

MACERICH CO
Form 10-Q
November 05, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of
incorporation or organization)

95-4448705

(I.R.S. Employer Identification Number)

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401

(Address of principal executive office, including zip code)

(310) 394-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (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 ninety (90) days.

YES NO

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

YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller

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reporting company)

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

YES NO

Number of shares outstanding as of November 5, 2012 of the registrant's common stock, par value \$0.01 per share: 136,616,142 shares

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THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS:		
Property, net	\$ 5,942,141	\$ 6,079,043
Cash and cash equivalents	76,553	67,248
Restricted cash	61,743	68,628
Marketable securities	24,209	24,833
Tenant and other receivables, net	108,329	109,092
Deferred charges and other assets, net	359,228	483,763
Loans to unconsolidated joint ventures	3,334	3,995
Due from affiliates	7,595	3,387
Investments in unconsolidated joint ventures	1,026,724	1,098,560
Total assets	\$ 7,609,856	\$ 7,938,549
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	\$ 275,871	\$ 279,430
Others	3,109,402	3,049,008
Total	3,385,273	3,328,438
Bank and other notes payable	404,239	877,636
Accounts payable and accrued expenses	74,754	72,870
Other accrued liabilities	278,198	299,098
Distributions in excess of investments in unconsolidated joint ventures	86,666	70,685
Co-venture obligation	95,018	125,171
Total liabilities	4,324,148	4,773,898
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 136,275,092 and 132,153,444 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	1,363	1,321
Additional paid-in capital	3,671,351	3,490,647
Accumulated deficit	(734,684)	(678,631)
Total stockholders' equity	2,938,030	2,813,337
Noncontrolling interests	347,678	351,314
Total equity	3,285,708	3,164,651
Total liabilities and equity	\$ 7,609,856	\$ 7,938,549

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

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THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Minimum rents	\$ 119,132	\$ 108,461	\$ 356,551	\$ 315,594
Percentage rents	5,415	3,773	11,938	9,376
Tenant recoveries	68,523	63,538	197,924	179,789
Management Companies	9,858	9,759	30,730	28,460
Other	12,741	7,788	33,017	21,676
Total revenues	215,669	193,319	630,160	554,895
Expenses:				
Shopping center and operating expenses	67,667	63,087	198,258	179,249
Management Companies' operating expenses	20,706	20,251	66,953	67,030
REIT general and administrative expenses	5,063	4,490	15,235	15,876
Depreciation and amortization	72,220	64,283	217,548	184,918
	165,656	152,111	497,994	447,073
Interest expense:				
Related parties	3,815	4,081	11,588	12,656
Other	38,807	39,680	116,855	123,771
	42,622	43,761	128,443	136,427
Loss on early extinguishment of debt				9,133
Total expenses	208,278	195,872	626,437	592,633
Equity in income of unconsolidated joint ventures	19,315	20,039	68,624	75,521
Co-venture expense	(2,066)	(1,281)	(4,462)	(3,779)
Income tax benefit	934	1,566	2,159	5,811
Gain on remeasurement, sale or write down of assets, net	21,964	1,041	40,603	4,128
Income from continuing operations	47,538	18,812	110,647	43,943
Discontinued operations:				
(Loss) gain on the disposition of assets, net	(253)	342	74,906	(37,648)
Loss from discontinued operations	(10)	(4,898)	(5,459)	(12,860)
(Loss) income from discontinued operations	(263)	(4,556)	69,447	(50,508)
Net income (loss)	47,275	14,256	180,094	(6,565)
Less net income (loss) attributable to noncontrolling interests	3,382	1,315	16,915	(324)
Net income (loss) attributable to the Company	\$ 43,893	\$ 12,941	\$ 163,179	\$ (6,241)

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Earnings per common share attributable to Company basic:

Income from continuing operations	\$	0.33	\$	0.13	\$	0.74	\$	0.29
Discontinued operations				(0.03)		0.48		(0.35)

Net income (loss) available to common stockholders	\$	0.33	\$	0.10	\$	1.22	\$	(0.06)
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Earnings per common share attributable to Company diluted:

Income from continuing operations	\$	0.33	\$	0.13	\$	0.74	\$	0.29
Discontinued operations				(0.03)		0.48		(0.35)

Net income (loss) available to common stockholders	\$	0.33	\$	0.10	\$	1.22	\$	(0.06)
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Weighted average number of common shares outstanding:

Basic	134,220,000	132,096,000	133,091,000	131,459,000
Diluted	134,330,000	132,096,000	133,187,000	131,459,000

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

Table of Contents**THE MACERICH COMPANY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Dollars in thousands)****(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ 47,275	\$ 14,256	\$ 180,094	\$ (6,565)
Other comprehensive income:				
Interest rate swap/cap agreements		68		6,256
Comprehensive income (loss)	47,275	14,324	180,094	(309)
Less comprehensive income (loss) attributable to noncontrolling interests	3,382	1,315	16,915	(324)
Comprehensive income attributable to the Company	\$ 43,893	\$ 13,009	\$ 163,179	\$ 15

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

Table of Contents**THE MACERICH COMPANY****CONSOLIDATED STATEMENT OF EQUITY****(Dollars in thousands, except per share data)****(Unaudited)****Stockholders' Equity**

	Common Stock			Total Stockholders' Equity			
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Total Equity	
Balance at January 1, 2012	132,153,444	\$ 1,321	\$ 3,490,647	\$ (678,631)	\$ 2,813,337	\$ 351,314	\$ 3,164,651
Net income				163,179	163,179	16,915	180,094
Amortization of share and unit-based plans	561,382	6	11,153		11,159		11,159
Exercise of stock options	8,100		231		231		231
Exercise of stock warrants			(3,448)		(3,448)		(3,448)
Employee stock purchases	9,723		425		425		425
Stock offering program, net	2,961,903	30	175,839		175,869		175,869
Distributions paid (\$1.65) per share				(219,232)	(219,232)		(219,232)
Distributions to noncontrolling interests						(24,448)	(24,448)
Contributions from noncontrolling interests						1,144	1,144
Other			(666)		(666)		(666)
Conversion of noncontrolling interests to common shares	580,540	6	11,972		11,978	(11,978)	
Redemption of noncontrolling interests			(48)		(48)	(23)	(71)
Adjustment of noncontrolling interest in Operating Partnership			(14,754)		(14,754)	14,754	
Balance at September 30, 2012	136,275,092	\$ 1,363	\$ 3,671,351	\$ (734,684)	\$ 2,938,030	\$ 347,678	\$ 3,285,708

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

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THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ 180,094	\$ (6,565)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss on early extinguishment of debt		133
Gain on remeasurement, sale or write down of assets, net	(40,603)	(4,128)
(Gain) loss on the disposition of assets, net from discontinued operations	(74,906)	37,648
Depreciation and amortization	234,410	208,832
Amortization of net discount on mortgages, bank and other notes payable	661	6,993
Amortization of share and unit-based plans	8,950	9,428
Provision for doubtful accounts	2,200	2,375
Income tax benefit	(2,159)	(5,811)
Equity in income of unconsolidated joint ventures	(68,624)	(75,521)
Co-venture expense	4,462	3,779
Distributions of income from unconsolidated joint ventures	14,682	10,973
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	(1,336)	(1,360)
Other assets	23,114	(2,658)
Due from affiliates	(4,208)	2,239
Accounts payable and accrued expenses	16,272	13,307
Other accrued liabilities	(36,830)	(19,179)
Net cash provided by operating activities	256,179	180,485
Cash flows from investing activities:		
Acquisitions of property	(70,925)	(108,954)
Development, redevelopment, expansion and renovation of Centers	(84,283)	(63,285)
Property improvements	(24,846)	(34,932)
Issuance of notes receivable	(12,500)	
Proceeds from maturities of marketable securities	788	772
Deferred leasing costs	(20,875)	(26,635)
Distributions from unconsolidated joint ventures	217,393	193,849
Contributions to unconsolidated joint ventures	(47,513)	(149,841)
Collection of/loans to unconsolidated joint ventures, net	661	(866)
Proceeds from sale of assets	130,691	6,255
Restricted cash	2,886	(879)
Net cash provided by (used in) investing activities	91,477	(184,516)
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	1,580,885	432,000
Payments on mortgages, bank and other notes payable	(1,813,271)	(450,775)
Deferred financing costs	(4,639)	(17,604)
Net proceeds from stock offering program	175,869	
Proceeds from share and unit-based plans	656	369
Exercise of stock warrants	(3,448)	
Redemption of noncontrolling interests	(71)	(11,398)
Contribution from noncontrolling interests	918	
Dividends and distributions	(240,635)	(217,599)
Distributions to co-venture partner	(34,615)	(37,187)

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Net cash used in financing activities	(338,351)	(302,194)
Net increase (decrease) in cash and cash equivalents	9,305	(306,225)
Cash and cash equivalents, beginning of period	67,248	445,645
 Cash and cash equivalents, end of period	 \$ 76,553	 \$ 139,420
 Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	\$ 146,381	\$ 128,105
 Non-cash transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	\$ 30,591	\$ 14,828
Acquisition of properties by assumption of mortgage note payable and other accrued liabilities	\$	\$ 192,566
Disposition of property in exchange for investments in unconsolidated joint ventures	\$	\$ 56,952
Mortgage notes payable settled by deed-in-lieu of foreclosure	\$ 185,000	\$
Conversion of noncontrolling interests to common shares	\$ 11,978	\$ 20,992

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

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Organization:

The Macerich Company (the "Company") is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers (the "Centers") located throughout the United States.

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of September 30, 2012, the Company was the sole general partner of, and held a 93% ownership interest in, The Macerich Partnership, L.P. (the "Operating Partnership"). The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The property management, leasing and redevelopment of the Company's portfolio is provided by the Company's management companies, Macerich Property Management Company, LLC, a single member Delaware limited liability company, Macerich Management Company, a California corporation, Macerich Arizona Partners LLC, a single member Arizona limited liability company, Macerich Arizona Management LLC, a single member Delaware limited liability company, Macerich Partners of Colorado LLC, a Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are collectively referred to herein as the "Management Companies."

All references to the Company in this Quarterly Report on Form 10-Q include the Company, those entities owned or controlled by the Company and predecessors of the Company, unless the context indicates otherwise.

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements and have not been audited by independent public accountants.

The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. Investments in entities in which the Company retains a controlling financial interest or entities that meet the definition of a variable interest entity in which the Company has, as a result of ownership, contractual or other financial interests, both the power to direct activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity are consolidated; otherwise they are accounted for under the equity method of accounting and are reflected as "investments in unconsolidated joint ventures."

The Company had identified Shoppingtown Mall, L.P. ("Shoppingtown Mall") and Camelback Shopping Center Limited Partnership as variable interest entities that met the criteria for consolidation. On September 14, 2011, the Company redeemed the outside ownership interests in Shoppingtown Mall

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

for a cash payment of \$11,366 (See Note 13 Noncontrolling Interests). As a result of the redemption, the property became wholly-owned by the Company. On December 30, 2011, the Company conveyed Shoppingtown Mall to the mortgage note lender by a deed-in-lieu of foreclosure (See Note 16 Discontinued Operations). The net assets and results of operations of Camelback Shopping Center Limited Partnership included in the accompanying consolidated financial statements were insignificant to the net assets and results of operations of the Company.

All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for the interim periods have been made. The preparation of consolidated financial statements in conformity with GAAP requires 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying consolidated balance sheet as of December 31, 2011 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

Capitalization of Costs:

The Company capitalizes costs incurred in redevelopment, development, renovation and improvement of properties. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. These capitalized costs include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs. Capitalized indirect costs are allocated to development and redevelopment activities based on the square footage of the portion of the building not held available for immediate occupancy. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once work has been completed on a vacant space, project costs are no longer capitalized. For projects with extended lease-up periods, the Company ends the capitalization when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the construction is substantially complete.

Acquisition Costs:

The Company immediately expenses costs associated with business combinations as period costs.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-4, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-4"). The amendments in this update result in additional fair value measurement and disclosure requirements within U.S. GAAP and International Financial Reporting Standards. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of ASU 2011-4 on January 1, 2012 did not have an impact on the Company's consolidated financial position or results of operations. The Company has disclosed in the notes to the consolidated financial statements whether the fair value measurements are Level 1, 2 or 3.

In June 2011, the FASB issued Accounting Standards Update No. 2011-5, Presentation of Comprehensive Income. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. In December 2011, the FASB deferred portions of this update in its issuance of Accounting Standards Update No. 2011-12. The Company has elected the two-statement approach and the required consolidated financial statements are presented herein.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Earnings per Share ("EPS"):

The following table reconciles the numerator and denominator used in the computation of earnings per share for the three and nine months ended September 30, 2012 and 2011 (shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator				
Income from continuing operations	\$ 47,538	\$ 18,812	\$ 110,647	\$ 43,943
(Loss) income from discontinued operations	(263)	(4,556)	69,447	(50,508)
Net (income) loss attributable to noncontrolling interests	(3,382)	(1,315)	(16,915)	324
Net income (loss) attributable to the Company	43,893	12,941	163,179	(6,241)
Allocation of earnings to participating securities	(63)	(288)	(443)	(1,119)
Numerator for basic and diluted earnings per share net income (loss) available to common stockholders	\$ 43,830	\$ 12,653	\$ 162,736	\$ (7,360)
Denominator				
Denominator for basic earnings per share weighted average number of common shares outstanding	134,220	132,096	133,091	131,459
Effect of dilutive securities:(1)				
Stock warrants	64		78	
Share and unit-based compensation plans	46		18	
Denominator for diluted earnings per share weighted average number of common shares outstanding	134,330	132,096	133,187	131,459
Earnings per common share basic:				
Income from continuing operations	\$ 0.33	\$ 0.13	\$ 0.74	\$ 0.29
Discontinued operations		(0.03)	0.48	(0.35)
Net income (loss) available to common stockholders	\$ 0.33	\$ 0.10	\$ 1.22	\$ (0.06)
Earnings per common share diluted:				
Income from continuing operations	\$ 0.33	\$ 0.13	\$ 0.74	\$ 0.29
Discontinued operations		(0.03)	0.48	(0.35)
Net income (loss) available to common stockholders	\$ 0.33	\$ 0.10	\$ 1.22	\$ (0.06)

(1)

The convertible senior notes ("Senior Notes") are excluded from diluted EPS for the three and nine months ended September 30, 2012 and 2011 as their impact was antidilutive. The Senior Notes were paid off in full in March 2012 (See Note 11 Bank and Other Notes Payable).

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Diluted EPS excludes 184,304 and 197,183 convertible non-participating preferred units for the three and nine months ended September 30, 2012, respectively, and 208,640 convertible non-participating preferred units for the three and nine months ended September 30, 2011 as their impact was antidilutive.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Earnings per Share ("EPS"): (Continued)

Diluted EPS excludes 1,191,854 and 1,209,978 of unexercised stock appreciation rights ("SARs") for the three and nine months ended September 30, 2011, respectively, as their impact was antidilutive.

Diluted EPS excludes 94,919 and 119,712 of unexercised stock options for the three and nine months ended September 30, 2011, respectively, as their impact was antidilutive.

Diluted EPS excludes 935,358 of unexercised stock warrants for the three and nine months ended September 30, 2011 as their impact was antidilutive.

Diluted EPS excludes 10,769,552 and 11,055,013 of Operating Partnership units ("OP Units") for the three months ended September 30, 2012 and 2011, respectively, and 11,069,129 and 11,465,479 of OP Units for the nine months ended September 30, 2012 and 2011, respectively, as their impact was antidilutive.

4. Investments in Unconsolidated Joint Ventures:

The Company has recently made the following investments and dispositions relating to its unconsolidated joint ventures:

On February 24, 2011, the Company's joint venture in Kierland Commons Investment LLC ("KCI") acquired an additional ownership interest in PHXAZ/Kierland Commons, L.L.C. ("Kierland Commons"), a 433,000 square foot regional shopping center in Scottsdale, Arizona, for \$105,550. The Company's share of the purchase price consisted of a cash payment of \$34,162 and the assumption of a pro rata share of debt of \$18,613. As a result of this transaction, KCI increased its ownership interest in Kierland Commons from 49% to 100%. KCI accounted for the acquisition as a business combination achieved in stages and recognized a remeasurement gain of \$25,019 based on the acquisition date fair value and its previously held investment in Kierland Commons. As a result of this transaction, the Company's ownership interest in KCI increased from 24.5% to 50%. The Company's pro rata share of the gain recognized by KCI was \$12,510 and was included in equity in income from unconsolidated joint ventures.

On February 28, 2011, the Company in a 50/50 joint venture acquired The Shops at Atlas Park, a 376,000 square foot community center in Queens, New York, for a total purchase price of \$53,750. The Company's share of the purchase price was \$26,875. The results of The Shops at Atlas Park are included below for the period subsequent to the acquisition.

On February 28, 2011, the Company acquired the additional 50% ownership interest in Desert Sky Mall, an 893,000 square foot regional shopping center in Phoenix, Arizona, that it did not own for \$27,625. The purchase price was funded by a cash payment of \$1,875 and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$25,750. Concurrent with the purchase of the partnership interest, the Company paid off the \$51,500 loan on the property. Prior to the acquisition, the Company had accounted for its investment in Desert Sky Mall under the equity method. Since the date of acquisition, the Company has included Desert Sky Mall in its consolidated financial statements (See Note 15 Acquisitions).

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

On April 1, 2011, the Company's joint venture in SDG Macerich Properties, L.P. ("SDG Macerich") conveyed Granite Run Mall to the mortgage note lender by a deed-in-lieu of foreclosure. The mortgage note was non-recourse. The Company's pro rata share of gain on the extinguishment of debt was \$7,753.

On June 3, 2011, the Company entered into a transaction with General Growth Properties, Inc., whereby the Company acquired an additional 33.3% ownership interest in Arrowhead Towne Center, an additional 33.3% ownership interest in Superstition Springs Center, and an additional 50% ownership interest in the land under Superstition Springs Center ("Superstition Springs Land") that it did not own in exchange for six anchor locations, including five former Mervyn's stores (See Note 16 Discontinued Operations) and a cash payment of \$75,000. As a result of this transaction, the Company now owns a 66.7% ownership interest in Arrowhead Towne Center, a 66.7% ownership interest in Superstition Springs Center and a 100% ownership interest in Superstition Springs Land. Although the Company had a 66.7% ownership interest in Arrowhead Towne Center and Superstition Springs Center upon completion of the transaction, the Company does not have a controlling financial interest in these joint ventures due to the substantive participation rights of the outside partner and, therefore, continues to account for its investments in these joint ventures under the equity method of accounting. Accordingly, no remeasurement gain was recorded on the increase in ownership. The Company has consolidated its investment in Superstition Springs Land since the date of acquisition (See Note 15 Acquisitions) and has recorded a remeasurement gain of \$1,734 as a result of the increase in ownership. This transaction is referred to herein as the "GGP Exchange". On October 26, 2012, the Company in a separate transaction, purchased the remaining 33.3% outside ownership interest in Arrowhead Towne Center (See Note 21 Subsequent Events).

On December 31, 2011, the Company and its joint venture partner reached agreement for the distribution and conveyance of interests in SDG Macerich that owned 11 regional shopping centers in a 50/50 partnership. Six of the eleven assets were distributed to the Company on December 31, 2011. The Company received 100% ownership of Eastland Mall in Evansville, Indiana, Lake Square Mall in Leesburg, Florida, SouthPark Mall in Moline, Illinois, Southridge Mall in Des Moines, Iowa, NorthPark Mall in Davenport, Iowa and Valley Mall in Harrisonburg, Virginia (collectively referred to herein as the "SDG Acquisition Properties"). The ownership interests in the remaining five regional malls were distributed to the outside partner. The remaining net assets of SDG Macerich were distributed during the nine months ended September 30, 2012. The SDG Acquisition Properties were recorded at fair value at the date of transfer, which resulted in a gain to the Company of \$188,264, which was included in equity in income of unconsolidated joint ventures, based on the fair value of the assets acquired and the liabilities assumed in excess of the book value of the Company's interest in SDG Macerich. The distribution and conveyance of the 11 regional shopping centers is referred to herein as the "SDG Transaction". Prior to the SDG Transaction, the Company accounted for its investment in the SDG Acquisition Properties under the equity method of accounting. Since the date of distribution and conveyance, the Company has included the SDG Acquisition Properties in its consolidated financial statements (See Note 15 Acquisitions).

On March 30, 2012, the Company sold its 50% ownership interest in Chandler Village Center, a 273,439 square foot community center in Chandler, Arizona, for a total sales price of \$14,795, resulting

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

in a gain of \$8,185 that was included in gain on remeasurement, sale or write down of assets, net during the nine months ended September 30, 2012. The sales price was funded by a cash payment of \$6,045 and the assumption of the Company's share of the mortgage note payable on the property of \$8,750. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 30, 2012, the Company sold its 50% ownership interest in Chandler Festival, a 500,426 square foot community center in Chandler, Arizona, for a total sales price of \$30,975, resulting in a gain of \$12,347 that was included in gain on remeasurement, sale or write down of assets, net during the nine months ended September 30, 2012. The sales price was funded by a cash payment of \$16,183 and the assumption of the Company's share of the mortgage note payable on the property of \$14,792. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 30, 2012, the Company's joint venture in SanTan Village Power Center, a 491,037 square foot community center in Gilbert, Arizona, sold the property for \$54,780, resulting in a gain to the joint venture of \$23,307. The cash proceeds from the sale were used to pay off the \$45,000 mortgage loan on the property and the remaining \$9,780 was distributed to the partners. The Company's share of the gain recognized was \$11,504, which was included in equity in income of unconsolidated joint ventures, offset in part by \$3,566 that was included in net income attributable to noncontrolling interests.

On May 31, 2012, the Company sold its 50% ownership interest in Chandler Gateway, a 259,535 square foot community center in Chandler, Arizona, for a total sales price of \$14,315, resulting in a gain of \$3,365 that was included in gain on remeasurement, sale or write down of assets, net during the nine months ended September 30, 2012. The sales price was funded by a cash payment of \$4,921 and the assumption of the Company's share of the mortgage note payable on the property of \$9,394. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On August 10, 2012, the Company was bought out of its ownership interest in NorthPark Center, a 1,946,178 square foot regional shopping center in Dallas, Texas, for \$118,810, resulting in a gain of \$24,590 that was included in gain on remeasurement, sale or write down of assets, net during the three and nine months ended September 30, 2012. The Company used the cash proceeds to pay down its line of credit.

Combined condensed balance sheets and statements of operations are presented below for all unconsolidated joint ventures.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined Condensed Balance Sheets of Unconsolidated Joint Ventures and Other Related Information:

	September 30, 2012	December 31, 2011
Assets(1):		
Properties, net	\$ 3,939,940	\$ 4,328,953
Other assets	322,281	469,039
Total assets	\$ 4,262,221	\$ 4,797,992
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	\$ 3,420,079	\$ 3,896,418
Other liabilities	157,536	161,827
Company's capital	230,930	327,461
Outside partners' capital	453,676	412,286
Total liabilities and partners' capital	\$ 4,262,221	\$ 4,797,992
Investment in unconsolidated joint ventures:		
Company's capital	\$ 230,930	\$ 327,461
Basis adjustment(3)	709,128	700,414
	\$ 940,058	\$ 1,027,875
Assets Investments in unconsolidated joint ventures	\$ 1,026,724	\$ 1,098,560
Liabilities Distributions in excess of investments in unconsolidated joint ventures	(86,666)	(70,685)
	\$ 940,058	\$ 1,027,875

(1)

These amounts include the assets and liabilities of the following joint ventures as of September 30, 2012 and December 31, 2011:

	Pacific Premier Retail LP	Tysons Corner LLC
<i>As of September 30, 2012:</i>		
Total Assets	\$ 1,034,856	\$ 374,223
Total Liabilities	\$ 1,003,579	\$ 324,958
<i>As of December 31, 2011:</i>		
Total Assets	\$ 1,078,226	\$ 339,324
Total Liabilities	\$ 1,005,479	\$ 319,247

(2)

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Certain mortgage notes payable could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of September 30, 2012 and December 31, 2011, a total of \$370,538 and \$380,354, respectively, could become recourse debt to

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

the Company. As of September 30, 2012 and December 31, 2011, the Company has indemnity agreements from joint venture partners for \$177,750 and \$182,638, respectively, of the guaranteed amount.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of \$655,029 and \$663,543 as of September 30, 2012 and December 31, 2011, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates Broadway Plaza. Interest expense incurred on these borrowings amounted to \$10,980 and \$11,166 for the three months ended September 30, 2012 and 2011, respectively, and \$32,974 and \$31,263 for the nine months ended September 30, 2012 and 2011, respectively.

- (3) The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was \$3,136 and \$2,923 for the three months ended September 30, 2012 and 2011, respectively, and \$6,211 and \$7,042 for the nine months ended September 30, 2012 and 2011, respectively.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined Condensed Statements of Operations of Unconsolidated Joint Ventures:

	Pacific Premier Retail LP	Tyson's Corner LLC	Other Joint Ventures	Total
<i>Three Months Ended September 30, 2012</i>				
Revenues:				
Minimum rents	\$ 32,718	\$ 15,847	\$ 75,809	\$ 124,374
Percentage rents	837	233	4,214	5,284
Tenant recoveries	14,091	11,340	37,663	63,094
Other	1,138	618	9,415	11,171
Total revenues	48,784	28,038	127,101	203,923
Expenses:				
Shopping center and operating expenses	15,075	8,760	46,153	69,988
Interest expense	12,904	2,838	32,338	48,080
Depreciation and amortization	10,905	5,094	28,784	44,783
Total operating expenses	38,884	16,692	107,275	162,851
Loss on sale/remeasurement of assets			(28)	(28)
Net income	\$ 9,900	\$ 11,346	\$ 19,798	\$ 41,044
Company's equity in net income	\$ 5,035	\$ 4,372	\$ 9,908	\$ 19,315
<i>Three Months Ended September 30, 2011</i>				
Revenues:				
Minimum rents	\$ 31,841	\$ 15,618	\$ 111,091	\$ 158,550
Percentage rents	1,190	318	5,961	7,469
Tenant recoveries	13,867	10,270	52,337	76,474
Other	1,267	595	10,931	12,793
Total revenues	48,165	26,801	180,320	255,286
Expenses:				
Shopping center and operating expenses	14,477	8,290	67,927	90,694
Interest expense	13,402	3,073	48,352	64,827
Depreciation and amortization	10,403	5,068	40,840	56,311
Total operating expenses	38,282	16,431	157,119	211,832
Loss on sale/remeasurement of assets			(94)	(94)
Gain on extinguishment of debt			77	77

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Net income	\$	9,883	\$	10,370	\$	23,184	\$	43,437
Company's equity in net income	\$	5,025	\$	4,011	\$	11,003	\$	20,039

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

	Pacific Premier Retail LP	Tysons Corner LLC	Other Joint Ventures	Total
<i>Nine Months Ended September 30, 2012</i>				
Revenues:				
Minimum rents	\$ 98,812	\$ 47,149	\$ 251,599	\$ 397,560
Percentage rents	2,571	866	10,531	13,968
Tenant recoveries	41,967	32,969	121,825	196,761
Other	3,665	1,964	27,775	33,404
Total revenues	147,015	82,948	411,730	641,693
Expenses:				
Shopping center and operating expenses	43,385	25,834	155,014	224,233
Interest expense	39,405	8,902	108,784	157,091
Depreciation and amortization	31,926	15,279	91,214	138,419
Total operating expenses	114,716	50,015	355,012	519,743
(Loss) gain on sale/remeasurement of assets	(10)		22,948	22,938
Net income	\$ 32,289	\$ 32,933	\$ 79,666	\$ 144,888
Company's equity in net income	\$ 16,422	\$ 12,721	\$ 39,481	\$ 68,624
<i>Nine Months Ended September 30, 2011</i>				
Revenues:				
Minimum rents	\$ 97,185	\$ 45,947	\$ 326,156	\$ 469,288
Percentage rents	3,292	1,186	11,940	16,418
Tenant recoveries	41,134	30,748	157,309	229,191
Other	3,323	2,025	29,787	35,135
Total revenues	144,934	79,906	525,192	750,032
Expenses:				
Shopping center and operating expenses	43,683	24,972	199,898	268,553
Interest expense	36,826	10,891	146,130	193,847
Depreciation and amortization	30,884	14,974	116,533	162,391
Total operating expenses	111,393	50,837	462,561	624,791
Gain on sale/remeasurement of assets			24,451	24,451
Gain on extinguishment of debt			15,583	15,583
Net income	\$ 33,541	\$ 29,069	\$ 102,665	\$ 165,275

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Company's equity in net income	\$	17,058	\$	11,209	\$	47,254	\$	75,521
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Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Derivative Instruments and Hedging Activities:

The Company recorded other comprehensive income related to the marking-to-market of interest rate agreements of \$0 and \$68 for the three months ended September 30, 2012 and 2011, respectively, and \$0 and \$6,256 for the nine months ended September 30, 2012 and 2011, respectively. There were no derivatives outstanding at September 30, 2012.

6. Property:

Property consists of the following:

	September 30, 2012	December 31, 2011
Land	\$ 1,228,267	\$ 1,273,649
Buildings and improvements	5,234,773	5,440,394
Tenant improvements	443,625	442,862
Equipment and furnishings	124,560	123,098
Construction in progress	385,619	209,732
	7,416,844	7,489,735
Less accumulated depreciation	(1,474,703)	(1,410,692)
	\$ 5,942,141	\$ 6,079,043

Depreciation expense was \$57,861 and \$53,165 for the three months ended September 30, 2012 and 2011, respectively, and \$172,798 and \$154,826 for the nine months ended September 30, 2012 and 2011, respectively.

The gain on remeasurement, sale or write down of assets, net includes the write off of development costs of \$2,626 and \$1,011 during the three months ended September 30, 2012 and 2011, respectively, and \$7,884 and \$526 during the nine months ended September 30, 2012 and 2011, respectively.

The Company recognized a gain of \$1,734 on the purchase of Superstition Springs Land (See Note 15 Acquisitions) in connection with the GGP Exchange (See Note 4 Investments in Unconsolidated Joint Ventures) during the three and nine months ended September 30, 2011. In addition, the Company recognized a gain of \$30 and \$1,868 on the purchase of a 50% ownership interest in Desert Sky Mall (See Note 15 Acquisitions) during the three and nine months ended September 30, 2011, respectively.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****7. Marketable Securities:**

Marketable securities consist of the following:

	September 30, 2012	December 31, 2011
Government debt securities, at par value	\$ 24,359	\$ 25,147
Less discount	(150)	(314)
	24,209	24,833
Unrealized gain	967	1,803
Fair value (Level 1 measurement)	\$ 25,176	\$ 26,636

The future contractual maturities of marketable securities is one year or less. The proceeds from maturities and interest receipts from the marketable securities are restricted to the service of the Greeley Note (See Note 11 Bank and Other Notes Payable).

8. Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of \$3,407 and \$4,626 at September 30, 2012 and December 31, 2011, respectively. Also included in tenant and other receivables, net, are accrued percentage rents of \$2,214 and \$7,583 at September 30, 2012 and December 31, 2011, respectively.

Included in tenant and other receivables, net, are the following notes receivable:

On March 31, 2006, the Company received a note receivable that is secured by a deed of trust, bears interest at 5.5% and matures on March 31, 2013. At September 30, 2012 and December 31, 2011, the note had a balance of \$8,547 and \$8,743, respectively.

On August 18, 2009, the Company received a note receivable from J&R Holdings XV, LLC ("Pederson") that matures on December 31, 2013. Pederson is considered a related party because it has an ownership interest in Promenade at Casa Grande. The note is secured by Pederson's interest in Promenade at Casa Grande. The balance on the note at September 30, 2012 and December 31, 2011 was \$3,445. The interest rate on the note was 15% and 12% at September 30, 2012 and December 31, 2011, respectively. Interest income on the note was \$130 and \$104 for the three months ended September 30, 2012 and 2011, respectively, and \$388 and \$310 for the nine months ended September 30, 2012 and 2011, respectively.

On March 27, 2012, the Company received two notes receivable from principals of AWE Talisman for a total of \$12,500 that bear interest at 5.0% and mature upon the completion, refinancing or sale of Fashion Outlets of Chicago. The notes are collateralized by the principals' interests in Fashion Outlets of Chicago. AWE Talisman is considered a related party because it has an ownership interest in Fashion Outlets of Chicago. Interest income earned on the notes was \$158 and \$321 for the three and nine months ended September 30, 2012, respectively.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****9. Deferred Charges and Other Assets, net:**

Deferred charges and other assets, net, consist of the following:

	September 30, 2012	December 31, 2011
Leasing	\$ 210,286	\$ 281,340
Financing	32,784	40,638
Intangible assets:		
In-place lease values	102,904	121,320
Leasing commissions and legal costs	28,150	32,242
Other assets	178,495	198,596
	552,619	674,136
Less accumulated amortization(1)	(193,391)	(190,373)
	\$ 359,228	\$ 483,763

(1)

Accumulated amortization includes \$54,648 and \$56,946 relating to intangible assets at September 30, 2012 and December 31, 2011, respectively. Amortization expense for intangible assets was \$6,323 and \$4,171 for the three months ended September 30, 2012 and 2011, respectively, and \$22,529 and \$11,154 for the nine months ended September 30, 2012 and 2011, respectively.

The allocated values of above-market leases included in deferred charges and other assets, net, and below-market leases included in other accrued liabilities, consist of the following:

	September 30, 2012	December 31, 2011
<i>Above-Market Leases</i>		
Original allocated value	\$ 98,153	\$ 97,297
Less accumulated amortization	(44,944)	(39,057)
	\$ 53,209	\$ 58,240
<i>Below-Market Leases</i>		
Original allocated value	\$ 136,166	\$ 156,778
Less accumulated amortization	(80,417)	(91,400)
	\$ 55,749	\$ 65,378

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Mortgage Notes Payable:

Mortgage notes payable at September 30, 2012 and December 31, 2011 consist of the following:

	Carrying Amount of Mortgage Notes(1)				Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
	September 30, 2012		December 31, 2011				
	Related Party	Other	Related Party	Other			
Chandler Fashion Center(5)(6)	\$	\$ 200,000	\$	\$ 155,489	3.77%	\$ 625	2019
Chesterfield Towne Center(7)		110,000			4.80%	573	2022
Danbury Fair Mall	120,475	120,476	122,382	122,381	5.53%	1,538	2020
Deptford Mall		172,500		172,500	5.41%	778	2013
Deptford Mall		14,860		15,030	6.46%	101	2016
Eastland Mall		168,000		168,000	5.79%	811	2016
Fashion Outlets of Niagara Falls USA		127,212		129,025	4.89%	727	2020
Fiesta Mall		84,000		84,000	4.98%	341	2015
Flagstaff Mall		37,000		37,000	5.03%	151	2015
Freehold Raceway Mall(5)		232,900		232,900	4.20%	805	2018
Fresno Fashion Fair	80,891	80,892	81,733	81,734	6.76%	1,104	2015
Great Northern Mall		36,617		37,256	5.19%	234	2013
Northgate, The Mall at(8)		64,000		38,115	3.11%	132	2017
Oaks, The(9)		219,064		257,264	4.14%	1,064	2022
Pacific View(10)		138,985			4.08%	668	2022
Paradise Valley Mall(11)		81,750		84,000	6.30%	625	2014
Prescott Gateway(12)				60,000			
Promenade at Casa Grande(13)		74,629		76,598	5.21%	280	2013
Salisbury, Center at		115,000		115,000	5.83%	555	2016
SanTan Village Regional Center(14)		138,087		138,087	2.63%	268	2013
South Plains Mall		101,710		102,760	6.56%	648	2015
South Towne Center		85,574		86,525	6.39%	555	2015
Towne Mall(15)		12,376		12,801	4.99%	100	2012
Tucson La Encantada(16)	74,505		75,315		4.23%	368	2022
Twenty Ninth Street(17)		107,000		107,000	3.07%	255	2016
Valley Mall		43,070		43,543	5.85%	280	2016
Valley River Center		120,000		120,000	5.59%	558	2016
Valley View Center(18)				125,000			
Victor Valley, Mall of(19)		93,700		97,000	2.08%	142	2013
Vintage Faire Mall(20)		135,000		135,000	3.52%	363	2015
Westside Pavilion(21)		155,000		175,000	4.49%	783	2022
Wilton Mall(22)		40,000		40,000	1.23%	30	2013
	\$ 275,871	\$ 3,109,402	\$ 279,430	\$ 3,049,008			

(1)

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The mortgage notes payable balances include the unamortized debt premiums (discounts). Debt premiums (discounts) represent the excess (deficiency) of the fair value of debt over (under) the principal value of debt assumed in various acquisitions and are amortized to interest expense over the remaining term of the related debt in a manner that approximates the effective interest method.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****10. Mortgage Notes Payable: (Continued)**

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	September 30, 2012	December 31, 2011
Deptford Mall	\$ (21)	\$ (25)
Fashion Outlets of Niagara Falls USA	7,502	8,198
Great Northern Mall	(35)	(55)
Towne Mall	18	88
Valley Mall	(328)	(365)
	\$ 7,136	\$ 7,841

- (2) The interest rate disclosed represents the effective interest rate, including the debt premiums (discounts) and deferred finance costs.
- (3) The monthly debt service represents the payment of principal and interest.
- (4) The maturity date assumes that all extension options are fully exercised and that the Company does not opt to refinance the debt prior to these dates. These extension options are at the Company's discretion, subject to certain conditions, which the Company believes will be met.
- (5) A 49.9% interest in the loan has been assumed by a third party in connection with a co-venture arrangement (See Note 12 Co-Venture Arrangement).
- (6) On June 29, 2012, the Company replaced the existing loan on the property with a new \$200,000 loan that bears interest at 3.77% and matures on July 1, 2019.
- (7) On September 17, 2012, the Company placed a \$110,000 loan on the property that bears interest at 4.80% and matures on October 1, 2022.
- (8) On March 23, 2012, the Company borrowed an additional \$25,885 and modified the loan to bear interest at LIBOR plus 2.25% with a maturity of March 1, 2017. At September 30, 2012 and December 31, 2011, the total interest rate was 3.11% and 7.00%, respectively.
- (9) On May 17, 2012, the Company replaced the existing loan on the property with a new \$220,000 loan that bears interest at 4.14% and matures on June 5, 2022.
- (10) On March 30, 2012, the Company placed a new \$140,000 loan on the property that bears interest at 4.08% and matures on April 1, 2022.
- (11) The loan bears interest at LIBOR plus 4.0% with a total interest rate floor of 5.50% and matures on August 31, 2014. At September 30, 2012 and December 31, 2011, the total interest rate was 6.30%.
- (12) On May 31, 2012, the Company conveyed the property to the lender by a deed-in-lieu of foreclosure. As a result, the Company has been discharged from this non-recourse loan. (See Note 16 Discontinued Operations).

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- (13) The loan bears interest at LIBOR plus 4.0% with a LIBOR rate floor of 0.50% and matures on December 30, 2013. At September 30, 2012 and December 31, 2011, the total interest rate was 5.21%.
- (14) The loan bears interest at LIBOR plus 2.10% and matures on June 13, 2013. At September 30, 2012 and December 31, 2011, the total interest rate was 2.63% and 2.69%, respectively.
- (15) On October 25, 2012, the Company replaced the existing loan on the property with a new \$23,400 loan that bears interest at 4.39% and matures on November 1, 2022.
- (16) On February 1, 2012, the Company replaced the existing loan on the property with a new \$75,135 loan that bears interest at 4.23% and matures on March 1, 2022.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Mortgage Notes Payable: (Continued)

- (17) The loan bears interest at LIBOR plus 2.63% and matures on January 18, 2016. At September 30, 2012 and December 31, 2011, the total interest rate was 3.07% and 3.12%, respectively.
- (18) On April 23, 2012, the property was sold by a court appointed receiver. As a result, the Company was discharged from this non-recourse loan (See Note 16 Discontinued Operations).
- (19) The loan bears interest at LIBOR plus 1.60% and was to mature on May 6, 2013. On October 5, 2012, the Company modified and extended the loan to November 6, 2014 with an interest rate of LIBOR plus 2.25% during the extension period. At September 30, 2012 and December 31, 2011, the total interest rate was 2.08% and 2.13%, respectively.
- (20) The loan bears interest at LIBOR plus 3.0% and matures on April 27, 2015. At September 30, 2012 and December 31, 2011, the total interest rate was 3.52% and 3.56%, respectively.
- (21) On September 6, 2012, the Company replaced the existing loan on the property with a new \$155,000 loan that bears interest at 4.49% and matures on October 1, 2022.
- (22) The loan bears interest at LIBOR plus 0.675% and matures on August 1, 2013. As additional collateral for the loan, the Company is required to maintain a deposit of \$40,000 with the lender, which has been included in restricted cash. The interest on the deposit is not restricted. At September 30, 2012 and December 31, 2011, the total interest rate was 1.23% and 1.28%, respectively.

Most of the mortgage loan agreements contain a prepayment penalty provision for the early extinguishment of the debt.

The Company expects that all loan maturities during the next twelve months will be refinanced, restructured, extended and/or paid-off from the Company's line of credit or with cash on hand.

Total interest expense capitalized was \$2,984 and \$2,979 during the three months ended September 30, 2012 and 2011, respectively, and \$7,899 and \$9,598 during the nine months ended September 30, 2012 and 2011, respectively.

Related party mortgage notes payable are amounts due to affiliates of NML. See Note 18 Related Party Transactions for interest expense associated with loans from NML.

The fair value of mortgage notes payable at September 30, 2012 and December 31, 2011 was \$3,531,796 and \$3,477,483, respectively, based on current interest rates for comparable loans. The method for computing fair value (Level 2 measurement) was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

11. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Senior Notes:

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On March 16, 2007, the Company issued \$950,000 in Senior Notes that matured on March 15, 2012. The Senior Notes bore interest at 3.25%, payable semiannually, were senior to unsecured debt of the Company and were guaranteed by the Operating Partnership. Prior to December 14, 2011, upon the occurrence of certain specified events, the Senior Notes were convertible at the option of the holder into cash, shares of the Company's common stock or a combination of cash and shares of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

11. Bank and Other Notes Payable: (Continued)

Company's common stock, at the election of the Company, at an initial conversion rate of 8.9702 shares per \$1 principal amount. On or after December 15, 2011, the Senior Notes were convertible at any time prior to March 13, 2012. The conversion right was not exercised prior to the maturity date of the Senior Notes.

On March 15, 2012, the Company paid-off in full the \$439,318 of Senior Notes then outstanding. The carrying value of the Senior Notes at December 31, 2011 was \$437,788, which included an unamortized discount of \$1,530. The unamortized discount was amortized into interest expense over the term of the Senior Notes in a manner that approximated the effective interest method. As of December 31, 2011, the effective interest rate was 5.41%. The fair value of the Senior Notes at December 31, 2011 was \$439,318 (Level 1 measurement) based on the quoted market price.

Line of Credit:

The Company had a \$1,500,000 revolving line of credit that bore interest at LIBOR plus a spread of 0.75% to 1.10% that matured on April 25, 2011. On May 2, 2011, the Company obtained a new \$1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.75% to 3.0% depending on the Company's overall leverage and matures on May 2, 2015 with a one-year extension option. Based on the Company's current leverage levels, the borrowing rate on the new facility is LIBOR plus 2.0%. The line of credit can be expanded, depending on certain conditions, up to a total facility of \$2,000,000 less the outstanding balance of the \$125,000 unsecured term loan as described below. As of September 30, 2012 and December 31, 2011, borrowings under the line of credit were \$255,000 and \$290,000, respectively, at an average interest rate of 2.76% and 2.96%, respectively. The fair value (Level 2 measurement) of the line of credit at September 30, 2012 and December 31, 2011 was \$256,132 and \$292,366, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Term Loan:

On December 8, 2011, the Company obtained a seven-year, \$125,000 unsecured term loan under the line of credit that bears interest at LIBOR plus a spread of 1.95% to 3.20% depending on the Company's overall leverage and matures on December 8, 2018. Based on the Company's current leverage levels, the borrowing rate is LIBOR plus 2.20%. As of September 30, 2012 and December 31, 2011, the total interest rate was 2.57% and 2.42%, respectively. The fair value (Level 2 measurement) of the term loan at September 30, 2012 and December 31, 2011 was \$123,163 and \$120,019, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Greeley Note:

On July 27, 2006, concurrent with the sale of Greeley Mall, the Company provided marketable securities to replace Greeley Mall as collateral for the mortgage note payable on the property (See Note 7 Marketable Securities). As a result of this transaction, the mortgage note payable was reclassified to bank and other notes payable. This note bears interest at an effective rate of 6.34% and

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(Dollars in thousands, except per share amounts)

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11. Bank and Other Notes Payable: (Continued)

matures in September 2013. At September 30, 2012 and December 31, 2011, the Greeley Note had a balance outstanding of \$24,239 and \$24,848, respectively. The fair value (Level 2 measurement) of the note at September 30, 2012 and December 31, 2011 was \$25,138 and \$26,510, respectively, based on current interest rates for comparable loans. The method for computing fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.

As of September 30, 2012 and December 31, 2011, the Company was in compliance with all applicable financial loan covenants.

12. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Freehold Raceway Mall and Chandler Fashion Center. As part of this transaction, the Company issued a warrant in favor of the third party to purchase 935,358 shares of common stock of the Company at an exercise price of \$46.68 per share. See Note 14 - Stockholders' Equity. The Company received approximately \$174,650 in cash proceeds for the overall transaction, of which \$6,496 was attributed to the warrants.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the amount of \$168,154, representing the net cash proceeds received from the third party less costs allocated to the warrant. The co-venture obligation is increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner. The co-venture obligation was \$95,018 and \$125,171 at September 30, 2012 and December 31, 2011, respectively.

13. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect its ownership interest in the Company. The Company had a 93% and 92% ownership interest in the Operating Partnership as of September 30, 2012 and December 31, 2011, respectively. The remaining 7% and 8% limited partnership interest as of September 30, 2012 and December 31, 2011, respectively, was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value \$0.01 per share, as reported on the New York Stock Exchange for the 10 trading days ending on the respective balance sheet date. Accordingly, as of

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(Dollars in thousands, except per share amounts)

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13. Noncontrolling Interests: (Continued)

September 30, 2012 and December 31, 2011, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was \$632,918 and \$554,341, respectively.

The Company issued common and preferred units of MACWH, LP in April 2005 in connection with the acquisition of the Wilmorite portfolio. The common and preferred units of MACWH, LP are redeemable at the election of the holder, the Company may redeem them for cash or shares of the Company's stock at the Company's option and they are classified as permanent equity.

Included in permanent equity are outside ownership interests in various consolidated joint ventures. The joint ventures do not have rights that require the Company to redeem the ownership interests in either cash or stock.

The outside ownership interests in the Company's joint venture in Shoppingtown Mall had a purchase option for \$11,366. In addition, under certain conditions as defined by the partnership agreement, these partners had the right to "put" their partnership interests to the Company. Due to the redemption feature of the ownership interest in Shoppingtown Mall, these noncontrolling interests were included in temporary equity as redeemable noncontrolling interests. The Company exercised its right to redeem the outside ownership interests in the partnership for cash and the redemption closed on September 14, 2011. On December 30, 2011, the Company conveyed Shoppingtown Mall to the mortgage note lender by a deed-in-lieu of foreclosure (See Note 10 Mortgage Notes Payable).

14. Stockholders' Equity:

At-The-Market Stock Offering Program ("ATM Program"):

On August 17, 2012, the Company entered into an equity distribution agreement ("Distribution Agreement") with a number of sales agents to issue and sell, from time to time, shares of common stock, par value \$0.01 per share, having an aggregate offering price of up to \$500,000 (the "Shares"). Sales of the Shares, if any, may be made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an "at the market" offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company will pay each sales agent a commission that will not exceed, but may be lower than, 2% of the gross proceeds of the Shares sold through such sales agent under the Distribution Agreement.

During the three months ended September 30, 2012, the Company sold 2,961,903 shares of common stock under the ATM Program in exchange for aggregate gross proceeds of \$177,896 and net proceeds of \$175,869 after commissions and other transaction costs. The proceeds from the sales were used to pay down the Company's line of credit. As of September 30, 2012, \$322,104 remained available to be sold under the ATM Program. Actual future sales will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. The Company has no obligation to sell the remaining shares available for sale under the ATM Program.

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(Dollars in thousands, except per share amounts)

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14. Stockholders' Equity: (Continued)

Warrants:

On September 30, 2009, the Company issued a warrant in connection with its formation of a co-venture to own and operate Freehold Raceway Mall and Chandler Fashion Center (See Note 12 Co-Venture Arrangement). The warrant provided for the purchase of 935,358 shares of the Company's common stock. The warrant was valued at \$6,496 and recorded as a credit to additional paid-in capital. The warrant was immediately exercisable upon its issuance and was scheduled to expire on December 1, 2012. The warrant had an exercise price of \$46.68 per share, with such price subject to anti-dilutive adjustments. The warrant allowed for either gross or net issue settlement at the option of the warrant holder. In the event that the warrant holder elected a net issue settlement, the Company could have elected to settle the warrant in cash or shares; provided, however, that in the event the Company elected to deliver cash, the holder could have elected to instead have the exercise of the warrant satisfied in shares. In addition, the Company had entered into a registration rights agreement with the warrant holders requiring the Company to provide certain registration rights regarding the resale of shares of common stock underlying the warrant. In December 2011, the holders requested a net issue exercise of 311,786 shares of the warrant and the Company elected to deliver a cash payment of \$1,278 in exchange for the portion of the warrant exercised. On April 10, 2012, the holders requested a net exercise of an additional 311,786 shares of the warrant and the Company elected to deliver a cash payment of \$3,448 in exchange for the portion of the warrant exercised. On October 24, 2012, the holders requested a net exercise of the remaining 311,786 shares of the warrant and the Company elected to deliver a cash payment of \$3,922 in exchange for the final portion of the warrant exercised.

The issuance of the warrants was exempt from registration under the Securities Act of 1933, as amended ("Securities Act"), pursuant to Section 4(2) of the Securities Act. Each investor represented that it was an accredited investor, as defined in Rule 501 of Regulation D, and that it was acquiring the securities for its own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act.

15. Acquisitions:

Desert Sky Mall:

On February 28, 2011, the Company acquired the additional 50% ownership interest in Desert Sky Mall, an 893,000 square foot regional shopping center in Phoenix, Arizona, that it did not own for \$27,625. The acquisition was completed in order to gain 100% ownership and control over this well located asset. The purchase price was funded by a cash payment of \$1,875 and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$25,750. Concurrent with the purchase of the partnership interest, the Company paid off the \$51,500 loan on the property. Prior to the acquisition, the Company had accounted for its investment under the equity method (See Note 4 Investments in Unconsolidated Joint Ventures).

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****15. Acquisitions: (Continued)**

The following is a summary of the allocation of the fair value of Desert Sky Mall:

Property	\$ 46,603
Deferred charges, net	5,474
Cash and cash equivalents	6,057
Tenant receivables	202
Other assets, net	4,481
 Total assets acquired	 62,817
 Mortgage note payable	 51,500
Accounts payable	33
Other accrued liabilities	3,017
 Total liabilities assumed	 54,550
 Fair value of acquired net assets (at 100% ownership)	 \$ 8,267

The Company determined that the purchase price represented the fair value of the additional ownership interest in Desert Sky Mall that was acquired. Accordingly, the Company also determined that the fair value of the acquired ownership interest in Desert Sky Mall equaled the fair value of the Company's existing ownership interest.

Fair value of existing ownership interest (at 50% ownership)	\$ 4,164
Carrying value of investment in Desert Sky Mall	(2,296)
 Gain on remeasurement	 \$ 1,868

Since the date of acquisition, the Company has included Desert Sky Mall in its consolidated financial statements.

Superstition Springs Land:

On June 3, 2011, the Company acquired the additional 50% ownership interest in Superstition Springs Land that it did not own in connection with the GGP Exchange (See Note 4 Investments in Unconsolidated Joint Ventures). Prior to the acquisition, the Company had accounted for its investment in Superstition Springs Land under the equity method. As a result of this transaction, the Company obtained 100% ownership of the land.

The Company recorded the fair value of Superstition Springs Land at \$12,914. As a result of obtaining control of this property, the Company recognized a gain of \$1,734, which is included in gain on remeasurement, sale or write down of assets, net for the nine months ended September 30, 2011. Since the date of acquisition, the Company has included Superstition Springs Land in its consolidated financial statements.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****15. Acquisitions: (Continued)***Fashion Outlets of Niagara Falls USA:*

On July 22, 2011, the Company acquired Fashion Outlets of Niagara Falls USA, a 530,000 square foot outlet center in Niagara Falls, New York. The initial purchase price of \$200,000 was funded by a cash payment of \$78,579 and the assumption of the mortgage note payable with a carrying value of \$121,421. The cash purchase price was funded from borrowings under the Company's line of credit.

The purchase and sale agreement includes contingent consideration based on the performance of Fashion Outlets of Niagara Falls USA from the acquisition date through July 21, 2014 that could increase the purchase price from the initial \$200,000 up to a maximum of \$218,667. The Company estimated the fair value of the contingent consideration as of September 30, 2012 to be \$15,747, which has been included in other accrued liabilities as part of the fair value of the total liabilities assumed.

The following is a summary of the allocation of the fair value of Fashion Outlets of Niagara Falls USA:

Property	\$ 228,720
Restricted cash	5,367
Deferred charges, net	10,383
Other assets, net	3,090
Total assets acquired	247,560
Mortgage note payable	130,006
Accounts payable	231
Other accrued liabilities	38,037
Total liabilities assumed	168,274
Fair value of acquired net assets	\$ 79,286

The Company determined that the purchase price, including the estimated fair value of contingent consideration, represented the fair value of the assets acquired and liabilities assumed. Since the date of the acquisition, the Company has included Fashion Outlets of Niagara Falls USA in its consolidated financial statements.

SDG Acquisition Properties:

On December 31, 2011, the Company acquired the SDG Acquisition Properties as a result of the SDG Transaction. The Company completed the SDG Transaction in order to gain 100% control of the SDG Acquisition Properties. In connection with the acquisition, the Company assumed the mortgage notes payable on Eastland Mall and Valley Mall. Prior to the acquisition, the Company had accounted for its investment in SDG Macerich under the equity method (See Note 4 Investments in Unconsolidated Joint Ventures).

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The following is a summary of the allocation of the fair value of the SDG Acquisition Properties:

Property	\$ 371,344
Deferred charges, net	30,786
Tenant receivables	10,048
Other assets, net	32,826
Total assets acquired	445,004
Mortgage notes payable	211,543
Accounts payable	10,416
Other accrued liabilities	18,578
Total liabilities assumed	240,537
Fair value of acquired net assets	\$ 204,467

The Company determined that the purchase price represented the fair value of the assets acquired and liabilities assumed. Since the date of the acquisition, the Company has included the SDG Acquisition Properties in its consolidated financial statements.

Capitola Kohl's:

On April 29, 2011, the Company purchased a fee interest in a freestanding Kohl's store at Capitola Mall for \$28,500. The purchase price was paid from cash on hand. Since the date of acquisition, the Company has included Capitola Kohl's in its consolidated financial statements.

500 North Michigan Avenue:

On February 29, 2012, the Company acquired a 326,000 square foot mixed-use retail/office building in Chicago, Illinois ("500 North Michigan Avenue") for \$70,925. The purchase price was funded from borrowings under the Company's line of credit. The acquisition was completed in order to gain control over the property adjacent to The Shops at North Bridge.

The following is a summary of the allocation of the fair value of 500 North Michigan Avenue:

Property	\$ 66,033
Deferred charges, net	7,450
Other assets, net	2,143
Total assets acquired	75,626
Other accrued liabilities	4,701
Total liabilities assumed	4,701
Fair value of acquired net assets	\$ 70,925

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. Acquisitions: (Continued)

The Company determined that the purchase price represented the fair value of the assets acquired and liabilities assumed.

Since the date of acquisition, the Company has included 500 North Michigan Avenue in its consolidated financial statements. The property has generated incremental revenue of \$5,309 and incremental loss of \$392.

16. Discontinued Operations:

On March 4, 2011, the Company sold a former Mervyn's store in Santa Fe, New Mexico, for \$3,732, resulting in a loss of \$1,913. The proceeds from the sale were used for general corporate purposes.

On June 3, 2011, the Company disposed of six anchor stores at centers not owned by the Company (collectively referred to as the "GGP Anchor Stores"), including five former Mervyn's stores, as part of the GGP Exchange (See Note 4 Investments in Unconsolidated Joint Ventures). The Company determined that the fair value received in exchange for the GGP Anchor Stores was equal to their carrying value.

On October 14, 2011, the Company sold a former Mervyn's store in Salt Lake City, Utah for \$8,061, resulting in a gain of \$3,783. The proceeds from the sale were used for general corporate purposes.

On November 30, 2011, the Company sold a former Mervyn's store in West Valley City, Utah for \$2,300, resulting in a loss of \$200. The proceeds from the sale were used for general corporate purposes.

In June 2011, the Company recorded an impairment charge of \$35,729 related to Shoppingtown Mall. As a result of the maturity default on the mortgage note payable and the corresponding reduction of the estimated holding period, the Company wrote down the carrying value of the long-lived assets to its estimated fair value of \$38,968. The Company had classified the estimated fair value as a Level 3 measurement due to the highly subjective nature of the computation, which involved estimates of holding period, market conditions, future occupancy levels, rental rates, capitalization rates, lease-up periods and capital improvements. On December 30, 2011, the Company conveyed Shoppingtown Mall to the mortgage note lender by a deed-in-lieu of foreclosure. As a result of the conveyance, the Company recognized an additional \$3,929 loss on the disposal of the property.

In March 2012, the Company recorded an impairment charge of \$54,306 related to Valley View Center. As a result of the sale of the property on April 23, 2012, the Company wrote down the carrying value of the long-lived assets to its estimated fair value of \$33,450 (Level 1 measurement), which was equal to the sales price of the property. On April 23, 2012, the property was sold by a court appointed receiver, which resulted in a gain on the extinguishment of debt of \$104,033 (See Note 10 Mortgage Notes Payable).

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THE MACERICH COMPANY

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16. Discontinued Operations: (Continued)

On April 30, 2012, the Company sold The Borgata, a 93,693 square foot community center in Scottsdale, Arizona, for \$9,150, resulting in a loss of \$1,275. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 11, 2012, the Company sold a former Mervyn's store in Montebello, California for \$20,750, resulting in a loss on the sale of \$407. The Company used the proceeds from the sale for general corporate purposes.

On May 17, 2012, the Company sold Hilton Village, a 79,814 square foot community center in Scottsdale, Arizona, for \$24,820, resulting in a gain of \$3,127. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 31, 2012, the Company conveyed Prescott Gateway, a 583,959 square foot regional shopping center in Prescott, Arizona, to the mortgage note lender by a deed-in-lieu of foreclosure. As a result of the conveyance, the Company recognized a gain on the extinguishment of debt of \$16,296 (See Note 10 Mortgage Notes Payable).

On June 28, 2012, the Company sold Carmel Plaza, a 111,945 square foot community center, for \$52,000, resulting in a gain of \$7,844. The Company used the proceeds from the sale to pay down its line of credit.

The Company has classified the results of operations and gain or loss on sale for all of the above dispositions as discontinued operations for the three and nine months ended September 30, 2012 and 2011.

Revenues from discontinued operations consisted of \$1 and \$9,364 for the three months ended September 30, 2012 and 2011, respectively, and \$10,599 and \$30,641 for the nine months ended September 30, 2012 and 2011, respectively. (Loss) income from discontinued operations was \$(263) and \$(4,556) for the three months ended September 30, 2012 and 2011, respectively, and \$69,447 and \$(50,508) for the nine months ended September 30, 2012 and 2011, respectively.

17. Commitments and Contingencies:

The Company has certain properties that are subject to non-cancelable operating ground leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the leases. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Ground rent expense was \$2,244 and \$2,091 for the three months ended September 30, 2012 and 2011, respectively, and \$6,329 and \$6,475 for the nine months ended September 30, 2012 and 2011, respectively. No contingent rent was incurred during the three and nine months ended September 30, 2012 or 2011.

As of September 30, 2012 and December 31, 2011, the Company was contingently liable for \$4,224 and \$19,721, respectively, in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****17. Commitments and Contingencies: (Continued)**

The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the agreements. At September 30, 2012, the Company had \$66,310 in outstanding obligations which it believes will be settled in the next twelve months.

18. Related-Party Transactions:

Certain unconsolidated joint ventures and third-parties have engaged the Management Companies to manage the operations of the Centers. Under these arrangements, the Management Companies are reimbursed for compensation paid to on-site employees, leasing agents and project managers at the Centers, as well as insurance costs and other administrative expenses. The following are fees charged to unconsolidated joint ventures and third-party managed properties:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Management Fees	\$ 5,861	\$ 6,661	\$ 17,862	\$ 19,472
Development and Leasing Fees	3,677	2,344	9,764	6,094
	\$ 9,538	\$ 9,005	\$ 27,626	\$ 25,566

Certain mortgage notes on the properties are held by NML (See Note 10 Mortgage Notes Payable). Interest expense in connection with these notes was \$3,815 and \$4,081 for the three months ended September 30, 2012 and 2011, respectively, and \$11,588 and \$12,656 for the nine months ended September 30, 2012 and 2011, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of \$1,270 and \$1,379 at September 30, 2012 and December 31, 2011, respectively.

As of September 30, 2012 and December 31, 2011, the Company had loans to unconsolidated joint ventures of \$3,334 and \$3,995, respectively. Interest income associated with these notes was \$63 and \$67 for the three months ended September 30, 2012 and 2011, respectively, and \$191 and \$210 for the nine months ended September 30, 2012 and 2011, respectively. These loans represent initial funds advanced to development stage projects prior to construction loan funding. Accordingly, loan payables in the same amount have been accrued as an obligation by the various joint ventures.

Due from affiliates of \$7,595 and \$3,387 at September 30, 2012 and December 31, 2011, respectively, represents unreimbursed costs and fees due from unconsolidated joint ventures under management agreements.

19. Share and Unit-Based Plans:

On February 23, 2012, the Company granted 190,000 limited partnership units of the Operating Partnership ("LTIP Units") under the Long-Term Incentive Plan ("LTIP") to four executive officers at a weighted average grant date fair value of \$37.77 per LTIP Unit. On April 16, 2012, the Company granted 10,000 LTIP Units to a new executive officer at a weighted average grant date fair value of

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\$54.97 per LTIP Unit. The new grants vest over a service period ending January 31, 2013 based on the percentile ranking of the Company in terms of total return to stockholders (the "Total Return") per common stock share relative to the Total Return of a group of peer REITs, as measured at the end of the measurement period. Upon the occurrence of specified events and subject to the satisfaction of applicable vesting conditions, LTIP Units (after conversion into OP Units) are ultimately redeemable for common stock of the Company on a one-unit for one-share basis.

The fair value of the Company's LTIP Units granted in 2012 was estimated on the date of grant using a Monte Carlo Simulation model. The stock price of the Company, along with the stock prices of the group of peer REITs, was assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion Process modeling is commonly used in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value based on the stock price's expected volatility and current market interest rates. The volatilities of the returns on the price of the Company and the peer group REITs were estimated based on a 0.92-year look-back period. The expected growth rate of the stock prices over the derived service period was determined with consideration of the risk free rate as of the grant date.

The following summarizes the compensation cost under the share and unit-based plans:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
LTIP Units	\$ 2,778	\$ 2,239	\$ 6,646	\$ 6,716
Stock awards	125	85	345	663
Stock units	383	891	2,991	6,634
Stock options	18		18	
SARs	210	3	291	626
Phantom stock units	211	243	721	726
	\$ 3,725	\$ 3,461	\$ 11,012	\$ 15,365

The Company capitalized share and unit-based compensation costs of \$436 and \$609 for the three months ended September 30, 2012 and 2011, respectively, and \$2,209 and \$5,621 for the nine months ended September 30, 2012 and 2011, respectively. Unrecognized compensation cost of share and unit-based plans at September 30, 2012 consisted of \$3,427 from LTIP Units, \$637 from stock awards, \$2,947 from stock units, \$80 from stock options, \$291 from SARs and \$118 from phantom stock units.

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19. Share and Unit-Based Plans: (Continued)

The following table summarizes the activity of the non-vested LTIP Units, stock awards, phantom stock units and stock units:

	LTIP Units		Stock Awards		Phantom Stock		Stock Units	
	Units	Value(1)	Shares	Value(1)	Units	Value(1)	Units	Value(1)
Balance January 1, 2012	190,000	\$ 43.30	21,130	\$ 40.68	15,745	\$ 34.84	576,340	\$ 11.71
Granted(2)	315,000	40.53	9,639	54.43	5,930	57.50	72,322	54.43
Vested(2)	(305,000)	44.85	(9,845)	35.69	(16,844)	45.81	(533,985)	15.24
Forfeited					(1,462)	33.74		
Balance at September 30, 2012	200,000	\$ 38.63	20,924	\$ 49.36	3,369	\$ 34.84	114,677	\$ 52.19

(1) Value represents the weighted-average grant date fair value.

(2) On February 7, 2012, the compensation committee determined that the LTIP Units granted under the LTIP on February 28, 2011 had vested at the 150% level based on the Company's percentile ranking in terms of Total Return per common stock share to the Total Return of a group of peer REITs during the period of February 1, 2011 to January 31, 2012. As a result, the compensation committee granted an additional 95,000 LTIP Units, which vested as of January 31, 2012.

The following table summarizes the activity of the SARs and stock options outstanding:

	SARs		Stock Options	
	Shares	Value(1)	Shares	Value(1)
Balance January 1, 2012	1,156,985	\$ 56.55	13,500	\$ 30.08
Granted	39,932	59.57	10,068	59.57
Exercised	(32,732)	56.63	(8,100)	28.47
Forfeited				
Balance at September 30, 2012	1,164,185	\$ 56.65	15,468	\$ 50.12

(1) Value represents the weighted-average exercise price.

20. Income Taxes:

The Company has made taxable REIT subsidiary elections for all of its corporate subsidiaries other than its qualified REIT subsidiaries. The elections, effective for the year beginning January 1, 2001 and future years, were made pursuant to section 856(l) of the Code. The Company's Taxable REIT Subsidiaries ("TRSs") are subject to corporate level income taxes which are provided for in the Company's consolidated financial statements. The Company's primary TRSs include Macerich Management Company and Macerich Arizona Partners LLC.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****20. Income Taxes: (Continued)**

The income tax benefit of the TRSs is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Current	\$	\$	\$	\$
Deferred	934	1,566	2,159	5,811
Income tax benefit	\$ 934	\$ 1,566	\$ 2,159	\$ 5,811

The net operating loss carryforwards are currently scheduled to expire through 2032, beginning in 2021. Net deferred tax assets of \$31,342 and \$26,829 were included in deferred charges and other assets, net at September 30, 2012 and December 31, 2011, respectively.

The tax returns for the years 2008-2011 remain open to examination by the taxing jurisdictions to which the Company is subject. The Company does not expect that the total amount of unrecognized tax benefits will materially change within the next twelve months.

21. Subsequent Events:

On October 3, 2012, the Company acquired the 75% ownership interest in FlatIron Crossing, a 1,481,000 square foot regional shopping center in Broomfield, Colorado, that it did not own for a cash payment of \$195,900 plus its pro rata share of the mortgage loan payable of \$126,795.

On October 21, 2012, the Company entered into an agreement to acquire Kings Plaza, a 1,200,000 square foot regional shopping center in Brooklyn, New York, for a purchase price of \$751,000 of which the seller has the option to receive up to \$30,000 of the purchase price in the form of restricted common shares of the Company. Concurrently, the Company entered into an agreement to acquire Green Acres Mall, a 1,800,000 square foot regional shopping center in Valley Stream, New York, for a purchase price of \$500,000. The Company expects to fund both acquisitions from borrowings under its line of credit and from the placement of mortgage notes payable on the properties. The Company expects to complete the acquisition of Kings Plaza during the three months ended December 31, 2012 and Green Acres Mall during the three months ended March 31, 2013. The Company's obligation to acquire Green Acres Mall is subject to the completion of the Kings Plaza acquisition, other than by reason of a default by the Company.

On October 25, 2012, the Company announced a dividend/distribution of \$0.58 per share for common stockholders and OP Unit holders of record on November 12, 2012. All dividends/distributions will be paid 100% in cash on December 7, 2012.

On October 26, 2012, the Company acquired the 33.3% ownership interest in Arrowhead Towne Center, a 1,196,000 square foot regional shopping center in Glendale, Arizona, that it did not own for \$144,400. The Company funded the purchase price by a cash payment of \$69,026 and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$75,374.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

IMPORTANT INFORMATION RELATED TO FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of The Macerich Company (the "Company") contains or incorporates statements that constitute forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "should," "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," "scheduled" and variations of these words and similar expressions. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Forward-looking statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters:

expectations regarding the Company's growth;

the Company's beliefs regarding its acquisition, redevelopment, development, leasing and operational activities and opportunities, including the performance of its retailers;

the Company's acquisition, disposition and other strategies;

regulatory matters pertaining to compliance with governmental regulations;

the Company's capital expenditure plans and expectations for obtaining capital for expenditures;

the Company's expectations regarding income tax benefits;

the Company's expectations regarding its financial condition or results of operations; and

the Company's expectations for refinancing its indebtedness, entering into and servicing debt obligations and entering into joint venture arrangements.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. You are urged to carefully review the disclosures we make concerning risks and other factors that may affect our business and operating results, including those made in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011, as well as our other reports filed with the Securities and Exchange Commission (the "SEC"), which disclosures are incorporated herein by reference. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless required by law to do so.

Management's Overview and Summary

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, the Operating Partnership. As of September 30, 2012, the Operating Partnership owned or had an ownership interest in 59 regional shopping centers and ten community shopping centers totaling approximately 62 million square feet of gross leasable area. These 69 regional and community shopping centers are referred to hereinafter as the "Centers," unless the context otherwise requires. The Company is a self-administered and self-managed REIT and conducts all of its operations through the Operating Partnership and the Management Companies.

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The following discussion is based primarily on the consolidated financial statements of the Company for the three and nine months ended September 30, 2012 and 2011. It compares the results of operations for the three months ended September 30, 2012 to the results of operations for the three months ended September 30, 2011, and it compares the results of operations and cash flows for the nine months ended September 30, 2012 to the results of operations and cash flows for the nine months ended September 30, 2011. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Acquisitions and Dispositions:

On February 24, 2011, the Company's joint venture in Kierland Commons Investment LLC ("KCI") acquired an additional ownership interest in PHXAZ/Kierland Commons, L.L.C. ("Kierland Commons"), a 433,000 square foot regional shopping center in Scottsdale, Arizona. As a result of this transaction, the Company's ownership interest in KCI increased from 24.5% to 50.0%. The Company's share of the purchase price consisted of a cash payment of \$34.2 million and the assumption of a pro rata share of debt of \$18.6 million.

On February 28, 2011, the Company, in a 50/50 joint venture, acquired The Shops at Atlas Park, a 376,000 square foot community center in Queens, New York, for a total purchase price of \$53.8 million. The Company's share of the purchase price was \$26.9 million and was funded from the Company's cash on hand.

On February 28, 2011, the Company acquired the additional 50% ownership interest in Desert Sky Mall, an 893,000 square foot regional shopping center in Phoenix, Arizona, that it did not own. The total purchase price was \$27.6 million, which included the assumption of the third party's pro rata share of the mortgage note payable on the property of \$25.8 million. Concurrent with the purchase of the partnership interest, the Company paid off the \$51.5 million loan on the property.

On April 29, 2011, the Company purchased a fee interest in a freestanding Kohl's store at Capitola Mall in Capitola, California for \$28.5 million. The purchase price was paid from cash on hand.

On June 3, 2011, the Company acquired an additional 33.3% ownership interest in Arrowhead Towne Center, a 1,196,000 square foot regional shopping center in Glendale, Arizona, an additional 33.3% ownership interest in Superstition Springs Center, a 1,205,000 square foot regional shopping center in Mesa, Arizona and an additional 50% ownership interest in the land under Superstition Springs Center ("Superstition Springs Land") in exchange for the Company's ownership interest in six anchor stores, including five former Mervyn's stores and a cash payment of \$75.0 million. The cash purchase price was funded from borrowings under the Company's line of credit. This transaction is referred to herein as the "GGP Exchange".

On July 22, 2011, the Company acquired Fashion Outlets of Niagara Falls USA, a 530,000 square foot outlet center in Niagara Falls, New York. The initial purchase price of \$200.0 million was funded by a cash payment of \$78.6 million and the assumption of the mortgage note payable of \$121.4 million. The cash purchase price was funded from borrowings under the Company's line of credit. The purchase and sale agreement includes contingent consideration based on the performance of Fashion Outlets of Niagara Falls USA from the acquisition date through July 21, 2014 that could increase the purchase price from the initial \$200.0 million up to a maximum of \$218.7 million. As of September 30, 2012, the Company estimated the fair value of the contingent consideration as \$15.7 million, which has been included in other accrued liabilities.

On December 31, 2011, the Company and its joint venture partner reached agreement for the distribution and conveyance of interests in SDG Macerich that owned 11 regional malls in a 50/50 partnership. Six of the eleven assets were distributed to the Company on December 31, 2011. The Company received 100% ownership of Eastland Mall in Evansville, Indiana, Lake Square Mall in

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Leesburg, Florida, SouthPark Mall in Moline, Illinois, Southridge Mall in Des Moines, Iowa, NorthPark Mall in Davenport, Iowa and Valley Mall in Harrisonburg, Virginia (collectively referred to herein as the "SDG Acquisition Properties"). These wholly-owned assets were recorded at fair value at the date of transfer, which resulted in a gain to the Company of \$188.3 million. The gain reflected the fair value of the net assets received in excess of the book value of the Company's interest in SDG Macerich. The distribution and conveyance of the properties from SDG Macerich to the Company is referred to herein as the "SDG Transaction".

On February 29, 2012, the Company acquired a 326,000 square foot mixed-use retail/office building ("500 North Michigan Avenue") in Chicago, Illinois for \$70.9 million. The building is adjacent to The Shops at North Bridge. The purchase price was paid from borrowings under the Company's line of credit.

On March 30, 2012, the Company sold its 50% ownership interest in Chandler Village Center, a 273,439 square foot community center in Chandler, Arizona, for a total sales price of \$14.8 million, resulting in a gain on the sale of assets of \$8.2 million. The sales price was funded by a cash payment of \$6.0 million and the assumption of the Company's share of the mortgage note payable on the property of \$8.8 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 30, 2012, the Company sold its 50% ownership interest in Chandler Festival, a 500,426 square foot community center in Chandler, Arizona, for a total sales price of \$31.0 million, resulting in a gain on the sale of assets of \$12.3 million. The sales price was funded by a cash payment of \$16.2 million and the assumption of the Company's share of the mortgage note payable on the property of \$14.8 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 30, 2012, the Company's joint venture in SanTan Village Power Center, a 491,037 square foot community center in Gilbert, Arizona, sold the property for \$54.8 million, resulting in a gain on the sale of assets of \$23.3 million for the joint venture. The Company's pro rata share of the gain recognized was \$7.9 million.

On April 30, 2012, the Company sold The Borgata, a 93,693 square foot community center in Scottsdale, Arizona, for \$9.2 million, resulting in a loss on the sale of \$1.3 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 17, 2012, the Company sold Hilton Village, a 79,814 square foot community center in Scottsdale, Arizona, for \$24.8 million, resulting in a gain on the sale of assets of \$3.1 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 31, 2012, the Company sold its 50% ownership interest in Chandler Gateway, a 259,535 square foot community center in Chandler, Arizona, for a total sales price of \$14.3 million, resulting in a gain on the sale of assets of \$3.4 million. The sales price was funded by a cash payment of \$4.9 million and the assumption of the Company's share of the mortgage note payable on the property of \$9.4 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On June 28, 2012, the Company sold Carmel Plaza, a 111,945 square foot community center in Carmel, California, for \$52.0 million, resulting in a gain on the sale of assets of \$7.8 million. The Company used the proceeds from the sale to pay down its line of credit.

On August 10, 2012, the Company was bought out of its ownership interest in NorthPark Center, a 1,946,178 square foot regional shopping center in Dallas, Texas, for \$118.8 million, resulting in a gain of \$24.6 million. The Company used the cash proceeds to pay down its line of credit.

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On October 3, 2012, the Company acquired the 75% ownership interest in FlatIron Crossing, a 1,481,000 square foot regional shopping center in Broomfield, Colorado, that it did not own for a cash payment of \$195.9 million plus its pro rata share of the mortgage loan payable of \$126.8 million.

On October 21, 2012, the Company entered into an agreement to acquire Kings Plaza, a 1,200,000 square foot regional shopping center in Brooklyn, New York, for a purchase price of \$751.0 million, of which the seller has the option to receive up to \$30.0 million of the purchase price in the form of restricted shares of common stock of the Company. Concurrently, the Company entered into an agreement to acquire Green Acres Mall, a 1,800,000 square foot regional shopping center in Valley Stream, New York, for a purchase price of \$500.0 million. The Company expects to fund both acquisitions from borrowings under its line of credit and from the placement of mortgage notes payable on the properties. The Company expects to complete the acquisition of Kings Plaza during the three months ended December 31, 2012 and Green Acres Mall during the three months ended March 31, 2013. The Company's obligation to acquire Green Acres Mall is subject to the completion of the Kings Plaza acquisition, other than by reason of a default by the Company.

On October 26, 2012, the Company acquired the 33.3% ownership interest in Arrowhead Towne Center, a 1,196,000 square foot regional shopping center in Glendale, Arizona, that it did not own for \$144.4 million. The Company funded the purchase price by a cash payment of \$69.0 million and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$75.4 million.

Mervyn's:

In December 2007, the Company purchased a portfolio of ground leasehold interests and/or fee interests in 39 freestanding Mervyn's stores located in the Southwest United States. In January 2008, the Company purchased a ground leasehold interest in a freestanding Mervyn's store located in Hayward, California and in February 2008, the Company purchased a fee simple interest in a freestanding Mervyn's store located in Monrovia, California. These former Mervyn's stores are referred to herein as the "Mervyn's Properties." Mervyn's filed for bankruptcy protection in July 2008 and rejected all of its leases during the remainder of the year.

On March 4, 2011, the Company sold a fee interest in a former Mervyn's store in Santa Fe, New Mexico, for \$3.7 million, resulting in a loss on the sale of \$1.9 million. The Company used the proceeds from the sale for general corporate purposes.

On June 3, 2011, the Company disposed of five former Mervyn's stores in connection with the GGP Exchange (See "Acquisitions and Dispositions").

On October 14, 2011, the Company sold a former Mervyn's store in Salt Lake City, Utah, for \$8.1 million, resulting in a gain on the sale of \$3.8 million. The proceeds from the sale were used for general corporate purposes.

On November 30, 2011, the Company sold a former Mervyn's store in West Valley City, Utah, for \$2.3 million, resulting in a loss on the sale of \$0.2 million. The proceeds from the sale were used for general corporate purposes.

On May 11, 2012, the Company sold a former Mervyn's store in Montebello, California for \$20.8 million, resulting in a loss on the sale of \$0.4 million. The proceeds from the sale were used for general corporate purposes.

Currently, four former Mervyn's stores in the Company's portfolio remain vacant. The Company is actively seeking replacement tenants for these spaces.

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Other Transactions and Events:

On July 15, 2010, a court appointed receiver assumed operational control of Valley View Center and responsibility for managing all aspects of the property. In March 2012, the Company recorded an impairment charge of \$54.3 million to write down the carrying value of the long-lived assets to its estimated fair value. On April 23, 2012, the property was sold by the receiver for \$33.5 million, which resulted in a gain on the extinguishment of debt of \$104.0 million.

On April 1, 2011, the Company's joint venture in SDG Macerich conveyed Granite Run Mall to the mortgage note lender by a deed-in-lieu of foreclosure. The mortgage note was non-recourse. The Company's pro rata share of gain on extinguishment of debt was \$7.8 million.

On May 11, 2011, the non-recourse mortgage note payable on Shoppingtown Mall went into maturity default. As a result of the maturity default and the corresponding reduction of the estimated holding period, the Company recognized an impairment charge of \$35.7 million to write-down the carrying value of the long-lived assets to its estimated fair value. On September 14, 2011, the Company exercised its right and redeemed the outside ownership interests in the Center for a cash payment of \$11.4 million. On December 30, 2011, the Company conveyed the property to the mortgage note lender by a deed-in-lieu of foreclosure. As a result of the conveyance, the Company recognized an additional \$3.9 million loss on the disposal of the property.

On May 31, 2012, the Company conveyed Prescott Gateway, a 583,959 square foot regional shopping center in Prescott, Arizona, to the mortgage note lender by a deed-in-lieu of foreclosure. The mortgage loan was non-recourse. As a result of the conveyance, the Company recognized a gain on extinguishment of debt of \$16.3 million.

Redevelopment and Development Activity:

In August 2011, the Company entered into a joint venture agreement with a subsidiary of AWE/Talisman for the development of Fashion Outlets of Chicago in the Village of Rosemont, Illinois. The Company will own 60% of the joint venture and AWE/Talisman will own 40%. The Center will be a fully enclosed two level, 528,000 square foot outlet center. The site is located within a mile of O'Hare International Airport. The project broke ground in November 2011 and is expected to be completed in Summer 2013. The total estimated project cost is approximately \$200.0 million. As of September 30, 2012, the joint venture has incurred \$61.8 million of development costs. On March 2, 2012, the joint venture obtained a construction loan on the property that allows for borrowings up to \$140.0 million, bears interest at LIBOR plus 2.50% and matures March 2, 2017. As of September 30, 2012, no borrowings have been made under the loan. Fashion Outlets of Chicago is referred to herein as the Development Property.

The Company's joint venture in Tysons Corner, a 1,985,000 square foot regional shopping center in McLean, Virginia, is currently expanding the property to include a 500,000 square foot office building, a 450 unit residential tower and a 300 room hotel. The joint venture started the expansion project in October 2011 and expects it to be completed in Fall 2014. The total cost of the project is estimated at \$600.0 million, of which \$300.0 million is estimated to be the Company's pro rata share. The Company has funded \$48.6 million of the total of \$97.2 million incurred by the joint venture as of September 30, 2012.

Inflation:

In the last three years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically through the lease term. These rent increases are either in fixed increments or based on an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, about 6% to 15% of the leases

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expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. The Company has generally entered into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center, which places the burden of cost control on the Company. Additionally, certain leases require the tenants to pay their pro rata share of operating expenses.

Seasonality:

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season and the majority of percentage rent is recognized in the fourth quarter. As a result of the above, earnings are generally higher in the fourth quarter.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires 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.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, and estimates for environmental matters. The Company's significant accounting policies are described in more detail in Note 2 Summary of Significant Accounting Policies in the Company's Notes to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K. However, the following policies are deemed to be critical.

Revenue Recognition:

Minimum rental revenues are recognized on a straight-line basis over the term of the related lease. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight line rent adjustment." Currently, approximately 62% of the mall store and freestanding store leases contain provisions for CPI rent increases periodically throughout the term of the lease. The Company believes that using an annual multiple of CPI increases, rather than fixed contractual rent increases, results in revenue recognition that more closely matches the cash revenue from each lease and will provide more consistent rent growth throughout the term of the leases. Percentage rents are recognized when the tenants' specified sales targets have been met. Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred. Other tenants pay a fixed rate and these tenant recoveries' revenues are recognized on a straight-line basis over the term of the related leases.

Property:

Maintenance and repair expenses are charged to operations as incurred. Costs for major replacements and betterments, which includes HVAC equipment, roofs, parking lots, etc., are capitalized and depreciated over their estimated useful lives. Gains and losses are recognized upon disposal or retirement of the related assets and are reflected in earnings.

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Property is recorded at cost and is depreciated using a straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Tenant improvements	5 - 7 years
Equipment and furnishings	5 - 7 years

Capitalization of Costs:

The Company capitalizes costs incurred in redevelopment, development, renovation and improvement of properties. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. These capitalized costs include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs. Capitalized indirect costs are allocated to development and redevelopment activities based on the square footage of the portion of the building not held available for immediate occupancy. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once work has been completed on a vacant space, project costs are no longer capitalized. For projects with extended lease-up periods, the Company ends the capitalization when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the construction is substantially complete.

Accounting for Acquisitions:

The Company first determines the value of land and buildings utilizing an "as if vacant" methodology. The Company then assigns the fair value to any debt assumed at acquisition. The Company then allocates the purchase price based on fair value of the land, building, tenant improvements and identifiable intangible assets received and liabilities assumed. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and are amortized over the remaining lease terms plus an estimate of renewal of the acquired leases. Above or below market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below market.

The allocated values of above and below-market leases are amortized into minimum rents on a straight-line basis over the individual remaining lease terms. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates

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economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the center, the Company's relationship with the tenant and the availability of competing tenant space.

The Company immediately expenses costs associated with business combinations as period costs.

Asset Impairment:

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.

The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other than temporary.

Fair Value of Financial Instruments:

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

Table of Contents*Deferred Charges:*

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the agreement using the straight-line method. As these deferred leasing costs represent productive assets incurred in connection with the Company's provision of leasing arrangements at the Centers, the related cash flows are classified as investing activities within the Company's Consolidated Statements of Cash Flows. Costs relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. In-place lease values are amortized over the remaining lease term plus an estimate of the renewal term. Leasing commissions and legal costs are amortized on a straight-line basis over the individual remaining lease years. The ranges of the terms of the agreements are as follows:

Deferred lease costs	1 - 15 years
Deferred financing costs	1 - 15 years
In-place lease values	Remaining lease term plus an estimate for renewal
Leasing commissions and legal costs	1 - 10 years

Results of Operations

Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting the Company's properties described above, including the Acquisition Properties (as defined below) and the Development Property.

For purposes of the discussion below, the Company defines "Same Centers" as those Centers that are substantially complete and in operation for the entirety of both periods of the comparison. Non-Same Centers for comparison purposes include recently acquired properties ("Acquisition Properties") and those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center ("Development Properties"). The Company moves a Center in and out of Same Centers based on whether the Center is substantially complete and in operation for the entirety of both periods of the comparison. Accordingly, the Same Centers consists of all consolidated centers, excluding the Acquisition Properties and the Development Properties for the periods of comparison.

For comparison of the three months ended September 30, 2012 to the three months ended September 30, 2011, the Acquisition Properties include Fashion Outlets of Niagara Falls USA, the SDG Acquisition Properties and 500 North Michigan Avenue. For comparison of the nine months ended September 30, 2012 to the nine months ended September 30, 2011, the Acquisition Properties include Desert Sky Mall, the Kohl's store at Capitola Mall, Superstition Springs Land, Fashion Outlets of Niagara Falls USA, the SDG Acquisition Properties and 500 North Michigan Avenue. The increase in revenues and expenses of the Acquisition Properties during the three and nine months ended September 30, 2012 in comparison to the three and nine months ended September 30, 2011 is primarily due to the inclusion of the SDG Acquisition Properties in the results of operations in 2012. (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Unconsolidated joint ventures are reflected using the equity method of accounting. The Company's pro rata share of the results from these Centers is reflected in the Consolidated Statements of Operations as equity in income of unconsolidated joint ventures.

The Company considers tenant annual sales per square foot (for tenants in place for a minimum of 12 months and 10,000 square feet and under) for regional shopping centers, occupancy rates (excluding large retail stores or "Anchors") for the Centers and releasing spreads (i.e. a comparison of average base rent per square foot on leases executed during the trailing twelve months to average base

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rent per square foot on leases expiring during the year based on spaces 10,000 square feet and under) to be key performance indicators of the Company's internal growth.

Tenant sales per square foot increased from \$467 for the twelve months ended September 30, 2011 to \$511 for the twelve months ended September 30, 2012. Occupancy rate increased from 91.9% at September 30, 2011 to 93.0% at September 30, 2012. Releasing spreads increased 18.5% for the twelve months ended September 30, 2012. These calculations exclude Valley View Center, Granite Run Mall, Shoppingtown Mall, Prescott Gateway and Centers under development or redevelopment.

The Company's recent trend of retail sales growth continued during the twelve months ended September 30, 2012 with tenant sales per square foot and releasing spreads increasing compared to the twelve months ended September 30, 2011. The Company expects that releasing spreads will continue to be positive during the remainder of 2012 as it renews or relets leases that are scheduled to expire during the year. The Company's occupancy rate as of September 30, 2012 also increased compared to September 30, 2011. Although certain aspects of the U.S. economy, the retail industry as well as the Company's operating results have continued to improve, economic and political uncertainty remains in various parts of the world. In addition, the U.S. economy is still experiencing weakness, high levels of unemployment have persisted and rental rates and valuations for retail space have not fully recovered to pre-recession levels. Any further continuation of these adverse conditions could harm the Company's business, results of operations and financial condition.

Comparison of Three Months Ended September 30, 2012 and 2011

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") increased \$12.3 million, or 11.0%, from 2011 to 2012. The increase in rental revenue is attributed to an increase of \$12.3 million from the Acquisition Properties. Rental revenue includes the amortization of above and below-market leases, the amortization of straight-line rents and lease termination income. The amortization of above and below-market leases decreased from \$2.6 million in 2011 to \$0.5 million in 2012. The amortization of straight-line rents decreased from \$2.4 million in 2011 to \$1.8 million in 2012. Lease termination income remained constant at \$1.3 million in 2011 and 2012.

Tenant recoveries increased \$5.0 million, or 7.8%, from 2011 to 2012. This increase in tenant recoveries is attributed to an increase of \$5.6 million from the Acquisition Properties offset in part by a decrease of \$0.6 million from the Same Centers.

Management Companies' revenue increased from \$9.8 million in 2011 to \$9.9 million in 2012 due primarily to an increase in development fees.

Shopping Center and Operating Expenses:

Shopping center and operating expenses increased \$4.6 million, or 7.3%, from 2011 to 2012. The increase in shopping center and operating expenses is attributed to an increase of \$7.1 million from the Acquisition Properties offset in part by a decrease of \$2.5 million from the Same Centers. The decrease from the Same Centers is primarily attributed to a decrease in utilities, property taxes and other operating expenses.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased \$0.5 million from 2011 to 2012 due to an increase in compensation costs in 2012.

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REIT General and Administrative Expenses:

REIT general and administrative expenses increased by \$0.6 million from 2011 to 2012 due to an increase in compensation costs in 2012.

Depreciation and Amortization:

Depreciation and amortization increased \$7.9 million from 2011 to 2012. The increase in depreciation and amortization is primarily attributed to an increase of \$8.0 million from the Acquisition Properties offset in part by a decrease of \$0.1 million from the Same Centers.

Interest Expense:

Interest expense decreased \$1.1 million from 2011 to 2012. The decrease in interest expense was primarily attributed to decreases of \$8.0 million from the Senior Notes which were paid off in full in March 2012 (See Liquidity and Capital Resources) offset in part by increases of \$3.5 million from the Acquisition Properties, \$1.3 million from the borrowings under the Company's line of credit, \$1.1 million from the Same Centers, \$0.8 million from the term loan (See Liquidity and Capital Resources) and \$0.2 million from the Development Property.

The above interest expense items are net of capitalized interest, which was \$3.0 million in 2011 and 2012.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased \$0.7 million from 2011 to 2012.

Gain on Remeasurement, Sale or Write Down of Assets, net:

Gain on remeasurement, sale or write down of assets increased \$20.9 million from 2011 to 2012. The increase is primarily attributed to the \$24.6 million gain on the buyout of the Company's ownership interest in NorthPark Center in 2012 offset in part by the write down of certain development costs.

Income (Loss) From Discontinued Operations:

Income from discontinued operations increased \$4.3 million from 2011 to 2012. The increase in income from discontinued operations is primarily due to the \$4.0 million loss from operations at Valley View Center in 2011 (See "Other Transactions and Events" in Management's Overview and Summary).

Net Income:

Net income increased \$33.0 million from 2011 to 2012. The increase is primarily attributed to the increase in gain on remeasurement, sale or write down of assets, net of \$20.9 million and the increase in income from discontinued operations of \$4.3 million as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO diluted increased 8.3% from \$104.2 million in 2011 to \$112.9 million in 2012. For a reconciliation of FFO and FFO diluted to net income available to the common stockholders, the most directly comparable GAAP financial measure, see "Funds from Operations and Adjusted Funds from Operations."

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Comparison of Nine Months Ended September 30, 2012 and 2011

Revenues:

Rental revenue increased by \$43.5 million, or 13.4%, from 2011 to 2012. The increase in rental revenue is attributed to an increase of \$45.5 million from the Acquisition Properties offset in part by a decrease of \$2.0 million from the Same Centers. The amortization of above and below-market leases decreased from \$6.7 million in 2011 to \$4.3 million in 2012. The amortization of straight-line rents increased from \$3.9 million in 2011 to \$4.4 million in 2012 primarily because of the Acquisition Properties. Lease termination income decreased from \$4.4 million in 2011 to \$3.6 million in 2012.

Tenant recoveries increased \$18.1 million, or 10.1%, from 2011 to 2012. This increase in tenant recoveries is attributed to an increase of \$18.7 million from the Acquisition Properties offset in part by a decrease of \$0.6 million from the Same Centers.

Management Companies revenue increased from \$28.5 million in 2011 to \$30.7 million in 2012 due primarily to an increase in development fees.

Shopping Center and Operating Expenses:

Shopping center and operating expenses increased \$19.0 million, or 10.6%, from 2011 to 2012. The increase in shopping center and operating expenses is attributed to an increase of \$23.2 million from the Acquisition Properties offset in part by a decrease of \$4.2 million from the Same Centers. The decrease at the Same Centers is primarily attributed to a decrease in utilities and other operating expenses.

Management Companies' Operating Expenses:

Management Companies' operating expenses decreased \$0.1 million from 2011 to 2012.

REIT General and Administrative Expenses:

REIT general and administrative expenses decreased by \$0.6 million from 2011 to 2012.

Depreciation and Amortization:

Depreciation and amortization increased \$32.6 million from 2011 to 2012. The increase in depreciation and amortization is primarily attributed to an increase of \$28.3 million from the Acquisition Properties and \$4.3 million from the Same Centers.

Interest Expense:

Interest expense decreased \$8.0 million from 2011 to 2012. The decrease in interest expense was primarily attributed to decreases of \$19.3 million from the Senior Notes, which were paid off in full in March 2012 (See Liquidity and Capital Resources), \$5.3 million from the Same Centers and \$0.2 million from the Development Property offset in part by increases of \$13.4 million from the Acquisition Properties, \$2.4 million from the term loan (See Liquidity and Capital Resources) and \$1.0 million from the borrowings under the Company's line of credit. The decrease in interest expense at the Same Centers is primarily attributed to the maturity of a \$400.0 million interest rate swap agreement in April 2011.

The above interest expense items are net of capitalized interest, which decreased from \$9.6 million in 2011 to \$7.9 million in 2012, primarily due to a decrease in interest rates.

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Loss on Early Extinguishment of Debt:

The loss on early extinguishment of debt of \$9.1 million in 2011 is attributed to the prepayment of the mortgage note payable on Chesterfield Towne Center.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased \$6.9 million from 2011 to 2012. The decrease is primarily attributed to the \$7.8 million pro rata share of the gain on extinguishment of debt on Granite Run Mall in 2011 (See "Other Transactions and Events" in Management's Overview and Summary).

Gain on Remeasurement, Sale or Write Down of Assets:

Gain on remeasurement, sale or write down of assets increased \$36.5 million from 2011 to 2012. The increase is primarily attributed to the buyout of the Company's ownership interest in NorthPark Center in 2012 and the sales of the Company's ownership interests in Chandler Festival, Chandler Village Center and Chandler Gateway in 2012 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Income (Loss) From Discontinued Operations:

Income from discontinued operations increased \$120.0 million from 2011 to 2012. The increase in income from discontinued operations is primarily due to the gain on extinguishment of debt of \$104.0 million on Valley View Center and \$16.3 million on Prescott Gateway in 2012, the \$7.8 million gain on the sale of Carmel Plaza in 2012 and the impairment charge of \$35.7 million on Shoppingtown Mall in 2011 offset in part by the impairment charge of \$54.3 million on Valley View Center in 2012 (See "Other Transactions and Events" in Management's Overview and Summary).

Net Income (Loss):

Net income increased \$186.7 million from 2011 to 2012. The increase is primarily attributed to the increases in income from discontinued operations of \$120.0 million and the gain on remeasurement, sale or write down of assets of \$36.5 million as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO diluted increased 58.6% from \$280.8 million in 2011 to \$445.3 million in 2012. For a reconciliation of FFO and FFO diluted to net income (loss) available to the common stockholders, the most directly comparable GAAP financial measure, see "Funds from Operations and Adjusted Funds from Operations."

Operating Activities:

Cash provided by operating activities increased from \$180.5 million in 2011 to \$256.2 million in 2012. The increase was primarily due to changes in assets and liabilities and the results at the Acquisition Properties as discussed above.

Investing Activities:

Cash provided by investing activities increased from a deficit of \$184.5 million in 2011 to a surplus of \$91.5 million in 2012. The increase in cash provided by investing activities was primarily due to an increase of \$124.4 million in proceeds from the sale of assets and a decrease of \$102.3 million in contributions to unconsolidated joint ventures offset in part by a decrease of \$38.0 million in acquisitions of property, development, redevelopment, expansion, renovations and property

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improvements. The increase in proceeds from the sale of assets is primarily due to the buyout of the Company's ownership interest in NorthPark Center and the sales of The Borgata, Carmel Plaza, Chandler Festival, Chandler Village Center, Chandler Gateway, Hilton Village and a former Mervyn's store in 2012 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Financing Activities:

Cash used in financing activities increased from \$302.2 million in 2011 to \$338.4 million in 2012. The increase in cash used in financing activities was primarily due to an increase in payments on mortgages, bank and other notes payable of \$1.4 billion offset in part by an increase in proceeds from mortgages, bank and other notes payable of \$1.1 billion and the net proceeds from the ATM Program of \$175.9 million (See Liquidity and Capital Resources).

Liquidity and Capital Resources

The Company anticipates meeting its liquidity needs for its operating expenses and debt service and dividend requirements for the next twelve months through cash generated from operations, working capital reserves and/or borrowings under its unsecured line of credit.

The following tables summarize capital expenditures incurred at the Centers:

(Dollars in thousands)	For the Nine Months Ended September 30,	
	2012	2011
Consolidated Centers:		
Acquisitions of property and equipment	\$ 86,424	\$ 294,980
Development, redevelopment, expansion and renovations	101,584	73,544
Tenant allowances	12,577	15,200
Deferred leasing charges	17,644	22,884
	\$ 218,229	\$ 406,608
Joint Venture Centers (at Company's pro rata share):		
Acquisitions of property and equipment	\$ 3,064	\$ 139,116
Development, redevelopment, expansion and renovations	54,330	27,379
Tenant allowances	4,841	5,475
Deferred leasing charges	3,407	4,104
	\$ 65,642	\$ 176,074

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable or less than 2011 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings. The Company expects to incur between \$200 million and \$300 million during the next twelve months for development, redevelopment, expansion and renovations. Capital for these major expenditures, developments and/or redevelopments has been, and is expected to continue to be obtained from a combination of debt or equity financings, which are expected to include borrowings under the Company's line of credit and construction loans. The Company has also generated liquidity in the past through equity offerings, property refinancings, joint venture transactions and the sale of non-core assets. Furthermore, the Company has filed a shelf registration statement which registered an unspecified amount of common stock, preferred stock, depository shares, debt securities, warrants, rights and units.

The capital and credit markets can fluctuate, and at times, limit access to debt and equity financing for companies. As demonstrated by the Company's recent activity, including its new \$500 million ATM

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Program discussed below and its \$1.5 billion line of credit, the Company has recently been able to access capital; however, there is no assurance the Company will be able to do so in future periods or on similar terms and conditions. Many factors impact the Company's ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions. In the event that the Company has significant tenant defaults as a result of the overall economy and general market conditions, the Company could have a decrease in cash flow from operations, which could result in borrowings under its line of credit. These events could result in an increase in the Company's proportion of floating rate debt, which would cause it to be subject to interest rate fluctuations in the future.

On August 17, 2012, the Company entered into an equity distribution agreement ("Distribution Agreement") with a number of sales agents to issue and sell, from time to time, shares of common stock, having an aggregate offering price of up to \$500 million (the "Shares"). Sales of the Shares, if any, may be made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an "at the market" offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. This offering is referred to herein as the "ATM Program." During the three months ended September 30, 2012, the Company sold 2,961,903 shares of common stock under this ATM Program in exchange for aggregate gross proceeds of \$177.9 million and net proceeds of \$175.9 million, after commissions and other transaction costs. The proceeds from the sales were used to pay down the Company's line of credit. As of September 30, 2012, \$322.1 million remained available to be sold under the ATM Program. Actual future sales will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and our capital needs. The Company has no obligation to sell the remaining shares available for sale under the ATM Program.

The Company's total outstanding loan indebtedness at September 30, 2012 was \$5.5 billion (including \$380.0 million of unsecured debt and \$1.7 billion of its pro rata share of joint venture debt). The majority of the Company's debt consists of fixed-rate conventional mortgage notes collateralized by individual properties. The Company expects that all of the maturities during the next twelve months will be refinanced, restructured, extended and/or paid off from the Company's line of credit or cash on hand. The Company's loan obligations regarding Valley View Center and Prescott Gateway were discharged on April 23, 2012 and May 31, 2012, respectively (See "Other Transactions and Events" in Management's Overview and Summary).

On March 15, 2012, the Company paid off in full the \$439.3 million of outstanding senior convertible notes ("Senior Notes") that had matured. The repayment was funded by borrowings under the Company's line of credit.

The Company has a \$1.5 billion revolving line of credit that bears interest at LIBOR plus a spread of 1.75% to 3.0% depending on the Company's overall leverage and matures on May 2, 2015 with a one-year extension option. Based on the Company's current leverage levels, the borrowing rate on the new facility is LIBOR plus 2.0%. The line of credit can be expanded, depending on certain conditions, up to a total facility of \$2.0 billion less the outstanding balance of the \$125.0 million unsecured term loan, as discussed below. All obligations under the line of credit are unconditionally guaranteed by the Company and certain of its direct and indirect subsidiaries and are secured, subject to certain exceptions, by pledges of direct and indirect ownership interests in certain of the subsidiary guarantors. At September 30, 2012, total borrowings under the line of credit were \$255.0 million with an average effective interest rate of 2.76%.

The Company has a \$125 million unsecured term loan under the Company's line of credit that bears interest at LIBOR plus a spread of 1.95% to 3.20% depending on the Company's overall leverage and matures on December 8, 2018. Based on the Company's current leverage levels, the borrowing rate is LIBOR plus 2.20%. As of September 30, 2012, the total interest rate was 2.57%.

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At September 30, 2012, the Company was in compliance with all applicable loan covenants under its agreements.

At September 30, 2012, the Company had cash and cash equivalents available of \$76.6 million.

Off-Balance Sheet Arrangements:

The Company accounts for its investments in joint ventures that it does not have a controlling interest in or is not the primary beneficiary of, using the equity method of accounting and those investments are reflected on the Consolidated Balance Sheets of the Company as "Investments in unconsolidated joint ventures" and "Distributions in excess of investments in unconsolidated joint ventures".

In addition, certain joint ventures also have secured debt that could become recourse debt to the Company or its subsidiaries, in excess of the Company's pro rata share, should the joint ventures be unable to discharge the obligations of the related debt. At September 30, 2012, the balance of the debt that could be recourse to the Company was \$370.5 million offset in part by indemnity agreements from joint venture partners for \$177.8 million. The maturities of the recourse debt, net of indemnification, are \$167.0 million in 2013, \$16.7 million in 2015 and \$9.0 million in 2016.

Additionally, as of September 30, 2012, the Company is contingently liable for \$4.2 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

Long-term Contractual Obligations:

The following is a schedule of long-term contractual obligations as of September 30, 2012 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

Contractual Obligations	Total	Payment Due by Period			
		Less than 1 year	1 - 3 years	3 - 5 years	More than five years
Long-term debt obligations (includes expected interest payments)	\$ 3,960,679	\$ 503,658	\$ 788,124	\$ 1,099,523	\$ 1,569,374
Operating lease obligations(1)	293,560	8,428	14,373	12,728	258,031
Purchase obligations(1)	66,310	66,310			
Other long-term liabilities	271,135	228,000	2,835	3,137	37,163
	\$ 4,591,684	\$ 806,396	\$ 805,332	\$ 1,115,388	\$ 1,864,568

(1) See Note 17 Commitments and Contingencies of the Company's Consolidated Financial Statements.

Funds From Operations and Adjusted Funds From Operations

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO diluted as supplemental measures for the real estate industry and a supplement to Generally Accepted Accounting Principles ("GAAP") measures. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for

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unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.

Adjusted FFO ("AFFO") excludes the FFO impact of Shoppingtown Mall and Valley View Center for the three and nine months ended September 30, 2012 and 2011. In December 2011, the Company conveyed Shoppingtown Mall to the lender by a deed-in-lieu of foreclosure. In July 2010, a court-appointed receiver assumed operational control of Valley View Center and responsibility for managing all aspects of the property. Valley View Center was sold by the receiver on April 23, 2012, and the related non-recourse mortgage loan obligation was fully extinguished on that date. On May 31, 2012, the Company conveyed Prescott Gateway to the lender by a deed-in-lieu of foreclosure and the debt was forgiven resulting in a gain on the extinguishment of debt of \$16.3 million. AFFO also excludes the gain on the extinguishment of debt on Prescott Gateway for the three and nine months ended September 30, 2012.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes that AFFO and AFFO on a diluted basis provide useful supplemental information regarding the Company's performance as they show a more meaningful and consistent comparison of the Company's operating performance and allow investors to more easily compare the Company's results without taking into account non-cash credits and charges on properties controlled by either a receiver or loan servicer. FFO and AFFO on a diluted basis are measures investors find most useful in measuring the dilutive impact of outstanding convertible securities.

FFO and AFFO do not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and are not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO and AFFO, as presented, may not be comparable to similarly titled measures reported by other real estate investment trusts.

Management compensates for the limitations of FFO and AFFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and AFFO and a reconciliation of FFO and AFFO and FFO and AFFO-diluted to net income available to common stockholders. Management believes that to further understand the Company's performance, FFO and AFFO should be compared with the Company's reported net income and considered in addition to cash flows in accordance with GAAP, as presented in the Company's Consolidated Financial Statements.

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The following reconciles net income (loss) available to common stockholders to FFO and FFO-diluted for the three and nine months ended September 30, 2012 and 2011 and FFO and FFO diluted to AFFO and AFFO diluted for the same periods (dollars and shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss) available to common stockholders	\$ 43,893	\$ 12,941	\$ 163,179	\$ (6,241)
Adjustments to reconcile net income (loss) to FFO basic:				
Noncontrolling interest in the Operating Partnership	3,469	1,163	13,575	(544)
(Gain) loss on remeasurement, sale or write-down of consolidated assets, net	(21,765)	(1,389)	4,449	33,514
Add: gain on undepreciated assets consolidated assets				2,277
Add: noncontrolling interest share of (loss) gain on remeasurement, sale or write down of consolidated joint ventures	(3)		3,535	(4)
Gain on remeasurement, sale or write-down of assets from unconsolidated joint ventures, net(1)	(135)	(23)	(11,292)	(12,583)
Add: gain on sale of undepreciated assets from unconsolidated joint ventures(1)		20		71
Depreciation and amortization on consolidated assets	72,220	67,997	222,188	198,454
Less: depreciation and amortization attributable to noncontrolling interest on consolidated joint ventures	(4,523)	(4,534)	(13,952)	(13,520)
Depreciation and amortization on unconsolidated joint ventures(1)	22,927	31,355	73,237	90,061
Less: depreciation on personal property	(3,185)	(3,329)	(9,636)	(10,711)
FFO basic and diluted	112,898	104,201	445,283	280,774
Shoppingtown Mall		290	396	312
Valley View Center		2,886	(101,116)	6,102
Prescott Gateway	54		(16,296)	
AFFO and AFFO diluted	\$ 112,952	\$ 107,377	\$ 328,267	\$ 287,188
Weighted average number of FFO shares outstanding for:				
FFO basic(2)	144,990	143,151	144,160	142,925
Adjustments for impact of dilutive securities in computing FFO diluted:				
Stock warrants	64		78	
Share and unit based compensation plans	46		18	
FFO diluted(3)	145,100	143,151	144,256	142,925

(1) Unconsolidated joint ventures are presented at the Company's pro rata share.

(2) As of September 30, 2012 and 2011, 10.8 million and 11.0 million OP Units were outstanding, respectively.

(3) The computation of FFO and AFFO diluted shares outstanding includes the effect of share and unit-based compensation plans and the Senior Notes using the treasury stock method. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the FFO and AFFO diluted computation.

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The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a ratio of fixed rate, long-term debt to total debt such that floating rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term floating rate debt through the use of interest rate caps and/or swaps with appropriately matching maturities, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of September 30, 2012 concerning the Company's long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value ("FV") (dollars in thousands):

	For the years ended September 30,							Total	FV
	2013	2014	2015	2016	2017	Thereafter			
CONSOLIDATED CENTERS:									
Long-term debt:									
Fixed rate	\$ 210,500	\$ 88,509	\$ 367,530	\$ 562,890	\$ 66,080	\$ 1,379,837	\$ 2,675,346	\$ 2,805,314	
Average interest rate	5.35%	5.41%	6.14%	5.75%	5.33%	4.44%	5.08%		
Floating rate	275,613	157,264	133,809	103,480	319,000	125,000	1,114,166	1,130,915	
Average interest rate	2.28%	5.71%	3.51%	3.07%	2.83%	2.57%	3.18%		
Total debt Consolidated Centers	\$ 486,113	\$ 245,773	\$ 501,339	\$ 666,370	\$ 385,080	\$ 1,504,837	\$ 3,789,512	\$ 3,936,229	
UNCONSOLIDATED JOINT VENTURE CENTERS:									
Long-term debt (at Company's pro rata share):									
Fixed rate	\$ 490,393	\$ 229,936	\$ 235,717	\$ 253,212	\$ 54,035	\$ 276,810	\$ 1,540,103	\$ 1,630,587	
Average interest rate	6.20%	5.24%	5.97%	6.39%	6.75%	4.44%	5.76%		
Floating rate	349	69,119	13,599	25,295	69,970		178,332	181,292	
Average interest rate	3.15%	4.75%	3.18%	3.47%	2.89%		3.71%		
Total debt Unconsolidated Joint Venture Centers	\$ 490,742	\$ 299,055	\$ 249,316	\$ 278,507	\$ 124,005	\$ 276,810	\$ 1,718,435	\$ 1,811,879	

The consolidated Centers' total fixed rate debt at September 30, 2012 and December 31, 2011 was \$2.7 billion and \$2.6 billion, respectively. The average interest rate on fixed rate debt at September 30, 2012 and December 31, 2011 was 5.08% and 5.53%, respectively. The consolidated Centers' total floating rate debt at September 30, 2012 and December 31, 2011 was \$1.1 billion and \$1.6 billion, respectively. The average interest rate on floating rate debt at September 30, 2012 and December 31, 2011 was 3.18% and 3.09%, respectively.

The Company's pro rata share of the Unconsolidated Joint Venture Centers' fixed rate debt at September 30, 2012 and December 31, 2011 was \$1.5 billion and \$1.8 billion, respectively. The average interest rate on fixed rate debt at September 30, 2012 and December 31, 2011 was 5.76% and 5.92%, respectively. The Company's pro rata share of the Unconsolidated Joint Venture Centers' floating rate debt at September 30, 2012 and December 31, 2011 was \$178.3 million and \$161.2 million, respectively. The average interest rate on the floating rate debt at September 30, 2012 and December 31, 2011 was 3.71% and 3.88%, respectively.

In addition, the Company has assessed the market risk for its floating rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately \$12.9 million per year based on \$1.3 billion of floating rate debt outstanding at September 30, 2012.

The fair value of the Company's long-term debt is estimated based on a present value model utilizing interest rates that reflect the risks associated with long-term debt of similar risk and duration.

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In addition, the method of computing fair value for mortgage notes payable included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt (See Note 10 Mortgage Notes Payable and Note 11 Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation as of September 30, 2012, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (a) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (b) is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In addition, there has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates are currently involved in any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors relating to the Company set forth under the caption "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 10, 2012, the Company, as general partner of the Operating Partnership, issued 500,000 shares of common stock of the Company upon the redemption of 500,000 common partnership units of the Operating Partnership. These shares of common stock were issued in a private placement to two limited partners of the partnership pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

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Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964)).
3.1.1	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995).
3.1.2	Articles Supplementary of the Company (with respect to the first paragraph) (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
3.1.3	Articles Supplementary of the Company (Series D Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002).
3.1.4	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-3, as amended (No. 333-88718)).
3.1.5	Articles of Amendment (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
3.1.6	Articles Supplementary (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date February 5, 2009).
3.1.7	Articles of Amendment (increased authorized shares) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date January 26, 2012).
10.1*	Amendment Number 3 to Amended and Restated Deferred Compensation Plan for Executives (September 27, 2012).
10.2*	Amendment Number 3 to Amended and Restated Deferred Compensation Plan for Senior Executives (September 27, 2012).
10.3*	2013 Deferred Compensation Plan for Executives.
10.4*	Deferred Compensation Plan Rabbi Trust between the Company and Wilmington Trust, National Association, effective as of October 1, 2012.
10.5*	Management Continuity Agreement between the Company and Thomas J. Leanse, effective as of January 1, 2013.
10.6*	Employment Agreement between the Company, The Macerich Partnership, L.P. and Thomas J. Leanse, effective as of September 1, 2012.
31.1	Section 302 Certification of Arthur Coppola, Chief Executive Officer
31.2	Section 302 Certification of Thomas O'Hern, Chief Financial Officer
32.1	Section 906 Certifications of Arthur Coppola and Thomas O'Hern
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

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Exhibit Number	Description
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

*

Represents a management contract, or compensatory plan, contract or arrangement required to be filed pursuant to Regulation S-K.

