

MACERICH CO
Form 10-Q
May 07, 2015

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 March 31, 2015

Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

MARYLAND

95-4448705

(State or other jurisdiction of
incorporation or organization)

(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 (Do
not check if a smaller 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 May 6, 2015 of the registrant's common stock, par value \$0.01 per share:

158,262,276 shares

THE MACERICH COMPANY
FORM 10-Q
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THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS:		
Property, net	\$11,110,841	\$11,067,890
Cash and cash equivalents	118,161	84,907
Restricted cash	15,224	13,530
Tenant and other receivables, net	113,505	132,026
Deferred charges and other assets, net	752,702	759,061
Due from affiliates	79,582	80,232
Investments in unconsolidated joint ventures	1,006,652	984,132
Total assets	\$13,196,667	\$13,121,778
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	\$286,849	\$289,039
Others	5,200,053	5,115,482
Total	5,486,902	5,404,521
Bank and other notes payable	987,452	887,879
Accounts payable and accrued expenses	114,991	115,406
Other accrued liabilities	532,170	568,716
Distributions in excess of investments in unconsolidated joint ventures	28,723	29,957
Co-venture obligation	72,864	75,450
Total liabilities	7,223,102	7,081,929
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 158,492,995 and 158,201,996 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	1,585	1,582
Additional paid-in capital	5,064,446	5,041,797
Retained earnings	510,506	596,741
Total stockholders' equity	5,576,537	5,640,120
Noncontrolling interests	397,028	399,729
Total equity	5,973,565	6,039,849
Total liabilities and equity	\$13,196,667	\$13,121,778

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Revenues:		
Minimum rents	\$ 190,761	\$ 151,633
Percentage rents	3,248	2,853
Tenant recoveries	105,698	91,475
Management Companies	5,625	8,121
Other	13,003	10,430
Total revenues	318,335	264,512
Expenses:		
Shopping center and operating expenses	101,664	90,376
Management Companies' operating expenses	26,468	22,772
REIT general and administrative expenses	8,422	6,877
Costs related to unsolicited takeover offer	13,572	—
Depreciation and amortization	120,618	88,657
	270,744	208,682
Interest expense:		
Related parties	2,729	3,708
Other	50,557	42,630
	53,286	46,338
(Gain) loss on early extinguishment of debt, net	(2,245	) 358
Total expenses	321,785	255,378
Equity in income of unconsolidated joint ventures	8,274	13,769
Co-venture expense	(2,130	) (1,820
Income tax benefit	935	172
Gain (loss) on sale or write down of assets, net	935	(1,611
Gain on remeasurement of assets	22,103	—
Net income	26,667	19,644
Less net income attributable to noncontrolling interests	2,056	1,825
Net income attributable to the Company	\$24,611	\$ 17,819
Earnings per common share—net income attributable to common stockholders:		
Basic	\$0.15	\$0.13
Diluted	\$0.15	\$0.13
Weighted average number of common shares outstanding:		
Basic	158,336,000	140,767,000
Diluted	158,544,000	140,817,000

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

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THE MACERICH COMPANY
CONSOLIDATED STATEMENT OF EQUITY
(Dollars in thousands, except per share data)
(Unaudited)

	Stockholders' Equity Common Stock			Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Par Value	Additional Paid-in Capital				
Balance at January 1, 2015	158,201,996	\$ 1,582	\$ 5,041,797	\$ 596,741	\$ 5,640,120	\$ 399,729	\$ 6,039,849
Net income	—	—	—	24,611	24,611	2,056	26,667
Amortization of share and unit-based plans	211,743	2	18,813	—	18,815	—	18,815
Distributions paid (\$0.65) per share	—	—	—	(110,846)	(110,846)	—	(110,846)
Distributions to noncontrolling interests	—	—	—	—	—	(616)	(616)
Other	—	—	(304)	—	(304)	—	(304)
Conversion of noncontrolling interests to common shares	79,256	1	1,552	—	1,553	(1,553)	—
Adjustment of noncontrolling interests in Operating Partnership	—	—	2,588	—	2,588	(2,588)	—
Balance at March 31, 2015	158,492,995	\$ 1,585	\$ 5,064,446	\$ 510,506	\$ 5,576,537	\$ 397,028	\$ 5,973,565

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 Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 26,667	\$ 19,644
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on extinguishment of debt, net	(2,245	) 358
(Gain) loss on sale or write down of assets, net	(935	) 1,611
Gain on remeasurement of assets	(22,103) —
Depreciation and amortization	122,418	90,569
Amortization of net premium on mortgage notes payable	(6,903	) (1,352
Amortization of share and unit-based plans	14,468	16,505
Straight-line rent adjustment	(386	) (1,491
Amortization of above and below-market leases	(4,666	) (1,497
Provision for doubtful accounts	1,330	372
Income tax benefit	(935	) (172
Equity in income of unconsolidated joint ventures	(8,274	) (13,769
Co-venture expense	2,130	1,820
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	17,836	8,817
Other assets	4,310	(1,536
Due from affiliates	650	1,573
Accounts payable and accrued expenses	18,318	8,049
Other accrued liabilities	450	(31,590
Net cash provided by operating activities	162,130	97,911
Cash flows from investing activities:		
Acquisitions of property	(26,250) —
Development, redevelopment, expansion and renovation of properties	(90,157	) (29,578
Property improvements	(3,855	) (4,792
Proceeds from notes receivable	452	—
Deferred leasing costs	(9,768	) (6,465
Distributions from unconsolidated joint ventures	13,096	22,219
Contributions to unconsolidated joint ventures	(33,284	) (28,566
Loans to unconsolidated joint ventures, net	—	(618
Proceeds from sale of assets	1,440	24,514
Restricted cash	(1,694) 1,035
Net cash used in investing activities	(150,020) (22,251

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THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	815,671	133,982
Payments on mortgages, bank and other notes payable	(674,569)	(104,225)
Deferred financing costs	(3,476)	(550)
Payment of stock issuance costs	(304)	—
Redemption of noncontrolling interests	—	(203)
Payment of contingent consideration	—	(9,000)
Dividends and distributions	(111,462)	(95,342)
Distributions to co-venture partner	(4,716)	(5,111)
Net cash provided by (used in) financing activities	21,144	(80,449)
Net increase (decrease) in cash and cash equivalents	33,254	(4,789)
Cash and cash equivalents, beginning of period	84,907	69,715
Cash and cash equivalents, end of period	\$ 118,161	\$ 64,926
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	\$ 60,102	\$ 47,958
Non-cash investing and financing transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	\$ 31,823	\$ 37,852
Assumption of mortgage note payable from unconsolidated joint venture	\$ 50,000	\$ —
Acquisition of property in exchange for investment in unconsolidated joint venture	\$ 76,250	\$ —
Notes receivable issued in connection with sale of property	\$ —	\$ 9,603
Conversion of Operating Partnership Units to common stock	\$ 1,553	\$ 627

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/power 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 March 31, 2015, 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 single member 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 in the United States ("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.

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, 2014. 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, 2014 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)

2. Summary of Significant Accounting Policies: (Continued)

Recent Accounting Pronouncements:

In February 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective for the Company beginning January 1, 2016. Early adoption is permitted. The Company does not expect the adoption of this standard to have a significant impact on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. ASU 2015-03 is effective for the Company beginning January 1, 2016. Early adoption is permitted. Upon adoption, the Company will apply the new standard on a retrospective basis and adjust the balance sheet of each individual period to reflect the period-specific effects of applying the new standard. The Company does not expect the adoption of this standard to have a significant impact on 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)

3. Earnings per Share ("EPS"):

The following table reconciles the numerator and denominator used in the computation of earnings per share for the three months ended March 31, 2015 and 2014 (shares in thousands):

	For the Three Months	
	Ended March 31, 2015	2014
Numerator		
Net income	\$26,667	\$19,644
Net income attributable to noncontrolling interests	(2,056)	(1,825)
Net income attributable to the Company	24,611	17,819
Allocation of earnings to participating securities	(148)	(128)
Numerator for basic and diluted earnings per share—net income attributable to common stockholders	\$24,463	\$17,691
Denominator		
Denominator for basic earnings per share—weighted average number of common shares outstanding	158,336	140,767
Effect of dilutive securities:(1)		
Share and unit-based compensation plans	208	50
Denominator for diluted earnings per share—weighted average number of common shares outstanding	158,544	140,817
Earnings per common share—net income attributable to common stockholders:		
Basic	\$0.15	\$0.13
Diluted	\$0.15	\$0.13

(1) Diluted EPS excludes 140,490 and 184,304 convertible preferred units for the three months ended March 31, 2015 and 2014, respectively, as their impact was antidilutive.

Diluted EPS excludes 10,068 unexercised stock options for the three months ended March 31, 2014 as their impact was antidilutive.

Diluted EPS excludes 10,516,523 and 9,991,438 Operating Partnership units ("OP Units") for the three months ended March 31, 2015 and 2014, 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)

4. Investments in Unconsolidated Joint Ventures:

The Company has made the following recent investments and dispositions in its unconsolidated joint ventures:

On June 4, 2014, the Company acquired the remaining 49% ownership interest in Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington, that it did not previously own for a cash payment of \$15,233.

The Company purchased Cascade Mall from its joint venture partner in Pacific Premier Retail LP. The cash payment was funded by borrowings under the Company's line of credit. Prior to the acquisition, the Company had accounted for its investment in Cascade Mall under the equity method of accounting. Since the date of acquisition, the Company has included Cascade Mall in its consolidated financial statements (See Note 13—Acquisitions).

On July 30, 2014, the Company formed a joint venture to redevelop Fashion Outlets of Philadelphia at Market East, a 1,376,000 square foot regional shopping center in Philadelphia, Pennsylvania. The Company invested \$106,800 for a 50% interest in the joint venture, which was funded by borrowings under its line of credit.

On August 28, 2014, the Company sold its 30% ownership interest in Wilshire Boulevard, a 40,000 square foot freestanding store in Santa Monica, California, for a total sales price of \$17,100, resulting in a gain on the sale of assets of \$9,033, which was included in gain (loss) on sale or write down of assets, net. The sales price was funded by a cash payment of \$15,386 and the assumption of the Company's share of the mortgage note payable on the property of \$1,714. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On November 13, 2014, the Company formed a joint venture to develop a 500,000 square foot outlet center at Candlestick Point in San Francisco, California. In connection with the formation of the joint venture, the Company issued a note receivable for \$65,130 to its joint venture partner that bears interest at LIBOR plus 2.0% and matures upon the completion of certain milestones in connection with the development of Candlestick Point (See Note 16—Related Party Transactions).

On November 14, 2014, the Company acquired the remaining 49% ownership interest that it did not previously own in two separate joint ventures, Pacific Premier Retail LP and Queens JV LP, which together owned five Centers: Lakewood Center, a 2,066,000 square foot regional shopping center in Lakewood, California; Los Cerritos Center, a 1,284,000 square foot regional shopping center in Cerritos, California; Queens Center, a 962,000 square foot regional shopping center in Queens, New York; Stonewood Center, a 932,000 square foot regional shopping center in Downey, California; and Washington Square, a 1,444,000 square foot regional shopping center in Portland, Oregon (collectively referred to herein as the "PPRLP Queens Portfolio"). The total consideration of \$1,838,886 was funded by the direct issuance of \$1,166,777 of common stock of the Company (See Note 12—Stockholders' Equity) and the assumption of the third party's pro rata share of the mortgage notes payable on the properties of \$672,109. Prior to the acquisition, the Company had accounted for its investment in these joint ventures under the equity method of accounting. Since the date of acquisition, the Company has included the PPRLP Queens Portfolio in its consolidated financial statements (See Note 13—Acquisitions).

On November 20, 2014, the Company purchased a 45% interest in 443 North Wabash Avenue, a 65,000 square foot undeveloped site adjacent to the Company's joint venture in The Shops at North Bridge in Chicago, Illinois, for a cash payment of \$18,900. The cash payment was funded by borrowings under the Company's line of credit.

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center, a 933,000 square foot regional shopping center in San Bernardino, California, that it did not previously own for \$51,250. The purchase price was funded by a cash payment of \$26,250 and the assumption of the third party's share of the mortgage note payable on the property of \$25,000. Concurrent with the purchase of the joint venture interest, the Company paid off the \$50,000 mortgage note payable on the property. The cash payment was funded by borrowings under the Company's line of credit. Prior to the acquisition, the Company had accounted for its investment in Inland Center under the equity method of accounting. Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements (See Note 13—Acquisitions).

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

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

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	March 31, 2015	December 31, 2014
Assets(1):		
Properties, net	\$ 2,939,033	\$ 2,967,878
Other assets	210,689	208,726
Total assets	\$ 3,149,722	\$ 3,176,604
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	\$ 1,972,066	\$ 2,038,379
Other liabilities	188,704	195,766
Company's capital	513,153	489,349
Outside partners' capital	475,799	453,110
Total liabilities and partners' capital	\$ 3,149,722	\$ 3,176,604
Investments in unconsolidated joint ventures:		
Company's capital	\$ 513,153	\$ 489,349
Basis adjustment(3)	464,776	464,826
	\$ 977,929	\$ 954,175
Assets—Investments in unconsolidated joint ventures	\$ 1,006,652	\$ 984,132
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(28,723	) (29,957
	\$ 977,929	\$ 954,175

These amounts include the assets of Tysons Corner Center of \$338,546 and \$341,931 as of March 31, 2015 and (1)December 31, 2014, respectively, and liabilities of Tysons Corner Center of \$866,832 and \$871,933 as of March 31, 2015 and December 31, 2014, respectively.

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 March 31, 2015 and December 31, 2014, a total of \$6,500 and (2)\$33,540, respectively, could become recourse debt to the Company. As of March 31, 2015 and December 31, 2014, the Company had an indemnity agreement from a joint venture partner for \$3,250 and \$16,770, respectively, of the guaranteed amount.

Included in mortgage notes payable are amounts due to an affiliate of Northwestern Mutual Life ("NML") of \$603,651 and \$606,263 as of March 31, 2015 and December 31, 2014, 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 on these borrowings was \$8,508 and \$9,724 for the three months ended March 31, 2015 and 2014, respectively.

The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the (3) 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 \$420 and \$1,424 for the three months ended March 31, 2015 and 2014, 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 and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	Pacific Premier Retail LP	Tysons Corner LLC	Other Joint Ventures	Total
Three Months Ended March 31, 2015				
Revenues:				
Minimum rents	\$—	\$ 17,028	\$ 50,494	\$ 67,522
Percentage rents	—	329	1,294	1,623
Tenant recoveries	—	12,262	20,101	32,363
Other	—	593	6,997	7,590
Total revenues	—	30,212	78,886	109,098
Expenses:				
Shopping center and operating expenses	—	9,948	32,230	42,178
Interest expense	—	8,129	12,254	20,383
Depreciation and amortization	—	5,450	24,220	29,670
Total operating expenses	—	23,527	68,704	92,231
Net income	\$—	\$ 6,685	\$ 10,182	\$ 16,867
Company's equity in net income	\$—	\$ 3,006	\$ 5,268	\$ 8,274
Three Months Ended March 31, 2014				
Revenues:				
Minimum rents	\$ 26,080	\$ 16,278	\$ 55,899	\$ 98,257
Percentage rents	659	424	968	2,051
Tenant recoveries	11,740	11,894	25,111	48,745
Other	1,077	687	7,855	9,619
Total revenues	39,556	29,283	89,833	158,672
Expenses:				
Shopping center and operating expenses	11,131	10,159	33,880	55,170
Interest expense	10,098	7,830	19,571	37,499
Depreciation and amortization	8,798	4,602	21,523	34,923
Total operating expenses	30,027	22,591	74,974	127,592
Loss on sale or write down of assets, net	(86	) —	(18	) (104
Net income	\$ 9,443	\$ 6,692	\$ 14,841	\$ 30,976
Company's equity in net income	\$ 4,268	\$ 1,758	\$ 7,743	\$ 13,769

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Property:

Property consists of the following:

	March 31, 2015	December 31, 2014
Land	\$ 2,259,288	\$ 2,242,291
Buildings and improvements	9,545,712	9,479,337
Tenant improvements	612,411	600,436
Equipment and furnishings	155,285	152,554
Construction in progress	328,905	303,264
	12,901,601	12,777,882
Less accumulated depreciation	(1,790,760)	(1,709,992)
	\$ 11,110,841	\$ 11,067,890

Depreciation expense was \$90,197 and \$68,478 for the three months ended March 31, 2015 and 2014, respectively.

The gain on sale or write down of assets, net for the three months ended March 31, 2015 includes a gain of \$1,056 on the sale of land offset in part by a loss of \$121 on the sale of assets.

The loss on the sale or write down of assets, net for the three months ended March 31, 2014 is due to the loss of \$1,611 from the sales of Rotterdam Square, Somersville Towne Center and Lake Square Mall (See Note 14—Dispositions).

6. Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of \$3,529 and \$3,234 at March 31, 2015 and December 31, 2014, respectively. Also included in tenant and other receivables, net, are accrued percentage rents of \$2,839 and \$13,436 at March 31, 2015 and December 31, 2014, respectively, and a deferred rent receivable due to straight-line rent adjustments of \$57,666 and \$57,278 at March 31, 2015 and December 31, 2014, respectively. On March 17, 2014, in connection with the sale of Lake Square Mall (See Note 14—Dispositions), the Company issued a note receivable for \$6,500 that bears interest at an effective rate of 6.5% and matures on March 17, 2018 ("LSM Note A") and a note receivable for \$3,103 that bore interest at 5.0% and was to mature on December 31, 2014 ("LSM Note B"). On September 2, 2014, the balance of LSM Note B was paid in full. LSM Note A is collateralized by a trust deed on Lake Square Mall. At March 31, 2015 and December 31, 2014, LSM Note A had a balance of \$6,411 and \$6,436, respectively.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Deferred Charges and Other Assets, net:

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

	March 31, 2015	December 31, 2014
Leasing	\$ 238,647	\$ 239,955
Financing	50,054	47,171
Intangible assets:		
In-place lease values	287,215	298,825
Leasing commissions and legal costs	72,619	72,432
Above-market leases	260,930	250,810
Deferred tax assets	36,560	35,625
Deferred compensation plan assets	35,946	35,194
Other assets	54,605	66,246
	1,036,576	1,046,258
Less accumulated amortization(1)	(283,874	) (287,197
	\$ 752,702	\$ 759,061

(1) Accumulated amortization includes \$100,224 and \$103,361 relating to in-place lease values, leasing commissions and legal costs at March 31, 2015 and December 31, 2014, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was \$21,678 and \$12,739 for the three months ended March 31, 2015 and 2014, respectively.

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

	March 31, 2015	December 31, 2014
Above-Market Leases		
Original allocated value	\$ 260,930	\$ 250,810
Less accumulated amortization	(65,107	) (59,696
	\$ 195,823	\$ 191,114
Below-Market Leases(1)		
Original allocated value	\$ 372,253	\$ 375,033
Less accumulated amortization	(96,176	) (93,511
	\$ 276,077	\$ 281,522

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

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(Dollars in thousands, except per share amounts)

(Unaudited)

8. Mortgage Notes Payable:

Mortgage notes payable at March 31, 2015 and December 31, 2014 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)
	March 31, 2015		December 31, 2014				
	Related Party	Other	Related Party	Other			
Arrowhead Towne Center	\$—	\$226,844	\$—	\$228,703	2.76 %	\$ 1,131	2018
Chandler Fashion Center(5)	—	200,000	—	200,000	3.77 %	625	2019
Danbury Fair Mall	113,526	113,526	114,265	114,264	5.53 %	1,538	2020
Deptford Mall	—	196,815	—	197,815	3.76 %	947	2023
Deptford Mall	—	14,212	—	14,285	6.46 %	101	2016
Eastland Mall	—	168,000	—	168,000	5.79 %	811	2016
Fashion Outlets of Chicago(6)	—	200,000	—	119,329	1.83 %	278	2020
Fashion Outlets of Niagara Falls USA	—	120,672	—	121,376	4.89 %	727	2020
Flagstaff Mall	—	37,000	—	37,000	5.03 %	151	2015
FlatIron Crossing	—	259,828	—	261,494	3.90 %	1,393	2021
Freehold Raceway Mall(5)	—	228,222	—	229,244	4.20 %	1,132	2018
Great Northern Mall(7)	—	34,232	—	34,494	6.54 %	234	2015
Green Acres Mall	—	311,859	—	313,514	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	478,204	—	480,761	3.67 %	2,229	2019
Lakewood Center(8)	—	—	—	253,708	—	—	—
Los Cerritos Center	102,175	102,176	103,274	103,274	1.65 %	1,009	2018
Northgate Mall(9)	—	64,000	—	64,000	3.06 %	130	2017
Oaks, The	—	209,161	—	210,197	4.14 %	1,064	2022
Pacific View	—	132,525	—	133,200	4.08 %	668	2022
Queens Center	—	600,000	—	600,000	3.49 %	1,744	2025
Santa Monica Place	—	229,022	—	230,344	2.99 %	1,004	2018
SanTan Village Regional Center	—	133,073	—	133,807	3.14 %	589	2019
Stonewood Center	—	109,869	—	111,297	1.80 %	640	2017
Superstition Springs Center(10)	—	68,000	—	68,079	2.00 %	139	2016
Towne Mall	—	22,504	—	22,607	4.48 %	117	2022
Tucson La Encantada	71,148	—	71,500	—	4.23 %	368	2022
Valley Mall	—	41,155	—	41,368	5.85 %	280	2016
Valley River Center	—	120,000	—	120,000	5.59 %	558	2016
Victor Valley, Mall of	—	115,000	—	115,000	4.00 %	380	2024
Vintage Faire Mall(11)	—	280,000	—	—	3.55 %	1,256	2026
Washington Square	—	235,206	—	238,696	1.65 %	1,499	2016
Westside Pavilion	—	148,948	—	149,626	4.49 %	783	2022
	\$286,849	\$5,200,053	\$289,039	\$5,115,482			

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Mortgage Notes Payable: (Continued)

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 into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method.

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	March 31, 2015	December 31, 2014
Arrowhead Towne Center	\$ 10,800	\$ 11,568
Deptford Mall	(7	) (8
Fashion Outlets of Niagara Falls USA	5,182	5,414
Lakewood Center	—	3,708
Los Cerritos Center	16,695	17,965
Stonewood Center	7,287	7,980
Superstition Springs Center	500	579
Valley Mall	(110	) (132
Washington Square	7,426	9,847
	\$47,773	\$56,921

(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.

The maturity date assumes that all extension options are fully exercised and that the Company does not opt to (4) 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 10—Co-Venture Arrangement).

On March 3, 2015, the Company amended the loan on the property. The amended \$200,000 loan bears interest at (6) LIBOR plus 1.50% and matures on March 31, 2020. At March 31, 2015 and December 31, 2014, the total interest rate was 1.83% and 2.97%, respectively.

On January 1, 2015, this nonrecourse loan went into maturity default. As a result, the Company has accrued (7) additional default interest at a rate of 4% since the default date. The Company is working with the loan servicer, which is expected to result in a transition of the property to the loan servicer or a receiver.

(8) On February 25, 2015, the Company paid off in full the loan on the property, which resulted in a gain of \$2,245 on the early extinguishment of debt as a result of writing off the related debt premium.

(9) The loan bears interest at LIBOR plus 2.25% and matures on March 1, 2017. At March 31, 2015 and December 31, 2014, the total interest rate was 3.06% and 3.05%, respectively.

(10) The loan bears interest at LIBOR plus 2.30% and matures on October 28, 2016. At March 31, 2015 and December 31, 2014, the total interest rate was 2.00% and 1.98%, respectively.

(11) On February 19, 2015, the Company placed a \$280,000 loan on the property that bears interest at an effective rate of 3.55% and matures on March 6, 2026.

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 March 31, 2015 and December 31, 2014, a total of \$13,500 and \$73,165,

respectively, of the mortgage notes payable could become recourse to the Company.

The Company expects that all loan maturities during the next twelve months, except Great Northern Mall, will be refinanced, restructured, extended and/or paid-off from the Company's line of credit or with cash on hand. The mortgage note payable on Great Northern Mall, which went into maturity default on January 1, 2015, is a non-recourse loan. The Company is working with the loan servicer and expects the property will be transferred to the loan servicer or a receiver.

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(Dollars in thousands, except per share amounts)

(Unaudited)

8. Mortgage Notes Payable: (Continued)

Total interest expense capitalized was \$2,629 and \$2,485 during the three months ended March 31, 2015 and 2014, respectively.

Related party mortgage notes payable are amounts due to affiliates of NML. See Note 16—Related Party Transactions for interest expense associated with loans from NML.

The estimated fair value (Level 2 measurement) of mortgage notes payable at March 31, 2015 and December 31, 2014 was \$5,538,879 and \$5,455,453, respectively, based on current interest rates for comparable loans. 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 property that serves as collateral for the underlying debt.

9. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Line of Credit:

The Company has a \$1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage level, and matures on August 6, 2018. Based on the Company's leverage level as of March 31, 2015, the borrowing rate on the facility was LIBOR plus 1.50%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total facility of \$2,000,000.

As of March 31, 2015 and December 31, 2014, borrowings under the line of credit were \$852,000 and \$752,000, respectively, at an average interest rate of 1.85% and 1.89%, respectively. The estimated fair value (Level 2 measurement) of the line of credit at March 31, 2015 and December 31, 2014 was \$819,238 and \$713,989, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Term Loan:

On December 8, 2011, the Company obtained a \$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 level, and matures on December 8, 2018. Based on the Company's current leverage level as of March 31, 2015, the borrowing rate was LIBOR plus 2.20%. As of March 31, 2015 and December 31, 2014, the total interest rate was 2.53% and 2.25%, respectively. The estimated fair value (Level 2 measurement) of the term loan at March 31, 2015 and December 31, 2014 was \$122,683 and \$119,780, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable 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 March 31, 2015 and December 31, 2014, the note had a balance of \$10,452 and \$10,879, respectively. The estimated fair value (Level 2 measurement) of the note at March 31, 2015 and December 31, 2014 was \$10,684 and \$11,178, respectively, based on current interest rates for comparable notes. 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 March 31, 2015 and December 31, 2014, the Company was in compliance with all applicable financial loan covenants.

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10. 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, a 1,668,000 square foot regional shopping center in Freehold, New Jersey, and Chandler Fashion Center, a 1,320,000 square foot regional shopping center in Chandler, Arizona.

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. 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 \$72,864 and \$75,450 at March 31, 2015 and December 31, 2014, respectively.

11. 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% ownership interest in the Operating Partnership as of March 31, 2015 and December 31, 2014. The remaining 6% limited partnership interest as of March 31, 2015 and December 31, 2014 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 March 31, 2015 and December 31, 2014, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was \$931,630 and \$877,184, respectively.

The Company issued common and preferred units of MACWH, LP in April 2005 in connection with the acquisition of the Wilmore 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.

12. Stockholders' Equity:

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

On August 17, 2012, the Company entered into an equity distribution agreement ("2012 Distribution Agreement") with a number of sales agents (the "2012 ATM Program") 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 "2012 ATM Shares"). Sales of the 2012 ATM Shares, could have been 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 agreed to pay each sales agent a commission that was not to exceed, but could have been lower than, 2% of the gross proceeds of the 2012 ATM Shares sold through such sales agent under the 2012 Distribution Agreement.

On August 20, 2014, the Company terminated and replaced the 2012 ATM Program with a new ATM Program (the "2014 ATM Program") to sell, from time to time, shares of common stock, par value \$0.01 per share, having an aggregate offering

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(Dollars in thousands, except per share amounts)

(Unaudited)

12. Stockholders' Equity: (Continued)

price of up to \$500,000 (the "ATM Shares"). The terms of the 2014 ATM Program are substantially the same as the 2012 ATM Program. The unsold 2012 ATM Shares are no longer available for issuance.

The Company did not sell any shares under the 2014 ATM Program during the three months ended March 31, 2015.

As of March 31, 2015, \$500,000 of the ATM Shares were available to be sold under the 2014 ATM Program. Actual future sales of the ATM Shares under the 2014 ATM Program 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 ATM Shares under the 2014 ATM Program.

Stock Issued to Acquire Property:

On November 14, 2014, the Company issued 17,140,845 shares of common stock in connection with the acquisition of the PPRLP Queens Portfolio (See Note 13—Acquisitions) for a value of \$1,166,777, based on the closing price of the Company's common stock on the date of the transaction.

13. Acquisitions:

Cascade Mall:

On June 4, 2014, the Company acquired the remaining 49% ownership interest in Cascade Mall that it did not previously own for \$15,233. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Cascade Mall. The acquisition was completed in order to obtain 100% ownership and control over this asset.

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

Property	\$28,924
Deferred charges	6,660
Other assets	202
Total assets acquired	35,786
Other accrued liabilities	4,786
Total liabilities assumed	4,786
Fair value of acquired net assets (at 100% ownership)	\$31,000

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

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

Purchase price	\$ 15,233
Distributions in excess of investment	15,767
Fair value of acquired net assets (at 100% ownership)	\$31,000

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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13. Acquisitions: (Continued)

Fashion Outlets of Chicago:

On October 31, 2014, the Company purchased AWE/Talisman's ownership interest in its consolidated joint venture in Fashion Outlets of Chicago for \$69,987. The purchase price was funded by a cash payment of \$55,867 and the settlement of the balance on the Talisman Notes of \$14,120 (See Note 16—Related Party Transactions). The cash payment was funded by borrowings under the Company's line of credit. The purchase agreement includes contingent consideration based on the financial performance of Fashion Outlets of Chicago at an agreed upon date in 2016. The Company estimated the fair value of the contingent consideration as of March 31, 2015 to be \$10,336, which has been included in other accrued liabilities. As a result of this acquisition, the noncontrolling interest of \$76,141 was reversed.

PPRLP Queens Portfolio:

On November 14, 2014, the Company acquired the remaining 49% ownership interest in the PPRLP Queens Portfolio that it did not previously own for \$1,838,886. The acquisition was completed in order to gain 100% ownership and control over this portfolio of prominent shopping centers. The purchase price was funded by the assumption of the third party's pro rata share of the mortgage notes payable on the properties of \$672,109 and the issuance of \$1,166,777 in common stock of the Company. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of the PPRLP Queens Portfolio.

The following is a summary of the preliminary allocation of the estimated fair value of the PPRLP Queens Portfolio:

Property	\$3,711,819
Deferred charges	155,892
Cash and cash equivalents	28,890
Restricted cash	5,113
Tenant receivables	5,438
Other assets	127,244
Total assets acquired	4,034,396
Mortgage notes payable	1,414,659
Accounts payable	5,669
Due to affiliates	2,680
Other accrued liabilities	230,210
Total liabilities assumed	1,653,218
Fair value of acquired net assets (at 100% ownership)	\$2,381,178

The purchase price allocation for the PPRLP Queens Portfolio is based on a preliminary measurement of fair value that is subject to change. The allocation for the PPRLP Queens Portfolio represents the Company's current best estimate of fair value. The Company determined that the purchase price represented the estimated fair value of the additional ownership interest in the PPRLP Queens Portfolio that was acquired.

Fair value of existing ownership interest (at 51% ownership)	\$1,214,401
Distributions in excess of investment	208,735
Gain on remeasurement of assets	\$1,423,136

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

13. Acquisitions: (Continued)

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

Purchase price	\$ 1,838,886	
Less debt assumed	(672,109)
Distributions in excess of investment	(208,735)
Gain on remeasurement of assets	1,423,136	
Fair value of acquired net assets (at 100% ownership)	\$2,381,178	

Since the date of acquisition, the Company has included the PPRLP Queens Portfolio in its consolidated financial statements.

Inland Center:

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center that it did not previously own for \$51,250. The purchase price was funded by a cash payment of \$26,250 and the assumption of the third party's share of the mortgage note payable on the property of \$25,000. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Inland Center. The acquisition was completed in order to obtain 100% ownership and control over this asset.

The following is a summary of the preliminary allocation of the estimated fair value of Inland Center:

Property	\$91,871	
Deferred charges	9,752	
Other assets	5,782	
Total assets acquired	107,405	
Mortgage note payable	50,000	
Other accrued liabilities	4,905	
Total liabilities assumed	54,905	
Fair value of acquired net assets (at 100% ownership)	\$52,500	

The purchase price allocation for Inland Center is based on a preliminary measurement of fair value that is subject to change. The allocation for Inland Center represents the Company's current best estimate of fair value. The Company determined that the purchase price represented the estimated fair value of the additional ownership interest in Inland Center that was acquired.

Fair value of existing ownership interest (at 50% ownership)	\$26,250	
Carrying value of investment	(4,147)
Gain on remeasurement of assets	\$22,103	

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(Dollars in thousands, except per share amounts)

(Unaudited)

13. Acquisitions: (Continued)

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

Purchase price	\$51,250	
Less debt assumed	(25,000)
Carrying value of investment	4,147	
Gain on remeasurement of assets	22,103	
Fair value of acquired net assets (at 100% ownership)	\$52,500	

Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements. The property has generated incremental revenue of \$1,735 and incremental net loss of \$231 during the three months ended March 31, 2015.

Pro Forma Results of Operations:

The following pro forma financial information for the three months ended March 31, 2015 and 2014 assumes all of the above transactions took place on January 1, 2014:

	For the Three Months Ended March 31,	
	2015	2014
Supplemental pro forma revenue(1)	\$ 320,022	\$ 329,271
Supplemental pro forma income from continuing operations(1)	\$ 5,762	\$ 19,523

(1) This pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had these transactions occurred on January 1, 2014, 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 these transactions.

14. Dispositions:

The following recent dispositions have been included in gain (loss) on sale or write down of assets, net:

On January 15, 2014, the Company sold Rotterdam Square, a 585,000 square foot regional shopping center in Schenectady, New York, for \$8,500, resulting in a loss on the sale of assets of \$472. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On February 14, 2014, the Company sold Somersville Towne Center, a 348,000 square foot regional shopping center in Antioch, California, for \$12,337, resulting in a loss on the sale of assets of \$263. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 17, 2014, the Company sold Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida, for \$13,280, resulting in a loss on the sale of assets of \$876. The sales price was funded by a cash payment of \$3,677 and the issuance of two notes receivable totaling \$9,603 (See Note 6—Tenant and Other Receivables). The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On July 7, 2014, the Company sold a former Mervyn's store in El Paso, Texas for \$3,560, resulting in a loss on the sale of assets of \$158. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On August 28, 2014, the Company sold a former Mervyn's store in Thousand Oaks, California for \$3,500, resulting in a loss on the sale of assets of \$80. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

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THE MACERICH COMPANY

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(Dollars in thousands, except per share amounts)

(Unaudited)

14. Dispositions: (Continued)

On September 11, 2014, the Company sold a leasehold interest in a former Mervyn's store in Laredo, Texas for \$1,200, resulting in a gain on the sale of assets of \$315. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 10, 2014, the Company sold a former Mervyn's store in Marysville, California for \$1,900, resulting in a loss on the sale of assets of \$3. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 31, 2014, the Company sold South Towne Center, a 1,278,000 square foot regional shopping center in Sandy, Utah, for \$205,000, resulting in a gain on the sale of assets of \$121,873. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On December 29, 2014, the Company sold its 67.5% ownership interest in its consolidated joint venture in Camelback Colonnade, a 619,000 square foot community center in Phoenix, Arizona, for \$92,898, resulting in a gain on the sale of assets of \$24,554. The sales price was funded by a cash payment of \$61,173 and the assumption of the Company's share of the mortgage note payable on the property of \$31,725. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. As a result of the sale, the \$47,946 mortgage note payable on the property was discharged and the noncontrolling interest of \$17,217 was reversed.

15. 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 lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Ground lease rent expense was \$2,945 and \$2,668 for the three months ended March 31, 2015 and 2014, respectively. No contingent rent was incurred during the three months ended March 31, 2015 or 2014.

As of March 31, 2015 and December 31, 2014, the Company was contingently liable for \$18,388 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 the services within the guidelines specified in the agreements. At March 31, 2015, the Company had \$36,825 in outstanding obligations which it believes will be settled in the next twelve months.

16. 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 March 31,	
	2015	2014
Management fees	\$2,701	\$4,825
Development and leasing fees	2,072	2,496
	\$4,773	\$7,321

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

16. Related Party Transactions: (Continued)

Certain mortgage notes on the properties are held by NML (See Note 8—Mortgage Notes Payable). Interest expense in connection with these notes was \$2,729 and \$3,708 for the three months ended March 31, 2015 and 2014, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of \$1,119 and \$1,125 at March 31, 2015 and December 31, 2014, respectively.

The Company had loans to unconsolidated joint ventures during the three months ended March 31, 2014. There were no loans outstanding at March 31, 2015 and December 31, 2014. Interest income associated with these notes was \$31 for the three months ended March 31, 2014. These loans represented initial funds advanced to development stage projects prior to construction loan funding. Accordingly, loan payables in the same amount were accrued as an obligation by the various joint ventures.

Due from affiliates includes \$3,222 and \$3,869 of unreimbursed costs and fees due from unconsolidated joint ventures under management agreements at March 31, 2015 and December 31, 2014, respectively.

Due from affiliates at March 31, 2014 also included two notes receivable from principals of AWE/Talisman ("Talisman Notes") that bore interest at 5.0% and were to mature based on the refinancing or sale of Fashion Outlets of Chicago, a 528,000 square foot outlet center in Rosemont, Illinois, or certain other specified events. AWE/Talisman was considered a related party because it had a 40% noncontrolling ownership interest in Fashion Outlets of Chicago. On October 31, 2014, in connection with the Company's acquisition of AWE/Talisman's ownership interest in Fashion Outlets of Chicago, the balance of the Talisman Notes was settled (See Note 13—Acquisitions). Interest income earned on these notes was \$154 for the three months ended March 31, 2014.

In addition, due from affiliates at March 31, 2015 and December 31, 2014 includes a note receivable from RED/303 LLC ("RED") that bears interest at 5.25% and matures on March 29, 2016. Interest income earned on this note was \$137 and \$160 for the three months ended March 31, 2015 and 2014, respectively. The balance on this note was \$10,591 and \$11,027 at March 31, 2015 and December 31, 2014, respectively. RED is considered a related party because it is a partner in a joint venture development project. The note is collateralized by RED's membership interest in a development agreement.

Also included in due from affiliates is a note receivable from Lennar Corporation that bears interest at LIBOR plus 2% and matures upon the completion of certain milestones in connection with the development of Candlestick Point (See Note 4—Investments in Unconsolidated Joint Ventures). Interest income earned on this note was \$433 for the three months ended March 31, 2015. The balance on this note was \$65,769 and \$65,336 at March 31, 2015 and December 31, 2014, respectively. Lennar Corporation is considered a related party because it has an ownership interest in Candlestick Point.

17. Share and Unit-Based Plans:

Under the Long-Term Incentive Plan ("LTIP"), each award recipient is issued a form of operating partnership units ("LTIP Units") in the Operating Partnership. 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, or cash at the Company's option, on a one-unit for one-share basis. LTIP Units receive cash dividends based on the dividend amount paid on the common stock of the Company. The LTIP may include both market-indexed awards and service-based awards.

On January 1, 2015, the Company granted 49,451 LTIP Units with a grant date fair value of \$83.41 per LTIP Unit that will vest in equal annual installments over a service period ending December 31, 2017. Concurrently, the Company granted 186,450 market-indexed LTIP Units ("2015 LTIP Units") at a grant date fair value of \$66.37 per LTIP Unit that vest over a service period ending December 31, 2015. The 2015 LTIP Units were equally divided between two types of awards. The terms of both types of awards were the same, except one award has an additional 3% absolute total stockholder return requirement, which if it is not met, then such LTIP Units will not vest.

On March 6, 2015, the Company granted 132,607 LTIP Units at a fair value of \$86.72 per LTIP Unit that were fully vested on the grant date.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

The fair value of the market-indexed LTIP Units are 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 (for market-indexed awards), is assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion is a common assumption when modeling in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value and take any value greater than zero. The volatilities of the returns on the share price of the Company and the peer group REITs were estimated based on a look-back period. The expected growth rate of the stock prices over the "derived service period" is 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 March 31,	
	2015	2014
LTIP Units	\$ 15,228	\$ 18,240
Stock awards	75	114
Stock units	3,197	1,682
Stock options	4	4
Phantom stock units	311	306
	\$ 18,815	\$ 20,346

The Company capitalized share and unit-based compensation costs of \$4,347 and \$3,841 for the three months ended March 31, 2015 and 2014, respectively. Unrecognized compensation costs of share and unit-based plans at March 31, 2015 consisted of \$15,522 from LTIP Units, \$174 from stock awards, \$6,107 from stock units, \$39 from stock options and \$500 from phantom stock units. 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, 2015	46,695	\$58.89	9,189	\$59.25	9,269	\$58.35	144,374	\$59.94
Granted	368,508	75.98	—	—	3,185	84.97	75,171	86.72
Vested	(132,607)	86.72	(6,201)	58.00	(4,350)	71.53	(80,334)	59.06
Forfeited	—	—	—	—	—	—	—	—
Balance at March 31, 2015	282,596	\$68.12	2,988	\$61.84	8,104	\$61.73	139,211	\$74.94

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

The following table summarizes the activity of the stock appreciations rights ("SARs") and stock options outstanding:

	SARs		Stock Options	
	Shares	Value(1)	Shares	Value(1)
Balance at January 1, 2015	772,639	\$56.67	10,068	\$59.57
Granted	—	—	—	—
Exercised	(342,981)	56.88	—	—
Forfeited	—	—	—	—
Balance at March 31, 2015	429,658	\$56.50	10,068	\$59.57

(1) Value represents the weighted average exercise price.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

18. 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 are as follows:

	For the Three Months	
	Ended March 31,	
	2015	2014
Current	\$—	\$—
Deferred	935	172
Income tax benefit	\$935	\$172

The net operating loss carryforwards are currently scheduled to expire through 2034, beginning in 2024. Net deferred tax assets of \$36,560 and \$35,625 were included in deferred charges and other assets, net, at March 31, 2015 and December 31, 2014, respectively.

The tax years 2010 through 2014 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 benefit will materially change within the next twelve months.

19. Subsequent Events:

On April 17, 2015, the Company received a commitment from a lender for a \$410,000 mortgage note payable on Lakewood Center that will bear interest at a fixed rate of 3.43% with an 11-year term.

On April 24, 2015, the Company announced a dividend/distribution of \$0.65 per share for common stockholders and OP Unit holders of record on May 8, 2015. All dividends/distributions will be paid 100% in cash on June 5, 2015.

On April 30, 2015, the Company entered into a 50/50 joint venture with Sears to own nine Sears locations: Arrowhead Towne Center, Chandler Fashion Center, Danbury Fair Mall, Deptford Mall, Freehold Raceway Mall, Los Cerritos Center, South Plains Mall, Vintage Faire Mall and Washington Square. The total purchase price for the Company's 50% interest was \$150,000. The purchase price was funded by borrowings under the Company's line of credit.

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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. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors. You are urged to carefully review the disclosures we make concerning these risks and other factors that may affect our business and operating results, under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, 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/power 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 Macerich Partnership, L.P. (the "Operating Partnership"). As of March 31, 2015, the Operating Partnership owned or had an ownership interest in 51 regional shopping centers and eight community/power shopping centers aggregating approximately 55 million square feet of gross leasable area. These 59 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 real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Management Companies.

The following discussion is based primarily on the consolidated financial statements of the Company for the three months ended March 31, 2015 and 2014. It compares the results of operations and cash flows for the three months ended March 31, 2015 to the results of operations and cash flows for the three months ended March 31, 2014. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

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Acquisitions and Dispositions:

The financial statements reflect the following acquisitions, dispositions and changes in ownership subsequent to the occurrence of each transaction.

On January 15, 2014, the Company sold Rotterdam Square, a 585,000 square foot regional shopping center in Schenectady, New York, for \$8.5 million, resulting in a loss on the sale of assets of \$0.5 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On February 14, 2014, the Company sold Somersville Towne Center, a 348,000 square foot regional shopping center in Antioch, California, for \$12.3 million, resulting in a loss on the sale of assets of \$0.3 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 17, 2014, the Company sold Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida, for \$13.3 million, resulting in a loss on the sale of assets of \$0.9 million. The sales price was funded by a cash payment of \$3.7 million and the issuance of two notes receivable totaling \$9.6 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On June 4, 2014, the Company acquired the remaining 49% ownership interest in Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington, that it did not previously own for a cash payment of \$15.2 million. The Company purchased Cascade Mall from its joint venture partner in Pacific Premier Retail LP. The cash payment was funded by borrowings under the Company's line of credit.

On July 7, 2014, the Company sold a former Mervyn's store in El Paso, Texas for \$3.6 million, resulting in a loss on the sale of assets of \$0.2 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On July 30, 2014, the Company formed a joint venture to redevelop Fashion Outlets of Philadelphia at Market East, a 1,376,000 square foot regional shopping center in Philadelphia, Pennsylvania. The Company invested \$106.8 million for a 50% interest in the joint venture, which was funded by borrowings under its line of credit.

On August 28, 2014, the Company sold a former Mervyn's store in Thousand Oaks, California for \$3.5 million, resulting in a loss on the sale of assets of \$0.1 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On August 28, 2014, the Company sold its 30% ownership interest in Wilshire Boulevard, a 40,000 square foot freestanding store in Santa Monica, California, for a total sales price of \$17.1 million, resulting in a gain on the sale of assets of \$9.0 million. The sales price was funded by a cash payment of \$15.4 million and the assumption of the Company's share of the mortgage note payable on the property of \$1.7 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On September 11, 2014, the Company sold a leasehold interest in a former Mervyn's store in Laredo, Texas for \$1.2 million, resulting in a gain on the sale of assets of \$0.3 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 10, 2014, the Company sold a former Mervyn's store in Marysville, California for \$1.9 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 31, 2014, the Company sold South Towne Center, a 1,278,000 square foot regional shopping center in Sandy, Utah, for \$205.0 million, resulting in a gain on the sale of assets of \$121.9 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 31, 2014, the Company acquired the remaining 40% ownership interest in Fashion Outlets of Chicago, a 528,000 square foot outlet center in Rosemont, Illinois, that it did not previously own for \$70.0 million. The purchase price was funded by a cash payment of \$55.9 million and the settlement of \$14.1 million in notes receivable. The cash payment was funded by borrowings under the Company's line of credit.

On November 13, 2014, the Company formed a joint venture to develop a 500,000 square foot outlet center at Candlestick Point in San Francisco, California. In connection with the formation of the joint venture, the Company issued a note receivable for \$65.1 million to its joint venture partner that bears interest at LIBOR plus 2.0% and matures upon the completion of certain milestones in connection with the development of Candlestick Point. The note receivable was funded by borrowings under the Company's line of credit.

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On November 14, 2014, the Company acquired the remaining 49% ownership interest that it did not previously own in two separate joint ventures, Pacific Premier Retail LP and Queens JV LP, which together owned five Centers: Lakewood Center, a 2,066,000 square foot regional shopping center in Lakewood, California; Los Cerritos Center, a 1,284,000 square foot regional shopping center in Cerritos, California; Queens Center, a 962,000 square foot regional shopping center in Queens, New York; Stonewood Center, a 932,000 square foot regional shopping center in Downey, California; and Washington Square, a 1,444,000 square foot regional shopping center in Portland, Oregon (collectively referred to herein as the "PPRLP Queens Portfolio"). The total consideration of approximately \$1.8 billion was funded by the direct issuance of approximately \$1.2 billion of common stock of the Company and the assumption of the third party's pro rata share of the mortgage notes payable on the properties of \$672.1 million. As a result of the acquisition, the Company recognized a gain on remeasurement of assets of \$1.4 billion.

On November 20, 2014, the Company purchased a 45% interest in 443 North Wabash Avenue, a 65,000 square foot undeveloped site adjacent to the Company's joint venture in The Shops at North Bridge in Chicago, Illinois, for a cash payment of \$18.9 million. The cash payment was funded by borrowings under the Company's line of credit.

On December 29, 2014, the Company sold its 67.5% ownership interest in its consolidated joint venture in Camelback Colonnade, a 619,000 square foot community center in Phoenix, Arizona, for \$92.9 million, resulting in a gain on the sale of assets of \$24.6 million. The sales price was funded by a cash payment of \$61.2 million and the assumption of the Company's share of the mortgage note payable on the property of \$31.7 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center, a 933,000 square foot regional shopping center in San Bernardino, California, that it did not previously own for \$51.3 million. The purchase price was funded by a cash payment of \$26.3 million and the assumption of the third party's share of the mortgage note payable on the property of \$25.0 million. Concurrent with the purchase of the joint venture interest, the Company paid off the \$50.0 million loan on the property. The cash payment was funded by borrowings under the Company's line of credit. As a result of the acquisition, the Company recognized a gain on remeasurement of assets of \$22.1 million.

Financing Activity:

On August 28, 2014, the Company replaced the existing loan on Mall of Victor Valley with a new \$115.0 million loan that bears interest at an effective rate of 4.00% and matures on September 1, 2024.

On November 14, 2014, in connection with the acquisition of the PPRLP Queens Portfolio (See "Acquisitions and Dispositions"), the Company assumed the loans on the following Centers: Lakewood Center with a fair value of \$254.9 million that bears interest at an effective rate of 1.80% and matures on June 1, 2015; Los Cerritos Center with a fair value of \$207.5 million that bears interest at an effective rate of 1.65% and matures on July 1, 2018; Queens Center with a fair value of \$600.0 million that bears interest at an effective rate of 3.49% and matures on January 1, 2025; Stonewood Center with a fair value of \$111.9 million that bears interest at an effective rate of 1.80% and matures on November 1, 2017; and Washington Square with a fair value of \$240.3 million that bears interest at an effective rate of 1.65% and matures on January 1, 2016.

On December 22, 2014, the Company prepaid a total of \$254.2 million of mortgage debt on Fresno Fashion Fair and Vintage Faire Mall with a weighted average interest rate of 6.4%. The Company incurred a charge of \$9.0 million in connection with the early extinguishment of debt.

On February 19, 2015, the Company placed a \$280.0 million mortgage note payable on Vintage Faire Mall that bears interest at an effective rate of 3.55% and matures on March 6, 2026.

On March 3, 2015, the Company amended the loan on Fashion Outlets of Chicago. The amended \$200.0 million loan bears interest at LIBOR plus 1.50% and matures on March 31, 2020.

Other Transactions and Events:

On January 1, 2015, the mortgage note payable on Great Northern Mall, an 895,000 square foot regional shopping center in Clay, New York, went into maturity default. The mortgage note payable is a non-recourse loan. The Company is working with the loan servicer, which is expected to result in a transition of the property to the loan servicer or a receiver. Consequently, Great Northern Mall has been excluded from certain 2014 and 2015 performance metrics and related discussions, including tenant sales per square foot, occupancy rates and releasing spreads (See

"Results of Operations").

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On March 9, 2015 the Company received an unsolicited, conditional proposal from Simon Property Group, Inc. ("Simon") to acquire the Company. The Company's Board of Directors, after consulting with its financial and legal advisors, unanimously determined that the Simon proposal substantially undervalued the Company and was not in the best interests of the Company and its stockholders. On March 20, 2015, the Company received a revised, unsolicited proposal to acquire the Company from Simon, which Simon described as its best and final proposal. The Company's Board of Directors carefully reviewed the revised proposal with the assistance of its financial, real estate and legal advisors, and determined that the revised proposal continued to substantially undervalue the Company and that pursuing the proposed transaction at that time was not in the best interests of the Company and its stockholders.

Redevelopment and Development Activities:

The Company's joint venture in Tysons Corner Center, a 2,142,000 square foot regional shopping center in Tysons Corner, Virginia, is currently expanding the property to include a 527,000 square foot office tower, a 430 unit residential tower and a 300 room Hyatt Regency hotel. The joint venture started the expansion project in October 2011. The office tower commenced occupancy in August 2014 and the Hyatt Regency hotel opened on April 14, 2015. The joint venture expects the residential tower to open in June 2015. The total cost of the project is estimated to be \$524.0 million, with \$262.0 million estimated to be the Company's pro rata share. The Company has funded \$244.3 million of the total \$488.6 million incurred by the joint venture as of March 31, 2015.

In February 2014, the Company's joint venture in Broadway Plaza started construction on the 235,000 square foot expansion of the 774,000 square foot regional shopping center in Walnut Creek, California. The joint venture expects to complete the project in phases with the first phase anticipated to be completed in Fall 2015. The total cost of the project is estimated to be \$270.0 million, with \$135.0 million estimated to be the Company's pro rata share. The Company has funded \$50.9 million of the total \$101.8 million incurred by the joint venture as of March 31, 2015.

Inflation:

In the last five 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 throughout the lease term. These rent increases are either in fixed increments or based on using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, approximately 5% to 12% of the leases for spaces 10,000 square feet and under 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. There have been no significant changes to the Company's critical accounting policies during the three months ended March 31, 2015.

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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, 71% of the leases for the retail stores in the Company's regional shopping centers ("Mall Stores") and freestanding retail stores located along the perimeter of the Company's shopping centers ("Freestanding Stores") contain provisions for CPI rent increases periodically throughout the term of the lease. 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 are recognized as revenues on a straight-line basis over the term of the related leases.

Property:

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

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of the leases. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates 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 initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

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

Remeasurement gains are recognized when the Company obtains control of an existing equity method investment to the extent that the fair value of the existing equity investment exceeds the carrying value of the investment.

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 is 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 life 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 in Management's Overview and Summary above, including the Acquisition Properties, the Redevelopment Properties and the Disposition 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"), those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center ("Redevelopment Properties") and properties that have been disposed ("Disposition 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 consist of all consolidated Centers, excluding the Acquisition Properties, the Redevelopment Properties and the Disposition Properties for the periods of comparison. For comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014, the Acquisition Properties include Cascade Mall, the PPRLP Queens Portfolio and Inland Center. For comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014, the Redevelopment Properties include Paradise Valley Mall, the expansion portion of Fashion Outlets of Niagara Falls USA, SouthPark Mall and Westside Pavilion. For comparison of the three months ended March 31, 2015 to the three months ended March 31, 2014, the Disposition Properties include Rotterdam Square, Somersville Towne Center, Lake Square Mall, South Towne Center and Camelback Colonnade.

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 twelve 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 initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the trailing twelve months based on the 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 \$565 for the twelve months ended March 31, 2014 to \$607 for the twelve months ended March 31, 2015. Occupancy rate increased from 95.1% at March 31, 2014 to 95.4% at March 31, 2015. Releasing spreads increased 20.5% for the twelve months ended March 31, 2015. These calculations exclude Centers under development or redevelopment and property dispositions (See "Acquisitions and Dispositions" in Management's Overview and Summary). As discussed above, Great Northern Mall was excluded for the twelve months ended March 31, 2015 (See "Other Transactions and Events" in Management's Overview and Summary).

Releasing spreads remained positive as the Company was able to lease available space at higher average rents than the expiring rental rates, resulting in a releasing spread of \$9.37 per square foot (\$55.15 on new and renewal leases executed compared to \$45.78 on leases expiring), representing a 20.5% increase for the trailing twelve months ended March 31, 2015. The Company expects that releasing spreads will continue to be positive for the remainder of 2015 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire represent 1.1 million

square feet of the Centers, accounting for 11.3% of the gross leasable area ("GLA") of Mall Stores and Freestanding Stores, for spaces 10,000 square feet and under, as of March 31, 2015.

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During the trailing twelve months ended March 31, 2015, the Company signed 307 new leases and 384 renewal leases comprising approximately 1.4 million square feet of GLA, of which 1.2 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was \$55.15 per square foot for the trailing twelve months ended March 31, 2015 with an average tenant allowance of \$18.41 per square foot.

Comparison of Three Months Ended March 31, 2015 and 2014

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") increased by \$39.5 million, or 25.6%, from 2014 to 2015. The increase in rental revenue is attributed to an increase of \$48.0 million from the Acquisition Properties and \$0.4 million from the Redevelopment Properties offset in part by a decrease of \$6.8 million from the Disposition Properties and \$2.1 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 \$1.5 million in 2014 to \$4.7 million in 2015. The amortization of straight-line rents decreased from \$1.5 million in 2014 to \$0.4 million in 2015. Lease termination income increased from \$1.8 million in 2014 to \$2.1 million in 2015.

Tenant recoveries increased \$14.2 million, or 15.5%, from 2014 to 2015. This increase in tenant recoveries is attributed to an increase of \$20.3 million from the Acquisition Properties offset in part by a decrease of \$3.3 million from the Disposition Properties and \$2.8 million from the Same Centers. The decrease in tenant recoveries at the Same Centers was primarily due to a decrease in utility expenses at the Centers.

Management Companies' revenue decreased from \$8.1 million in 2014 to \$5.6 million in 2015. The decrease in Management Companies' revenue is primarily due to a reduction in management fees as a result of the conversion from joint ventures to consolidated Centers of Cascade Mall and the PPRLP Queens Portfolio in 2014 and Inland Center in 2015 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Shopping Center and Operating Expenses:

Shopping center and operating expenses increased \$11.3 million, or 12.5%, from 2014 to 2015. The increase in shopping center and operating expenses is attributed to an increase of \$19.8 million from the Acquisition Properties and \$0.4 million from the Redevelopment Properties offset in part by a decrease of \$4.8 million from the Same Centers and \$4.1 million from the Disposition Properties. The decrease in shopping center and operating expenses at the Same Centers is primarily due to a decrease in utility expenses and other operating costs.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased \$3.7 million from 2014 to 2015 due to an increase in compensation costs.

REIT General and Administrative Expenses:

REIT general and administrative expenses increased by \$1.5 million from 2014 to 2015.

Costs related to Unsolicited Takeover Offer:

The Company incurred \$13.6 million in costs related to evaluating and responding to an unsolicited takeover offer in 2015 (See "Other Transactions and Events" in Management's Overview and Summary).

Depreciation and Amortization:

Depreciation and amortization increased \$32.0 million from 2014 to 2015. The increase in depreciation and amortization is primarily attributed to an increase of \$35.5 million from the Acquisition Properties and \$1.1 million from the Redevelopment Properties offset in part by a decrease of \$3.2 million from the Disposition Properties and \$1.4 million from the Same Centers.

Interest Expense:

Interest expense increased \$6.9 million from 2014 to 2015. The increase in interest expense was primarily attributed to increases of \$7.5 million from the Acquisition Properties, \$2.9 million from borrowings under the Company's line of credit, \$0.4 million from the Redevelopment Properties and \$0.1 million from term loans. These increases were offset in part by decreases of \$3.8 million from the Same Centers and \$0.2 million from the Disposition Properties.

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The above interest expense items are net of capitalized interest, which increased from \$2.5 million in 2014 to \$2.6 million in 2015.

(Gain) Loss on Early Extinguishment of debt, net:

The change in (gain) loss on early extinguishment of debt, net from 2014 to 2015 was \$2.6 million, resulting from a loss of \$0.4 million in 2014 and a gain of \$2.2 million in 2015. The change is primarily attributed to the gain of \$2.2 million on the payoff of the mortgage note payable on Lakewood Center in 2015 and the loss of \$0.4 million from the payoff of a portion of a mortgage note payable on South Plains Mall in 2014.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased \$5.5 million from 2014 to 2015. The decrease is primarily attributed to the conversion from joint ventures to consolidated Centers of Cascade Mall and the PPRLP Queens Portfolio in 2014 and Inland Center in 2015 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Gain (Loss) on Sale or Write Down of Assets, net:

The change in gain (loss) on sale or write down of assets, net from 2014 to 2015 was \$2.5 million, resulting from a loss of \$1.6 million in 2014 and a gain of \$0.9 million in 2015. The change is primarily attributed to the gain of \$1.1 million on the sale of land in 2015 and the loss of \$1.6 million from the sales of Rotterdam Square, Somersville Towne Center and Lake Square Mall in 2014 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Gain on Remeasurement of Assets:

The gain on remeasurement of assets of \$22.1 million in 2015 is attributed to the purchase of the remaining 50% ownership interest in Inland Center that the Company did not previously own (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Net Income:

Net income increased \$7.0 million from 2014 to 2015. The increase is primarily attributed to the remeasurement gain of \$22.1 million from the acquisition of Inland Center in 2015 (See "Acquisitions and Dispositions" in Management's Overview and Summary) offset in part by the costs related to the unsolicited takeover offer of \$13.6 million in 2015 (See "Other Transactions and Events" in Management's Overview and Summary).

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO—diluted increased 9.9% from \$121.6 million in 2014 to \$133.5 million in 2015. 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")" below.

Operating Activities:

Cash provided by operating activities increased from \$97.9 million in 2014 to \$162.1 million in 2015. The increase was primarily due to changes in assets and liabilities and the results as discussed above.

Investing Activities:

Cash used in investing activities increased \$127.8 million from 2014 to 2015. The increase in cash used in investing activities was primarily due to an increase in cash used in development, redevelopment and renovations of \$60.6 million, an increase in cash used in the acquisition of property of \$26.3 million, a decrease in cash proceeds from the sale of assets of \$23.1 million and a decrease in distributions from unconsolidated joint ventures of \$9.1 million.

The increase in the acquisitions of property is due to the purchase of the 50% ownership interest in Inland Center in 2015 that the Company did not previously own (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Financing Activities:

Cash from financing activities increased \$101.6 million from \$80.4 million used in financing activities in 2014 to \$21.1 million provided by financing activities in 2015. The increase in cash provided by financing activities was primarily due to an increase in proceeds from mortgages, bank and other notes payable of \$681.7 million offset in part by an increase in payments on mortgages, bank and other notes payable of \$570.3 million.

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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 Three Months	
	Ended March 31,	
	2015	2014
Consolidated Centers:		
Acquisitions of property and equipment	\$ 30,105	\$ 4,792
Development, redevelopment, expansion and renovation of Centers	36,073	21,860
Tenant allowances	3,715	4,689
Deferred leasing charges	8,852	6,009
	\$ 78,745	\$ 37,350
Joint Venture Centers (at Company's pro rata share):		
Acquisitions of property and equipment	\$ 647	\$ 301
Development, redevelopment, expansion and renovation of Centers	25,812	38,129
Tenant allowances	626	694
Deferred leasing charges	786	792
	\$ 27,871	\$ 39,916

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 2014 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings. The Company expects to incur between \$300 million and \$400 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 and issuances, property refinancings, joint venture transactions and the sale of non-core assets. Furthermore, the Company has filed a shelf registration statement, which registered an unspecified amount of common stock, preferred stock, depositary shares, debt securities, warrants, rights, stock purchase contracts and units that may be sold from time to time by the Company.

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 through its \$500 million 2014 ATM Program as discussed below and its \$1.5 billion line of credit, the Company has 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 with a number of sales agents (the "2014 ATM Program") 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 million (the "2014 ATM Shares"). Sales of the 2014 ATM Shares can 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 did not sell any shares under the 2014 ATM Program during the three months ended March 31, 2015.

As of March 31, 2015, \$500 million of the 2014 ATM Shares were available to be sold under the 2014 ATM Program. Actual future sales of the 2014 ATM Shares 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 2014 ATM Shares under the 2014 ATM Program.

The Company's total outstanding loan indebtedness at March 31, 2015 was \$7.2 billion (consisting of \$6.5 billion of consolidated debt, less \$0.3 billion of noncontrolling interests, plus \$1.0 billion of its pro rata share of unconsolidated joint

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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, except Great Northern Mall, will be refinanced, restructured, extended and/or paid off from the Company's line of credit or cash on hand. The mortgage note payable on Great Northern Mall, which went into maturity default on January 1, 2015, is a non-recourse loan. The Company is working with the loan servicer and expects the property will be transferred to the loan servicer or a receiver.

The Company has a \$1.5 billion revolving line of credit facility that provides for an interest rate of LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage levels, and matures on August 6, 2018. Based on the Company's leverage level as of March 31, 2015, the borrowing rate on the facility was LIBOR plus 1.50%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total facility of \$2.0 billion. All obligations under the facility are unconditionally guaranteed only by the Company. At March 31, 2015, total borrowings under the line of credit were \$852.0 million with an average effective interest rate of 1.85%.

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 levels, and matures on December 8, 2018. Based on the Company's leverage level at March 31, 2015, the borrowing rate was LIBOR plus 2.20%. As of March 31, 2015, the total interest rate was 2.53%.

At March 31, 2015, the Company was in compliance with all applicable loan covenants under its agreements.

At March 31, 2015, the Company had cash and cash equivalents of \$118.2 million.

Off-Balance Sheet Arrangements:

The Company accounts for its investments in joint ventures that it does not have a controlling interest or is not the primary beneficiary 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.

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 March 31, 2015, the balance of the debt that could be recourse to the Company was \$6.5 million offset in part by an indemnity agreement from a joint venture partner for \$3.3 million. The maturity of the recourse debt, net of the indemnification, is \$3.2 million in 2019.

Additionally, as of March 31, 2015, the Company was contingently liable for \$18.4 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.

Contractual Obligations:

The following is a schedule of contractual obligations as of March 31, 2015 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than five years
Long-term debt obligations (includes expected interest payments)	\$7,147,358	\$543,990	\$1,098,900	\$2,737,637	\$2,766,831
Operating lease obligations(1)	372,369	15,425	29,838	20,724	306,382
Purchase obligations(1)	36,825	36,825	—	—	—
Other long-term liabilities	368,459	329,267	3,299	3,652	32,241
	\$7,925,011	\$925,507	\$1,132,037	\$2,762,013	\$3,105,454

(1) See Note 15—Commitments and Contingencies in the Company's Notes to Consolidated Financial Statements.

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Funds From Operations ("FFO")

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.

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 such a presentation also provides investors with a more meaningful measure of its operating results in comparison to the operating results of other REITs. The Company further believes that FFO on a diluted basis is a measure investors find most useful in measuring the dilutive impact of outstanding convertible securities.

The Company believes that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO, as presented, may not be comparable to similarly titled measures reported by other REITs.

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

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Funds From Operations ("FFO") (Continued)

The following reconciles net income attributable to the Company to FFO and FFO-diluted for the three months ended March 31, 2015 and 2014 and FFO and FFO-diluted to FFO and FFO-diluted, excluding early extinguishment of debt and costs related to unsolicited takeover offer for the three months ended March 31, 2015 and 2014 (dollars and shares in thousands):

	For the Three Months Ended March 31,		
	2015	2014	
Net income attributable to the Company	\$24,611	\$17,819	
Adjustments to reconcile net income attributable to the Company to FFO—basic and diluted:			
Noncontrolling interests in the Operating Partnership	1,635	1,265	
(Gain) loss on sale or write down of assets, net—consolidated assets	(935	) 1,611
Gain on remeasurement of assets—consolidated assets	(22,103) —	
Add: noncontrolling interests share of gain on sale or write down of assets—consolidated assets	112	—	
Add: gain on sale of undepreciated assets—consolidated assets	944	—	
Loss on sale or write down of assets—unconsolidated joint ventures, net(1)	—	62	
Add: loss on sale of undepreciated assets—unconsolidated joint ventures(1)	—	(2)
Depreciation and amortization—consolidated assets	120,618	88,657	
Less: noncontrolling interests in depreciation and amortization—consolidated assets	(3,791) (5,460)
Depreciation and amortization—unconsolidated joint ventures(1)	15,611	20,375	
Less: depreciation on personal property	(3,168) (2,767)
FFO—basic and diluted	133,534	121,560	
(Gain) loss on early extinguishment of debt, net—consolidated assets	(2,245	) 358
FFO excluding early extinguishment of debt, net—diluted	131,289	121,918	
Costs related to unsolicited takeover offer	13,572	—	
FFO excluding early extinguishment of debt and costs related to unsolicited takeover offer—diluted	\$144,861	\$121,918	
Weighted average number of FFO shares outstanding for:			
FFO—basic (2)	168,852	150,758	
Adjustments for impact of dilutive securities in computing FFO-diluted:			
Share and unit based compensation plans	208	50	
FFO—diluted (3)	169,060	150,808	

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

(2) Calculated based upon basic net income as adjusted to reach basic FFO. During the three months ended March 31, 2015 and 2014 there were 10.5 million and 10.0 million OP Units outstanding, respectively.

The computation of FFO—diluted shares outstanding includes the effect of share and unit-based compensation plans (3) 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—diluted computation.

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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 matching maturities where appropriate, (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 March 31, 2015 concerning the Company's long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value (dollars in thousands):

	Expected Maturity Date						Total	Fair Va
	For the twelve months ended March 31,							
	2016	2017	2018	2019	2020	Thereafter		
CONSOLIDATED								
CENTERS:								
Long-term debt:								
Fixed rate	\$526,004	\$313,419	\$614,136	\$444,138	\$605,997	\$2,661,660	\$5,165,354	\$5,229,
Average interest rate	3.42	% 5.08	% 3.28	% 2.48	% 3.95	% 3.95	% 3.72	%
Floating rate	—	132,000	—	977,000	200,000	—	1,309,000	1,261,7
Average interest rate	—	% 2.51	% —	% 1.94	% 1.83	% —	% 1.98	%
Total								
debt—Consolidated	\$526,004	\$445,419	\$614,136	\$1,421,138	\$805,997	\$2,661,660	\$6,474,354	\$6,491,
Centers								
UNCONSOLIDATED								
JOINT VENTURE								
CENTERS:								
Long-term debt (at								
Company's pro rata								
share):								
Fixed rate	\$83,811	\$156,093	\$14,536	\$15,077	\$15,620	\$593,163	\$878,300	\$893,7
Average interest rate	5.76	% 7.04	% 3.67	% 3.67	% 3.67	% 3.72	% 4.50	%
Floating rate	1,079	1,159	65,361	9,420	10,389	—	87,408	86,576
Average interest rate	2.22	% 2.16	% 2.26	% 2.05	% 2.19	% —	% 2.23	%
Total								
debt—Unconsolidated	\$84,890	\$157,252	\$79,897	\$24,497	\$26,009	\$593,163	\$965,708	\$980,3
Joint Venture Centers								

The consolidated Centers' total fixed rate debt at March 31, 2015 and December 31, 2014 was \$5.2 billion. The average interest rate on such fixed rate debt at March 31, 2015 and December 31, 2014 was 3.72% and 3.63%, respectively. The consolidated Centers' total floating rate debt at March 31, 2015 and December 31, 2014 was \$1.3 billion and \$1.1 billion, respectively. The average interest rate on such floating rate debt at March 31, 2015 and December 31, 2014 was 1.98% and 2.11%, respectively.

The Company's pro rata share of the unconsolidated joint venture Centers' fixed rate debt at March 31, 2015 and December 31, 2014 was \$878.3 million and \$882.5 million, respectively. The average interest rate on such fixed rate debt at March 31, 2015 and December 31, 2014 was 4.50%. The Company's pro rata share of the unconsolidated joint venture Centers' floating rate debt at March 31, 2015 and December 31, 2014 was \$87.4 million and \$115.4 million, respectively. The average interest rate on such floating rate debt at March 31, 2015 and December 31, 2014 was 2.23% and 2.59%, respectively.

In addition, the Company has assessed the market risk for its floating rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately \$14.0 million per year based on \$1.4

billion of floating rate debt outstanding at March 31, 2015.

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 8—Mortgage Notes Payable and Note 9—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

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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 March 31, 2015, 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

On April 13, 2015, the Company commenced litigation in the Circuit Court for Baltimore City, Maryland (the "Court") seeking a judicial declaration that the purported notice submitted by Land & Buildings Capital Growth Fund L.P. ("Land & Buildings") on March 31, 2015 of its intention to nominate four candidates for election to the Company's Board at its Annual Meeting of Stockholders (the "Annual Meeting") was invalid and, accordingly, the nominations were not required to be presented at the Annual Meeting.

On April 14, 2015, Land & Buildings, Jonathan Litt, et al. commenced litigation in the Court against the Company and its individual directors seeking a judicial declaration that their four candidates were properly nominated in accordance with the Company's Bylaws and were therefore qualified to stand for election as directors, and asking the court to preliminarily and permanently enjoin the application of the Bylaws to reject Land & Buildings' purported nominations.

On May 4, 2015, the Company reached a settlement with Land & Buildings and entered into a cooperation agreement pursuant to which the parties have agreed to cause to be dismissed with prejudice all litigation pending before the Circuit Court for Baltimore City, Maryland regarding the disputed director nominations.

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, 2014.

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

On January 21, 2015 and February 6, 2015, the Company, as general partner of the Operating Partnership, issued 23,280 and 2,500 shares of common stock of the Company, respectively, upon the redemption of 25,780 common partnership units of the Operating Partnership. These shares of common stock were issued in a private placement to two limited partners of the Operating Partnership, each an accredited investor, pursuant to Section 4(a)(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	Master Agreement, dated November 14, 2014, by and among Pacific Premier Retail LP, MACPT LLC, Macerich PPR GP LLC, Queens JV LP, Macerich Queens JV LP, Queens JV GP LLC, 1700480 Ontario Inc. and the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 14, 2014).
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 of the Company (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
3.1.6	Articles Supplementary of the Company (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 of the Company (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).
3.1.8	Articles of Amendment of the Company (to eliminate the supermajority vote requirement to amend the charter and to clarify a reference in Article NINTH) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 2014).
3.1.9	Articles Supplementary of the Company (election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 17, 2015).
3.1.10	Articles Supplementary of the Company (Series E Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 18, 2015).
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 29, 2014).
4.1	Rights Agreement, dated March 17, 2015, between the Company and Computershare Trust Company, N.A., as Rights Agent (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 18, 2015).
10.1*	Form of Stock Unit Award Agreement under 2003 Equity Incentive Plan for Non-Employee Directors.
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
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.

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE MACERICH COMPANY

By: /s/ Thomas E. O'Hern

Thomas E. O'Hern

Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: May 7, 2015