings per Share and Treasury Stock (Continued)

exercises of securities including the effects of shares issuable under the Company s share-based payment arrangements, if dilutive. See Note 11 for the calculation of earnings per share (EPS).

Repurchases of the Company s common stock are recorded at cost and are reflected as Treasury stock in the consolidated statements of stockholders equity and comprehensive income (loss). Outstanding shares do not include treasury shares.

(g) Cash and Cash Equivalents

Any instruments which have an original maturity of 90 days or less when purchased are considered cash equivalents. At December 31, 2007 and 2006, $8.0 million and $2.3 million of the cash available was restricted, respectively.

(h) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Company s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Stock-Based Compensation

Regency grants stock-based compensation to its employees and directors. When Regency issues common shares as compensation, it receives a comparable number of common units from the Partnership including stock options. Regency is committed to contribute to the Partnership all proceeds from the exercise of stock options or other share-based awards granted under Regency s Long-Term Omnibus Plan (the Plan). Accordingly, Regency s ownership in the Partnership will increase based on the amount of proceeds contributed to the Partnership for the common units it receives. As a result of the issuance of common units to Regency for stock-based compensation, the Partnership accounts for stock-based compensation in the same manner as Regency.

The Company recognizes stock-based compensation in accordance with SFAS No. 123(R) Share-Based Payment (Statement 123(R)). The Company adopted Statement 123(R) effective January 1, 2005 by applying the modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. See Note 10 for further discussion.

(j) Segment Reporting

The Company s business is investing in retail shopping centers through direct ownership or through joint ventures. The Company actively manages its portfolio of retail shopping centers and may from time to time make decisions to sell lower performing properties or developments not meeting its long-term investment objectives. The proceeds from sales are reinvested into higher quality retail shopping centers through acquisitions or new developments, which management believes will meet its planned rate of return. It is management s intent that all retail shopping centers will be owned or developed for investment purposes; however, the Company may decide to sell all or a portion of a development upon completion. The Company s revenue and net income are

generated from the operation of its investment portfolio. The Company also earns fees from third parties for services provided to manage and lease retail shopping centers owned through joint ventures.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(j) Segment Reporting (Continued)

The Company s portfolio is located throughout the United States; however, management does not distinguish or group its operations on a geographical basis for purposes of allocating resources or measuring performance. The Company reviews operating and financial data for each property on an individual basis; therefore, the Company defines an operating segment as its individual properties. No individual property constitutes more than 10% of the Company s combined revenue, net income or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to both the nature and economics of the centers, tenants and operational processes, as well as long-term average financial performance. In addition, no single tenant accounts for 6% or more of revenue and none of the shopping centers are located outside the United States.

(k) Derivative Financial Instruments

The Company adopted SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (Statement 133) as amended by SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities . Statement 133 requires that all derivative instruments, whether designated in hedging relationships or not, be recorded on the balance sheet at their fair value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company s use of derivative financial instruments is normally to mitigate its interest rate risk on a related financial instrument or forecasted transaction through the use of interest rate swaps. The Company designates these interest rate swaps as cash flow hedges.

Statement 133 requires that changes in fair value of derivatives that qualify as cash flow hedges be recognized in other comprehensive income (OCI) while the ineffective portion of the derivative s change in fair value be recognized in the income statement as interest expense. Upon the settlement of a hedge, gains and losses associated with the transaction are recorded in OCI and amortized over the underlying term of the hedge transaction. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

In assessing the hedge, the Company uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models, and termination costs at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized. See Note 8 for further discussion.

(l) Redeemable Minority Interests

EITF D-98 Classification and Measurement of Redeemable Securities, clarifies Rule 5-02.28 of Regulation S-X. This rule requires securities that are redeemable for cash or other assets to be classified outside of permanent equity if they are redeemable for (i) at a fixed or determinable price on a fixed or determinable date; (ii) at the option of the holder; or (iii) upon the occurrence of an event that is not solely within the control of the issuer. Minority interest in the operating partnership is classified as minority interest of exchangeable operating partnership units (OP Units) in the accompanying balance sheets. These OP Units are redeemable at the option of the holder for a like number of shares of common stock of Regency or cash, at the Company s discretion. As of December 31, 2007 and 2006, there were 473,611 and 740,826 redeemable OP Units outstanding, respectively. The redemption value of the redeemable OP Units is based on the closing market price of Regency Centers Corporation common stock, which was $64.49 per share as of December 31, 2007 and $78.17 per share as of December 31, 2006 and aggregated $30.5 million and $57.9 million, respectively.

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(m) Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (Statement 150). Statement 150 affects the accounting for certain financial instruments, which requires companies having consolidated entities with specified termination dates to treat minority owners interests in such entities as liabilities in an amount based on the fair value of the entities. Although Statement 150 was originally effective July 1, 2003, the FASB has indefinitely deferred certain provisions related to classification and measurement requirements for mandatory redeemable financial instruments that become subject to Statement 150 solely as a result of consolidation, including minority interests of entities with specified termination dates.

At December 31, 2007, the Company held a majority interest in four consolidated entities with specified termination dates through 2049. The minority owners interests in these entities will be settled upon termination by distribution or transfer of either cash or specific assets of the underlying entities. The estimated fair value of minority interests in entities with specified termination dates was approximately $10.2 million at December 31, 2007. Their related carrying value is $5.7 million and $1.3 million as of December 31, 2007 and 2006, respectively which is included within limited partners interest in consolidated partnerships in the accompanying consolidated balance sheets. The Company has no other financial instruments that are affected by Statement 150.

(n) Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements (Statement 160). This Statement, among other things, establishes accounting and reporting standards for a parent company s interest in a subsidiary. This Statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact of adopting the statement.

In December 2007, the FASB issued SFAS No. 141(R) Business Combinations (Statement 141(R)). This Statement, among other things, establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. This Statement also establishes disclosure requirements of the acquirer to enable users of the financial statements to evaluate the effect of the business combination. This Statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The impact on the Company will be reflected at the time of any acquisition which meets the requirement.

In November 2007, the EITF issued Issue No. 07-6 Accounting for the Sale of Real Estate to the Requirements of FASB Statement No. 66, Accounting for the Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause (EITF 07-6). EITF 07-6 is applicable to investors who enter into an arrangement to create a jointly owned entity, one investor sells real estate to that entity, and a buy-sell clause is included. This EITF is effective for new arrangements entered into in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this EITF.

In February 2007, the FASB Issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (Statement 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, although early application is allowed. The Company does not believe that the adoption of Statement 159 will have a material effect on its consolidated financial statements.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

(n) Recent Accounting Pronouncements (Continued)

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements (Statement 157). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments transactions under Statement 123(R). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB amended Statement 157 with FASB Staff Position Effective Date of FASB Statement No. 157 (FSP 157-2) to delay the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities to be effective for financial statements issued for fiscal years beginning after November 15, 2008. Although Statement 157 will require remeasurements of the derivative financial instruments, the Company does not believe adoption of this Statement will have a material effect on its consolidated financial statements for either financial or nonfinancial assets or liabilities.

(o) Reclassifications

Certain reclassifications have been made to the 2006 and 2005 amounts to conform to classifications adopted in 2007.

2. Real Estate Investments

During 2007, the Company acquired five shopping centers for a purchase price of $106.0 million which included the assumption of $42.3 million in debt, recorded net of a $1.2 million debt discount. Acquired lease intangible assets and acquired lease intangible liabilities of $9.3 million and $4.7 million, respectively, were recorded for these acquisitions. During 2006, the Company acquired one shopping center for a purchase price of $63.1 million which included the assumption of $44.0 million in debt. In accordance with Statement 141, acquired lease intangible assets and acquired lease intangible liabilities of $6.1 million and $5.0 million, respectively were recorded for this acquisition. The acquisitions in 2007 and 2006 were accounted for as purchase business combinations and their results of operations are included in the consolidated financial statements from the date of acquisition.

3. Discontinued Operations

Regency maintains a conservative capital structure to fund its growth program without compromising its investment-grade ratings. This approach is founded on a self-funding business model which utilizes center recycling as a key component and requires ongoing monitoring of each center to ensure that it meets Regency s investment standards. This recycling strategy calls for the Company to sell properties that do not measure up to its standards and re-deploy the proceeds into new, higher-quality developments and acquisitions that are expected to generate sustainable revenue growth and more attractive returns.

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Notes to Consolidated Financial Statements (Continued)

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3. Discontinued Operations (Continued)

During 2007, the Company sold 100% of its interest in six properties for net proceeds of $109.0 million. The combined operating income and gain from these properties were reclassified to discontinued operations. The revenues from properties included in discontinued operations, includes properties sold in 2007, 2006, and 2005, and operating properties held-for-sale, were $4.4 million, $15.4 million, and $32.7 million, for the three years ended December 31, 2007, 2006, and 2005, respectively. As of December 31, 2007, the Company did not have any properties classified as held-for-sale. The operating income and gains from properties included in discontinued operations are reported net of minority interest of exchangeable operating partnership units and income taxes, if the property is sold by RRG and, are summarized as follows for the years ended December 31, 2007, 2006, and 2005 (in thousands):

	2007		2006		2005	
	Operating Income	Gain on sale of Properties	Operating Income	Gain on sale of Properties	Operating Income	Gain on sale of Properties
Operations and gain	$ 2,048	27,411	4,775	59,181	12,304	57,693
Less: Minority interest	16	209	16	814	273	1,041
Less: Income taxes	85	1,917			183	3,412
Discontinued operations, net	$ 1,947	25,285	4,759	58,367	11,848	53,240

4. Investments in Real Estate Partnerships

The Company accounts for all investments in which it owns 50% or less and does not have a controlling financial interest using the equity method. The Company has determined that these investments are not variable interest entities as defined in FIN 46(R) and do not require consolidation under EITF 04-5 or SOP 78-9, and therefore are subject to the voting interest model in determining its basis of accounting. Major decisions, including property acquisitions and dispositions, financings, annual budgets, and dissolution of the ventures are subject to the approval of all partners. The Company s investment in these partnerships was $432.9 million and $434.1 million at December 31, 2007 and 2006, respectively. The difference between the carrying amount of these investments and the underlying equity in net assets was $17.8 million and $18.1 million at December 31, 2007 and 2006, respectively. This amount is accreted to equity in income of investments in real estate partnerships over the expected useful lives of the properties and other intangible assets which range in lives from 10 to 40 years. Net income or loss from these partnerships, which includes all operating results and gains on sales of properties within the joint ventures, is allocated to the Company in accordance with the respective partnership agreements. Such allocations of net income or loss are recorded in equity in income (loss) of investments in real estate partnerships in the accompanying consolidated statements of operations.

Cash distributions of normal operating earnings from investments in real estate partnerships are presented in cash flows from operations in the consolidated statements of cash flows. Cash distributions from the sale of a property or loan proceeds received from the placement of debt on a property included in investments in real estate partnerships are presented in cash flows from investing activities in the consolidated statements of cash flows.

Investments in real estate partnerships are comprised primarily of joint ventures with three unrelated co-investment partners and a recently formed open-end real estate fund (Regency Retail Partners or the Fund), as further described below. In addition to the Company earning its pro-rata share of net income (loss) in each of the partnerships, these partnerships pay the Company fees

for asset management, property management, leasing, investing, and financing services. During 2007, 2006 and 2005, the Company recorded fees from these joint ventures of $32.3 million, $30.9 million and $26.8 million, respectively.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

4. Investments in Real Estate Partnerships (Continued)

The Company co-invests with the Oregon Public Employees Retirement Fund in three joint ventures (collectively Columbia) in which the Company has ownership interests of 20% or 30%. As of December 31, 2007, Columbia owned 28 shopping centers, had total assets of $648.2 million and net income of $12.7 million for the year then ended of which the Company s share of the venture s total assets and net income was $142.1 million and $2.6 million, respectively. During 2007, Columbia acquired eight shopping centers from third parties for $88.7 million. The Company contributed $9.3 million for its proportionate share of the purchase price, which was net of $15.2 million of assumed mortgage debt and $31.1 million in financing obtained by Columbia. During 2006 Columbia acquired four shopping centers from third parties for $97.0 million. The Company contributed $9.6 million for its proportionate share of the purchase price, which was net of $36.4 million of assumed mortgage debt and $13.3 million of financing obtained by Columbia.

The Company co-invests with the California State Teachers Retirement System (CalSTRS) in a joint venture (RegCal) in which the Company has an ownership interest of 25%. As of December 31, 2007, RegCal owned eight shopping centers, had total assets of $167.3 million and net income of $2.8 million for the year then ended of which the Company s share of the venture s total assets and net income was $41.8 million and $662,217, respectively. During 2007, CalSTRS sold one shopping center to an unrelated party for $13.2 million for a gain of $1.4 million. During 2006, RegCal acquired two shopping centers from unrelated parties for a purchase price of $37.3 million. The Company contributed $4.1 million for its proportionate share of the purchase price, which was net of financing obtained by RegCal.

The Company co-invests with Macquarie CountryWide Trust of Australia (MCW) in five joint ventures, two in which the Company has an ownership interest of 25% (collectively, MCWR I), two in which it has an ownership interest of 24.95% (collectively, MCWR II), and one in which it has an ownership interest of 16.35% (MCWR-DESCO).

As of December 31, 2007, MCWR I owned 42 shopping centers, had total assets of $612.0 million, and net income of $32.7 million for the year then ended of which the Company s share of the venture s total assets and net income was $153.1 million and $10.3 million, respectively. During 2007, MCWR I purchased one shopping center from a third party for $23.0 million, net of $10.8 million of assumed mortgage debt, and the Company contributed $2.2 million for its pro-rata share of the purchase price. During 2007, MCWR I sold nine shopping centers to unrelated parties for $137.4 million for a gain of $22.6 million. During 2006 MCWR I purchased one shopping center from a third party for $25.0 million. The Company contributed $748,466 for its proportionate share of the purchase price, which was net of $12.5 million of assumed mortgage debt and $10.4 million in 1031 proceeds. During 2006, MCWR I sold two shopping centers to unrelated parties for $28.0 million for a gain of $7.8 million.

On June 1, 2005, MCWR II closed on the acquisition of a retail shopping center portfolio (the First Washington Portfolio) for a purchase price of approximately $2.8 billion, including the assumption of approximately $68.6 million of mortgage debt and the issuance of approximately $1.6 billion of new mortgage loans on the properties acquired. The First Washington Portfolio acquisition was accounted for as a purchase business combination by MCWR II. At December 31, 2005, MCWR II was owned 64.95% by an affiliate of MCW, 34.95% by Regency and 0.1% by Macquarie-Regency Management, LLC (US Manager). US Manager is owned 50% by Regency and 50% by an affiliate of Macquarie Bank Limited. On January 13, 2006, the Company sold a portion of its investment in MCWR II to MCW which reduced its ownership interest from 35% to 24.95% for net cash of $113.2 million which is reflected in proceeds from sale of real estate investments in the consolidated statements of cash flows. The proceeds from the sale were used to reduce the unsecured line of credit.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

4. Investments in Real Estate Partnerships (Continued)

Regency has the ability to receive additional acquisition fees of approximately $5.2 million (the Contingent Acquisition Fees) deferred from the original acquisition date that are subject to achieving cumulative targeted income levels through 2008. The Contingent Acquisition Fees will only be recognized if earned, and the recognition of income will be limited to that percentage of MCWR II, or 75.05%, of the joint venture not owned by the Company.

As of December 31, 2007, MCWR II owned 96 shopping centers, had total assets of $2.6 billion and recorded a net loss of $13.1 million for the year ended and the Company s share of the venture s total assets and net loss was $651.0 million and $3.2 million, respectively. As a result of the significant amount of depreciation and amortization expense recorded by MCWR II in connection with the acquisition of the First Washington Portfolio, the joint venture may continue to report a net loss in future years, but is expected to produce positive cash flow from operations. During 2007, MCWR II sold one shopping center to an unrelated party for $13.5 million and recognized a gain of $560,169. During 2006, MCWR II acquired four development properties from the Company for a net sales price of $62.4 million and Regency received cash of $58.4 million. During 2006, MCWR II sold eight shopping centers for $122.4 million to unrelated parties for a gain of $1.5 million.

On August 10, 2007, MCWR-DESCO closed on the acquisition of 32 retail centers for a purchase price of approximately $396.2 million including debt of approximately $209.5 million. The Company contributed $29.7 million to the venture for its pro-rata share of the purchase price for its 16.35% equity ownership. MCWR-DESCO had total assets of $419.9 million and a net loss of $3.3 million since inception, primarily related to depreciation and amortization expense. The Company s share of the venture s total assets and net loss was $68.7 million and $465,028, respectively.

In December 2006, Regency formed Regency Retail Partners (the Fund), an open-end, infinite-life investment fund in which its ownership interest was 26.8%. During the first quarter, the Company reduced its ownership interest to 20% with the admission of additional partners into the Fund and recognized a gain of $2.2 million that had previously been deferred. The Fund has the exclusive right to acquire all Regency-developed large format community centers upon stabilization that meet the Fund s investment criteria. As of December 31, 2007, the Fund owned seven shopping centers, had total assets of $209.0 million and recorded net income of $1.2 million for the year ended of which the Company s share of the venture s total assets and net income was $41.7 million and $325,861, respectively. During 2007, the Fund acquired six community shopping centers from the Company for a sales price of $126.4 million or $102.8 million on a net basis. As part of the transaction the Company provided a short-term note receivable to the Fund of $12.1 million, which the Fund repaid in January 2008. The Company recognized a gain of $42.8 million after excluding its ownership interest.

Recognition of gains from sales to joint ventures is recorded on only that portion of the sales not attributable to the Company s ownership interest. The gains, operations and cash flows are not recorded as discontinued operations because of Regency s substantial continuing involvement in these shopping centers. Columbia, RegCal, and the joint ventures with MCW and the Fund intend to continue to acquire retail shopping centers, some of which they may acquire directly from the Company. For those properties acquired from third parties, the Company is required to contribute its pro-rata share of the purchase price to the joint ventures.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

4. Investments in Real Estate Partnerships (Continued)

Our investments in real estate partnerships as of December 31, 2007 and 2006 consist of the following (in thousands):

	Ownership	2007	2006
Macquarie CountryWide-Regency (MCWR I)	25.00%	$ 40,557	60,651
Macquarie CountryWide Direct (MCWR I)	25.00%	6,153	6,822
Macquarie CountryWide-Regency II (MCWR II)	24.95%	214,450	234,378
Macquarie CountryWide-Regency III (MCWR II)	24.95%	812	1,140
Macquarie CountryWide-Regency-DESCO (MCWR-DESCO)	16.35%	29,478	
Columbia Regency Retail Partners (Columbia)	20.00%	33,801	36,096
Cameron Village LLC (Columbia)	30.00%	20,364	20,826
Columbia Regency Partners II (Columbia)	20.00%	20,326	11,516
RegCal, LLC (RegCal)	25.00%	17,110	18,514
Regency Retail Partners (the Fund) (1)	20.00%	13,296	5,139
Other investments in real estate partnerships	50.00%	36,563	39,008
Total		$ 432,910	434,090

(1) At December 31, 2006, Regency s ownership interest in the Fund was 26.8%.

Summarized financial information for the unconsolidated investments on a combined basis, is as follows (in thousands):

	December 31, 2007	December 31, 2006
Investment in real estate, net	$ 4,422,533	4,029,389
Acquired lease intangible assets, net	197,495	200,835
Other assets	147,525	135,451
Total assets	4,767,553	4,365,675
Notes payable	2,719,473	2,435,229
Acquired lease intangible liabilities, net	86,031	69,336
Other liabilities	83,734	70,295
Members capital	1,878,315	1,790,815
Total liabilities and equity	$ 4,767,553	4,365,675

Unconsolidated investments in real estate partnerships had notes payable of $2.7 billion and $2.4 billion as of December 31, 2007 and 2006, respectively and the Company s proportionate share of these loans was $653.3 million and $610.8 million, respectively. The loans are primarily non-recourse, but for those that are guaranteed by a joint venture, Regency s liability does not extend beyond its ownership percentage of the joint venture.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

4. Investments in Real Estate Partnerships (Continued)

The revenues and expenses for the unconsolidated investments on a combined basis for the years ended December 31, 2007, 2006, and 2005 are summarized as follows (in thousands):

	2007	2006	2005
Total revenues	$ 452,068	413,642	303,448
Operating expenses:			
Depreciation and amortization	176,597	173,812	145,669
Operating and maintenance	64,917	57,844	42,206
General and administrative	9,893	6,839	6,119
Real estate taxes	53,845	48,983	33,726
Total operating expenses	305,252	287,478	227,720
Other expense (income):			
Interest expense, net	135,760	125,378	83,352
Gain on sale of real estate	(38,165)	(9,225)	(9,499)
Other loss (income)	138	162	(356)
Total other expense (income)	97,733	116,315	73,497
Net income	$ 49,083	9,849	2,231

5. Notes Receivable

The Company has notes receivable outstanding of $44.5 million and $20.0 million at December 31, 2007 and 2006, respectively. The notes bear interest ranging from LIBOR plus 175 basis points to 8.50% with maturity dates through November 2014. Of the $44.5 million notes receivable outstanding as of December 31, 2007, $12.1 million was outstanding to the Fund in which the Company owns 20%. The loan was provided to the Fund in order to facilitate the Company s sale of a shopping center to the Fund during December 2007. The loan represented 60% of the sales price of the shopping center sold and the Fund was in receipt of a permanent loan commitment from a third party lender at the sale date. On January 28, 2008, the Fund repaid the note in full.

6. Acquired Lease Intangibles

The Company has acquired lease intangible assets of $17.2 million and $12.3 million at December 31, 2007 and 2006, respectively, of which $16.7 million and $11.7 million, respectively relates to in-place leases. These in-place leases have a remaining weighted average amortization period of 7.5 years and the aggregate amortization expense recorded for these in-place leases was $4.3 million, $3.8 million, and $4.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. The Company has above-market lease intangible assets of $554,849 and $623,130 at December 31, 2007 and 2006, respectively. The remaining weighted average amortization period is 5.3 years and the aggregate amortization expense recorded as a reduction to minimum rent for these above-market leases was $114,623 and $81,753 for the years ended December 31, 2007 and 2006,

respectively.

The Company has acquired lease intangible liabilities of $10.4 million and $7.7 million as of December 31, 2007 and 2006, respectively. The remaining weighted average accretion period is 8.2 years and the aggregate amount accreted as an increase to minimum rent for these below-market rents was $2.0 million, $1.5 million, and $953,964 for the years ended December 31, 2007, 2006 and 2005, respectively.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

6. Acquired Lease Intangibles (Continued)

The estimated aggregate amortization and net accretion amounts from acquired lease intangibles for each of the next five years are as follows (in thousands):

Year Ending December 31,	Amortization Expense	Minimum Rent, Net
2008	$ 2,929	1,570
2009	2,826	1,561
2010	2,580	1,021
2011	1,932	993
2012	1,836	930

7. Notes Payable and Unsecured Line of Credit

The Company s outstanding debt at December 31, 2007 and 2006 consists of the following (in thousands):

	2007	2006
Notes Payable:		
Fixed rate mortgage loans	$ 196,915	186,897
Variable rate mortgage loans	5,821	68,662
Fixed rate unsecured loans	1,597,239	1,198,827
Total notes payable	1,799,975	1,454,386
Unsecured Line of Credit	208,000	121,000
Total	$ 2,007,975	1,575,386

On June 5, 2007, RCLP completed the sale of $400.0 million of ten-year senior unsecured notes. The 5.875% notes are due June 15, 2017 and were priced at 99.527% to yield 5.938%. The net proceeds were used to reduce the unsecured line of credit (the Line).

On February 12, 2007, Regency entered into a new loan agreement under the Line with a commitment of $600.0 million and the right to expand the Line by an additional $150.0 million subject to additional lender syndication. The Line has a four-year term which expires in 2011 with a one-year extension at the Company s option and the interest rate was reduced to LIBOR plus .55%. Contractual interest rates were 5.425% at December 31, 2007 and 6.125% at December 31, 2006 based on LIBOR plus .55% and .75%, respectively. The balance on the Line was $208.0 million and $121.0 million at December 31, 2007 and 2006, respectively. The spread paid on the Line is dependent upon the Company maintaining specific investment-grade ratings.

On December 5, 2007, Standard and Poor s Rating Services raised Regency s corporate credit and senior unsecured ratings to BBB+ from BBB. As a result of this upgrade, the interest rate on the Line was reduced to LIBOR plus .40% effective January 1, 2008.

The Company is also required to comply, and is in compliance, with certain financial covenants such as Minimum Net Worth, Total Liabilities to Gross Asset Value (GAV) and Recourse Secured Debt to GAV, Fixed Charge Coverage, and other covenants customary with this type of unsecured financing. The Line is used primarily to finance the acquisition and development of real estate, but is also available for general working-capital purposes.

Mortgage loans are secured and may be prepaid, but could be subject to yield maintenance premiums. Mortgage loans are generally due in monthly installments of principal and interest, and mature over various terms through 2018.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

7. Notes Payable and Unsecured Line of Credit (Continued)

We intend to repay mortgage loans at maturity from proceeds from the Line. Fixed interest rates on mortgage loans range from 5.22% to 8.95% and average 6.37%. The Company has one variable rate mortgage loan with an interest rate equal to LIBOR plus a spread of 100 basis points.

The fair value of the Company s variable rate notes payable and the Line are considered to approximate fair value, since the interest rates on such instruments re-price based on current market conditions. The fair value of fixed rate loans are estimated using cash flows discounted at current market rates available to the Company for debt with similar terms and maturities. Fixed rate loans assumed in connection with real estate acquisitions are recorded in the accompanying consolidated financial statements at fair value. Based on the estimates used by the Company, the fair value of notes payable and the Line is approximately $1.5 billion at December 31, 2007.

As of December 31, 2007, scheduled principal repayments on notes payable and the Line were as follows (in thousands):

Scheduled Principal Payments by Year:	Scheduled Principal Payments	Term Loan Maturities	Total Payments
2008	$ 4,270	19,402	23,672
2009	4,079	58,606	62,685
2010	4,038	176,971	181,009
2011 (includes the Line)	3,830	459,133	462,963
2012	4,043	249,850	253,893
Beyond 5 Years	9,549	1,014,705	1,024,254
Unamortized debt discounts, net		(501)	(501)
Total	$ 29,809	1,978,166	2,007,975

On February 26, 2008, the Company was notified by Wells Fargo Bank that they had received commitments from a group of banks, which in combination with their commitment will provide the Company with an estimated $341.5 million, three-year term loan facility (the Term Facility). The Term Facility will include a term loan amount of $227.7 million that will fund at closing plus a $113.8 million revolver component that is accessible by the Company at its discretion. The Term Facility will be subject to similar loan covenants that are contained within the Line and the Company s other unsecured fixed rate loans. The term loan has a variable interest rate equal to LIBOR plus 105 basis points, and the revolver has a variable interest rate equal to LIBOR plus 110 basis points, both of which are subject to the Company s current debt ratings. The Term Facility does not affect our existing $600.0 million Line commitment. The proceeds from the funding of the Term Facility will be used for general working capital purposes including the reduction of any debt balances, at our discretion. The Term Facility is expected to close during March 2008 subject to final terms and conditions.

8. Derivative Financial Instruments

The Company uses derivative instruments primarily to manage exposures to interest rate risks. In order to manage the volatility relating to interest rate risk, the Company may enter into interest rate hedging arrangements from time to time. None of the Company s derivatives are designated as fair value hedges and the Company does not utilize derivative financial instruments for

trading or speculative purposes.

On March 10, 2006, the Company entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399%, and 5.415%. The Company designated these swaps as cash flow hedges to fix $400 million fixed rate financing expected to occur in 2010 and 2011. The change in fair value of these swaps from inception generated a liability of $9.8 million and $2.9 million at December 31, 2007 and 2006, respectively, which is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheets.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

8. Derivative Financial Instruments (Continued)

On April 1, 2005, the Company entered into three forward-starting interest rate swaps totaling $196.7 million with fixed rates of 5.029%, 5.05%, and 5.05% to fix the rate on unsecured notes issued in July 2005. On July 13, 2005, the Company settled the swaps with a payment to the counter-parties for $7.3 million. During 2003, the Company entered into two forward-starting interest rate swaps totaling $144.2 million to fix the rate on a refinancing in April 2004. On March 31, 2004, the Company settled these swaps with a payment to the counter-party for $5.7 million. The adjustment to interest expense recorded in 2007, 2006 and 2005 related to the settlement of these swaps is $1.3 million, $1.3 million and $908,311. The unamortized balance at December 31, 2007 is $9.1 million.

All of these swaps qualify for hedge accounting under Statement 133. Realized losses associated with the swaps settled in 2005 and 2004 and unrealized gains or losses associated with the swaps entered into in 2006 have been included in accumulated other comprehensive income (loss) in the consolidated statements of stockholders equity and comprehensive income (loss). The unamortized balance of the realized losses is being amortized as additional interest expense over the ten year terms of the hedged loans. Unrealized gains or losses will not be amortized until such time that the expected debt issuance is completed in 2010 and 2011 as long as the swaps continue to qualify for hedge accounting.

9. Stockholders Equity and Minority Interest

(a) Preferred Units

At December 31, 2007 and 2006, the face value of the Series D Preferred Units was $50.0 million with a fixed distribution rate of 7.45% and recorded on the accompanying consolidated balance sheets net of original issuance costs.

Terms and conditions for the Series D Preferred Units outstanding as of December 31, 2007 are summarized as follows:

Units Outstanding	Amount Outstanding	Distribution Rate	Callable by Company	Exchangeable by Unit holder
500,000	$ 50,000,000	7.45%	09/29/09	01/01/16

The Preferred Units, which may be called by RCLP at par beginning September 29, 2009, have no stated maturity or mandatory redemption and pay a cumulative, quarterly dividend at a fixed rate. The Preferred Units may be exchanged by the holder for Cumulative Redeemable Preferred Stock (Preferred Stock) at an exchange rate of one share for one unit. The Preferred Units and the related Preferred Stock are not convertible into common stock of the Company.

(b) Preferred Stock

Terms and conditions of the three series of Preferred stock outstanding as of December 31, 2007 are summarized as follows:

Series	Shares Outstanding	Depositary Shares	Liquidation Preference	Distribution Rate	Callable By Company
Series 3	300,000	3,000,000	$ 75,000,000	7.45%	04/03/08

Series 4	500,000	5,000,000	125,000,000	7.25%	08/31/09
Series 5	3,000,000		75,000,000	6.70%	08/02/10
	3,800,000	8,000,000	$ 275,000,000		

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Notes to Consolidated Financial Statements (Continued)

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(b) Preferred Stock (Continued)

In 2005, the Company issued three million shares, or $75.0 million, of 6.70% Series 5 Preferred Stock with a liquidation preference of $25 per share of which the proceeds were used to reduce the balance of the Line. The Series 3 and 4 depositary shares, which have a liquidation preference of $25, and the Series 5 preferred shares are perpetual, are not convertible into common stock of the Company, and are redeemable at par upon Regency s election five years after the issuance date. None of the terms of the Preferred Stock contain any unconditional obligations that would require the Company to redeem the securities at any time or for any purpose.

On January 1, 2008, the Company split each share of existing Series 3 and Series 4 Preferred Stock, each having a liquidation preference of $250 per share, and a redemption price of $250 per share into ten shares of Series 3 and Series 4 Stock, respectively, each having a liquidation preference of $25 per share and a redemption price of $25 per share. The Company then exchanged each Series 3 and 4 Depository Share into shares of New Series 3 and 4 Stock, respectively, which have the same dividend rights and other rights and preferences identical to the depositary shares.

(c) Common Stock

On April 5, 2005, the Company entered into an agreement to sell 4,312,500 shares of its common stock to an affiliate of Citigroup Global Markets Inc. (Citigroup) at $46.60 per share, in connection with a forward sale agreement (the Forward Sale Agreement). On August 1, 2005, the Company issued 3,782,500 shares to Citigroup for net proceeds of approximately $175.5 million and on September 7, 2005, the remaining 530,000 shares were issued for net proceeds of $24.4 million. The proceeds from the sales were used to reduce the Line and redeem the Series E and Series F Preferred Units.

10. Stock-Based Compensation

The Company recorded stock-based compensation in general and administrative expenses in the consolidated statements of operation for the years ended December 31, 2007, 2006 and 2005 as follows, the components of which are further described below (in thousands):

	2007	2006	2005
Restricted stock	$ 17,725	16,584	16,955
Stock options	1,024	960	1,440
Directors fees paid in common stock	389	406	360
Total	$ 19,138	17,950	18,755

The recorded amounts of stock-based compensation expense represent amortization of deferred compensation related to share based payments in accordance with Statement 123(R). During the three years ended December 31, 2007, 2006, and 2005 compensation expense of $7.6 million, $6.9 million, and $6.9 million, respectively which is included above, specifically identifiable to development and leasing activities was capitalized.

The Company established the Plan under which the Board of Directors may grant stock options and other stock-based awards to officers, directors, and other key employees. The Plan allows the Company to issue up to 5.0 million shares in the form of common

stock or stock options, but limits the issuance of common stock excluding stock options to no more than 2.75 million shares. At December 31, 2007, there were approximately 2.4 million shares available for grant under the Plan either through options or restricted stock. The Plan also limits outstanding awards to no more than 12% of outstanding common stock.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

10. Stock-Based Compensation (Continued)

Stock options are granted under the Plan with an exercise price equal to the stock s price at the date of grant. All stock options granted have ten-year lives, contain vesting terms of one to five years from the date of grant and some have dividend equivalent rights. Stock options granted prior to 2005 also contained reload rights, which allowed an option holder the right to receive new options each time existing options were exercised if the existing options were exercised under specific criteria provided for in the Plan. In January 2005, the Company acquired the reload rights of existing employees stock options from the option holders by granting 771,645 options for an exercise price of $51.36, the fair value on the date of grant, and granted 7,906 restricted shares representing value of $363,664, substantially canceling all of the reload rights on existing stock options. In March 2007, the Company acquired the reload rights of existing directors stock options from the option holders by granting 13,353 options for an average exercise price of $89.95, the fair value on the date of grant, and granted 1,654 restricted shares representing value of $148,725, therefore canceling all of their reload rights. These stock options and restricted shares vest 25% per year and are expensed ratably over a four-year period beginning in year of grant in accordance with Statement 123(R). Options granted under the reload buy-out plan do not earn dividend equivalents.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton closed-form (Black Scholes) option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company s stock and other factors. The Company uses historical data and other factors to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of Statement 123(R) and reflects all substantive characteristics of the instruments being valued. The following table represents the assumptions used for the Black-Scholes option-pricing model for options granted in the respective year:

	2007	2006	2005
Per share weighted average value of stock options	$ 8.27	8.35	5.91
Expected dividend yield	3.0%	3.8%	4.3%
Risk-free interest rate	4.7%	4.9%	3.7%
Expected volatility	19.8%	20.0%	18.0%
Expected term in years	2.4	2.1	4.4

The following table reports stock option activity during the year ended December 31, 2007:

	Number of Options	Weighted Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding December 31, 2006	1,195,551	$ 48.90		
Granted	17,793	88.49		

Exercised	(479,862)		48.54			
Forfeited	(15,537)		51.36			
Expired	(384)		72.19			
Outstanding December 31, 2007	717,561	$	50.05	6.9	$	10,362
Vested and expected to vest December 31, 2007	703,065	$	50.08	6.9	$	10,128
Exercisable December 31, 2007	325,027	$	46.88	6.9	$	5,722

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

10. Stock-Based Compensation (Continued)

The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was $20.2 million, $17.3 million, and $7.2 million, respectively. As of December 31, 2007, there was $1.1 million of unrecognized compensation cost related to non-vested stock options granted under the Plan expected to be recognized through 2008. The Company received cash proceeds for stock option exercises of $2.4 million, $6.0 million, and $6.1 million for the years ended December 31, 2007, 2006, and 2005, respectively The Company issues new shares to fulfill option exercises from its authorized shares available.

The following table presents information regarding unvested option activity during the period ended December 31, 2007:

	Non-vested Number of Options	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2007	568,771	$ 5.90
Granted	17,793	8.78
2007 Vesting	(194,030)	6.00
Non-vested at December 31, 2007	392,534	$ 6.04

The Company grants restricted stock under the Plan to its employees as a form of long-term compensation and retention. The terms of each grant vary depending upon the participant s responsibilities and position within the Company. The Company s stock grants to date can be categorized into three types: (a) 4-year vesting, (b) performance-based vesting, and (c) 8-year cliff vesting.

The 4-year vesting grants vest 25% per year beginning in the year of grant. These grants are not subject to future performance measures, and if such performance criteria are not met, the compensation cost previously recognized would be reversed.

Performance-based vesting grants are earned subject to future performance measurements, which include individual performance measures, annual growth in earnings, compounded three-year growth in earnings, and a three-year total shareholder return peer comparison (TSR Grant). Once the performance criteria are met and the actual number of shares earned is determined, certain shares will vest immediately while others will vest over an additional service period.

The 8-year cliff vesting grants fully vest at the end of the eighth year from the date of grant; however, as a result of the achievement of future performance, primarily growth in earnings, the vesting of these grants may be accelerated over a shorter term.

Performance-based vesting grants and 8-year cliff vesting grants are currently only granted to the Company s senior management. The Company considers the likelihood of meeting the performance criteria based upon management s estimates and analysis of future earnings growth from which it determines the amounts recognized as expense on a periodic basis. The Company determines

the grant date fair value of TSR Grants based upon a Monte Carlo Simulation model. Compensation expense is measured at the grant date and recognized over the vesting period.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

10. Stock-Based Compensation (Continued)

The following table reports restricted stock activity during the period ended December 31, 2007:

	Number of Shares	Intrinsic Value (in thousands)	Weighted Average Grant Price
Unvested at December 31, 2006	779,060		$ 51.67
Shares Granted	231,688		84.52
Shares Vested and Distributed	(368,235)		80.58
Shares Forfeited	(43,845)		66.90
Unvested at December 31, 2007	598,668	$ 38,608	$ 64.49

The weighted-average grant price for restricted stock granted during the years 2007, 2006 and 2005 was $84.52, $63.75 and $51.38, respectively. The total intrinsic value of restricted stock vested during the years ended December 31, 2007, 2006 and 2005 was $29.7 million, $26.3 million and $16.5 million, respectively. As of December 31, 2007, there was $21.7 million of unrecognized compensation cost related to non-vested restricted stock granted under the Plan, which is recorded when recognized in additional paid in capital of the consolidated statements of stockholders equity and comprehensive income (loss). This unrecognized compensation cost is expected to be recognized over the next four years, through 2011. The Company issues new restricted stock from its authorized shares available.

The Company maintains a 401 (k) retirement plan covering substantially all employees, which permits participants to defer up to the maximum allowable amount determined by the IRS of their eligible compensation. This deferred compensation, together with Company matching contributions equal to 100% of employee deferrals up to a maximum of $3,500 of their eligible compensation, is fully vested and funded as of December 31, 2007. Costs related to the matching portion of the plan were approximately $1.3 million, $1.1 million, and $603,415 for the years ended December 31, 2007, 2006 and 2005, respectively.

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Notes to Consolidated Financial Statements (Continued)

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11. Earnings per Share

The following summarizes the calculation of basic and diluted earnings per share for the three years ended December 31, 2007, 2006, and 2005, respectively (in thousands except per share data):

	2007	2006	2005
Numerator:			
Income from continuing operations	$ 176,419	155,385	97,559
Discontinued operations	27,232	63,126	65,088
Net income	203,651	218,511	162,647
Less: Preferred stock dividends	19,675	19,675	16,744
Net income for common stockholders	183,976	198,836	145,903
Less: Dividends paid on unvested restricted stock	842	978	1,109
Net income for common stockholders basic	183,134	197,858	144,794
Add: Dividends paid on Treasury Method restricted stock	49	164	216
Net income for common stockholders diluted	$ 183,183	198,022	145,010
Denominator:			
Weighted average common shares outstanding for basic EPS	68,954	68,037	64,459
Incremental shares to be issued under common stock options using the Treasury method	226	326	226
Incremental shares to be issued under unvested restricted stock using the Treasury method	18	69	98
Incremental shares to be issued under Forward Equity Offering using the Treasury method			149
Weighted average common shares outstanding for diluted EPS	69,198	68,432	64,932
Income per common share basic			
Income from continuing operations	$ 2.26	1.98	1.24
Discontinued operations	0.39	0.93	1.01
Net income for common stockholders per share	$ 2.65	2.91	2.25
Income per common share diluted			
Income from continuing operations	$ 2.26	1.97	1.23
Discontinued operations	0.39	0.92	1.00
Net income for common stockholders per share	$ 2.65	2.89	2.23

The exchangeable operating partnership units were anti-dilutive to diluted EPS for the three years ended December 31, 2007, 2006, and 2005 and therefore, the units and the related minority interest of exchangeable operating partnership units are excluded from the calculation of diluted EPS.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

12. Operating Leases

Future minimum rents under noncancelable operating leases as of December 31, 2007, excluding both tenant reimbursements of operating expenses and additional percentage rent based on tenants sales volume, are as follows (in thousands):

Year Ending December 31,	Amount
2008	$ 317,669
2009	299,663
2010	263,884
2011	225,945
2012	182,281
Thereafter	1,265,317
Total	$ 2,554,759

The shopping centers tenant base includes primarily national and regional supermarkets, drug stores, discount department stores and other retailers and, consequently, the credit risk is concentrated in the retail industry. There were no tenants that individually represented more than 6% of the Company s annualized future minimum rents.

The Company has shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to Regency to construct and/or operate a shopping center. In addition, the Company has non-cancelable operating leases pertaining to office space from which it conducts its business. Leasehold improvements are capitalized, recorded as tenant improvements, and depreciated over the shorter of the useful life of the improvements or the lease term. The following table summarizes the future obligations under non-cancelable operating leases as of December 31, 2007 (in thousands):

Year Ending December 31,	Amount
2008	$ 5,407
2009	5,339
2010	5,348
2011	5,325
2012	4,888
Thereafter	20,048
Total	$ 46,355

13. Commitments and Contingencies

The Company is involved in litigation on a number of matters and is subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company s consolidated financial position, results of operations, or liquidity. The Company is also subject to numerous environmental laws and regulations as they apply to real estate pertaining to chemicals used by the dry cleaning industry, the existence of asbestos in older

shopping centers, and underground petroleum storage tanks (UST s). The Company believes that the tenants who currently operate dry cleaning plants or gas stations do so in accordance with current laws and regulations. The Company has placed environmental insurance, when possible, on specific properties with known contamination, in order to mitigate its environmental risk. The Company monitors the shopping centers containing environmental issues and in certain cases voluntarily remediates the sites. The Company

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Notes to Consolidated Financial Statements (Continued)

December 31, 2007

13. Commitments and Contingencies (Continued)

also has legal obligations to remediate certain sites and is in the process of doing so. The Company estimates the cost associated with these legal obligations to be approximately $3.4 million, all of which has been reserved. The Company believes that the ultimate disposition of currently known environmental matters will not have a material effect on its financial position, liquidity, or operations; however, it can give no assurance that existing environmental studies with respect to the shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant or tenant did not create any material environmental condition not known to it; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to the Company.

14. Summary of Quarterly Financial Data (Unaudited)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2007 and 2006 (in thousands except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007:				
Revenues as originally reported	$ 106,715	108,760	116,980	119,796
Reclassified to discontinued operations	(301)	(229)	(213)	
Adjusted Revenues	$ 106,414	108,531	116,767	119,796
Net income for common stockholders	$ 52,069	44,365	36,980	50,562
Net income per share:				
Basic	$ 0.75	0.64	0.53	0.73
Diluted	$ 0.75	0.64	0.53	0.72
2006:				
Revenues as originally reported	$ 103,314	109,163	105,054	109,463
Reclassified to discontinued operations	(3,524)	(3,763)	(2,437)	(302)
Adjusted Revenues	$ 99,790	105,400	102,617	109,161
Net income for common stockholders	$ 65,856	32,128	39,392	61,460
Net income per share:				
Basic	$ 0.97	0.47	0.57	0.89

Diluted	$	0.97	0.47	0.57	0.89

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(in thousands)

	Initial Cost			Total Cost					Total Cost	
	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
4S COMMONS TOWN CENTER	28,009	32,692	6,003	30,760	35,944		66,704	1,819	64,885	
ALDEN BRIDGE	12,937	10,146	1,917	13,810	11,190		25,000	2,955	22,045	9,528
ANTHEM MARKETPLACE	6,846	13,563	(58)	6,714	13,637		20,351	2,081	18,270	
ASHBURN FARM MARKET CENTER	9,869	4,747	(11)	9,835	4,770		14,605	1,584	13,021	
ASHFORD PLACE	2,804	9,944	(324)	2,584	9,840		12,424	3,533	8,891	3,315
ATASCOCITA CENTER	1,008	2,237	6,560	3,997	5,808		9,805	821	8,984	
AUGUSTA CENTER	5,141	2,438		5,141	2,438		7,579	34	7,545	
AVENTURA SHOPPING CENTER	2,751	9,318	1,134	2,751	10,452		13,203	6,868	6,335	
BECKETT COMMONS	1,625	5,845	5,082	1,625	10,927		12,552	2,401	10,151	
BELLEVIEW SQUARE	8,132	8,610	773	8,132	9,383		17,515	1,429	16,086	9,038
BENEVA VILLAGE SHOPS	2,484	8,851	1,186	2,484	10,037		12,521	2,577	9,944	
BERKSHIRE COMMONS	2,295	8,151	649	2,295	8,800		11,095	3,341	7,754	
BETHANY PARK PLACE	4,605	5,792	(189)	4,290	5,918		10,208	2,843	7,365	
BLOOMINGDALE	3,862	14,101	859	3,940	14,882		18,822	4,072	14,750	
BLOSSOM VALLEY	7,804	10,321	521	7,804	10,842		18,646	2,551	16,095	
BOULEVARD CENTER	3,659	9,658	958	3,659	10,616		14,275	2,591	11,684	
BOYNTON LAKES PLAZA	2,783	10,043	950	2,628	11,148		13,776	3,076	10,700	
BRIARCLIFF LA VISTA	694	2,463	829	694	3,292		3,986	1,476	2,510	
BRIARCLIFF VILLAGE	4,597	16,304	8,514	4,597	24,818		29,415	8,960	20,455	
BUCKHEAD COURT	1,738	6,163	926	1,417	7,410		8,827	2,905	5,922	
	2,970	5,126	796	2,970	5,922		8,892	1,602	7,290	

BUCKLEY SQUARE								
CAMBRIDGE SQUARE SHOPPING CTR	792	2,916	1,413	774	4,347	5,121	1,357	3,764
CARMEL COMMONS	2,466	8,903	3,551	2,466	12,454	14,920	3,563	11,357
CARRIAGE GATE	741	2,495	2,517	833	4,920	5,753	2,520	3,233
CHASEWOOD PLAZA	1,675	11,391	12,347	4,612	20,801	25,413	8,371	17,042
CHERRY GROVE	3,533	12,710	2,915	3,533	15,625	19,158	3,938	15,220
CHESHIRE STATION	10,182	8,443	(411)	9,896	8,318	18,214	3,200	15,014
CLAYTON VALLEY	22,826	31,423		22,826	31,423	54,249	2,904	51,345
CLOVIS COMMONS	11,097	22,699	3,829	11,100	26,525	37,625	1,537	36,088

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(in thousands)

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	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
COCHRAN S CROSSING	13,154	10,066	2,243	13,154	12,309		25,463	3,121	22,342	
COOPER STREET	2,079	10,682	498	2,079	11,180		13,259	2,447	10,812	
CORKSCREW VILLAGE	7,436	8,904	71	8,407	8,004		16,411	188	16,223	9,473
COSTA VERDE	12,740	25,261	1,280	12,740	26,541		39,281	7,378	31,903	
COURTYARD SHOPPING CENTER	1,762	4,187	(78)	5,867	4		5,871		5,871	
CROMWELL SQUARE	1,772	6,285	643	1,772	6,928		8,700	2,433	6,267	
DELK SPECTRUM	2,985	11,049	757	2,985	11,806		14,791	3,076	11,715	
DIABLO PLAZA	5,300	7,536	541	5,300	8,077		13,377	1,998	11,379	
DICKSON TN	675	1,568		675	1,568		2,243	322	1,921	
DUNWOODY HALL	1,819	6,451	5,782	2,529	11,523		14,052	3,828	10,224	
DUNWOODY VILLAGE	2,326	7,216	9,623	3,342	15,823		19,165	5,052	14,113	
EAST POINTE	1,868	6,743	219	1,730	7,100		8,830	2,193	6,637	
EAST PORT PLAZA	3,257	11,611	(1,573)	3,257	10,038		13,295	2,058	11,237	
EAST TOWNE SHOPPING CENTER	2,957	4,881	57	2,957	4,938		7,895	999	6,896	
EL CAMINO	7,600	10,852	679	7,600	11,531		19,131	2,854	16,277	
EL NORTE PKWY PLAZA	2,834	6,332	964	2,833	7,296		10,129	1,819	8,311	
ENCINA GRANDE	5,040	10,379	997	5,040	11,376		16,416	2,714	13,702	
FAIRFAX SHOPPING CENTER	15,193	11,260	127	15,239	11,341		26,580	495	26,085	
FENTON MARKETPLACE	3,020	10,153	(627)	2,298	10,248		12,546	1,656	10,890	
FLEMING ISLAND	3,077	6,292	5,156	3,077	11,448		14,525	2,618	11,907	2,076
FOLSOM PRAIRIE CITY CROSSING	3,944	11,258	1,968	4,164	13,006		17,170	2,189	14,981	

FORT BEND CENTER	6,966	4,197	(4,588)	2,375	4,200	6,575	1,141	5,434	
FORT COLLINS CENTER	2,716	4,854		2,716	4,854	7,570	183	7,387	
FORTUNA	2,025			2,025		2,025		2,025	
FRANKFORT CROSSING SHPG CTR	8,325	6,067	735	7,417	7,710	15,127	2,190	12,937	
FRENCH VALLEY	11,792	16,919		11,792	16,919	28,711	1,134	27,577	
FRIARS MISSION	6,660	27,277	732	6,660	28,009	34,669	6,192	28,477	875
GARDEN SQUARE	2,074	7,615	672	2,136	8,225	10,361	2,247	8,114	
GARNER	5,591	19,897	2,037	5,591	21,934	27,525	5,135	22,390	

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	Initial Cost			Total Cost					Total Cost	
	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
GATEWAY SHOPPING CENTER	51,719	4,545	2,421	52,610	6,075		58,685	2,455	56,230	20,766
GELSON S WESTLAKE MARKET PLAZA	2,332	8,316	3,531	3,157	11,022		14,179	1,624	12,555	
GLENWOOD VILLAGE	1,194	4,235	1,083	1,194	5,318		6,512	1,977	4,535	
GRANDE OAK	5,569	5,900	(429)	5,091	5,949		11,040	1,631	9,409	
GREENWOOD SPRINGS	2,720	3,043		2,720	3,043		5,763	312	5,451	
HANCOCK	8,232	24,249	3,880	8,232	28,129		36,361	6,935	29,426	
HARDING PLACE	545	567		545	567		1,112	28	1,084	
HARPETH VILLAGE FIELDSTONE	2,284	5,559	3,884	2,284	9,443		11,727	2,359	9,368	
HASLEY CANYON VILLAGE	6,163	6,569	1,094	6,180	7,646		13,826	1,039	12,787	
HERITAGE LAND	12,390			12,390			12,390		12,390	
HERITAGE PLAZA		23,676	2,186		25,862		25,862	6,449	19,413	
HERSHEY	7	807	1	7	808		815	145	670	
HILLCREST VILLAGE	1,600	1,798	84	1,600	1,882		3,482	431	3,051	
HINSDALE	4,218	15,040	3,180	5,734	16,704		22,438	4,030	18,408	
HOLLYMEAD	12,781	16,989	1,112	13,126	17,756		30,882	1,680	29,202	
HYDE PARK	9,240	33,340	6,964	9,809	39,735		49,544	10,957	38,587	
INDEPENDENCE SQUARE	4,963	7,911	130	4,981	8,023		13,004	1,429	11,575	
INGLEWOOD PLAZA	1,300	1,862	297	1,300	2,159		3,459	542	2,917	
JOHN S CREEK SHOPPING CENTER	5,480	7,758	192	5,489	7,941		13,430	1,267	12,163	
KELLER TOWN CENTER	2,294	12,239	516	2,294	12,755		15,049	2,922	12,127	
KERNERSVILLE PLAZA	1,742	6,081	558	1,742	6,639		8,381	1,656	6,725	
KINGSDALE SHOPPING CENTER	3,867	14,020	6,438	4,027	20,297		24,324	5,612	18,713	
KLEINWOOD II	3,569	5,015		3,569	5,015		8,584	187	8,397	

KROGER NEW ALBANY CENTER	2,770	6,379	1,286	3,844	6,591	10,435	2,321	8,114	5,821
LAKE PINE PLAZA	2,008	6,909	723	2,008	7,632	9,640	1,908	7,732	
LEBANON/LEGACY CENTER	3,906	7,391	441	3,913	7,825	11,738	1,863	9,875	
LITTLETON SQUARE	2,030	8,255	483	2,030	8,738	10,768	1,952	8,816	
LLOYD KING CENTER	1,779	8,855	1,177	1,779	10,032	11,811	2,423	9,388	
LOEHMANNS PLAZA CALIFORNIA	5,420	8,679	649	5,420	9,328	14,748	2,300	12,448	

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	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
LOEHMANNS PLAZA GEORGIA	3,982	14,118	4,304	3,983	18,421		22,404	5,679	16,725	
MACARTHUR PARK REPURCHASE	1,930		(758)	1,172			1,172		1,172	
MARKET AT OPITZ CROSSING	9,902	8,339	831	9,902	9,170		19,072	2,172	16,900	11,887
MARKET AT PRESTON FOREST	4,400	10,753	213	4,400	10,966		15,366	2,409	12,957	
MARKET AT ROUND ROCK	2,000	9,676	372	2,000	10,048		12,048	2,329	9,719	
MARKETPLACE AT BRIARGATE	1,625	4,289		1,625	4,288		5,913	74	5,840	
MARKETPLACE ST PETE	1,287	4,663	803	1,287	5,466		6,753	1,758	4,995	
MARTIN DOWNS VILLAGE CENTER	2,000	5,133	4,410	2,438	9,105		11,543	4,547	6,996	
MARTIN DOWNS VILLAGE SHOPPES	700	1,208	3,781	817	4,872		5,689	1,905	3,784	
MAXTOWN ROAD (NORTHGATE)	1,753	6,244	411	1,769	6,639		8,408	1,708	6,700	
MAYNARD CROSSING	4,066	14,084	1,468	4,066	15,552		19,618	3,895	15,723	
MILLHOPPER	1,073	3,594	1,735	1,073	5,329		6,402	3,290	3,112	
MOCKINGBIRD COMMON	3,000	9,676	891	3,000	10,567		13,567	2,654	10,913	
MONUMENT JACKSON CREEK	2,999	6,476	160	2,999	6,636		9,635	2,189	7,446	
MORNINGSIDE PLAZA	4,300	13,120	676	4,300	13,796		18,096	3,182	14,914	
MURRAYHILL MARKETPLACE	2,600	15,753	2,526	2,670	18,209		20,879	4,672	16,207	8,448
NAPLES WALK	16,377	15,000	272	18,173	13,476		31,649	220	31,429	17,969
NASHBORO	1,824	7,168	503	1,824	7,671		9,495	1,691	7,804	
NEWBERRY SQUARE	2,341	8,467	1,731	2,412	10,127		12,539	4,421	8,118	

NEWLAND CENTER	12,500	12,221	(1,531)	12,500	10,690	23,190	3,035	20,155	
NORTH HILLS	4,900	18,972	390	4,900	19,362	24,262	4,352	19,910	5,613
NORTHGATE SQUARE	3,688	9,951	59	5,011	8,687	13,698	163	13,535	6,716
NORTHLAKE VILLAGE I	2,662	9,685	1,556	2,662	11,241	13,903	2,254	11,649	
OAKBROOK PLAZA	4,000	6,366	302	4,000	6,668	10,668	1,745	8,923	
OLD ST AUGUSTINE PLAZA	2,047	7,355	4,173	2,368	11,207	13,575	3,269	10,306	
ORANGEBURG & CENTRAL	2,067	2,355		2,067	2,355	4,422	8	4,414	
PACES FERRY PLAZA	2,812	9,968	2,594	2,812	12,562	15,374	4,290	11,084	
PANTHER CREEK	14,414	12,079	2,620	14,414	14,699	29,113	3,739	25,374	9,974
PARK PLACE SHOPPING CENTER	2,232	7,974	1,513	2,232	9,487	11,719	2,414	9,305	

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	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
PEARTREE VILLAGE	5,197	8,733	11,013	5,197	19,746		24,943	5,549	19,394	10,657
PELHAM COMMONS	3,714	5,436	92	3,714	5,528		9,242	1,359	7,883	
PHENIX CROSSING	1,544			1,544			1,544		1,544	
PIKE CREEK	5,077	18,860	1,749	5,077	20,609		25,686	5,461	20,225	
PIMA CROSSING	5,800	24,892	2,898	5,800	27,790		33,590	6,205	27,385	
PINE LAKE VILLAGE	6,300	10,522	159	6,300	10,681		16,981	2,414	14,567	
PINE TREE PLAZA	539	1,996	4,353	668	6,220		6,888	1,521	5,367	
PLAZA HERMOSA	4,200	9,370	650	4,200	10,020		14,220	2,301	11,919	
POWELL STREET PLAZA	8,248	29,279	1,310	8,248	30,589		38,837	4,578	34,259	
POWERS FERRY SQUARE	3,608	12,791	5,067	3,687	17,779		21,466	6,167	15,299	
POWERS FERRY VILLAGE	1,191	4,224	332	1,191	4,556		5,747	1,623	4,124	2,514
PRESTON PARK	6,400	46,896	7,079	6,400	53,975		60,375	12,307	48,068	
PRESTONBROOK	4,704	10,762	200	7,069	8,597		15,666	3,022	12,644	
PRESTONWOOD PARK	8,077	14,938	(264)	7,399	15,352		22,751	3,768	18,983	
REGENCY COMMONS	3,917	3,584		3,917	3,584		7,501	420	7,081	
REGENCY SQUARE BRANDON	578	18,157	11,074	4,770	25,039		29,809	13,262	16,547	
RIVERMONT STATION	2,887	10,445	197	2,887	10,642		13,529	2,854	10,675	
RONA PLAZA	1,500	4,356	737	1,500	5,093		6,593	1,067	5,526	
RUSSELL RIDGE	2,153		6,979	2,233	6,898		9,131	2,341	6,791	5,531
SAMMAMISH HIGHLAND	9,300	7,553	411	9,300	7,964		17,264	1,812	15,452	
SAN LEANDRO	1,300	7,891	315	1,300	8,206		9,506	1,964	7,542	
SANTA ANA DOWNTOWN	4,240	7,319	1,195	4,240	8,514		12,754	2,261	10,493	
SANTA MARIA COMMONS	2,370	3,214		2,370	3,214		5,584	204	5,380	
SEQUOIA STATION	9,100	17,900	344	9,100	18,244		27,344	4,119	23,225	

SHERWOOD CROSSROADS	2,731	3,612	2,708	2,731	6,320	9,051	871	8,180
SHERWOOD MARKET CENTER	3,475	15,898	381	3,475	16,279	19,754	3,826	15,928
SHILOH SPRINGS	4,968	7,859	4,531	5,739	11,619	17,358	5,113	12,245
SHOPPES AT MASON	1,577	5,358	194	1,577	5,552	7,129	1,404	5,725
SHOPS AT ARIZONA	3,293	2,320	772	3,173	3,212	6,385	663	5,722

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	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
SHOPS AT COUNTY CENTER	9,766	10,863		9,766	10,863		20,629	266	20,363	
SHOPS AT JOHN S CREEK	1,863	2,015		1,863	2,015		3,878	201	3,677	
SIGNAL HILL	7,287	10,084	(172)	7,098	10,101		17,199	1,499	15,700	
SIGNATURE PLAZA	2,055	4,159	55	2,396	3,873		6,269	607	5,662	
SOUTH MOUNTAIN	934		(788)	146			146		146	
SILVER SPRING SQUARE	30,868	30,975		30,868	30,975		61,843	805	61,038	
SOUTHCENTER	1,300	12,251	417	1,300	12,668		13,968	2,859	11,109	
SOUTHPOINT CROSSING	4,399	11,116	1,011	4,399	12,127		16,526	2,860	13,666	
SOUTH LOWRY SQUARE	3,420	9,934	528	3,434	10,448		13,882	2,377	11,505	
STARKE	71	1,674	9	71	1,683		1,754	299	1,455	
STATLER SQUARE PHASE I	2,228	7,480	851	2,228	8,331		10,559	2,172	8,387	
STERLING RIDGE	12,846	10,085	2,052	12,846	12,136		24,982	3,069	21,914	10,090
STRAWFLOWER VILLAGE	4,060	7,233	725	4,060	7,958		12,018	1,914	10,104	
STROH RANCH	4,138	7,111	1,096	4,280	8,065		12,345	2,596	9,749	
SUNNYSIDE 205	1,200	8,703	635	1,200	9,338		10,538	2,196	8,342	
TASSAJARA CROSSING	8,560	14,900	391	8,560	15,291		23,851	3,413	20,438	
THOMAS LAKE	6,000	10,302	294	6,000	10,596		16,596	2,464	14,132	
TOWN CENTER AT MARTIN DOWNS	1,364	4,985	176	1,364	5,161		6,525	1,465	5,060	
TOWN SQUARE	438	1,555	7,015	883	8,125		9,008	2,215	6,793	
TRACE CROSSING	4,356	4,896	(8,973)	279			279		279	
TROPHY CLUB	2,595	10,467	426	2,595	10,893		13,488	2,349	11,139	
TWIN CITY PLAZA	17,174	44,849	(638)	17,245	44,140		61,385	2,377	59,008	44,000
TWIN PEAKS	5,200	25,120	474	5,200	25,594		30,794	5,780	25,014	
VALENCIA CROSSROADS	17,913	17,357	237	17,921	17,586		35,507	5,025	30,482	

VENTURA VILLAGE	4,300	6,351	244	4,300	6,595	10,895	1,543	9,352
VILLAGE CENTER 6	3,885	10,799	3,275	3,885	14,074	17,959	4,137	13,822
VISTA VILLAGE IV	2,281	2,712		2,281	2,712	4,993	193	4,800
WALKER CENTER	3,840	6,418	499	3,840	6,917	10,757	1,694	9,063
WATERFORD TOWNE CENTER	5,650	6,844	1,980	6,430	8,044	14,474	2,987	11,487

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REGENCY CENTERS CORPORATION

Combined Real Estate and Accumulated Depreciation (Continued)

December 31, 2007

(in thousands)

	Initial Cost			Total Cost					Total Cost	
	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition (a)	Land	Building & Improvements	Properties held for Sale	Total	Accumulated Depreciation	Net of Accumulated Depreciation	Mortgages
WELLEBY	1,496	5,372	2,295	1,496	7,667		9,163	3,254	5,909	
WELLINGTON TOWN SQUARE	1,914	7,198	4,959	2,041	12,030		14,071	2,972	11,099	
WEST PARK PLAZA	5,840	4,992	406	5,840	5,398		11,238	1,265	9,973	
WESTBROOK COMMONS	3,366	11,928	1,107	3,366	13,034		16,400	2,401	14,000	
WESTCHASE	4,390	9,119	66	5,302	8,273		13,575	149	13,426	8,948
WESTCHESTER PLAZA	1,857	6,456	1,087	1,857	7,543		9,400	2,474	6,926	
WESTLAKE VILLAGE CENTER	7,043	25,744	1,338	7,043	27,082		34,125	6,814	27,311	
WESTRIDGE	9,516	10,789	621	9,529	11,397		20,926	1,978	18,948	
WHITE OAK DOVER, DE	2,147	2,927	139	2,144	3,069		5,213	1,429	3,784	
WILLA SPRINGS SHOPPING CENTER	2,004	9,267	(26)	2,144	9,101		11,245	2,032	9,213	
WINDMILLER PLAZA PHASE I	2,620	11,191	2,058	2,638	13,231		15,869	3,296	12,573	
WOODCROFT SHOPPING CENTER	1,419	5,212	968	1,419	6,180		7,599	1,956	5,643	
WOODMAN VAN NUYS	5,500	6,835	344	5,500	7,179		12,679	1,771	10,908	
WOODMEN PLAZA	6,014	10,078	2,474	7,621	10,945		18,566	4,476	14,090	
WOODSIDE CENTRAL	3,500	8,846	312	3,500	9,158		12,658	2,062	10,596	
OPERATING BUILD TO SUIT PROPERTIES		14,446			14,446		14,446	4,284	10,162	
	945,120	1,849,762	264,474	968,859	2,090,497		3,059,356	497,498	2,561,858	203,239

(a)

The negative balance for costs capitalized subsequent to acquisition could include out-parcels sold, provision for loss recorded and development transfers subsequent to the initial costs.

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REGENCY CENTERS CORPORATION

Combined Real Estate and Accumulated Depreciation (Continued)

December 31, 2007

(in thousands)

Depreciation and amortization of the Company s investment in buildings and improvements reflected in the statements of operation is calculated over the estimated useful lives of the assets as follows:

Buildings and improvements up to 40 years

The aggregate cost for Federal income tax purposes was approximately $2.4 billion at December 31, 2007.

The changes in total real estate assets for the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Balance, beginning of year	$ 2,852,093	2,816,139	2,726,778
Developed or acquired properties	255,335	233,138	303,303
Sale of properties	(66,094)	(209,396)	(221,188)
Provision for loss on operating properties		(500)	(550)
Reclass properties held for sale		(29,772)	(43,661)
Improvements	18,022	16,876	14,890
Balance, end of year	$ 3,059,356	2,826,485	2,779,572

The changes in accumulated depreciation for the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Balance, beginning of year	$ 427,389	380,613	338,609
Sale of properties	(5,960)	(20,908)	(21,182)
Reclass accumulated depreciation related to properties held for sale		(4,164)	(7,094)
Depreciation for year	76,069	71,848	70,280
Balance, end of year	$ 497,498	427,389	380,613

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer, chief operating officer and chief financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our chief executive officer, chief operating officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report on Form 10-K to ensure information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC s rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including our chief executive officer, chief operating officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer, chief operating officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this annual report on Form 10-K and, as part of their audit, has issued a report, included herein, on the effectiveness of our internal control over financial reporting.

Regency s system of internal control over financial reporting was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with accounting principles generally accepted in the United States. All internal control systems, no mater how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls

There have been no changes in the Company s internal controls over financial reporting identified in connection with this evaluation that occurred during the fourth quarter of 2007 and that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

Item 9B. Other Information

Not applicable

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information concerning the directors of Regency is incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Information regarding executive officers is included in Part I of this Form 10-K as permitted by General Instruction G(3).

Audit Committee, Independence, Financial Experts. Incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Compliance with Section 16(a) of the Exchange Act. Information concerning filings under Section 16(a) of the Exchange Act by the directors or executive officers of Regency is incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Code of Ethics. We have adopted a code of ethics applicable to our Board of Directors, principal executive officers, principal financial officer, principal accounting officer and persons performing similar functions. The text of this code of ethics may be found on our web site at www.regencycenters.com. We intend to post notice of any waiver from, or amendment to, any provision of our code of ethics on our web site.

Item 11. Executive Compensation

Incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights (1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	717,561	$ 50.05	
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	717,561	$ 50.05	

(1) The weighted average exercise price excludes stock rights awards, which we sometimes refer to as unvested restricted stock.

(2) Our Long Term Omnibus Plan, as amended and approved by stockholders at our 2003 annual meeting, provides for the issuance of up to 5.0 million shares of common stock or stock options for stock compensation; however, outstanding unvested grants plus vested but unexercised options cannot exceed 12% of our outstanding common stock and common stock equivalents (excluding options and other stock equivalents outstanding under the plan). The plan permits the grant of any type of share-based award but limits restricted stock awards, stock rights awards, performance shares, dividend equivalents settled in stock and other forms of stock grants to 2.75 million shares, of which 940,466 shares were available at December 31, 2007 for future issuance.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (Continued)

Information about security ownership is incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to Regency s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K with respect to its 2008 Annual Meeting of Stockholders.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules:

Regency s 2007 financial statements and financial statement schedule, together with the reports of KPMG LLP are listed on the index immediately preceding the financial statements in Item 8, Consolidated Financial Statements and Supplemental Data.

(b) Exhibits:

2. (a) Purchase and Sale Agreement among Macquarie CountryWide-Regency II, LLC, Macquarie CountryWide Trust, Regency Centers Corporation, USRP Texas GP, LLC, Eastern Shopping Center Holdings, LLC, First Washington Investment I, LLC and California Public Employees Retirement System dated February 14, 2005 (incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q filed May 10, 2005)

3. Articles of Incorporation and Bylaws

(i) Restated Articles of Incorporation of Regency Centers Corporation incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed February 19, 2008.

(ii) Amended and Restated Bylaws of Regency Centers Corporation (incorporated by reference to Exhibit 3.1 of the Company s Form 10-Q filed May 8, 2006).

4. (a) See exhibits 3(i) and 3(ii) for provisions of the Articles of Incorporation and Bylaws of Regency Centers Corporation defining rights of security holders.

(b) Indenture dated March 9, 1999 between Regency Centers, L.P., the guarantors named therein and First Union National Bank, as trustee (incorporated by reference to Exhibit 4.1 to the registration statement on Form S-3 of Regency Centers, L.P., No. 333-72899).

(c) Indenture dated December 5, 2001 between Regency Centers, L.P., the guarantors named therein and First Union National Bank, as trustee (incorporated by referenced to Exhibit 4.4 of Form 8-K of Regency Centers, L.P. filed December 10, 2001, File No. 0-24763).

(d) Indenture dated July 18, 2005 between Regency Centers, L.P., the guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by referenced to Exhibit 4.1 of Form S-4 of Regency Centers, L.P. filed August 5, 2005, No. 333-127274).

10. Material Contracts

(a) Regency Centers Corporation Amended and Restated Long Term Omnibus Plan (incorporated by reference to Appendix 1 to Regency s 2003 annual meeting proxy statement filed April 3, 2003).

(i) Amendment No. 1 to Regency Centers Corporation Long Term Omnibus Plan (incorporated by reference to Exhibit 10(a)(i) to the Company s Form 10-K filed March 12, 2004).

(ii) Amendment to Regency Centers Corporation Long Term Omnibus Plan (incorporated by reference to Exhibit 10.2 to the Company s Form 10-Q filed May 8, 2006).

~ (b) Form of Stock Rights Award Agreement (incorporated by reference to Exhibit 10(b) to the Company s Form 10-K filed March 10, 2006).

~ Management contract or compensatory plan or arrangement filed pursuant to S-K 601(10)(iii)(A).

* Included as an exhibit to Pre-effective Amendment No. 2 to the Company s registration statement on Form S-11 filed October 5, 1993 (33-67258), and incorporated herein by reference.

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~ (c) Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10(c) to the Company s Form 10-K filed March 10, 2006).

~ (d) Stock Rights Award Agreement dated as of December 17, 2002 between the Company and Martin E. Stein, Jr. (incorporated by reference to Exhibit 10(d) to the Company s Form 10-K filed March 12, 2004).

~ (e) Stock Rights Award Agreement dated as of December 17, 2002 between the Company and Mary Lou Fiala (incorporated by reference to Exhibit 10(e) to the Company s Form 10-K filed March 12, 2004).

~ (f) Stock Rights Award Agreement dated as of December 17, 2002 between the Company and Bruce M. Johnson (incorporated by reference to Exhibit 10(f) to the Company s Form 10-K filed March 12, 2004).

~* (i) Form of Director/Officer Indemnification Agreement.

~ (j) Amended and Restated Deferred Compensation Plan dated May 6, 2003 (incorporated by reference to Exhibit 10(k) to the Company s Form 10-K filed March 12, 2004).

(l) Fourth Amended and Restated Agreement of Limited Partnership of Regency Centers, L.P., as amended (incorporated by reference to Exhibit 10(m) to the Company s Form 10-K filed March 12, 2004).

(i) Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Regency Centers, L.P. relating to 6.70% Series 5 Cumulative Redeemable Preferred Units, effective as of July 28, 2005 (incorporated by reference to Exhibit 3.3 to the Company s Form 8-K filed August 1, 2005).

(ii) Amended and Restated Amendment dated January 1, 2008 to Fourth Amended and Restated Agreement of Limited Partnership Relating to 7.45% Series 3 Cumulative Redeemable Preferred Units (incorporated by reference to Exhibit 10.1 of Regency Centers, L.P. s Form 8-K filed January 7, 2008).

(iii) Amended and Restated Amendment dated January 1, 2008 to Fourth Amended and Restated Agreement of Limited Partnership Relating to 7.25% Series 4 Cumulative Redeemable Preferred Units (incorporated by reference to Exhibit 10.1 of Regency Centers, L.P. s Form 8-K filed January 7, 2008).

(m) Second Amended and Restated Credit Agreement dated as of February 9, 2007 by and among Regency Centers, L.P., Regency, each of the financial institutions initially a signatory thereto, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 of the Company s Form 10-Q filed May 9, 2007).

~ (n) 2008 Amended and Restated Severance and Change of Control Agreement dated as of January 1, 2008 by and between the Company and Martin E. Stein, Jr. (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed January 7, 2008).

~ (o) 2008 Amended and Restated Severance and Change of Control Agreement dated as of January 1, 2008 by and between the Company and Mary Lou Fiala (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed January 7, 2008).

~ (p) 2008 Amended and Restated Severance and Change of Control Agreement dated as of January 1, 2008 by and between the Company and Bruce M. Johnson (incorporated by reference to Exhibit 10.3 of the Company s Form 8K filed January 7, 2008).

~ (q) 2008 Amended and Restated Severance and Change of Control Agreement effective January 1, 2008 by and between the Company and Brian M. Smith (incorporated by reference to Exhibit 10.4 of the Company s Form 8-K filed January 7, 2008).

~ (r) Regency Centers Corporation 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10(s) to the Company s Form 8-K filed December 21, 2004).

(i) First Amendment to Regency Centers Corporation 2005 Deferred Compensation Plan dated December, 2005 (incorporated by reference to Exhibit 10(q)(i) to the Company s Form 10-K filed March 10, 2006).

~ Management contract or compensatory plan or arrangement filed pursuant to S-K 601(10)(iii)(A).

* Included as an exhibit to Pre-effective Amendment No. 2 to the Company s registration statement on Form S-11 filed October 5, 1993 (33-67258), and incorporated herein by reference.

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(s) Regency Centers Corporation 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q filed August 8, 2005).

(t) Amended and Restated Limited Liability Company Agreement of Macquarie CountryWide-Regency II, LLC dated as of June 1, 2005 by and among Regency Centers, L.P., Macquarie CountryWide (US) No. 2 LLC, Macquarie-Regency Management, LLC, Macquarie CountryWide (US) No. 2 Corporation and Macquarie CountryWide Management Limited (incorporated by reference to Exhibit 10.3 to the Company s Form 10-Q filed August 8, 2005).

(u) Purchase Agreement and Amendment to Amended and Restated Limited Liability Agreement relating to Macquarie CountryWide-Regency II, L.L.C. dated as of January 13, 2006 among Macquarie CountryWide (U.S.) No. 2 LLC, Regency Centers, L.P., and Macquarie-Regency Management, LLC (incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 8, 2006).

(v) Limited Partnership Agreement dated as of December 21, 2006 of RRP Operating, LP.

21. Subsidiaries of the Registrant.

23. Consent of KPMG LLP.

31.1 Rule 13a-14 Certification of Chief Executive Officer.

31.2 Rule 13a-14 Certification of Chief Financial Officer.

31.3 Rule 13a-14 Certification of Chief Operating Officer.

32 Section 1350 Certifications of Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

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SIGNATURES

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

	REGENCY CENTERS CORPORATION
February 27, 2008	/s/ Martin E. Stein, Jr.
	Martin E. Stein, Jr., Chairman of the Board and Chief Executive Officer

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

February 27, 2008	/s/ Martin E. Stein, Jr.
	Martin E. Stein, Jr., Chairman of the Board and Chief Executive Officer
February 27, 2008	/s/ Mary Lou Fiala
	Mary Lou Fiala, President, Chief Operating Officer and Director
February 27, 2008	/s/ Bruce M. Johnson
	Bruce M. Johnson, Managing Director, Chief Financial Officer (Principal Financial Officer)
	and Director
February 27, 2008	/s/ J. Christian Leavitt
	J. Christian Leavitt, Senior Vice President, Secretary and Treasurer (Principal Accounting Officer)
February 27, 2008	/s/ Raymond L. Bank
	Raymond L. Bank, Director
February 27, 2008	/s/ C. Ronald Blankenship
	C. Ronald Blankenship, Director
February 27, 2008	/s/ A. R. Carpenter
	A. R. Carpenter, Director
February 27, 2008	/s/ J. Dix Druce
	J. Dix Druce, Director
February 27, 2008	/s/ Douglas S. Luke

	Douglas S. Luke, Director
February 27, 2008	/s/ John C. Schweitzer
	John C. Schweitzer, Director
February 27, 2008	/s/ Thomas G. Wattles
	Thomas G. Wattles, Director
February 27, 2008	/s/ Terry N. Worrell
	Terry N. Worrell, Director

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