

MACERICH CO
Form 10-Q
August 08, 2013

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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 June 30, 2013

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 August 7, 2013 of the registrant's common stock, par value \$0.01 per share: 140,537,386 shares

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

	June 30, 2013	December 31, 2012
ASSETS:		
Property, net	\$ 7,778,785	\$ 7,479,546
Cash and cash equivalents	46,943	65,793
Restricted cash	72,260	78,658
Marketable securities	23,062	23,667
Tenant and other receivables, net	96,388	103,744
Deferred charges and other assets, net	549,229	565,130
Loans to unconsolidated joint ventures	2,749	3,345
Due from affiliates	30,747	17,068
Investments in unconsolidated joint ventures	949,726	974,258
Total assets	\$ 9,549,889	\$ 9,311,209
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	\$ 272,031	\$ 274,609
Others	4,352,182	4,162,734
Total	4,624,213	4,437,343
Bank and other notes payable	566,854	824,027
Accounts payable and accrued expenses	71,641	70,251
Other accrued liabilities	320,201	318,174
Distributions in excess of investments in unconsolidated joint ventures	202,534	152,948
Co-venture obligation	86,677	92,215
Total liabilities	5,872,120	5,894,958
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 140,709,202 and 137,507,010 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	1,407	1,375
Additional paid-in capital	3,896,495	3,715,895
Accumulated deficit	(562,995)	(639,741)
Total stockholders' equity	3,334,907	3,077,529
Noncontrolling interests	342,862	338,722
Total equity	3,677,769	3,416,251
Total liabilities and equity	\$ 9,549,889	\$ 9,311,209

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 June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Minimum rents	\$ 146,992	\$ 112,612	\$ 290,707	\$ 226,379
Percentage rents	2,822	2,625	7,191	6,251
Tenant recoveries	85,364	61,625	167,827	123,605
Management Companies	10,301	9,657	20,451	20,872
Other	11,498	9,138	25,001	16,850
Total revenues	256,977	195,657	511,177	393,957
Expenses:				
Shopping center and operating expenses	82,506	62,032	165,106	124,562
Management Companies' operating expenses	22,816	23,734	45,965	46,259
REIT general and administrative expenses	6,693	5,655	12,717	10,174
Depreciation and amortization	92,333	69,169	183,136	140,699
	204,348	160,590	406,924	321,694
Interest expense:				
Related parties	3,764	3,833	7,544	7,773
Other	50,675	39,464	100,595	78,048
	54,439	43,297	108,139	85,821
Gain on early extinguishment of debt, net	(1,943)		(1,943)	
Total expenses	256,844	203,887	513,120	407,515
Equity in income of unconsolidated joint ventures	92,201	18,691	110,316	49,309
Co-venture expense	(2,138)	(1,304)	(4,179)	(2,395)
Income tax benefit	1,477	3,075	1,721	1,225
(Loss) gain on remeasurement, sale or write down of assets, net	(798)	(1,528)	4,030	17,969
Income from continuing operations	90,875	10,704	109,945	52,550
Discontinued operations:				
Gain on the disposition of assets, net	141,906	131,396	141,912	75,828
Income from discontinued operations	2,035	2,443	5,488	4,441
Total income from discontinued operations	143,941	133,839	147,400	80,269
Net income	234,816	144,543	257,345	132,819
Less net income attributable to noncontrolling interests	15,819	11,189	20,256	13,533
Net income attributable to the Company	\$ 218,997	\$ 133,354	\$ 237,089	\$ 119,286
Earnings per common share attributable to Company basic:				
Income from continuing operations	\$ 0.61	\$ 0.07	\$ 0.72	\$ 0.34
Discontinued operations	0.96	0.93	0.99	0.56

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Net income attributable to common stockholders	\$	1.57	\$	1.00	\$	1.71	\$	0.90
Earnings per common share attributable to Company diluted:								
Income from continuing operations	\$	0.61	\$	0.07	\$	0.72	\$	0.34
Discontinued operations		0.96		0.93		0.99		0.56
Net income attributable to common stockholders	\$	1.57	\$	1.00	\$	1.71	\$	0.90
Weighted average number of common shares outstanding:								
Basic		139,372,000		132,768,000		138,460,000		132,520,000
Diluted		139,526,000		132,877,000		138,581,000		132,611,000

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		Additional		Total		
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2013	137,507,010	\$ 1,375	\$ 3,715,895	\$ (639,741)	\$ 3,077,529	\$ 338,722	\$ 3,416,251
Net income				237,089	237,089	20,256	257,345
Share and unit-based compensation plans	79,429		10,868		10,868		10,868
Employee stock purchases	8,941		459		459		459
Stock offerings, net	2,456,956	25	171,149		171,174		171,174
Distributions paid (\$1.16) per share				(160,343)	(160,343)		(160,343)
Distributions to noncontrolling interests						(13,074)	(13,074)
Other			(3,889)		(3,889)		(3,889)
Conversion of noncontrolling interests to common shares	656,866	7	12,977		12,984	(12,984)	
Redemption of noncontrolling interests			(703)		(703)	(319)	(1,022)
Adjustment of noncontrolling interest in Operating Partnership			(10,261)		(10,261)	10,261	
Balance at June 30, 2013	140,709,202	\$ 1,407	\$ 3,896,495	\$ (562,995)	\$ 3,334,907	\$ 342,862	\$ 3,677,769

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 Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 257,345	\$ 132,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on early extinguishment of debt	(1,943)	
Gain on remeasurement, sale or write down of assets, net	(4,030)	(17,969)
Gain on the disposition of assets, net from discontinued operations	(141,912)	(75,828)
Depreciation and amortization	191,431	156,843
Amortization of net (premium) discount on mortgages, bank and other notes payable	(4,464)	937
Amortization of share and unit-based plans	8,780	5,510
Provision for doubtful accounts	2,583	1,582
Income tax benefit	(1,721)	(1,225)
Equity in income of unconsolidated joint ventures	(110,316)	(49,309)
Distributions of income from unconsolidated joint ventures	8,022	7,886
Co-venture expense	4,179	2,395
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	4,773	9,700
Other assets	19,376	4,226
Due from affiliates	(349)	(185)
Accounts payable and accrued expenses	(3,653)	4,838
Other accrued liabilities	(45,314)	(37,622)
Net cash provided by operating activities	182,787	144,598
Cash flows from investing activities:		
Acquisitions of property	(492,577)	(70,925)
Development, redevelopment, expansion and renovation of properties	(86,982)	(59,735)
Property improvements	(11,049)	(3,126)
Issuance of notes receivable	(13,330)	(12,500)
Proceeds from maturities of marketable securities	689	689
Deferred leasing costs	(16,769)	(14,302)
Distributions from unconsolidated joint ventures	220,102	71,522
Contributions to unconsolidated joint ventures	(42,616)	(40,918)
Collection of/loans to unconsolidated joint ventures, net	596	592
Proceeds from sale of assets	315,059	130,645
Restricted cash	6,398	5,760
Net cash (used in) provided by investing activities	(120,479)	7,702

Table of Contents**THE MACERICH COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****(Dollars in thousands)****(Unaudited)**

	For the Six Months Ended June 30,	
	2013	2012
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	\$ 2,093,503	\$ 1,235,885
Payments on mortgages, bank and other notes payable	(2,156,635)	(1,191,245)
Deferred financing costs	(5,503)	(3,000)
Net proceeds from stock offerings	171,174	
Proceeds from share and unit-based plans	459	425
Exercise of stock warrants		(3,448)
Redemption of noncontrolling interests	(1,022)	(15)
Contribution from noncontrolling interests		776
Dividends and distributions	(173,417)	(161,139)
Distributions to co-venture partner	(9,717)	(7,990)
Net cash used in financing activities	(81,158)	(129,751)
Net (decrease) increase in cash and cash equivalents	(18,850)	22,549
Cash and cash equivalents, beginning of period	65,793	67,248
Cash and cash equivalents, end of period	\$ 46,943	\$ 89,797
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	\$ 113,201	\$ 88,573
Non-cash transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	\$ 23,063	\$ 17,325
Mortgage notes payable settled by deed-in-lieu of foreclosure	\$	\$ 185,000
Application of deposit to acquire property	\$ 30,000	\$
Conversion of noncontrolling interests to common shares	\$ 12,984	\$ 11,276

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 June 30, 2013, the Company was the sole general partner of, and held a 94% 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 has 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.

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

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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)

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, 2012. 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, 2012 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

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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 six months ended June 30, 2013 and 2012 (shares in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator				
Income from continuing operations	\$ 90,875	\$ 10,704	\$ 109,945	\$ 52,550
Income from discontinued operations	143,941	133,839	147,400	80,269
Net income attributable to noncontrolling interests	(15,819)	(11,189)	(20,256)	(13,533)
Net income attributable to the Company	218,997	133,354	237,089	119,286
Allocation of earnings to participating securities	(217)	(115)	(216)	(380)
Numerator for basic and diluted earnings per share net income attributable to common stockholders	\$ 218,780	\$ 133,239	\$ 236,873	\$ 118,906
Denominator				
Denominator for basic earnings per share weighted average number of common shares outstanding	139,372	132,768	138,460	132,520
Effect of dilutive securities:(1)				
Stock warrants		68		84
Share and unit-based compensation plans	154	41	121	7
Denominator for diluted earnings per share weighted average number of common shares outstanding	139,526	132,877	138,581	132,611
Earnings per common share basic:				
Income from continuing operations	\$ 0.61	\$ 0.07	\$ 0.72	\$ 0.34
Discontinued operations	0.96	0.93	0.99	0.56
Net income attributable to common stockholders	\$ 1.57	\$ 1.00	\$ 1.71	\$ 0.90
Earnings per common share diluted:				
Income from continuing operations	\$ 0.61	\$ 0.07	\$ 0.72	\$ 0.34
Discontinued operations	0.96	0.93	0.99	0.56
Net income attributable to common stockholders	\$ 1.57	\$ 1.00	\$ 1.71	\$ 0.90

(1)

The convertible senior notes ("Senior Notes") are excluded from diluted EPS for the six months ended June 30, 2012 as their impact was antidilutive. The Senior Notes were paid off in full on March 15, 2012 (See Note 10 Bank and Other Notes Payable).

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Diluted EPS excludes 184,304 and 198,745 convertible preferred units for the three months ended June 30, 2013 and 2012, respectively, and 184,304 and 203,693 convertible preferred units for the six months ended June 30, 2013 and 2012, respectively, 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 1,154,221 unexercised stock appreciation rights ("SARs") for the six months ended June 30, 2012 as their impact was antidilutive.

Diluted EPS excludes 9,938,795 and 11,262,293 Operating Partnership units ("OP Units") for the three months ended June 30, 2013 and 2012, respectively, and 10,072,120 and 11,220,562 OP Units for the six months ended June 30, 2013 and 2012, respectively, as their impact was antidilutive.

4. Investments in Unconsolidated Joint Ventures:

During 2012 and 2013, the Company made the following investments and dispositions relating to its unconsolidated joint ventures:

On March 30, 2012, the Company sold its 50% ownership interest in Chandler Village Center, a 273,000 square foot community center in Chandler, Arizona, for a total sales price of \$14,795, resulting in a gain on sale of assets of \$8,184 that was included in gain on remeasurement, sale or write down of assets, net during the six months ended June 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 500,000 square foot community center in Chandler, Arizona, for a total sales price of \$30,975, resulting in a gain on sale of assets of \$12,347 that was included in gain on remeasurement, sale or write down of assets, net during the six months ended June 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 491,000 square foot community center in Gilbert, Arizona, sold the property for \$54,780, resulting in a gain on sale of assets to the joint venture of \$23,294. 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 \$11,502, which was included in equity in income of unconsolidated joint ventures during the six months ended June 30, 2012, offset in part by \$3,565, which was included in net income attributable to noncontrolling interests during the six months ended June 30, 2012. The Company used its share of the proceeds 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 260,000 square foot community center in Chandler, Arizona, for a total sales price of \$14,315, resulting in a gain on sale of assets of \$3,363 that was included in gain on remeasurement, sale or write down of assets, net during the six months ended June 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.

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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 August 10, 2012, the Company was bought out of its ownership interest in NorthPark Center, a 1,946,000 square foot regional shopping center in Dallas, Texas, for \$118,810, resulting in a gain of \$24,590. The Company used the cash proceeds to pay down its line of credit.

On October 3, 2012, the Company acquired the remaining 75% ownership interest in FlatIron Crossing, a 1,425,000 square foot regional shopping center in Broomfield, Colorado, that it did not own for \$310,397. The purchase price was funded by a cash payment of \$195,900 and the assumption of the third party's share of the mortgage note payable on the property of \$114,497. Prior to the acquisition, the Company had accounted for its investment in FlatIron Crossing under the equity method. Since the date of acquisition, the Company has included FlatIron Crossing in its consolidated financial statements (See Note 14 Acquisitions).

On October 26, 2012, the Company acquired the remaining 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 purchase price was funded by a cash payment of \$69,025 and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$75,375. Prior to the acquisition, the Company had accounted for its investment in Arrowhead Towne Center under the equity method. Since the date of acquisition, the Company has included Arrowhead Towne Center in its consolidated financial statements (See Note 14 Acquisitions).

On May 29, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center Office, a 582,000 square foot office building in Redmond, Washington, for \$185,000, resulting in a gain on the sale of assets of \$89,183 to the joint venture. The Company's share of the gain was \$44,438, which was included in equity in income of unconsolidated joint ventures during the three and six months ended June 30, 2013. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On June 12, 2013, the Company's joint venture in Pacific Premier Retail LP sold Kitsap Mall, a 846,000 square foot regional shopping center in Silverdale, Washington, for \$127,000, resulting in a gain on the sale of assets of \$55,166 to the joint venture. The Company's share of the gain was \$28,135, which was included in equity in income of unconsolidated joint ventures during the three and six months ended June 30, 2013. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

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:

	June 30, 2013	December 31, 2012
Assets(1):		
Properties, net	\$ 3,534,985	\$ 3,653,631
Other assets	338,541	411,862
Total assets	\$ 3,873,526	\$ 4,065,493
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	\$ 3,151,636	\$ 3,240,723
Other liabilities	181,254	148,711
Company's capital	236,045	304,477
Outside partners' capital	304,591	371,582
Total liabilities and partners' capital	\$ 3,873,526	\$ 4,065,493
Investments in unconsolidated joint ventures:		
Company's capital	\$ 236,045	\$ 304,477
Basis adjustment(3)	511,147	516,833
	\$ 747,192	\$ 821,310
Assets Investments in unconsolidated joint ventures	\$ 949,726	\$ 974,258
Liabilities Distributions in excess of investments in unconsolidated joint ventures	(202,534)	(152,948)
	\$ 747,192	\$ 821,310

(1) These amounts include the assets and liabilities of the following joint ventures as of June 30, 2013 and December 31, 2012:

	Pacific Premier Retail LP	Tysons Corner LLC
<i>As of June 30, 2013:</i>		
Total Assets	\$ 882,490	\$ 467,632
Total Liabilities	\$ 815,322	\$ 337,804
<i>As of December 31, 2012:</i>		
Total Assets	\$ 1,039,742	\$ 409,622
Total Liabilities	\$ 942,370	\$ 329,145

(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 June 30, 2013 and December 31, 2012, a total of \$51,130 and \$51,171, 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 June 30, 2013 and December 31, 2012, the Company has indemnity agreements from joint venture partners for \$21,270 of the guaranteed amount.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of \$433,641 and \$436,857 as of June 30, 2013 and December 31, 2012, 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 \$6,854 and \$10,939 for the three months ended June 30, 2013 and 2012, respectively, and \$13,797 and \$21,994 for the six months ended June 30, 2013 and 2012, 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 \$3,331 and \$3,132 for the three months ended June 30, 2013 and 2012, respectively, and \$5,893 and \$3,075 for the six months ended June 30, 2013 and 2012, 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	Tysons Corner LLC	Other Joint Ventures	Total
<i>Three Months Ended June 30, 2013</i>				
Revenues:				
Minimum rents	\$ 31,221	\$ 15,685	\$ 59,969	\$ 106,875
Percentage rents	594	180	2,936	3,710
Tenant recoveries	14,486	11,697	26,688	52,871
Other	1,643	652	11,367	13,662
Total revenues	47,944	28,214	100,960	177,118
Expenses:				
Shopping center and operating expenses	14,269	8,519	34,790	57,578
Interest expense	11,293	1,784	20,929	34,006
Depreciation and amortization	10,720	4,501	23,299	38,520
Total operating expenses	36,282	14,804	79,018	130,104
Gain on remeasurement, sale or write down of assets, net	144,349		891	145,240
Net income	\$ 156,011	\$ 13,410	\$ 22,833	\$ 192,254
Company's equity in net income	\$ 78,426	\$ 5,161	\$ 8,614	\$ 92,201
<i>Three Months Ended June 30, 2012</i>				
Revenues:				
Minimum rents	\$ 32,459	\$ 15,962	\$ 85,685	\$ 134,106
Percentage rents	771	233	3,027	4,031
Tenant recoveries	14,402	10,814	41,750	66,966
Other	1,261	669	9,780	11,710
Total revenues	48,893	27,678	140,242	216,813
Expenses:				
Shopping center and operating expenses	14,148	8,560	52,938	75,646
Interest expense	13,213	3,043	37,323	53,579
Depreciation and amortization	10,559	5,109	31,377	47,045
Total operating expenses	37,920	16,712	121,638	176,270
Loss on remeasurement, sale or write down of assets, net	(10)		(14)	(24)

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Net income	\$	10,963	\$	10,966	\$	18,590	\$	40,519
Company's equity in net income	\$	5,577	\$	4,302	\$	8,812	\$	18,691

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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>Six Months Ended June 30, 2013</i>				
Revenues:				
Minimum rents	\$ 64,353	\$ 31,182	\$ 120,930	\$ 216,465
Percentage rents	1,583	746	4,238	6,567
Tenant recoveries	28,440	22,721	53,900	105,061
Other	2,894	1,570	18,780	23,244
Total revenues	97,270	56,219	197,848	351,337
Expenses:				
Shopping center and operating expenses	28,717	17,001	70,961	116,679
Interest expense	22,867	4,024	45,046	71,937
Depreciation and amortization	21,630	8,931	45,120	75,681
Total operating expenses	73,214	29,956	161,127	264,297
Gain on remeasurement, sale or write down of assets, net	144,349		701	145,050
Net income	\$ 168,405	\$ 26,263	\$ 37,422	\$ 232,090
Company's equity in net income	\$ 84,117	\$ 10,038	\$ 16,161	\$ 110,316
<i>Six Months Ended June 30, 2012</i>				
Revenues:				
Minimum rents	\$ 66,094	\$ 31,302	\$ 175,790	\$ 273,186
Percentage rents	1,734	633	6,317	8,684
Tenant recoveries	27,876	21,629	84,162	133,667
Other	2,527	1,346	18,360	22,233
Total revenues	98,231	54,910	284,629	437,770
Expenses:				
Shopping center and operating expenses	28,310	17,074	108,861	154,245
Interest expense	26,501	6,064	76,446	109,011
Depreciation and amortization	21,021	10,185	62,430	93,636
Total operating expenses	75,832	33,323	247,737	356,892
(Loss) gain on remeasurement, sale or write down of assets, net	(10)		22,976	22,966
Net income	\$ 22,389	\$ 21,587	\$ 59,868	\$ 103,844

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Company's equity in net income	\$	11,387	\$	8,349	\$	29,573	\$	49,309
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Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****5. Property:**

Property consists of the following:

	June 30, 2013	December 31, 2012
Land	\$ 1,689,899	\$ 1,572,621
Buildings and improvements	6,530,904	6,417,674
Tenant improvements	512,875	496,203
Equipment and furnishings	149,129	149,959
Construction in progress	466,308	376,249
	9,349,115	9,012,706
Less accumulated depreciation	(1,570,330)	(1,533,160)
	\$ 7,778,785	\$ 7,479,546

Depreciation expense was \$69,013 and \$55,696 for the three months ended June 30, 2013 and 2012, respectively, and \$138,174 and \$116,207 for the six months ended June 30, 2013 and 2012, respectively.

The gain on remeasurement, sale or write down of assets, net includes the write off of development costs of \$798 and \$4,891 for the three months ended June 30, 2013 and 2012, respectively, and \$1,371 and \$5,925 during the six months ended June 30, 2013 and 2012, respectively. In addition, the gain on remeasurement, sale or write down of assets, net includes the gain on the sale of assets of \$5,401 during the six months ended June 30, 2013.

6. Marketable Securities:

Marketable securities consist of the following:

	June 30, 2013	December 31, 2012
Government debt securities, at par value	\$ 23,080	\$ 23,769
Less discount	(18)	(102)
	23,062	23,667
Unrealized gain	137	685
Fair value (Level 1 measurement)	\$ 23,199	\$ 24,352

The future contractual maturities of marketable securities are less than one year. The proceeds from maturities and interest receipts from the marketable securities are restricted to the service of the Greeley Note (See Note 10 Bank and Other Notes Payable).

7. Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of \$2,547 and \$2,374 at June 30, 2013 and December 31, 2012, respectively. Also included in tenant and other

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****7. Tenant and Other Receivables, net: (Continued)**

receivables, net, are accrued percentage rents of \$1,334 and \$9,168 at June 30, 2013 and December 31, 2012, respectively, and deferred rent receivable due to straight-line rent adjustments of \$51,745 and \$49,129 at June 30, 2013 and December 31, 2012, 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, 2031. At June 30, 2013 and December 31, 2012, the note had a balance of \$8,342 and \$8,502, respectively.

On August 18, 2009, the Company received a note receivable from J&R Holdings XV, LLC ("Pederson") that bears interest at 11.6% and 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. Interest income on the note was \$155 and \$154 for the three months ended June 30, 2013 and 2012, respectively, and \$308 and \$258 for the six months ended June 30, 2013 and 2012, respectively. The balance on the note at June 30, 2013 and December 31, 2012 was \$3,445.

8. Deferred Charges and Other Assets, net:

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

	June 30, 2013	December 31, 2012
Leasing	\$ 231,434	\$ 234,498
Financing	46,977	42,868
Intangible assets:		
In-place lease values	196,539	175,735
Leasing commissions and legal costs	49,613	46,419
Above-market leases	127,087	118,033
Deferred tax assets	31,399	33,414
Deferred compensation plan assets	27,311	24,670
Acquisition deposit		30,000
Other assets	61,316	72,811
	771,676	778,448
Less accumulated amortization(1)	(222,447)	(213,318)
	\$ 549,229	\$ 565,130

(1)

Accumulated amortization includes \$72,957 and \$62,792 relating to in-place lease values, leasing commissions and legal costs at June 30, 2013 and December 31, 2012, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was \$14,489 and \$6,553 for the three months ended June 30, 2013 and 2012, respectively, and \$28,383 and \$16,205 for the six months ended June 30, 2013 and 2012, respectively.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Deferred Charges and Other Assets, net: (Continued)

The allocated values of above-market leases and below-market leases consist of the following:

	June 30, 2013	December 31, 2012
<i>Above-Market Leases</i>		
Original allocated value	\$ 127,087	\$ 118,033
Less accumulated amortization	(44,055)	(46,361)
	\$ 83,032	\$ 71,672
<i>Below-Market Leases(1)</i>		
Original allocated value	\$ 189,511	\$ 164,489
Less accumulated amortization	(73,488)	(77,131)
	\$ 116,023	\$ 87,358

(1) Below-market leases are included in other accrued liabilities.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Mortgage Notes Payable:

Mortgage notes payable at June 30, 2013 and December 31, 2012 consist of the following:

Property Pledged as Collateral	Carrying Amount of Mortgage Notes(1)				Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
	June 30, 2013		December 31, 2012				
	Related Party	Other	Related Party	Other			
Arrowhead Towne Center	\$	\$ 239,624	\$	\$ 243,176	2.76%	\$ 1,131	2018
Chandler Fashion Center(5)		200,000		200,000	3.77%	625	2019
Chesterfield Towne Center		110,000		110,000	4.80%	573	2022
Danbury Fair Mall	118,490	118,490	119,823	119,823	5.53%	1,538	2020
Deptford Mall		203,462		205,000	3.76%	947	2023
Deptford Mall		14,676		14,800	6.46%	101	2016
Eastland Mall		168,000		168,000	5.79%	811	2016
Fashion Outlets of Chicago(6)		55,123		9,165	2.99%	124	2017
Fashion Outlets of Niagara Falls USA		125,309		126,584	4.89%	727	2020
Fiesta Mall(7)		84,000		84,000	4.98%	341	2015
Flagstaff Mall		37,000		37,000	5.03%	151	2015
FlatIron Crossing(8)				173,561			
Freehold Raceway Mall(5)		232,900		232,900	4.20%	805	2018
Fresno Fashion Fair	80,006	80,006	80,601	80,602	6.76%	1,104	2015
Great Northern Mall		35,944		36,395	5.19%	234	2013
Green Acres Mall(9)		322,920			3.61%	1,447	2021
Kings Plaza Shopping Center(10)		495,292		354,000	3.67%	2,229	2019
Northgate Mall(11)		64,000		64,000	3.07%	130	2017
Oaks, The		216,199		218,119	4.14%	1,064	2022
Pacific View		137,114		138,367	4.08%	668	2022
Paradise Valley Mall(12)		79,500		81,000	6.30%	614	2014
Promenade at Casa Grande(13)		65,230		73,700	5.21%	245	2013
Salisbury, Centre at		115,000		115,000	5.83%	555	2016
Santa Monica Place		237,929		240,000	2.99%	1,004	2018
SanTan Village Regional Center(14)		138,000		138,087	3.14%	589	2019
South Plains Mall		100,587		101,340	6.58%	648	2015
South Towne Center(15)				85,247			
Towne Mall		23,183		23,369	4.48%	117	2022
Tucson La Encantada	73,535		74,185		4.23%	368	2022
Twenty Ninth Street(16)		107,000		107,000	3.03%	251	2016
Valley Mall		42,525		42,891	5.85%	280	2016
Valley River Center		120,000		120,000	5.59%	558	2016
Victor Valley, Mall of(17)		90,000		90,000	2.75%	183	2014
Vintage Faire Mall(15)		99,774		135,000	5.81%	586	2015
Westside Pavilion		153,395		154,608	4.49%	783	2022
Wilton Mall(18)		40,000		40,000	1.20%	29	2013
	\$ 272,031	\$ 4,352,182	\$ 274,609	\$ 4,162,734			

(1)

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)****9. Mortgage Notes Payable: (Continued)**

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	June 30, 2013	December 31, 2012
Arrowhead Towne Center	\$ 16,179	\$ 17,716
Deptford Mall	(17)	(19)
Fashion Outlets of Niagara Falls USA	6,806	7,270
FlatIron Crossing		5,232
Great Northern Mall	(13)	(28)
Valley Mall	(263)	(307)
	\$ 22,692	\$ 29,864

- (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 11 Co-Venture Arrangement).
- (6) The construction loan on the property allows for borrowings up to \$140,000, bears interest at LIBOR plus 2.50% and matures on March 5, 2017, including extension options. At June 30, 2013 and December 31, 2012, the total interest rate was 2.99% and 3.00%, respectively.
- (7) The Company is in negotiations with the loan servicer, which will likely result in a transition of the property to the loan servicer or receiver.
- (8) This loan was paid off in full on June 4, 2013, which resulted in a gain of \$2,790 on the early extinguishment of debt.
- (9) On January 24, 2013, in connection with the Company's acquisition of Green Acres Mall (See Note 14 Acquisitions), the Company placed a new loan on the property that allowed for borrowings of up to \$325,000, bears interest at an effective interest rate of 3.61% and matures on February 3, 2021. Concurrent with the acquisition, the Company borrowed \$100,000 on the loan. On January 31, 2013, the Company exercised its option to borrow an additional \$225,000 on the loan.

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- (10) On January 3, 2013, the Company exercised its option to borrow an additional \$146,000 on the loan.
- (11) The loan bears interest at LIBOR plus 2.25% and matures on March 1, 2017. At June 30, 2013 and December 31, 2012, the total interest rate was 3.07% and 3.09%, respectively.
- (12) 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 June 30, 2013 and December 31, 2012, the total interest rate was 6.30%.
- (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 June 30, 2013 and December 31, 2012, the total interest rate was 5.21%.
- (14) On May 30, 2013, the joint venture replaced the existing loan on the property with a new \$138,000 loan that bears interest at 3.14% and matures on June 1, 2019.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Mortgage Notes Payable: (Continued)

- (15) On April 30, 2013, the existing loan on Vintage Faire Mall was paid off in full, resulting in a loss of \$847 on the early extinguishment of debt. Concurrently, the loan on South Towne Center was assumed by Vintage Faire Mall. An additional \$15,200 loan was added to the assumed loan that bears interest at 2.50% and matures on November 5, 2015.
- (16) The loan bears interest at LIBOR plus 2.63% and matures on January 18, 2016. At June 30, 2013 and December 31, 2012, the total interest rate was 3.03% and 3.04%, respectively.
- (17) The loan bears interest at LIBOR plus 2.25% and matures on November 6, 2014. At June 30, 2013 and December 31, 2012, the total interest rate was 2.75% and 2.12%, respectively.
- (18) The loan bore interest at LIBOR plus 0.675% and was paid off in full on August 1, 2013. As additional collateral for the loan, the Company was required to maintain a deposit of \$40,000 with the lender, which was included in restricted cash as of June 30, 2013 and December 31, 2012. The interest on the deposit was not restricted. At June 30, 2013 and December 31, 2012, the total interest rate was 1.20% and 1.22%, respectively.

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

Most of the Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company. As of June 30, 2013 and December 31, 2012, a total of \$216,421 and \$213,466, respectively, of the mortgage notes payable could become recourse to the Company. The Company had indemnity agreements from consolidated joint venture partners for \$28,208 of the guaranteed amount at December 31, 2012.

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 \$3,135 and \$2,562 during the three months ended June 30, 2013 and 2012, respectively, and \$6,642 and \$4,915 during the six months ended June 30, 2013 and 2012, respectively.

Related party mortgage notes payable are amounts due to affiliates of NML. See Note 17 Related Party Transactions for interest expense associated with loans from NML.

The fair value of mortgage notes payable at June 30, 2013 and December 31, 2012 was \$4,730,390 and \$4,567,658, 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.

10. 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. On or after December 15, 2011, the

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Bank and Other Notes Payable: (Continued)

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.

Line of Credit:

On May 2, 2011, the Company obtained a \$1,500,000 revolving line of credit that bore interest at LIBOR plus a spread of 1.75% to 3.0% depending on the Company's overall leverage and was to mature on May 2, 2015 with a one-year extension option. Based on the Company's leverage level as of June 30, 2013, the borrowing rate on the facility was LIBOR plus 2.25%. The line of credit had the ability to 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 June 30, 2013 and December 31, 2012, borrowings under the line of credit were \$405,000 and \$675,000, respectively, at an average interest rate of 2.99% and 2.76%, respectively. The fair value (Level 2 measurement) of the line of credit at June 30, 2013 and December 31, 2012 was \$409,755 and \$675,107, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

On August 6, 2013, the Company's line of credit was amended and extended. The amended facility provides for an interest rate of LIBOR plus a spread of 1.375% to 2.0%, depending on the Company's overall leverage levels and matures on August 6, 2018. The interest rate, as of the amendment date, was LIBOR plus 1.50%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total amount of \$2,000,000 (without giving effect to the \$125,000 unsecured term loan described below).

Term Loan:

On December 8, 2011, the Company obtained a \$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 leverage level as of June 30, 2013, the borrowing rate is LIBOR plus 2.20%. As of June 30, 2013 and December 31, 2012, the total interest rate was 2.79% and 2.57%, respectively. The fair value (Level 2 measurement) of the term loan at June 30, 2013 and December 31, 2012 was \$119,904 and \$121,821, 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 6 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 matures on September 1, 2013. At June 30, 2013 and December 31, 2012, the Greeley Note had a balance outstanding of \$23,593 and \$24,027, respectively. The fair value (Level 2 measurement) of the note at June 30, 2013 and December 31, 2012 was \$23,758 and \$24,685, respectively, based on current

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Bank and Other Notes Payable: (Continued)

interest rates for comparable notes. 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.

Prasada Note:

On March 29, 2013, the Company issued a \$13,330 note payable that bears interest at 5.25% and matures on March 29, 2016. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At June 30, 2013, the note had a balance of \$13,261. The fair value (Level 2 measurement) of the note at June 30, 2013 was \$14,008 based on current interest rates for comparable notes. 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 June 30, 2013 and December 31, 2012, the Company was in compliance with all applicable financial loan covenants.

11. 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 13 Stockholders' Equity. The Company received approximately \$174,650 in cash proceeds for the overall transaction, of which \$6,496 was attributed to the warrant.

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 \$86,677 and \$92,215 at June 30, 2013 and December 31, 2012, respectively.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

12. 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 94% and 93% ownership interest in the Operating Partnership as of June 30, 2013 and December 31, 2012, respectively. The remaining 6% and 7% limited partnership interest as of June 30, 2013 and December 31, 2012, 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 June 30, 2013 and December 31, 2012, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was \$579,203 and \$586,409, 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.

13. Stockholders' Equity:

Stock 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 11 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. On December 30, 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 issue 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

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

13. Stockholders' Equity: (Continued)

October 24, 2012, the holders requested a net issue 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 portion of the warrant exercised.

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 \$175,649 after commissions and other transaction costs. During the three months ended June 30, 2013, the Company sold 2,456,956 shares of common stock under the ATM Program in exchange for aggregate gross proceeds of \$173,011 and net proceeds of \$171,174 after commissions and other transaction costs. The proceeds from the sales were used to pay down the Company's line of credit.

As of June 30, 2013, \$149,093 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.

Stock Issued to Acquire Property:

On November 28, 2012, the Company issued 535,265 restricted shares of common stock in connection with the acquisition of Kings Plaza Shopping Center (See Note 14 Acquisitions) for a value of \$30,000, based on the average closing price of the Company's common stock for ten preceding trading days.

14. Acquisitions:

500 North Michigan Avenue:

On February 29, 2012, the Company acquired a 327,000 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.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****14. Acquisitions: (Continued)**

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

Property	\$ 66,033
Deferred charges	7,450
Other assets	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

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.

FlatIron Crossing:

On October 3, 2012, the Company acquired the remaining 75% ownership interest in FlatIron Crossing, a 1,425,000 square foot regional shopping center in Broomfield, Colorado, that it did not own for \$310,397. The acquisition was completed in order to gain 100% ownership and control over this asset. The purchase price was funded by a cash payment of \$195,900 and the assumption of the third party's share of the mortgage note payable on the property of \$114,497. Prior to the acquisition, the Company had accounted for its investment in FlatIron Crossing under the equity method (See Note 4 Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of FlatIron Crossing.

The following is a summary of the allocation of the fair value of FlatIron Crossing:

Property	\$ 443,391
Deferred charges	25,251
Cash and cash equivalents	3,856
Other assets	2,101
Total assets acquired	474,599
Mortgage note payable	175,720
Accounts payable	366
Other accrued liabilities	11,071
Total liabilities assumed	187,157
Fair value of acquired net assets (at 100% ownership)	\$ 287,442

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****14. Acquisitions: (Continued)**

The Company determined that the purchase price represented the fair value of the additional ownership interest in FlatIron Crossing that was acquired.

Fair value of existing ownership interest (at 25% ownership)	\$ 91,542
Carrying value of investment	(33,382)
Prior gain deferral recognized	26,067
Gain on remeasurement	\$ 84,227

The following is the reconciliation of the purchase price to the fair value of the acquired net assets:

Purchase price	\$ 310,397
Less debt assumed	(114,497)
Carrying value of investment	33,382
Remeasurement gain	84,227
Less prior gain deferral	(26,067)
Fair value of acquired net assets (at 100% ownership)	\$ 287,442

The prior gain deferral relates to the prior sale of the 75% ownership interest in FlatIron Crossing. Due to certain contractual rights that were afforded to the buyer of the interest, a portion of that gain was deferred.

Since the date of acquisition, the Company has included FlatIron Crossing in its consolidated financial statements.

Arrowhead Towne Center:

On October 26, 2012, the Company acquired the remaining 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 acquisition was completed in order to gain 100% ownership and control over this asset. The purchase price was funded by a cash payment of \$69,025 and the assumption of the third party's pro rata share of the mortgage note payable on the property of \$75,375. Prior to the acquisition, the Company had accounted for its investment in Arrowhead Towne Center under the equity method (See Note 4 Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Arrowhead Towne Center.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****14. Acquisitions: (Continued)**

The following is a summary of the allocation of the fair value of Arrowhead Towne Center:

Property	\$ 423,349
Deferred charges	31,500
Restricted cash	4,009
Tenant receivables	926
Other assets	4,234
 Total assets acquired	 464,018
 Mortgage note payable	 244,403
Accounts payable	815
Other accrued liabilities	10,449
 Total liabilities assumed	 255,667
 Fair value of acquired net assets (at 100% ownership)	 \$ 208,351

The Company determined that the purchase price represented the fair value of the additional ownership interest in Arrowhead Towne Center that was acquired.

Fair value of existing ownership interest (at 66.7% ownership)	\$ 139,326
Carrying value of investment	(23,597)
 Gain on remeasurement	 \$ 115,729

The following is the reconciliation of the purchase price to the fair value of the acquired net assets:

Purchase price	\$ 144,400
Less debt assumed	(75,375)
Carrying value of investment	23,597
Remeasurement gain	115,729
 Fair value of acquired net assets (at 100% ownership)	 \$ 208,351

Since the date of acquisition, the Company has included Arrowhead Towne Center in its consolidated financial statements.

Kings Plaza Shopping Center:

On November 28, 2012, the Company acquired Kings Plaza Shopping Center, a 1,199,000 square foot regional shopping center in Brooklyn, New York, for a purchase price of \$756,000. The purchase price was funded from a cash payment of \$726,000 and the issuance of \$30,000 in restricted common stock of the Company. The cash payment was provided by the placement of a mortgage note payable on the property that allowed for borrowings of up to \$500,000 and from borrowings under the Company's line of credit. Concurrent with the acquisition, the Company borrowed \$354,000 on the loan. On January 3, 2013, the Company exercised its option to borrow the remaining \$146,000 on the loan. The acquisition was completed to acquire a prominent center in Brooklyn, New York.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****14. Acquisitions: (Continued)**

The following is a summary of the allocation of the fair value of Kings Plaza Shopping Center:

Property	\$ 714,589
Deferred charges	37,371
Other assets	29,282
 Total assets acquired	 781,242
 Other accrued liabilities	 25,242
 Total liabilities assumed	 25,242
 Fair value of acquired net assets	 \$ 756,000

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 Kings Plaza Shopping Center in its consolidated financial statements.

Green Acres Mall:

On January 24, 2013, the Company acquired Green Acres Mall, a 1,784,000 square foot regional shopping center in Valley Stream, New York, for a purchase price of \$500,000. A purchase deposit of \$30,000 was funded during the year ended December 31, 2012, and the remaining \$470,000 was funded upon closing of the acquisition. The cash payment made at the time of closing was provided by the placement of a mortgage note payable on the property that allowed for borrowings of up to \$325,000 and from borrowings under the Company's line of credit. Concurrent with the acquisition, the Company borrowed \$100,000 on the loan. On January 31, 2013, the Company exercised its option to borrow the remaining \$225,000 on the loan. The acquisition was completed to acquire another prominent center in the New York metropolitan area.

The following is a summary of the allocation of the purchase price of Green Acres Mall:

Property	\$ 477,673
Deferred charges	45,130
Other assets	19,125
 Total assets acquired	 541,928
 Other accrued liabilities	 41,928
 Total liabilities assumed	 41,928
 Fair value of acquired net assets	 \$ 500,000

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

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Since the date of acquisition, the Company has included Green Acres Mall in its consolidated financial statements. The property has generated incremental revenue of \$29,655 and incremental loss of \$1,275.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****14. Acquisitions: (Continued)***Green Acres Adjacent:*

On April 25, 2013, the Company acquired a 19 acre parcel of land adjacent to Green Acres Mall for \$22,577. The payment was provided by borrowings from the Company's line of credit. The acquisition was completed to allow for future expansion of Green Acres Mall.

Pro Forma Results of Operations:

The following unaudited pro forma financial information for the three and six months ended June 30, 2013 and 2012 assumes all of the above property acquisitions took place on January 1, 2012:

	Total revenues(1)	Income from continuing operations(1)
Supplemental pro forma information for the three months ended June 30, 2013	\$ 256,977	\$ 90,875
Supplemental pro forma information for the three months ended June 30, 2012	\$ 247,401	\$ 8,694
Supplemental pro forma information for the six months ended June 30, 2013	\$ 515,494	\$ 107,816
Supplemental pro forma information for the six months ended June 30, 2012	\$ 498,728	\$ 48,740

(1)

This unaudited pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had the acquisitions occurred on January 1, 2012, and may not be indicative of future operating results. The Company has excluded remeasurement gains and acquisition costs from these pro forma results as they are considered significant non-recurring adjustments directly attributable to the acquisitions.

15. Discontinued Operations:

During the three months ended March 31, 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 their 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 \$104,023.

On April 30, 2012, the Company sold The Borgata, a 94,000 square foot community center in Scottsdale, Arizona, for \$9,150, resulting in a loss on the sale of assets 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 assets of \$407. The Company used the proceeds from the sale for general corporate purposes.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

15. Discontinued Operations: (Continued)

On May 17, 2012, the Company sold Hilton Village, a 80,000 square foot community center in Scottsdale, Arizona, for \$24,820, resulting in a gain on the sale of assets 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 584,000 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 \$16,350.

On June 28, 2012, the Company sold Carmel Plaza, a 112,000 square foot community center in Carmel, California, for \$52,000, resulting in a gain on the sale of assets of \$7,844. The Company used the proceeds from the sale to pay down its line of credit.

On May 31, 2013, the Company sold Green Tree Mall, a 793,000 square foot regional shopping center in Clarksville, Indiana, for \$79,000, resulting in a gain on the sale of assets of \$59,768. The Company used the proceeds from the sale to pay down its line of credit.

On June 4, 2013, the Company sold Northridge Mall, a 890,000 square foot regional shopping center in Salinas, California, and Rimrock Mall, a 603,000 square foot regional shopping center in Billings, Montana. The properties were sold in a combined transaction for \$230,000, resulting in a gain on the sale of assets of \$82,138. 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 six months ended June 30, 2013 and 2012.

Revenues from discontinued operations consisted of \$5,923 and \$12,807 for the three months ended June 30, 2013 and 2012, respectively, and \$14,507 and \$31,125 for the six months ended June 30, 2013 and 2012, respectively. Total income from discontinued operations was \$143,941 and \$133,839 for the three months ended June 30, 2013 and 2012, respectively, and \$147,400 and \$80,269 for the six months ended June 30, 2013 and 2012, respectively.

16. 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 \$2,666 and \$1,992 for the three months ended June 30, 2013 and 2012, respectively, and \$5,301 and \$4,086 for the six months ended June 30, 2013 and 2012, respectively. No contingent rent was incurred during the three and six months ended June 30, 2013 or 2012.

As of June 30, 2013 and December 31, 2012, the Company was contingently liable for \$3,757 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.

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

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****16. Commitments and Contingencies: (Continued)**

the services within the guidelines specified in the agreements. At June 30, 2013, the Company had \$15,073 in outstanding obligations which it believes will be settled in the next twelve months.

17. 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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Management Fees	\$ 5,506	\$ 5,861	\$ 11,000	\$ 11,909
Development and Leasing Fees	2,779	3,631	4,475	6,854
	\$ 8,285	\$ 9,492	\$ 15,475	\$ 18,763

Certain mortgage notes on the properties are held by NML (See Note 9 Mortgage Notes Payable). Interest expense in connection with these notes was \$3,764 and \$3,833 for the three months ended June 30, 2013 and 2012, respectively, and \$7,544 and \$7,773 for the six months ended June 30, 2013 and 2012, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of \$1,253 and \$1,264 at June 30, 2013 and December 31, 2012, respectively.

As of June 30, 2013 and December 31, 2012, the Company had loans to unconsolidated joint ventures of \$2,749 and \$3,345, respectively. Interest income associated with these notes was \$59 and \$64 for the three months ended June 30, 2013 and 2012, respectively, and \$120 and \$129 for the six months ended June 30, 2013 and 2012, 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 includes \$4,049 and \$4,568 of unreimbursed costs and fees due from unconsolidated joint ventures under management agreements at June 30, 2013 and December 31, 2012, respectively. Due from affiliates at June 30, 2013 and December 31, 2012 also includes two notes receivable from principals of AWE/Talisman that bear interest at 5.0% and mature based on 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. The balance on these notes was \$13,288 and \$12,500 at June 30, 2013 and December 31, 2012, respectively. Interest income earned on these notes was \$156 and \$155 for the three months ended June 30, 2013 and 2012, respectively, and \$310 and \$163 for the six months ended June 30, 2013 and 2012, respectively. In addition, due from affiliates at June 30, 2013 includes a note receivable of \$13,410 from RED/303 LLC ("RED") that bears interest at 5.25% and matures on March 29, 2016. Interest income earned on this note was \$175 and \$181 for the three and six months ended June 30, 2013, respectively. RED is considered a related party because it is

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

a partner in a joint venture development project. The note is collateralized by RED's membership interest in a development agreement.

18. Share and Unit-Based Plans:

On February 15, 2013, the Company granted 332,189 limited partnership units of the Operating Partnership ("LTIP Units") under the Long-Term Incentive Plan to seven executive officers at a weighted average grant date fair value of \$49.67 per LTIP Unit. The new grants vest over a service period ending December 31, 2013 based on the percentile ranking of the Company in terms of total return to stockholders (the "Total Return") per share of common stock 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 2013 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 stock price of the Company and the peer group REITs were estimated based on a one-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 June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
LTIP Units	\$ 4,692	\$ 2,321	\$ 7,650	\$ 3,868
Stock awards	122	124	232	220
Stock units	667	383	2,491	2,603
Stock options	4		8	
SARs		82		82
Phantom stock units	246	255	487	509
	\$ 5,731	\$ 3,165	\$ 10,868	\$ 7,282

The Company capitalized share and unit-based compensation costs of \$650 and \$452 for the three months ended June 30, 2013 and 2012, respectively, and \$2,088 and \$1,772 for the six months ended June 30, 2013 and 2012, respectively. Unrecognized compensation costs of share and unit-based plans at June 30, 2013 consisted of \$9,487 from LTIP Units, \$913 from stock awards, \$4,324 from stock units, \$68 from stock options and \$1,188 from phantom stock units.

Table of Contents**THE MACERICH COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share amounts)****(Unaudited)****18. 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 Units		Stock Units	
	Units	Value(1)	Shares	Value(1)	Units	Value(1)	Units	Value(1)
Balance at January 1, 2013	200,000	\$ 38.63	20,924	\$ 49.36		\$	114,677	\$ 52.19
Granted	332,189	49.67	8,963	61.84	28,446	58.92	67,920	62.01
Vested	(200,000)	38.63	(10,886)	46.70	(8,081)	60.35	(45,279)	51.29
Forfeited								
Balance at June 30, 2013	332,189	\$ 49.67	19,001	\$ 56.77	20,365	\$ 58.36	137,318	\$ 57.24

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

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

	SARs		Stock Options	
	Shares	Value(1)	Shares	Value(1)
Balance at January 1, 2013	1,164,185	\$ 56.66	12,768	\$ 54.69
Granted				
Exercised	(93,194)	56.63		
Forfeited				
Balance at June 30, 2013	1,070,991	\$ 56.66	12,768	\$ 54.69

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

19. 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.

The income tax benefit of the TRSs is as follows:

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Current	\$ 125	\$	\$ (156)	\$
Deferred	1,352	3,075	1,877	1,225
Income tax benefit	\$ 1,477	\$ 3,075	\$ 1,721	\$ 1,225

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

19. Income Taxes: (Continued)

The net operating loss carryforwards are currently scheduled to expire through 2032, beginning in 2021. Net deferred tax assets of \$31,399 and \$33,414 were included in deferred charges and other assets, net at June 30, 2013 and December 31, 2012, respectively.

The tax returns for the years 2009-2011 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.

20. Subsequent Events:

On August 1, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center, a 695,000 square foot community center in Redmond, Washington, for \$127,000, resulting in a gain on the sale of assets of approximately \$39,400. The Company used its share of the proceeds from the sale to pay down its line of credit.

On August 5, 2013, the Company's joint venture in Tysons Corner Center received a commitment to refinance the mortgage note payable on the property. The new \$850,000 mortgage note payable is expected to bear interest at 4.10% and mature in January 2024. As a result of this transaction, the joint venture expects to receive approximately \$550,000 in loan proceeds in excess of the current mortgage note payable on the property. The Company plans to use its share of the excess proceeds of \$275,000 to pay down its line of credit.

On August 6, 2013, the Company's line of credit was amended and extended. The amended facility provides for an interest rate of LIBOR plus a spread of 1.375% to 2.0%, depending on the Company's overall leverage levels and matures on August 6, 2018. The interest rate, as of the amendment date, was LIBOR plus 1.50%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total amount of \$2,000,000 (without giving effect to the outstanding \$125,000 unsecured term loan (See Note 10 Bank and Other Notes Payable)).

On August 7, 2013, the Company announced a dividend/distribution of \$0.58 per share for common stockholders and OP Unit holders of record on August 20, 2013. All dividends/distributions will be paid 100% in cash on September 6, 2013.

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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, 2012, 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 June 30, 2013, the Operating Partnership owned or had an ownership interest in 58 regional shopping centers and ten community/power shopping centers aggregating approximately 61 million square feet of gross leasable area. These 68 regional and community/power 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 six months ended June 30, 2013 and 2012. It compares the results of operations for the three months ended June 30, 2013 to the results of operations for the three months ended June 30, 2012. It also compares the results of operations and cash flows for the six months ended June 30, 2013 to the results of operations and cash flows for the six months ended June 30, 2012. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Acquisitions and Dispositions:

On February 29, 2012, the Company acquired a 327,000 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 273,000 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 500,000 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 491,000 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. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On April 30, 2012, the Company sold The Borgata, a 94,000 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 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, three former Mervyn's stores in the Company's portfolio remain vacant. The Company is actively seeking replacement tenants for these spaces.

On May 17, 2012, the Company sold Hilton Village, a 80,000 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 260,000 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.

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On June 28, 2012, the Company sold Carmel Plaza, a 112,000 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 1,946,000 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.

On October 3, 2012, the Company acquired the remaining 75% ownership interest in FlatIron Crossing, a 1,425,000 square foot regional shopping center in Broomfield, Colorado, that it did not own for a cash payment of \$195.9 million and the assumption of the third party's share of the mortgage note payable on the property of \$114.5 million.

On October 26, 2012, the Company acquired the remaining 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.

On November 28, 2012, the Company acquired Kings Plaza Shopping Center, a 1,199,000 square foot regional shopping center in Brooklyn, New York, for a purchase price of \$756.0 million. The purchase price was funded from a cash payment of \$726.0 million and the issuance of \$30.0 million in restricted common stock of the Company. The cash payment was provided by the placement of a mortgage note payable on the property that allowed for borrowings up to \$500.0 million and from borrowings under the Company's line of credit. Concurrent with the acquisition, the Company borrowed \$354.0 million on the loan. On January 3, 2013, the Company exercised its option to borrow the remaining \$146.0 million of the loan.

On January 24, 2013, the Company acquired Green Acres Mall, a 1,784,000 square foot regional shopping center in Valley Stream, New York, for a purchase price of \$500.0 million. The purchase price was funded from the placement of a \$325.0 million mortgage note on the property and \$175.0 million from borrowings under the Company's line of credit. Concurrent with the acquisition, the Company borrowed \$100.0 million on the loan. On January 31, 2013, the Company exercised its option to borrow the remaining \$225.0 million of the loan.

On April 25, 2013, the Company acquired a 19 acre parcel of land adjacent to Green Acres Mall for \$22.6 million. The payment was provided by borrowings from the Company's line of credit. The acquisition was completed to allow for future expansion of Green Acres Mall.

On May 29, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center Office, a 582,000 square foot office building in Redmond, Washington, for \$185.0 million, resulting in a gain on the sale of assets of \$89.2 million to the joint venture. The Company's share of the gain recognized was \$44.4 million. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On May 31, 2013, the Company sold Green Tree Mall, a 793,000 square foot regional shopping center in Clarksville, Indiana, for \$79.0 million, resulting in a gain on the sale of assets of \$59.8 million. The Company used the proceeds from the sale to pay down its line of credit.

On June 4, 2013, the Company sold Northridge Mall, a 890,000 square foot regional shopping center in Salinas, California, and Rimrock Mall, a 603,000 square foot regional shopping center in Billings, Montana. The properties were sold in a combined transaction for \$230.0 million, resulting in a gain on the sale of assets of \$82.1 million. The Company used the proceeds from the sale to pay down its line of credit.

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On June 12, 2013, the Company's joint venture in Pacific Premier Retail LP sold Kitsap Mall, a 846,000 square foot regional shopping center in Silverdale, Washington, for \$127.0 million, resulting in a gain on the sale of assets of \$55.2 million to the joint venture. The Company's share of the gain recognized was \$28.1 million. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On August 1, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center, a 695,000 square foot community center in Redmond, Washington, for \$127.0 million, resulting in a gain on the sale of assets of approximately \$39.4 million. The Company used its share of the proceeds from the sale to pay down its line of credit.

Other Transactions and Events:

In March 2012, the Company recorded an impairment charge of \$54.3 million to write down the carrying value of the long-lived assets of Valley View Center to their estimated fair value. On April 23, 2012, the property was sold by a court appointed receiver for \$33.5 million, which resulted in a gain on the extinguishment of debt of \$104.0 million.

On May 31, 2012, the Company conveyed Prescott Gateway, a 584,000 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 \$16.4 million.

The Company is currently negotiating with the loan servicer for Fiesta Mall, which will likely result in a transition of the asset to the loan servicer or a receiver. Consequently, Fiesta Mall has been excluded from certain operating measures in 2013, including tenant sales per square foot, average base rent per square foot and occupancy rate (See Results of Operations).

Redevelopment and Development Activities:

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 owns 60% of the joint venture and AWE/Talisman owns 40%. The Company has accounted for Fashion Outlets of Chicago as a consolidated joint venture. The Center is a fully enclosed two level, 526,000 square foot outlet center. The site is located within a mile of O'Hare International Airport. The project broke ground in November 2011 and opened on August 1, 2013. The total estimated project cost is approximately \$211.0 million. As of June 30, 2013, the joint venture has incurred \$133.4 million of development costs. On March 2, 2012, the joint venture obtained a construction loan on the property that allows for borrowings of up to \$140.0 million, bears interest at LIBOR plus 2.50% and matures on March 5, 2017. As of June 30, 2013, the joint venture has borrowed \$55.1 million under the loan.

The Company's joint venture in Tysons Corner, a 2,133,000 square foot regional shopping center in McLean, Virginia, is currently expanding the property to include a 19-story office tower; a 500,000 square foot, 30-story, 430 unit residential tower; and a 17-story, 300 room Hyatt Regency hotel. The joint venture started the expansion project in October 2011 and expects it to be completed in 2014. The total cost of the project is estimated at \$512.4 million, of which \$256.2 million is estimated to be the Company's pro rata share. The Company has funded \$81.9 million of the total of \$163.8 million incurred by the joint venture as of June 30, 2013.

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

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throughout 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 5% to 13% of the leases 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, 63% 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

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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.

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.

Acquisitions:

The Company allocates the estimated fair values of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an "as if vacant" methodology. 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 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, and the asset or liability is amortized to minimum rents over the remaining terms of the leases. The remaining lease terms of below-market leases may include certain below-

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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 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.

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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 term of the related loan using the straight-line method, which approximates the effective interest method. The ranges of the terms of the agreements are as follows:

Deferred lease costs	1 - 15 years
Deferred financing costs	1 - 15 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 and the Redevelopment Properties (as defined below).

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 development or redevelopment often resulting in the closing of a portion of the Center ("Redevelopment 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 Redevelopment Properties for the periods of comparison.

For comparison of the three months ended June 30, 2013 to the three months ended June 30, 2012, the Acquisition Properties include FlatIron Crossing, Arrowhead Towne Center, Kings Plaza Shopping Center, Green Acres Mall and Green Acres Adjacent. For comparison of the six months ended June 30, 2013 to the six months ended June 30, 2012, the Acquisition Properties include 500 North Michigan Avenue, FlatIron Crossing, Arrowhead Towne Center, Kings Plaza Shopping Center, Green Acres Mall and Green Acres Adjacent. For comparison of the three months ended June 30, 2013 to the three months ended June 30, 2012 and for the comparison of the six months ended June 30, 2013 to the six months ended June 30, 2012, the Redevelopment Properties include Fashion Outlets of Chicago, Paradise Valley Mall and Southridge Mall.

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 or longer 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 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 \$513 for the twelve months ended June 30, 2012 to \$545 for the twelve months ended June 30, 2013. Occupancy rate increased from 92.7% at June 30, 2012 to 93.8% at June 30, 2013. Releasing spreads also increased 14.2% for the twelve months ended June 30, 2013. These calculations exclude the Redevelopment Properties and Fiesta Mall (See "Other Transactions and Events" in Management's Overview and Summary).

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Releasing spreads remained positive as the Company was able to lease available space at higher rents than the expiring rental rates on the same space, resulting in a releasing spread of \$6.03 per square foot (\$48.57 on new and renewal leases executed compared to \$42.54 on leases expiring), representing a 14.2% increase for the trailing twelve months ended June 30, 2013. The Company expects that releasing spreads will continue to be positive during the remainder of 2013 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire represent 576,000 square feet of the Centers, accounting for 6.22% of mall store and freestanding store gross leaseable area as of June 30, 2013.

During the trailing twelve months ended June 30, 2013, the Company signed 348 new leases and 420 renewal leases (excluding the Redevelopment Properties and Fiesta Mall) comprising approximately 1.2 million square feet, of which 0.9 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was \$48.57 per square foot for the trailing twelve months ended June 30, 2013 with an average tenant allowance of \$12.82 per square foot.

The Company's recent trend of retail sales growth continued during the twelve months ended June 30, 2013 with tenant sales per square foot and releasing spreads increasing compared to the twelve months ended June 30, 2012. The Company's occupancy rate as of June 30, 2013 also increased compared to June 30, 2012. 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 and certain areas of the U.S. economy are still experiencing weakness. Any further continuation or worsening of these adverse conditions, or a decline in the current rate of U.S. economic growth, could harm the Company's business, results of operations and financial condition.

Comparison of Three Months Ended June 30, 2013 and 2012

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") increased by \$34.6 million, or 30.0%, from 2012 to 2013. The increase in rental revenue is attributed to an increase of \$30.7 million from the Acquisition Properties and \$3.9 million from the Same Centers. 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 increased from \$1.1 million in 2012 to \$1.4 million in 2013. The amortization of straight-line rents increased from \$1.6 million in 2012 to \$2.3 million in 2013. Lease termination income decreased from \$0.8 million in 2012 to \$0.5 million in 2013.

Tenant recoveries increased \$23.7 million, or 38.5%, from 2012 to 2013. This increase in tenant recoveries is attributed to an increase of \$21.4 million from the Acquisition Properties and \$2.3 million from the Same Centers.

Management Companies revenue increased from \$9.7 million in 2012 to \$10.3 million in 2013 due primarily to an increase in development fees offset in part by a reduction in management fees because of the conversion of Arrowhead Towne Center and FlatIron Crossing from joint ventures to consolidated Centers in 2012 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Shopping Center and Operating Expenses:

Shopping center and operating expenses increased \$20.5 million, or 33.0%, from 2012 to 2013. This increase in shopping center and operating expenses is attributed to an increase of \$21.2 million from the Acquisition Properties offset in part by a decrease of \$0.7 million from the Same Centers.

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Management Companies' Operating Expenses:

Management Companies' operating expenses decreased \$0.9 million from 2012 to 2013.

REIT General and Administrative Expenses:

REIT general and administrative expenses increased by \$1.0 million from 2012 to 2013 primarily due to an increase in share and unit-based compensation costs.

Depreciation and Amortization:

Depreciation and amortization increased \$23.2 million from 2012 to 2013. The increase in depreciation and amortization is primarily attributed to an increase of \$24.1 million from the Acquisition Properties offset in part by a decrease of \$0.9 million from the Same Centers.

Interest Expense:

Interest expense increased \$11.1 million from 2012 to 2013. The increase in interest expense was primarily attributed to increases of \$9.2 million from the Acquisition Properties and \$2.3 million from the Same Centers offset in part by decreases of \$0.3 million from the Redevelopment Properties and \$0.1 million from the borrowings under the Company's line of credit.

The above interest expense items are net of capitalized interest, which increased from \$2.6 million in 2012 to \$3.1 million in 2013, primarily due to an increase in development activity.

Gain on Early Extinguishment of Debt, net:

The gain on early extinguishment of debt, net in 2013 is attributed to the gain on the payoff of the mortgage note payable on FlatIron Crossing of \$2.8 million offset in part by the loss on the payoff of the mortgage note payable on Vintage Faire Mall of \$0.8 million.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures increased \$73.5 million from 2012 to 2013. The increase is primarily attributed to the Company's share of the gains on the sales in 2013 of Redmond Town Center Office of \$44.4 million and Kitsap Mall of \$28.1 million (See "Acquisitions and Dispositions" in Management's Overview and Summary).

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

Loss on remeasurement, sale or write down of assets, net decreased \$0.7 million from 2012 to 2013. The decrease is primarily attributed to the decrease in the write off of development costs.

Income From Discontinued Operations:

Income from discontinued operations increased \$10.1 million from 2012 to 2013. The increase in income from discontinued operations is primarily due to the gains on the sales in 2013 of Green Tree Mall of \$59.8 million and Northridge Mall and Rimrock Mall of \$82.1 million offset in part by the gains on the sales and dispositions in 2012 of Valley View Center of \$104.0 million, Prescott Gateway of \$16.4 million, Carmel Plaza of \$7.8 million and Hilton Village of \$3.1 million (See "Acquisitions and Dispositions" and "Other Transactions and Events" in Management's Overview and Summary).

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Net Income:

Net income increased \$90.3 million from 2012 to 2013. The increase is primarily attributed to the increases in equity in income from unconsolidated joint ventures of \$73.5 million, the income from discontinued operations of \$10.1 million and the results of operations as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO diluted decreased 42.4% from \$226.2 million in 2012 to \$130.4 million in 2013. For a reconciliation of FFO and FFO diluted to net income attributable to the Company, the most directly comparable GAAP financial measure, see "Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO")" below.

Comparison of Six Months Ended June 30, 2013 and 2012

Revenues:

Rental revenue increased by \$65.3 million, or 28.1%, from 2012 to 2013. The increase in rental revenue is attributed to an increase of \$60.3 million from the Acquisition Properties and \$5.0 million from the Same Centers. The amortization of above and below-market leases decreased from \$3.7 million in 2012 to \$3.0 million in 2013. The amortization of straight-line rents increased from \$2.7 million in 2012 to \$4.0 million in 2013. Lease termination income decreased from \$2.4 million in 2012 to \$1.3 million in 2013.

Tenant recoveries increased \$44.2 million, or 35.8%, from 2012 to 2013. This increase in tenant recoveries is attributed to an increase of \$40.8 million from the Acquisition Properties and \$3.7 million from the Same Centers offset in part by a decrease of \$0.3 million from the Redevelopment Properties.

Management Companies' revenue decreased from \$20.9 million in 2012 to \$20.5 million in 2013 due primarily to the conversion of Arrowhead Towne Center and FlatIron Crossing from joint ventures to consolidated Centers in 2012 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Shopping Center and Operating Expenses:

Shopping center and operating expenses increased \$40.5 million, or 32.5%, from 2012 to 2013. The increase in shopping center and operating expenses is attributed to an increase of \$40.8 million from the Acquisition Properties offset in part by a decrease of \$0.3 million from the Same Centers.

Management Companies' Operating Expenses:

Management Companies' operating expenses decreased \$0.3 million from 2012 to 2013.

REIT General and Administrative Expenses:

REIT general and administrative expenses increased by \$2.5 million from 2012 to 2013 primarily due to an increase in share and unit-based compensation costs.

Depreciation and Amortization:

Depreciation and amortization increased \$42.4 million from 2012 to 2013. The increase in depreciation and amortization is primarily attributed to an increase of \$46.2 million from the Acquisition Properties offset in part by a decrease of \$2.5 million from the Same Centers and \$1.3 million from the Redevelopment Properties.

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Interest Expense:

Interest expense increased \$22.3 million from 2012 to 2013. The increase in interest expense was primarily attributed to increases of \$18.1 million from the Acquisition Properties, \$6.1 million from the Same Centers and \$3.8 million from the borrowings under the Company's line of credit. These increases were offset in part by decreases of \$4.7 million from the Senior Notes, which were paid off in full in March 2012 (See Liquidity and Capital Resources) and \$1.0 million from the Redevelopment Properties.

The above interest expense items are net of capitalized interest, which increased from \$4.9 million in 2012 to \$6.6 million in 2013, primarily due to an increase in development activity.

Gain on Early Extinguishment of Debt, net:

The gain on early extinguishment of debt, net in 2013 is attributed to the gain on the payoff of the mortgage note payable on FlatIron Crossing of \$2.8 million offset in part by the loss on the payoff of the mortgage note payable on Vintage Faire Mall of \$0.8 million.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures increased \$61.0 million from 2012 to 2013. The increase is primarily attributed to the Company's share of the gains on the sales in 2013 of Redmond Town Center Office of \$44.4 million and Kitsap Mall of \$28.1 million offset in part by the Company's share of the gain on the sale of SanTan Village Power Center in 2012 of \$11.5 million (See "Acquisitions and Dispositions" in Management's Overview and Summary).

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

Gain on remeasurement, sale or write down of assets, net decreased \$13.9 million from 2012 to 2013. The decrease is primarily attributed to the sales in 2012 of the Company's ownership interests in Chandler Festival of \$12.3 million, Chandler Village Center of \$8.2 million and Chandler Gateway of \$3.4 million (See "Acquisitions and Dispositions" in Management's Overview and Summary) offset in part by a decrease in the gain on sale of assets of \$10.0 million.

Income From Discontinued Operations:

Income from discontinued operations increased \$67.1 million from 2012 to 2013. The increase in income from discontinued operations is primarily due to the gains on the sales in 2013 of Green Tree Mall of \$59.8 million and Northridge Mall and Rimrock Mall of \$82.1 million offset in part by the gains on the sales and dispositions in 2012 of Valley View Center of \$49.7 million, Prescott Gateway of \$16.4 million, Carmel Plaza of \$7.8 million and Hilton Village of \$3.1 million (See "Acquisitions and Dispositions" and "Other Transactions and Events" in Management's Overview and Summary).

Net Income:

Net income increased \$124.5 million from 2012 to 2013. The increase is primarily attributed to the increases in equity in income from unconsolidated joint ventures of \$61.0 million, the income from discontinued operations of \$67.1 million and the results of operations as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO diluted decreased 22.6% from \$332.4 million in 2012 to \$257.4 million in 2013. For a reconciliation of FFO and FFO diluted to net income attributable to the Company, the most directly comparable GAAP financial measure, see "Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO")" below.

Table of Contents*Operating Activities:*

Cash provided by operating activities increased from \$144.6 million in 2012 to \$182.8 million in 2013. The increase was primarily due to changes in assets and liabilities and the results at the Acquisition Properties as discussed above.

Investing Activities:

Cash used in investing activities increased from a surplus of \$7.7 million in 2012 to a deficit of \$120.5 million in 2013. The increase in cash used in investing activities was primarily due to the acquisitions in 2013 of Green Acres Mall for \$470.0 million and Green Acres Adjacent for \$22.6 million (See "Acquisitions and Dispositions" in Management's Overview and Summary) offset in part by increases in the proceeds from the sale of assets of \$184.4 million (See "Acquisitions and Dispositions" in Management's Overview and Summary) and distributions from unconsolidated joint ventures of \$148.6 million.

Financing Activities:

Cash used in financing activities decreased from \$129.8 million in 2012 to \$81.2 million in 2013. The decrease in cash used in financing activities was primarily due to increases in proceeds from mortgages, bank and other notes payable of \$857.6 million and cash provided by the ATM Program of \$171.2 million (See Liquidity and Capital Resources) offset in part by increases in payments on mortgages, bank and other notes payable of \$965.4 million and dividends and distributions of \$12.3 million.

Liquidity and Capital Resources

The Company anticipates meeting its liquidity needs for its operating expenses, 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 Six Months Ended June 30,	
	2013	2012
Consolidated Centers:		
Acquisitions of property and equipment	\$ 534,520	\$ 76,935
Development, redevelopment, expansion and renovation of Centers	74,950	53,011
Tenant allowances	10,428	8,543
Deferred leasing charges	14,219	13,580
	\$ 634,117	\$ 152,069
Joint Venture Centers (at Company's pro rata share):		
Acquisitions of property and equipment	\$ 2,024	\$ 1,754
Development, redevelopment, expansion and renovation of Centers	45,503	46,457
Tenant allowances	4,182	2,490
Deferred leasing charges	1,814	2,576
	\$ 53,523	\$ 53,277

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 2012 and that capital for those expenditures

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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. The Company recently sold certain non-core assets and, depending on market conditions, may continue to do so in the future. 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 \$500 million ATM Program as 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 increased 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.

The Company has 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 June 30, 2013, the Company sold 2,456,956 shares of common stock under the ATM Program in exchange for aggregate gross proceeds of \$173.0 million and net proceeds of \$171.2 million after commissions and other transaction costs. As of June 30, 2013, \$149.1 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 June 30, 2013 was \$6.5 billion (consisting of \$5.2 billion of consolidated debt, less \$0.3 billion of noncontrolling interest, plus \$1.6 billion of its pro rata share of unconsolidated 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 has a \$1.5 billion revolving line of credit that bore interest at LIBOR plus a spread of 1.75% to 3.0%, depending on the Company's overall leverage level, and was to mature on May 2, 2015 with a one-year extension option. Based on the Company's leverage level at June 30, 2013, the borrowing rate on the facility was LIBOR plus 2.25%. The line of credit had the ability to 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 were unconditionally guaranteed by the Company and certain of its direct and indirect subsidiaries and were secured, subject to certain exceptions, by pledges of direct and indirect ownership

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interests in certain of the subsidiary guarantors. At June 30, 2013, total borrowings under the line of credit were \$405.0 million with an average effective interest rate of 2.99%.

On August 6, 2013, the Company's line of credit was amended and extended. The amended facility provides for an interest rate of LIBOR plus a spread of 1.375% to 2.0%, depending on the Company's overall leverage levels and matures on August 6, 2018. The interest rate, as of the amendment date, was LIBOR plus 1.50%. In addition, the line of credit can now be expanded, depending on certain conditions, up to a total amount of \$2.0 billion (without giving effect to the \$125.0 million unsecured term loan described below). All obligations under the amended facility are only unconditionally guaranteed by the Company.

The Company has a \$125.0 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 leverage level at June 30, 2013, the borrowing rate is LIBOR plus 2.20%. As of June 30, 2013, the total interest rate was 2.79%.

At June 30, 2013, the Company was in compliance with all applicable loan covenants under its agreements.

At June 30, 2013, the Company had cash and cash equivalents of \$46.9 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 June 30, 2013, the balance of the debt that could be recourse to the Company was \$51.1 million offset in part by indemnity agreements from joint venture partners for \$21.3 million. The maturities of the recourse debt, net of indemnification, are \$4.1 million in 2013, \$16.8 million in 2015 and \$8.9 million in 2016.

Additionally, as of June 30, 2013, the Company is contingently liable for \$3.8 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.

Table of Contents*Long-term Contractual Obligations:*

The following is a schedule of long-term contractual obligations as of June 30, 2013 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)	\$ 5,406,947	\$ 243,031	\$ 1,415,447	\$ 1,120,070	\$ 2,628,399
Operating lease obligations(1)	360,192	15,085	27,104	24,556	293,447
Purchase obligations(1)	15,073	15,073			
Other long-term liabilities	275,819	233,935	2,982	3,299	35,603
	\$ 6,058,031	\$ 507,124	\$ 1,445,533	\$ 1,147,925	\$ 2,957,449

(1) See Note 16 Commitments and Contingencies in the Company's Notes to Consolidated Financial Statements.

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO")

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 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 six months ended June 30, 2012. 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 \$16.4 million. AFFO also excludes the gain on extinguishment of debt of Prescott Gateway for the three and six months ended June 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.

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FFO and AFFO do not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income (loss) 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 attributable to the Company. 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.

Table of Contents**Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO")**

The following reconciles net income attributable to the Company to FFO and FFO-diluted for the three and six months ended June 30, 2013 and 2012 and FFO and FFO diluted to AFFO and AFFO diluted for the same periods (dollars and shares in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net income attributable to the Company	\$ 218,997	\$ 133,354	\$ 237,089	\$ 119,286
Adjustments to reconcile net income attributable to the Company to FFO basic and diluted:				
Noncontrolling interests in the Operating Partnership	15,902	11,294	17,244	10,106
(Gain) loss on remeasurement, sale or write down of consolidated assets, net	(141,108)	(9,512)	(145,942)	26,215
Add: (loss) gain on sale of undepreciated consolidated assets	(10)		2,238	
Add: noncontrolling interests share of (loss) gain on remeasurement, sale or write down of consolidated joint ventures, net	(9)	(17)	3,163	3,538
(Gain) loss on remeasurement, sale or write down of assets from unconsolidated joint ventures, net(1)	(73,035)	354	(73,016)	(11,157)
Add: gain on sale of undepreciated assets from unconsolidated joint ventures(1)	486		484	
Depreciation and amortization on consolidated assets	93,984	73,003	187,143	149,968
Less: depreciation and amortization attributable to noncontrolling interests on consolidated joint ventures	(4,603)	(4,578)	(9,137)	(9,428)
Depreciation and amortization on unconsolidated joint ventures(1)	22,815	25,553	44,147	50,310
Less: depreciation on personal property	(3,014)	(3,239)	(6,034)	(6,453)
FFO basic and diluted	130,405	226,212	257,379	332,385
Shoppingtown Mall		36		396
Valley View Center		(103,745)		(101,116)
Prescott Gateway		(16,350)		(16,350)
AFFO and AFFO diluted	\$ 130,405	\$ 106,153	\$ 257,379	\$ 215,315
Weighted average number of FFO shares outstanding for:				
FFO basic(2)	149,311	144,030	148,532	143,741
Adjustments for impact of dilutive securities in computing FFO diluted:				
Stock warrants		68		84
Share and unit based compensation plans	154	41	121	7
FFO diluted(3)	149,465	144,139	148,653	143,832

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

(2) Includes 9.9 million and 11.3 million OP Units for the three months ended June 30, 2013 and 2012, respectively, and 10.1 million and 11.2 million OP units for the six months ended June 30, 2013 and 2012, 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.

Table of Contents**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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 June 30, 2013 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 June 30,								
	2014	2015	2016	2017	2018	Thereafter	Total	FV	
CONSOLIDATED CENTERS(1):									
Long-term debt:									
Fixed rate	\$ 123,924	\$ 251,328	\$ 820,335	\$ 64,984	\$ 494,963	\$ 2,404,679	\$ 4,160,213	\$ 4,258,951	
Average interest rate	4.76%	5.32%	5.76%	3.68%	3.62%	3.96%	4.38%		
Floating rate	109,111	168,612	104,008	524,123		125,000	1,030,854	1,038,864	
Average interest rate	3.75%	4.37%	3.03%	3.00%	%	2.79%	3.28%		
Total debt Consolidated Centers	\$ 233,035	\$ 419,940	\$ 924,343	\$ 589,107	\$ 494,963	\$ 2,529,679	\$ 5,191,067	\$ 5,297,815	
UNCONSOLIDATED JOINT VENTURE CENTERS(1):									
Long-term debt (at Company's pro rata share):									
Fixed rate	\$ 163,657	\$ 171,069	\$ 323,472	\$ 56,972	\$ 57,044	\$ 629,845	\$ 1,402,059	\$ 1,434,505	
Average interest rate	4.79%	5.85%	6.30%	6.50%	4.49%	3.54%	4.76%		
Floating rate	10,520	14,395	26,136	70,941	64,971		186,963	185,341	
Average interest rate	3.24%	3.11%	3.40%	2.84%	2.29%	%	2.77%		
Total debt Unconsolidated Joint Venture Centers	\$ 174,177	\$ 185,464	\$ 349,608	\$ 127,913	\$ 122,015	\$ 629,845	\$ 1,589,022	\$ 1,619,846	

(1)

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.

The consolidated Centers' total fixed rate debt at June 30, 2013 and December 31, 2012 was \$4.2 billion and \$3.7 billion, respectively. The average interest rate on fixed rate debt at June 30, 2013 and December 31, 2012 was 4.38% and 4.40%, respectively. The consolidated Centers' total floating rate debt at June 30, 2013 and December 31, 2012 was \$1.0 billion and \$1.5 billion, respectively. The average interest rate on floating rate debt at June 30, 2013 and December 31, 2012 was 3.28% and 3.05%, respectively.

The Company's pro rata share of the Unconsolidated Joint Venture Centers' fixed rate debt at June 30, 2013 and December 31, 2012 was \$1.4 billion and \$1.5 billion, respectively. The average interest rate on fixed rate debt at June 30, 2013 and December 31, 2012 was 4.76% and 5.27%, respectively. The Company's pro rata share of the Unconsolidated Joint Venture Centers' floating rate debt at June 30, 2013 and December 31, 2012 was \$187.0 million and \$178.3 million, respectively. The average interest rate on the floating rate debt at June 30, 2013 and December 31, 2012 was 2.77% and 3.69%, respectively.

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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 \$12.2 million per year based on \$1.2 billion of floating rate debt outstanding at June 30, 2013.

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. 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 9 Mortgage Notes Payable and Note 10 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 June 30, 2013, 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) 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, 2012.

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

On May 13, 2013 and May 22, 2013, the Company, as general partner of the Operating Partnership, issued 66,283 and 500,000 shares of common stock of the Company, respectively, upon the redemption of 66,283 and 500,000 common partnership units of the Operating Partnership, respectively. These shares of common stock were issued in a private placement to three limited partners of the Operating Partnership, each an accredited investor, 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
2.1	Contribution Agreement and Joint Escrow Instructions, dated October 21, 2012, by and among Alexander's Kings Plaza, LLC, Alexander's of Kings, LLC, Kings Parking, LLC and Brooklyn Kings Plaza LLC (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 28, 2012).
2.2	Agreement of Sale and Purchase, dated October 21, 2012, by and among Green Acres Mall, L.L.C. and Valley Stream Green Acres LLC (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date January 24, 2013).
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*	Eligible Directors' Deferred Compensation/Phantom Stock Plan (as amended and restated as of January 1, 2013).
10.2*	Employee Stock Purchase Plan (as amended and restated as of June 1, 2013).
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
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document

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Exhibit Number	Description
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.

