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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED SEPTEMBER 30, 2002

COMMISSION FILE NO. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization)	**95-4448705** (I.R.S. Employer Identification Number)
401 Wilshire Boulevard, Suite 700, Santa Monica, CA (Address of principal executive office)	**90401** (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)

Common stock, par value $.01 per share: 36,310,929 shares
Number of shares outstanding of the registrant's common stock, as of November 8, 2002.

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 such shorter period that the Registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety (90) days. Yes ☒ No o

Form 10-Q

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

	September 30, 2002	December 31, 2001
ASSETS		
Property, net	$ 2,779,423	$ 1,887,329
Cash and cash equivalents	63,165	26,470
Tenant receivables, including accrued overage rents of $731 in 2002 and $6,390 in 2001	39,568	42,537
Deferred charges and other assets, net	75,944	59,640
Loans to unconsolidated joint ventures	19,696	—
Investments in unconsolidated joint ventures and the management companies	610,255	278,526
Total assets	3,588,051	2,294,502
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY:		
Mortgage notes payable:		
Related parties	$ 80,645	$ 81,882
Others	1,619,770	1,157,630
Total	1,700,415	1,239,512
Bank notes payable	850,000	159,000
Convertible debentures	125,148	125,148
Accounts payable and accrued expenses	37,499	26,161
Due to affiliates	3,403	998
Other accrued liabilities	38,089	28,394
Preferred stock dividend payable	5,195	5,013
Total liabilities	2,759,749	1,584,226
Minority interest	166,229	113,986
Commitments and contingencies (Note 9)		
Series A cumulative convertible redeemable preferred stock, $.01 par value, 3,627,131 shares authorized, issued and outstanding at September 30, 2002 and December 31, 2001	98,934	98,934
Series B cumulative convertible redeemable preferred stock, $.01 par value, 5,487,471 shares authorized, issued and outstanding at September 30, 2002 and December 31, 2001	148,402	148,402
	247,336	247,336
Common stockholders' equity:		
Common stock, $.01 par value, 100,000,000 shares authorized, 36,271,718 and 33,981,946 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	360	340
Additional paid in capital	467,668	366,349
Accumulated deficit	(35,901)	(4,944)

		2002		2001
Accumulated other comprehensive loss		(5,173)		(5,820)
Unamortized restricted stock		(12,217)		(6,971)
Total common stockholders' equity		414,737		348,954
Total liabilities, preferred stock and common stockholders' equity	$	3,588,051	$	2,294,502

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

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Nine Months Ended September 30,			
		2002		2001
REVENUES:				
Minimum rents	$	159,829	$	147,003
Percentage rents		4,250		5,341
Tenant recoveries		85,379		79,573
Other		8,143		7,866
Total revenues		257,601		239,783
EXPENSES:				
Shopping center and operating expenses		89,789		80,188
General and administrative expense		4,559		4,478
Interest expense:				
Related parties		4,360		5,450
Others		82,055		77,592
Total interest expense		86,415		83,042
Depreciation and amortization		55,114		48,831
Equity in income of unconsolidated joint ventures and the management companies		20,955		20,891
Loss on sale or write-down of assets		(3,714)		(295)
Income before extraordinary item and minority interest		38,965		43,840
Extraordinary loss on early extinguishment of debt		(870)		(187)
Income of the Operating Partnership from continuing operations		38,095		43,653
Discontinued Operations:				
Gain on sale of asset		13,923		—
Income from discontinued operations		316		879
Income before minority interest		52,334		44,532
Less: Minority interest in net income of the Operating Partnership		9,364		7,342
Net income		42,970		37,190
Less: Preferred dividends		15,222		14,675
Net income available to common stockholders		27,748		22,515
Earnings per common share—basic:				
Income from continuing operations before extraordinary item	$	0.50	$	0.66
Extraordinary item		(0.02)		(0.01)
Discontinued operations		0.30		0.02
Net income per share available to common stockholders	$	0.78	$	0.67
Weighted average number of common shares outstanding—basic		35,739,000		33,761,000
Weighted average number of common shares outstanding—basic, assuming full conversion of operating partnership units outstanding		47,525,000		44,915,000
Earnings per common share—diluted:				

Income from continuing operations before extraordinary item	$ 0.49	$ 0.65
Extraordinary item	(0.02)	—
Discontinued operations	0.30	0.02
Net income per share available to common stockholders	$ 0.77	$ 0.67
Weighted average number of common shares outstanding—diluted for EPS	47,989,000	44,915,000

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

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,	
	2002	2001
REVENUES:		
Minimum rents	$ 62,107	$ 49,713
Percentage rents	1,961	2,391
Tenant recoveries	33,999	27,580
Other	3,476	2,797
Total revenues	101,543	82,481
EXPENSES:		
Shopping center and operating expenses	36,436	28,461
General and administrative expense	1,015	963
Interest expense:		
Related parties	1,461	1,491
Others	34,794	26,059
Total interest expense	36,255	27,550
Depreciation and amortization	21,479	16,513
Equity in income of unconsolidated joint ventures and the management companies	15,550	8,209
Loss on sale or write-down of assets	(13)	(107)
Income before extraordinary item and minority interest	21,895	17,096
Extraordinary loss on early extinguishment of debt	(870)	—
Income of the Operating Partnership from continuing operations	21,025	17,096
Discontinued Operations:		
Gain on sale of asset	7	—
Income from discontinued operations	23	150
Income before minority interest	21,055	17,246
Less: Minority interest in net income of the Operating Partnership	4,184	2,965
Net income	16,871	14,281
Less: Preferred dividends	5,195	5,013
Net income available to common stockholders	$ 11,676	$ 9,268
Earnings per common share—basic:		
Income from continuing operations before extraordinary item	$ 0.34	$ 0.27
Extraordinary item	(0.02)	—
Discontinued operations	—	—
Net income per share available to common stockholders	$ 0.32	$ 0.27
Weighted average number of common shares outstanding—basic	36,260,000	33,879,000
Weighted average number of common shares outstanding—basic, assuming full conversion of operating partnership units outstanding	49,252,000	45,032,000

Earnings per common share—diluted:		
Income from continuing operations before extraordinary item	$ 0.34	$ 0.27
Extraordinary item	(0.02)	—
Discontinued operations	—	—
Net income per share available to common stockholders	$ 0.32	$ 0.27
Weighted average number of common shares outstanding—diluted for EPS	49,716,000	45,032,000

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	For the nine months ended September 30,	
	2002	**2001**
Cash flows from operating activities:		
Net income available to common stockholders	$ 27,748	$ 22,515
Preferred dividends	15,222	14,675
Net income	42,970	37,190
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary loss on early extinguishment of debt	870	187
(Gain) loss on sale or write-down of assets	(10,209)	295
Depreciation and amortization	55,229	49,092
Amortization of net discount on trust deed note payable	25	25
Minority interest in net income of the Operating Partnership	9,364	7,342
Minority interest of consolidated joint ventures	8,914	—
Changes in assets and liabilities:		
Tenant receivables, net	2,969	2,934
Other assets	(2,306)	486
Accounts payable and accrued expenses	11,338	3,183
Due to affiliates	2,405	(7,893)
Other liabilities	9,695	6,912
Preferred stock dividend payable	182	(282)
Total adjustments	88,476	62,281
Net cash provided by operating activities	131,446	99,471
Cash flows from investing activities:		
Acquisitions of property and property improvements	(464,285)	(11,159)
Development, redevelopment and expansions of centers	(23,859)	(18,398)
Renovations of centers	(2,063)	(7,197)
Tenant allowances	(7,850)	(7,762)
Deferred leasing charges	(10,837)	(8,234)
Equity in income of unconsolidated joint ventures and the management companies	(20,955)	(20,891)
Distributions from joint ventures	54,946	21,990
Contributions to joint ventures	(6,285)	(4,046)
Acquisitions of joint ventures	(359,435)	—
Loans to unconsolidated joint ventures	(19,696)	—
Proceeds from sale of assets	23,817	—
Net cash used in investing activities	(836,502)	(55,697)
Cash flows from financing activities:		
Proceeds from mortgages, notes and debentures payable	975,628	223,164
Payments on mortgages, notes and debentures payable	(185,733)	(185,189)
Deferred financing costs	(14,325)	(2,267)
Net proceeds from equity offerings	51,941	—
Dividends and distributions	(70,538)	(73,198)

Dividends to preferred stockholders	(15,222)	(14,675)
Net cash provided by (used in) financing activities	741,751	(52,165)
Net increase (decrease) in cash	36,695	(8,391)
Cash and cash equivalents, beginning of period	26,470	36,273
Cash and cash equivalents, end of period	$ 63,165	$ 27,882
Supplemental cash flow information:		
Cash payment for interest, net of amounts capitalized	$ 81,092	$ 80,592
Non-cash transactions:		
Acquisition of property by assumption of debt	$ 361,983	—
Acquisition of property by issuance of operating partnership units	$ 90,597	—

The accompanying notes are in integral part of these financial statements.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

1. Interim Financial Statements and Basis of Presentation:

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

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. In the opinion of management, all adjustments, (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results for interim periods are not necessarily indicative of the results to be expected for a full year. The accompanying consolidated balance sheet as of December 31, 2001 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

Certain reclassifications have been made in the 2001 consolidated financial statements to conform to the 2002 financial statement presentation.

Accounting Pronouncements:

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which requires companies to record derivatives on the balance sheet, measured at fair value. Changes in the fair values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. As a result of the adoption of SFAS 133 on January 1, 2001, the Company recorded a transition adjustment of $7,148 to accumulated other comprehensive income related to treasury rate lock transactions settled in prior years. The entire transition adjustment was reflected in the quarter ended March 31, 2001. The Company reclassified $994 and expects to reclassify $1,328 from accumulated other comprehensive income to earnings for the nine months ended September 30, 2002 and for the year ended December 31, 2002, respectively.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. The statement provides accounting and reporting standards for recognizing obligations related to asset retirement costs associated with the retirement of tangible long-lived assets. Under this statement, legal obligations associated with the retirement of long-lived assets are to be recognized at their fair value in the period in which they are incurred if a reasonable estimate of fair value can be made. The fair value of the asset retirement costs is capitalized as part of the carrying amount of the long-lived asset and expensed using a systematic and rational method over the assets' useful life. Any subsequent changes to the fair value of the liability will be expensed. The Company does not believe that the adoption of SFAS No. 143 will have a material impact on its consolidated financial statements.

On July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires that the purchase method of accounting be used for all business combinations for which the date of acquisition is after June 30, 2001. SFAS 141 also establishes specific criteria for the

recognition of intangible assets. The Company has determined that the adoption of SFAS 141 did not have an impact on its consolidated financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, "Accounting for the Impairment of

Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"). SFAS 144 establishes a single accounting model, based on the framework established in SFAS 121, for long-lived assets to be disposed of by sale. The Company adopted SFAS 144 on January 1, 2002. The Company sold Boulder Plaza on March 19, 2002 and in accordance with SFAS 144, the results of Boulder Plaza for the periods from January 1, 2002 to March 19, 2002 and from January 1, 2001 to September 30, 2001 have been reclassified into "discontinued operations" on the consolidated statements of operations. Total revenues associated with Boulder Plaza were $495 and $1,558 for the periods January 1, 2002 to March 19, 2002 and January 1, 2001 to September 30, 2001, respectively.

In May 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections" ("SFAS 145"), which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS 4, SFAS 44 and SFAS 64 and amends SFAS 13 to modify the accounting for sales-leaseback transactions. SFAS 4 required the classification of gains and losses resulting from extinguishment of debt to be classified as extraordinary items. SFAS 64 amended SFAS 4 and is no longer necessary because SFAS 4 has been rescinded. The Company expects to reclassify a loss of $2,034 and $304 for the years ending December 31, 2001 and 2000, respectively, from extraordinary items upon adoption of SFAS 145 on January 1, 2003.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The Company does not believe that the adoption of SFAS No. 146 will have a material impact on its consolidated financial statements.

Stock-based compensation expense. In the second quarter of 2002 and effective beginning in the first quarter of 2002, the Company adopted the expense recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Effective January 1, 2002, the Company will value stock options issued using the Black-Scholes option-pricing model and recognizes this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is applied to all options granted after the beginning of the year of adoption. Prior to January 1, 2002, the Company followed the intrinsic method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees." The Company has not issued stock options in 2002 and accordingly the Company has not recognized any stock-based compensation expense related to stock options for the three and nine months ending September 30, 2002.

Earnings Per Share ("EPS")

The computation of basic earnings per share is based on net income and the weighted average number of common shares outstanding for the nine and three months ending September 30, 2002 and 2001. The computation of diluted earnings per share does not include the effect of outstanding restricted stock issued under the employee and director stock incentive plans as they are antidilutive using the treasury method. The Operating Partnership units ("OP units") not held by the Company have been included in the diluted EPS calculation since they are redeemable on a one-for-one basis for

shares of common stock. The following table reconciles the basic and diluted earnings per share calculation:

	For the Nine Months Ended September 30,					
	2002			2001		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
	(In thousands, except per share data)					
Net income	$ 42,970			$ 37,190		
Less: Preferred stock dividends	15,222			14,675		
Basic EPS:						
Net income available to common stockholders	27,748	35,739	$ 0.78	22,515	33,761	$ 0.67
Diluted EPS:						
Effect of dilutive securities:						
Conversion of OP units	9,364	11,786		7,342	11,154	
Employee stock options	—	464		n/a—antidilutive for EPS		
Restricted stock	n/a—antidilutive for EPS			n/a—antidilutive for EPS		
Convertible preferred stock	n/a—antidilutive for EPS			n/a—antidilutive for EPS		
Convertible debentures	n/a—antidilutive for EPS			n/a—antidilutive for EPS		
Net income available to common stockholders	$ 37,112	47,989	$ 0.77	$ 29,857	44,915	$ 0.67

	For the Three Months Ended September 30,					
	2002			2001		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
	(In thousands, except per share data)					
Net income	$ 16,871			$ 14,281		
Less: Preferred stock dividends	5,195			5,013		

Basic EPS:										
Net income available to common stockholders		11,676	36,260	$	0.32		9,268	33,879	$	0.27
Diluted EPS:										
Effect of dilutive securities:										
Conversion of OP units		4,184	12,992				2,965	11,153		
Employee stock options		—	464				n/a—antidilutive for EPS			
Restricted stock		n/a—antidilutive for EPS					n/a—antidilutive for EPS			
Convertible preferred stock		n/a—antidilutive for EPS					n/a—antidilutive for EPS			
Convertible debentures		n/a—antidilutive for EPS					n/a—antidilutive for EPS			
Net income available to common stockholders	$	15,860	49,716	$	0.32	$	12,233	45,032	$	0.27

2. Organization:

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). As of September 30, 2002, The Operating Partnership owns or has an ownership interest in 56 regional shopping centers and 21 community shopping centers aggregating approximately 58 million square feet of gross leasable area ("GLA"). These 77 regional and community shopping centers are referred to hereinafter as the "Centers", unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Company's management companies, Macerich Property Management Company, LLC, a single-member Delaware limited liability company, Macerich Management Company, a California corporation (collectively, the "Macerich Management Companies") and Westcor Partners, LLC, a single member Arizona limited liability company and Macerich Westcor Management, LLC, a single member Delaware limited liability company (collectively, the "Westcor Management Companies"). The term "Macerich Management Companies" includes Macerich Property Management Company, a California corporation, prior to the merger with Macerich Property Management Company, LLC on March 29, 2001 and Macerich Manhattan Management Company, a California corporation which has ceased operations and is a wholly-owned subsidiary of Macerich Management Company.

The Company was organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended. As of September 30, 2002, the 23% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these financial statements as minority interest.

3. Investments in Unconsolidated Joint Ventures and the Macerich Management Companies:

The following are the Company's investments in various joint ventures. The Operating Partnership's interest in each joint venture as of September 30, 2002 is as follows:

Joint Venture	The Operating Partnership's Ownership %
Macerich Northwestern Associates	50%
Manhattan Village, LLC	10%
MerchantWired, LLC	9.6%
Pacific Premier Retail Trust	51%
Panorama City Associates	50%
SDG Macerich Properties, L.P.	50%
West Acres Development	19%
Westcor Portfolio:	
Regional Malls:	
Arrowhead Towne Center	33.3%
Desert Sky Mall	50%
FlatIron Crossing	50%
Scottsdale Fashion Square	50%
Superstition Springs Center	33.3%
Other Properties/Affiliated Companies:	
Arrowhead Festival	5%
Camelback Colonnade	75%
Chandler Festival	50%
Chandler Gateway	50%
East Flagstaff Plaza	50%
East Mesa Land	50%
Shops at Gainey Village	50%

Hilton Village	50%
Ina and La Cholla	50%
Lee West	50%
Paradise Village Investment Co.	50%
Promenade	50%
Propcor Associates	25%
Propcor II—Boulevard Shops	50%
RLR/WV1	50%
Scottsdale/101 Associates	46%

As of March 28, 2001, the Operating Partnership also owned all of the non-voting preferred stock of Macerich Property Management Company and Macerich Management Company, which is generally entitled to dividends equal to 95% of the net cash flow of each company. Macerich Manhattan Management Company, which has ceased operations, is a wholly owned subsidiary of Macerich Management Company. Effective March 29, 2001, Macerich Property Management Company merged with and into Macerich Property Management Company, LLC ("MPMC, LLC"). MPMC, LLC is a single-member Delaware limited liability company and is 100% owned by the Operating Partnership. The ownership structure of Macerich Management Company has remained unchanged.

The Company accounts for the Macerich Management Companies (exclusive of MPMC, LLC) and joint ventures using the equity method of accounting. Effective March 29, 2001, the Company consolidated the accounts for MPMC, LLC.

On September 30, 2000, Manhattan Village, a 551,847 square foot regional shopping center, 10% of which was owned by the Operating Partnership, was sold. The joint venture sold the property for $89,000, including a note receivable from the buyer for $79,000 at a fixed interest rate of 8.75% payable monthly, until its maturity date of September 30, 2001. On December 28, 2001, the note receivable was paid down by $5,000 and the maturity date was extended to September 30, 2002 at a new fixed interest rate of 9.5%. On July 2, 2002, the note receivable of $74,000 was paid in full.

MerchantWired LLC was formed by six major mall companies, including the Company, to provide a private, high-speed IP network to malls across the United States. The members of MerchantWired LLC agreed to sell all their collective membership interests in MerchantWired LLC under the terms of a definitive agreement with Transaction Network Services, Inc. ("TNSI"). The transaction was expected to close in the second quarter of 2002, but TNSI unexpectedly informed the members of MerchantWired LLC that it would not complete the transaction. As a result, MerchantWired LLC shut down its operations and transitioned its customers to alternate service providers. The Company does not anticipate making further cash contributions to MerchantWired LLC and wrote-off their remaining investment of $8,947 in the three months ended June 30, 2002, which is reflected in the equity in income of unconsolidated joint ventures.

On July 26, 2002, the Operating Partnership acquired Westcor Realty Limited Partnership and its affiliated companies ("Westcor"), which included the joint ventures noted in the above schedule. Westcor is the dominant owner, operator and developer of regional malls and specialty retail assets in the greater Phoenix area. The total purchase price was approximately $1,475,000 including the assumption of $733,000 in existing debt and the issuance of approximately $72,000 of convertible preferred operating partnership units at a price of $36.55 per unit. Additionally, $18,910 of partnership units of Westcor Realty Limited Partnership were issued to limited partners of Westcor which, subject to certain conditions, can be converted on a one for one basis into operating partnership units of the Operating Partnership. The balance of the purchase price was paid in cash which was provided primarily from a $380,000 interim loan with a term of up to 18 months bearing interest at an average rate of LIBOR plus 3.25% and a $250,000 term loan with a maturity of up to five years with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level.

The results of Westcor are included for the period subsequent to its date of acquisition.

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

COMBINED AND CONDENSED BALANCE SHEETS OF UNCONSOLIDATED JOINT VENTURES AND THE MACERICH MANAGEMENT COMPANIES
(Dollars in thousands)

	September 30, 2002	December 31, 2001
Assets:		
Properties, net	$ 3,531,230	$ 2,179,908
Other assets	86,434	157,494
Total assets	$ 3,617,664	$ 2,337,402
Liabilities and partners' capital:		
Mortgage notes payable	$ 2,191,224	$ 1,457,871
Other liabilities	88,952	138,531
The Company's capital	610,255	278,526
Outside partners' capital	727,233	462,474

Total liabilitites and partners' capital	$ 3,617,664	$ 2,337,402

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES
(Dollars in thousands)

	Nine Months Ended September 30, 2002					
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Westcor Joint Ventures	Other Joint Ventures	Macerich Management Companies	Total
Revenues:						
Minimum rents	$ 69,530	$ 77,367	$ 21,805	$ 17,595	—	$ 186,297
Percentage rents	2,253	2,506	82	995	—	5,836
Tenant recoveries	32,098	29,465	8,654	6,200	—	76,417
Management fee	—	—	—	—	$ 7,132	7,132
Other	1,375	1,342	222	6,488	—	9,427
Total revenues	105,256	110,680	30,763	31,278	7,132	285,109
Expenses:						
Shopping center and operating expenses	39,713	32,916	9,863	13,596	—	96,088
Interest expense	22,589	36,314	7,869	7,808	(232)	74,348
Management Company expense	—	—	—	—	5,869	5,869
Depreciation and amortization	19,367	17,871	8,582	8,353	1,112	55,285
Total operating expenses	81,669	87,101	26,314	29,757	6,749	231,590
Gain (loss) on sale or write-down of assets	12	4,606	124	(107,389)	113	(102,534)
Net income (loss)	$ 23,599	$ 28,185	$ 4,573	($ 105,868)	$ 496	($ 49,015)
Company's pro rata share of net income (loss)	$ 11,800	$ 14,342	$ 2,395	($ 8,054)	$ 472	$ 20,955

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES
(Dollars in thousands)

	Nine Months Ended September 30, 2001				
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Macerich Management Companies	Total
Revenues:					
Minimum rents	$ 68,415	$ 74,460	$ 15,135	—	$ 158,010
Percentage rents	2,805	2,373	1,077	—	6,255
Tenant recoveries	32,033	27,167	7,425	—	66,625
Management fee	—	—	—	$ 7,656	7,656
Other	1,957	1,225	11,203	—	14,385
Total revenues	105,210	105,225	34,840	7,656	252,931
Expenses:					
Shopping center and operating expenses	38,810	30,145	29,302	—	98,257
Interest expense	28,666	37,173	6,204	(95)	71,948
Management Company expense	—	—	—	7,636	7,636
Depreciation and amortization	18,848	17,167	5,063	783	41,861
Total operating expenses	86,324	84,485	40,569	8,324	219,702

Gain on sale or write-down of assets	—	72	675	45	792
Net income (loss)	$ 18,886	$ 20,812	($ 5,054)	($ 623)	$ 34,021
Company's pro rata share of net income (loss)	$ 9,443	$ 10,614	$ 1,426	($ 592)	$ 20,891

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MACERICH MANAGEMENT COMPANIES
(Dollars in thousands)

	Three Months Ended September 30, 2002					
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Westcor Joint Ventures	Other Joint Ventures	Macerich Management Companies	Total
Revenues:						
Minimum rents	$ 23,543	$ 26,461	$ 21,805	$ 6,022	—	$ 77,831
Percentage rents	619	1,035	82	450	—	2,186
Tenant recoveries	11,202	10,844	8,654	2,196	—	32,896
Management fee	—	—	—	—	$ 2,711	2,711
Other	762	498	222	247	—	1,729
Total revenues	36,126	38,838	30,763	8,915	2,711	117,353
Expenses:						
Shopping center and operating expenses	13,399	11,797	9,863	2,629	—	37,688
Interest expense	7,537	12,108	7,869	2,023	(84)	29,453
Management Company expense	—	—	—	—	1,787	1,787
Depreciation and amortization	6,602	5,991	8,582	997	378	22,550
Total operating expenses	27,538	29,896	26,314	5,649	2,081	91,478
Gain on sale or write-down of assets	—	4,606	124	(521)	146	4,355
Net income	$ 8,588	$ 13,548	$ 4,573	$ 2,745	$ 776	$ 30,230
Company's pro rata share of net income	$ 4,294	$ 6,899	$ 2,395	$ 1,223	$ 739	$ 15,550

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MACERICH MANAGEMENT COMPANIES
(Dollars in thousands)

	Three Months Ended September 30, 2001				
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Macerich Management Companies	Total
Revenues:					
Minimum rents	$ 23,053	$ 25,710	$ 5,178	—	$ 53,941
Percentage rents	718	951	499	—	2,168
Tenant recoveries	10,747	9,576	2,842	—	23,165
Management fee	—	—	—	$ 2,254	2,254
Other	659	334	3,653	—	4,646
Total revenues	35,177	36,571	12,172	2,254	86,174
Expenses:					
Shopping center and operating expenses	12,763	10,798	11,109	—	34,670
Interest expense	8,926	12,387	2,352	(28)	23,637
Management Company expense	—	—	—	1,712	1,712

Depreciation and amortization	6,409	5,954	1,746	250	14,359
Total operating expenses	28,098	29,139	15,207	1,934	74,378
Gain on sale or write-down of assets	12	—	416	45	473
Net income (loss)	$ 7,091	$ 7,432	($ 2,619)	$ 365	$ 12,269
Company's pro rata share of net income	$ 3,546	$ 3,790	$ 526	$ 347	$ 8,209

Significant accounting policies used by the unconsolidated joint ventures and the Macerich Management Companies are similar to those used by the Company.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of $154,286 and $157,567 as of September 30, 2002 and December 31, 2001, respectively. NML is considered a related party because they are a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $7,842 and $8,077 for the nine months ended September 30, 2002 and 2001, respectively; and $2,625 and $2,710 for the three months ended September 30, 2002 and 2001, respectively.

4. Property:

Property is summarized as follows:

	September 30, 2002	December 31, 2001
	(Dollars in thousands)	
Land	$ 527,818	$ 382,739
Building improvements	2,448,719	1,688,720
Tenant improvements	71,795	66,808
Equipment and furnishings	21,552	18,405
Construction in progress	91,224	71,161
	3,161,108	2,227,833
Less, accumulated depreciation	(381,685)	(340,504)
	$ 2,779,423	$ 1,887,329

On June 10, 2002, the Company acquired The Oaks, a 1.1 million square foot super-regional mall in Thousand Oaks, California. The total purchase price was $152,500 and was funded with $108,000 of debt, bearing interest at LIBOR plus 1.15%, placed concurrently with the acquisition. The balance of the purchase price was funded by cash and borrowings under the Company's line of credit.

Additionally, the above schedule includes the acquisition of Westcor (See Note 12).

A gain on sale or write-down of assets of $10, 209 for the nine months ended September 30, 2002 includes a gain of $13,923 as a result of the Company selling Boulder Plaza on March 19, 2002 and is offset by a loss of $3,029 as a result of writing-off the Company's various technological investments in the quarter ended June 30, 2002.

5. Mortgage Notes Payable:

Mortgage notes payable at September 30, 2002 and December 31, 2001 consist of the following:

	Carrying Amount of Notes (Dollars in thousands)						
	2002		2001				
Property Pledged as Collateral	Other	Related Party	Other	Related Party	Interest Rate	Payment Terms	Maturity Date
Consolidated Centers:							
Capitola Mall (b)	—	$ 46,980	—	$ 47,857	7.13%	380(a)	2011
Carmel Plaza	$ 28,145	—	$ 28,358	—	8.18%	202(a)	2009
Chesterfield Towne Center	62,056	—	62,742	—	9.07%	548(c)	2024
Citadel	69,604	—	70,708	—	7.20%	554(a)	2008

Corte Madera, Village at	70,075	—	70,626	—	7.75%	516(a)	2009
Crossroads Mall — Boulder (d)	—	33,665	—	34,025	7.08%	244(a)	2010
Fresno Fashion Fair	68,189	—	68,724	—	6.52%	437(a)	2008
Greeley Mall	13,556	—	14,348	—	8.50%	187(a)	2003
Green Tree Mall/Crossroads — OK/Salisbury (e)	117,714	—	117,714	—	7.23%	interest only	2004
Northwest Arkansas Mall	58,957	—	59,867	—	7.33%	434(a)	2009
The Oaks (f)	108,000	—	—	—	2.99%	interest only	2004
Pacific View (g)	88,048	—	88,715	—	7.16%	602(a)	2011
Queens Center	97,470	—	98,278	—	6.88%	633(a)	2009
Rimrock Mall (h)	45,645	—	45,966	—	7.45%	320(a)	2011
Santa Monica Place	83,745	—	84,275	—	7.70%	606(a)	2010
South Plains Mall	62,993	—	63,474	—	8.22%	454(a)	2009
South Towne Center	64,000	—	64,000	—	6.61%	interest only	2008
Valley View Center	51,000	—	51,000	—	7.89%	interest only	2006
Vintage Faire Mall	68,756	—	69,245	—	7.89%	508(a)	2010
Westside Pavilion	98,803	—	99,590	—	6.67%	interest only	2008
Subtotal—Consolidated Centers	$ 1,256,756	$ 80,645	$ 1,157,630	$ 81,882			
Westcor Portfolio:							
Borgata	$ 15,556	—	—	—	7.57%	115(a)	2007
Chandler Fashion Center (i)	150,745	—	—	—	3.58%	interest only	2002
Flagstaff Mall	14,184	—	—	—	7.80%	121(a)	2006
Paradise Valley Mall	79,335	—	—	—	6.50%	506(a)	2007
Paradise Valley Mall	23,649	—	—	—	7.38%	183(a)	2009
Paradise Village Gateway	17,947	—	—	—	7.78%	137(a)	2007
Prescott Gateway (j)	39,604	—	—	—	4.50%	interest only	2003
Village Plaza	5,292	—	—	—	8.63%	47(a)	2006
Village Square I & II	4,860	—	—	—	7.47%	41(a)	2006
Westbar	7,669	—	—	—	7.14%	66(a)	2004
Westbar	4,173	—	—	—	8.00%	35(a)	2005
Subtotal—Westcor Consolidated Centers	$ 363,014	—	—	—			
Grand Total—Consolidated Centers	$ 1,619,770	$ 80,645	$ 1,157,630	$ 81,882			

Mortgage notes payable of the unconsolidated joint ventures at September 30, 2002 and December 31, 2001 consist of the following:

	Carrying Amount of Notes (Dollars in thousands)						
	2002		2001				
Property Pledged as Collateral	**Other**	**Related Party**	**Other**	**Related Party**	**Interest Rate**	**Payment Terms**	**Maturity Date**
Joint Venture Centers (at pro rata share):							
Broadway Plaza (50%)(k)	—	$ 34,770	—	$ 35,328	6.68%	257(a)	2008
Pacific Premier Retail Trust (51%)(k):							
Cascade Mall	$ 12,153	—	$ 12,642	—	6.50%	122(a)	2014
Kitsap Mall/Kitsap Place(l)	30,919	—	31,110	—	8.06%	230(a)	2010
Lakewood Mall(m)	64,770	—	64,770	—	7.20%	interest only	2005
Lakewood Mall(n)	8,224	—	8,224	—	4.38%	interest only	2003
Los Cerritos Center	58,755	—	59,385	—	7.13%	421(a)	2006
North Point Plaza	1,689	—	1,747	—	6.50%	16(a)	2015
Redmond Town Center—Retail	31,079	—	31,564	—	6.50%	224(a)	2011
Redmond Town Center—Office(o)	—	43,220	—	44,324	6.77%	370(a)	2009
Stonewood Mall	39,653	—	39,653	—	7.41%	275(a)	2010
Washington Square	57,463	—	58,339	—	6.70%	421(a)	2009
Washington Square Too	5,905	—	6,088	—	6.50%	53(a)	2016
SDG Macerich Properties L.P. (50%)(k)(p)	184,276	—	185,306	—	6.54%	1,120(a)	2006
SDG Macerich Properties L.P. (50%)(k)(p)	92,250	—	92,250	—	2.33%	interest only	2003
SDG Macerich Properties L.P. (50%)(k)(p)	40,700	—	40,700	—	2.21%	interest only	2006
West Acres Center (19%)(k)	7,271	—	7,425	—	6.52%	57(a)	2009
West Acres Center (19%)(k)	1,867	—	1,894	—	9.17%	18(a)	2009
Subtotal—Joint Venture Centers	$ 636,974	$ 77,990	$ 641,097	$ 79,652			
Westcor Portfolio(k):							

Arizona Lifestyle Galleries (50%)	900	—	—	—	9.00%	10(a)	2003
Arrowhead Towne Center (33.33%)	28,039	—	—	—	6.90%	187(a)	2011
Boulevard Shops (50%)(q)	4,552	—	—	—	4.19%	interest only	2004
Camelback Colonnade (75%)	25,088	—	—	—	7.50%	211(a)	2006
Chandler Festival (50%)(r)	15,943	—	—	—	3.42%	interest only	2003
Chandler Gateway (50%)(s)	7,074	—	—	—	3.82%	interest only	2003
Desert Sky Mall (50%)(t)	14,058	—	—	—	8.50%	129(a)	2002
East Mesa Land (50%)	2,786	—	—	—	4.45%	13(a)	2006
FlatIron Crossing (50%)(u)	72,500	—	—	—	2.72%	interest only	2004
FlatIron Crossing—Mezzanine (50%)(v)	17,500	—	—	—	5.12%	interest only	2004
Hilton Village (50%)	4,259	—	—	—	8.50%	35(a)	2007
Promenade (50%)	2,362	—	—	—	8.75%	20(a)	2006
PVIC Ground Leases (50%)	3,806	—	—	—	7.17%	28(a)	2006
PVOP II (50%)	1,473	—	—	—	7.375%	11(a)	2009
Scottsdale Fashion Square—Series I (50%)	78,000	—	—	—	7.31%	interest only	2007
Scottsdale Fashion Square—Series II (50%)	33,252	—	—	—	8.45%	interest only	2007
Shops at Gainey Village (50%)(w)	11,274	—	—	—	4.17%	interest only	2003
Superstition Springs (33.33%)	21,361	—	—	—	4.45%	98(a)	2006
Village Center (50%)	3,768	—	—	—	7.42%	31(a)	2006
Village Crossroads (50%)	2,393	—	—	—	7.75%	19(a)	2005
Village Fair North (50%)	5,946	—	—	—	6.85%	41(a)	2008
Subtotal—Westcor	$ 356,334	—	—	—			
Grand Total—Joint Venture Centers	$ 993,308	$ 77,990	$ 641,097	$ 79,652			
Grand Total—All Centers	$ 2,613,078	$ 158,635	$ 1,798,727	$ 161,534			

(a) This represents the monthly payment of principal and interest.

(b) On May 2, 2001, the Company refinanced the debt on Capitola Mall. The prior loan was paid in full and a new note was issued for $48,500 bearing interest at a fixed rate of 7.13% and maturing May 15, 2011.

(c) This amount represents the monthly payment of principal and interest. In addition, contingent interest, as defined in the loan agreement, may be due to the extent that 35% of the amount by which the property's gross receipts (as defined in the loan agreement) exceeds a base amount specified therein. Contingent interest expense recognized by the Company was $460 and $136 for the nine and three months ended September 30, 2002, respectively; and $396 and $119 for the nine and three months ended September 30, 2001, respectively.

(d) This note was issued at a discount. The discount is being amortized over the life of the loan using the effective interest method. At September 30, 2002 and December 31, 2001, the unamortized discount was $273 and $297, respectively.

(e) This loan is cross-collateralized by Green Tree Mall, Crossroads Mall-Oklahoma and the Centre at Salisbury.

(f) Concurrent with the acquisition of the mall, the Company placed a $108,000 loan bearing interest at LIBOR plus 1.15% and maturing July 1, 2004 with three consecutive one year options. $92,000 of the loan is at LIBOR plus 0.7% and $16,000 is at LIBOR plus 3.75%. This variable rate debt is covered by an interest rate cap agreement over two years which effectively prevents the LIBOR interest rate from exceeding 7.10%. At September 30, 2002, the total weighted average interest rate was 2.99%.

(g) This loan was issued on July 10, 2001 for $89,000, and may be increased up to $96,000 subject to certain conditions.

(h) On October 9, 2001, the Company refinanced the debt on Rimrock Mall. The prior loan was paid in full and a new note was issued for $46,000 bearing interest at a fixed rate of 7.45% and maturing October 1, 2011. The Company incurred a loss on early extinguishment of the prior debt in October 2001 of $1,702.

(i) On October 21, 2002, the Company refinanced the debt on Chandler Fashion Center. The prior loan was paid in full and a new note was issued for $184,000 bearing interest at a fixed rate of 5.48% and maturing November 1, 2012.

(j) This represents a construction loan which shall not exceed $46,300 bearing interest at LIBOR plus 2.0%. At September 30, 2002, the total interest rate was 4.5%.

(k) Reflects the Company's pro rata share of debt.

(l) This loan was interest only until December 31, 2001. Effective January 1, 2002, monthly principal and interest of $450 are payable through maturity. The debt is cross-collateralized by Kitsap Mall and Kitsap Place.

(m) In connection with the acquisition of this property, the joint venture assumed $127,000 of collateralized fixed rate notes (the "Notes"). The Notes bear interest at an average fixed rate of 7.20% and mature in August 2005. The Notes require the joint venture to deposit all cash flow from the property operations with a trustee to meet its obligations under the Notes. Cash in excess of the required amount, as defined, is released. Included in cash and cash equivalents is $750 of restricted cash deposited with the trustee at September 30, 2002 and December 31, 2001.

(n) On July 28, 2000, the joint venture placed a $16,125 floating rate note on the property bearing interest at LIBOR plus 2.25% and maturing July 2003. At September 30, 2002 and December 31, 2001, the total interest rate was 4.38%.

(o) Concurrent with the acquisition, the joint venture placed $76,700 of debt and obtained a construction loan for an additional $16,000. The entire principal of $16,000 has been drawn on the construction loan.

(p) In connection with the acquisition of these Centers, the joint venture assumed $485,000 of mortgage notes payable which are collateralized by the properties. At acquisition, the $300,000 fixed rate portion of this debt reflected a fair value of $322,700, which included an unamortized premium of $22,700. This premium is being amortized as interest expense over the life of the loan using the effective interest method. At September 30, 2002 and December 31, 2001, the unamortized balance of the debt premium was $11,452 and $13,512, respectively. This debt is due in May 2006 and requires monthly payments of $1,852. $184,500 of this debt is due in May 2003 and requires monthly interest payments at a variable weighted average rate (based on LIBOR) of 2.33% and 2.39% at September 30, 2002 and December 31, 2001, respectively. This variable rate debt is covered by an interest rate cap agreement, which effectively prevents the interest rate from exceeding 11.53%. On April 12, 2000, the joint venture issued $138,500 of additional mortgage notes, which are collateralized by the properties and are due in May 2006. $57,100 of this debt requires fixed monthly interest payments of $387 at a weighted average rate of 8.13% while the floating rate notes of $81,400 require monthly interest payments at a variable weighted average rate (based on LIBOR) of 2.21% and 2.27% at September 30, 2002 and December 31, 2001, respectively. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 11.83%.

(q) This represents a construction loan which shall not exceed $13,300 bearing interest at LIBOR plus 2.0%. At September 30, 2002, the total interest rate was 4.19%.

(r) This represents a construction loan which shall not exceed $35,000 bearing interest at LIBOR plus 1.75%. At September 30, 2002, the total interest rate was 3.42%.

(s) This represents a construction loan which shall not exceed $17,000 bearing interest at LIBOR plus 2.0%. At September 30, 2002, the total interest rate was 3.82%.

(t) This note matured on October 1, 2002. The Company has reached an agreement with the lender, subject to documentation, to extend the note to October 1, 2004 at an interest rate of 5.42%.

(u) The property has a permanent interest only loan bearing interest at LIBOR plus 0.92%. At September 30, 2002, the total interest rate was 2.72%.

(v) This loan is interest only bearing interest at LIBOR plus 3.30%. At September 30, 2002, the total interest rate was 5.12%. The loan is collateralized by the Company's interest in the FlatIron Crossing Shopping Center.

(w) This represents a construction loan which shall not exceed $23,300 bearing interest at LIBOR plus 2.0%. At September 30, 2002, the total interest rate was 4.17%.

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

Total interest expense capitalized, including the pro rata share of joint ventures of $510 and $273, during the nine and three months ended September 30, 2002, was $5,261 and $1,791, respectively. Total interest expense capitalized, including the pro rata share of joint ventures of $230 and $57, during the nine and three months ended September 30, 2001, was $3,903 and $1,340, respectively.

The fair value of mortgage notes payable, (including the pro rata share of joint ventures of $1,133,131 and $721,084 at September 30, 2002 and December 31, 2001 respectively), is estimated to be approximately $2,966,403 and $1,983,183, at September 30, 2002 and December 31, 2001, respectively, based on current interest rates for comparable loans.

6. Bank and Other Notes Payable:

The Company had a credit facility of $200,000 with a maturity of July 26, 2002, with a right to extend the facility to May 26, 2003 subject to certain conditions. The interest rate on such credit facility fluctuated between 1.35% and 1.80% over LIBOR depending on leverage levels. At December 31, 2001, $159,000 of borrowings were outstanding under this line of credit at an interest rate of 3.65%.

On July 26, 2002, the Company replaced the $200,000 credit facility with a new $425,000 revolving line of credit. This increased revolving line of credit has a three-year term plus a one-year extension. The interest rate fluctuates from LIBOR plus 1.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. As of September 30, 2002, $220,000 of borrowings were outstanding under this credit facility at an average interest rate of 4.78%. The Company, through its acquisition of Westcor, has an interest rate swap with a $50,000 notional amount. The swap matures December 1, 2003, and was designated as a cash flow hedge. This swap will serve to reduce exposure to interest rate risk effectively converting the LIBOR rate on $50,000 of the Company's variable interest rate borrowings to a rate of 3.215%. The swap is reported at fair value, with changes in fair value recorded as a component of other comprehensive income. Net receipts or payments under the agreement will be recorded as an adjustment to interest expense.

Concurrent with the acquisition of Westcor (See Note 3), the Company placed a $380,000 interim loan with a term of up to 18 months bearing interest at an average rate of LIBOR plus 3.25% and a $250,000 term loan with a maturity of up to five years with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. At September 30, 2002, the entire $380,000 interim loan was outstanding at an interest rate of

4.56%. On October 22, 2002, the Company paid off $34,000 of this outstanding amount. At September 30, 2002, the entire $250,000 term loan was outstanding at an interest rate of 4.78%.

Additionally, as of September 30, 2002, the Company has obtained $2,520 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.

7. Convertible Debentures:

During 1997, the Company issued and sold $161,400 of its convertible subordinated debentures (the "Debentures"). The Debentures, which were sold at par, bear interest at 7.25% annually (payable semi-annually) and are convertible into common stock at any time, on or after 60 days, from the date of issue at a conversion price of $31.125 per share. In November and December 2000, the Company purchased and retired $10,552 of the Debentures. In December 2001, the Company purchased and retired an additional $25,700 of the Debentures. The Debentures mature on December 15, 2002 and are callable by the Company after June 15, 2002 at par plus accrued interest. The Company expects to use the new revolving credit facility to fully retire the Debentures at their maturity (See Note 6).

8. Related-Party Transactions:

The Company engaged the Macerich Management Companies to manage the operations of certain properties and unconsolidated joint ventures. For the nine and three months ending September 30, 2002, no management fees were paid to the Macerich Management Companies by the Company. For the nine and three months ending September 30, 2001, management fees of $757 and $0, respectively, were paid to the Macerich Management Companies by the Company. For the nine and three months ending September 30, 2002, management fees of $5,749 and $1,982 respectively; and for the nine and three months ending September 30, 2001, management fees of $5,461 and $1,902, respectively, were paid to the Macerich Management Companies by the joint ventures. For the period July 27, 2002 to September 30, 2002, management fees of $531 for the unconsolidated entities were paid to the Westcor Management Companies by the Company.

Certain mortgage notes are held by one of the Company's joint venture partners, NML. Interest expense in connection with these notes was $4,361 and $1,472 for the nine and three months ended September 30, 2002, respectively; and $5,450 and $1,491 for the nine and three months ended September 30, 2001, respectively. Included in accounts payable and accrued expenses is interest payable to NML of $243 and $263 at September 30, 2002 and December 31, 2001, respectively.

As of September 30, 2002, the Company has loans to unconsolidated joint ventures of $19,696. These loans represent initial funds advanced to development stage projects prior to construction loan fundings. Correspondingly, loans payable from unconsolidated joint ventures in this same amount have been accrued as an obligation of various joint ventures.

In 1997 and 1999, certain executive officers received loans from the Company totaling $6,500. These loans are full recourse to the executives and $6,000 of the loans were issued under the terms of the employee stock incentive plan, bear interest at 7%, are due in 2007 and 2009 and are secured by Company common stock owned by the executives. On February 9, 2000, $300 of the $6,000 of these loans was forgiven with respect to three of these officers and charged to compensation expense. On April 2, 2002, $2,700 of these loans were paid off in full by three of these officers. The $500 loan issued in 1997 was a non interest bearing note forgiven ratably over a five year term. These loans receivable totaling $3,175 and $5,189 are included in other assets at September 30, 2002 and December 31, 2001, respectively.

Certain Company officers and affiliates have guaranteed mortgages of $21,750 at one of the Company's joint venture properties and $2,000 at Greeley Mall.

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9. Commitments and Contingencies:

The Company has certain properties subject to noncancellable 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. Ground rent expenses, net of amounts capitalized, were $991 and $359 for the nine and three months ended September 30, 2002, respectively; and were $160 and $75 for the nine and three months ended September 30, 2001, respectively. No contingent rent was incurred in either period.

Perchloroethylene ("PCE") has been detected in soil and groundwater in the vicinity of a dry cleaning establishment at North Valley Plaza, formerly owned by a joint venture of which the Company was a 50% member. The property was sold on December 18, 1997. The California Department of Toxic Substances Control ("DTSC") advised the Company in 1995 that very low levels of Dichloroethylene ("1,2 DCE"), a degradation byproduct of PCE, had been detected in a municipal water well located $^{1}/_{4}$ mile west of the dry cleaners, and that the dry cleaning facility may have contributed to the introduction of 1,2 DCE into the water well. According to DTSC, the maximum contaminant level ("MCL") for 1,2 DCE which is permitted in drinking water is 6 parts per billion ("ppb"). The 1,2 DCE was detected in the water well at a concentration of 1.2 ppb, which is below the MCL. The Company has retained an environmental consultant and has initiated extensive testing of the site. The joint venture agreed (between itself and the buyer) that it would be responsible for continuing to pursue the investigation and remediation of impacted soil and groundwater resulting from releases of PCE from the former dry cleaner. Approximately $188 and $42 have already been incurred by the joint venture for remediation, professional and legal fees for the nine months ending September 30, 2002 and 2001, respectively. The joint venture has been sharing costs with former owners of the property. The Company believes no additional reserve is required to be established at this time by the joint venture.

The Company acquired Fresno Fashion Fair in December 1996. Asbestos has been detected in structural fireproofing throughout much of the Center. Testing data conducted by professional environmental consulting firms indicates that the fireproofing is largely inaccessible to building occupants and is well adhered to the structural members. Additionally, airborne concentrations of asbestos were well within OSHA's permissible exposure limit ("PEL") of .1 fcc. The accounting

for this acquisition included a reserve of $3,300 to cover future removal of this asbestos, as necessary. The Company incurred $169 and $145 in remediation costs for the nine months ending September 30, 2002 and 2001, respectively. An additional $2,440 remains reserved at September 30, 2002.

Dry cleaning chemicals have been detected in soil and groundwater in the vicinity of a former dry cleaning establishment at Bristol Center. The Santa Ana Regional Water Quality Control Board has been notified of the release. The Company has retained an environmental consultant to assess the extent of the chemicals that are present in soil and groundwater and develop a remedial action plan. The remedial action plan has been completed and has been approved by the Santa Ana Regional Water Quality Control Board. The Company is evaluating bids from independent contractors for remediation and based on such bids has established a reserve of $680 as of September 30, 2002. Remediation is expected to begin in the fourth quarter of 2002.

10. Cumulative Convertible Redeemable Preferred Stock:

On February 25, 1998, the Company issued 3,627,131 shares of Series A cumulative convertible redeemable preferred stock ("Series A Preferred Stock") for proceeds totaling $100,000 in a private placement. The preferred stock can be converted on a one for one basis into common stock and will pay a quarterly dividend equal to the greater of $0.46 per share, or the dividend then payable on a share of common stock.

On June 17, 1998, the Company issued 5,487,471 shares of Series B cumulative convertible redeemable preferred stock ("Series B Preferred Stock") for proceeds totaling $150,000 in a private

placement. The preferred stock can be converted on a one for one basis into common stock and will pay a quarterly dividend equal to the greater of $0.46 per share, or the dividend then payable on a share of common stock.

No dividends will be declared or paid on any class of common or other junior stock to the extent that dividends on Series A Preferred Stock and Series B Preferred Stock have not been declared and/or paid.

The holders of Series A Preferred Stock and Series B Preferred Stock have redemption rights if a change in control of the Company occurs, as defined under the respective Articles Supplementary for each series. Under such circumstances, the holders of the Series A Preferred Stock and Series B Preferred Stock are entitled to require the Company to redeem their shares, to the extent the Company has funds legally available therefor, at a price equal to 105% of their respective liquidation preference plus accrued and unpaid dividends. The Series A Preferred Stockholder also has the right to require the Company to repurchase its shares if the Company fails to be taxed as a REIT for federal tax purposes at a price equal to 115% of its liquidation preference plus accrued and unpaid dividends, to the extent funds are legally available therefor.

11. Common Stock Offerings:

On February 28, 2002, the Company issued 1,968,957 common shares with total net proceeds of $51,941. The proceeds from the sale of the common shares will be used principally to finance a portion of the Queens Center expansion and redevelopment project and for general corporate purposes.

12. Westcor Acquisition:

On July 26, 2002, the Operating Partnership acquired Westcor Realty Limited Partnership and its affiliated companies ("Westcor"). Westcor is the dominant owner, operator and developer of regional malls and specialty retail assets in the greater Phoenix area. The total purchase price was approximately $1,475,000 including the assumption of $733,000 in existing debt and the issuance of approximately $72,000 of convertible preferred operating partnership units at a price of $36.55 per unit. Additionally, $18,910 of partnership units of Westcor Realty Limited Partnership were issued to limited partners of Westcor which, subject to certain conditions, can be converted on a one for one basis into operating partnership units of the Operating Partnership. The balance of the purchase price was paid in cash which was provided primarily from a $380,000 interim loan with a term of up to 18 months bearing interest at an average rate of LIBOR plus 3.25% and a $250,000 term loan with a maturity of up to five years with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level.

On a pro forma basis, reflecting Westcor as if it had occurred on January 1, 2001 and 2002, the Company would have reflected net income available to common stockholders of $30,554 and $4,394 for the nine months ended September 30, 2002 and 2001 respectively. Net income available to common stockholders on a diluted per share basis would be $0.81 and $0.25 for the nine months ended September 30, 2002 and 2001, respectively. Total consolidated revenues of the Company would have been $324,011 and $281,678 for the nine months ended September 30, 2002 and 2001, respectively.

The condensed balance sheet of Westcor presented below is as of the date of acquisition:

		(Dollars in thousands)
Property, net	$	752,796
Investments in unconsolidated joint ventures		359,868
Other assets		37,155
Total assets	$	1,149,819
Mortgage notes payable	$	361,983
Other liabilities		32,962

Total liabilities		394,945
Total partners' capital		754,874
Total liabilities and partners' capital	$	1,149,819

The purchase price allocation adjustments included in the Company's balance sheet as of September 30, 2002 are based on information available at this time. Subsequent adjustments to the allocation may be made based on additional information.

13. Subsequent Events:

On November 7, 2002, a dividend/distribution of $0.57 per share was declared for common stockholders and OP unit holders of record on November 18, 2002. In addition, the Company declared a dividend of $0.57 on the Company's Series A Preferred Stock and a dividend of $0.57 on the Company's Series B Preferred Stock. All dividends/distributions will be payable on December 9, 2002.

On November 8, 2002, the Company purchased its joint venture partner's 50% interest in Panorama City Associates for $23,700. Accordingly, the Company now owns 100% of Panorama City Associates which owns Panorama Mall in Panorama, California.

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

General Background and Performance Measurement

The Company believes that the most significant measures of its operating performance are Funds from Operations ("FFO") and EBITDA. FFO is defined as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring, sales or write-down of assets and cumulative effect of change in accounting principle, plus depreciation and amortization (excluding depreciation on personal property and amortization of loan and financial instrument costs), and after adjustments for unconsolidated entities. Adjustments for unconsolidated entities are calculated on the same basis. FFO does not represent cash flow from operations as defined by GAAP and is not necessarily indicative of cash available to fund all cash flow needs. FFO, as presented, may not be comparable to similarly titled measures reported by other real estate investment trusts.

EBITDA represents earnings before interest, income taxes, depreciation, amortization, minority interest, equity in income (loss) of unconsolidated entities, extraordinary items, gain (loss) on sale or write-down of assets, preferred dividends and cumulative effect of change in accounting principle. This data is relevant to an understanding of the economics of the shopping center business as it indicates cash flow available from operations to service debt and satisfy certain fixed obligations. EBITDA should not be construed as an alternative to operating income as an indicator of the Company's operating performance, or cash flow from operating activities (as determined in accordance with GAAP) or as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly titled measures reported by other companies. While the performance of individual Centers and the management companies determines EBITDA, the Company's capital structure also influences FFO. The most important component in determining EBITDA and FFO is Center revenues. Center revenues consist primarily of minimum rents, percentage rents and tenant expense recoveries. Minimum rents will increase to the extent that new leases are signed at market rents that are higher than prior rents. Minimum rents will also fluctuate up or down with changes in the occupancy level. Additionally, to the extent that new leases are signed with more favorable expense recovery terms, expense recoveries will increase.

Percentage rents generally increase or decrease with changes in tenant sales. As leases roll over, however, a portion of historical percentage rent is often converted to minimum rent. It is therefore common for percentage rents to decrease as minimum rents increase. Accordingly, in discussing financial performance, the Company combines minimum and percentage rents in order to better measure revenue growth.

The following discussion is based primarily on the consolidated balance sheet of the Company as of September 30, 2002 and also compares the activities for the nine and three months ended September 30, 2002 to the activities for the nine and three months ended September 30, 2001. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto. These financial statements include all adjustments, which are, in the opinion of management, necessary to reflect the fair representation of the results for the interim periods presented and all such adjustments are of a normal recurring nature.

Forward-Looking Statements

This quarterly report on Form 10-Q contains or incorporates statements that constitute forward-looking statements. Those statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters, the Company's growth, acquisition, redevelopment and development opportunities, the Company's acquisition and other strategies, regulatory matters pertaining to compliance with governmental regulations and other factors affecting the Company's financial condition or results of operations. Words such as "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," and "should" and variations of these

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words and similar expressions, are used in many cases to identify these forward-looking statements. 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 industry to vary 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 the matters described herein and the following factors among others: general industry, 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, tenant bankruptcies, lease rates and terms, availability and cost of financing, interest rate fluctuations and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technologies, risks of real estate redevelopment, development, acquisitions and dispositions; governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities that could adversely affect all of the above factors. The Company will not update any forward-looking information to reflect actual results or changes in the factors affecting the forward-looking information.

Statement on Critical Accounting Policies

The Securities and Exchange Commission ("SEC") recently issued disclosure guidance for "critical accounting policies." The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and 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 uncollectable accounts and estimates for environmental matters. The Company's significant accounting policies are described in more detail in Note 2 of the audited consolidated financial statements included in the Company's Annual Report on Form 10K for the year ended December 31, 2001. However, the following policies could be deemed to be critical within the SEC definition.

Revenue Recognition:

Minimum rental revenues are recognized on a straight-line basis over the terms 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 lining of rent adjustment." Currently, 27% of the mall and freestanding leases contain provisions for CPI rent increases, periodically throughout the term of the lease. The Company believes that using CPI increases, rather than fixed contractual rent increases, results in revenue recognition that more closely matches the cash revenue from each lease and will provide more consistent rent growth throughout the term of the leases. Percentage rents are recognized on an accrual basis consistent with Statement of Accounting Bulletin 101. Recoveries from tenants for real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred.

Property:

Costs related to the development, redevelopment, construction and improvement of properties are capitalized and depreciated as outlined below. Interest incurred or imputed on development, redevelopment and construction projects are capitalized until construction is substantially complete.

Maintenance and repairs 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. Realized 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	initial term of related lease
Equipment and furnishings	5–7 years

The Company assesses whether there has been an impairment in the value of its long-lived assets by considering factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include the tenants' ability to perform their duties and pay rent under the terms of the leases. The Company may recognize an impairment loss if the income stream is not sufficient to cover its investment. Such a loss would be determined as the difference between the carrying value and the fair value of a center.

Deferred Charges:

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the agreement using the straight-line method. Cost 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 range of the terms of agreements are as follows:

Deferred lease costs	1–15 years
Deferred financing costs	1–15 years

Recent Transactions

On December 14, 2001, Villa Marina Marketplace, a 448,262 square foot community shopping center located in Marina del Rey, California, a wholly-owned property of the Company, was sold. The center was sold for approximately $99.0 million, including the assumption of the existing mortgage of $58.0 million, which resulted in a $24.7 million gain. The Company used approximately $26 million of the net proceeds from this sale to retire $25.7 million of its outstanding Debentures. The remaining balance of the proceeds was used for general corporate purposes.

On March 19, 2002, the Company sold Boulder Plaza, a 159,238 square foot community center in Boulder, Colorado for $24.8 million. The proceeds of $23.7 million from the sale will be used for general corporate purposes.

On June 10, 2002, the Company acquired The Oaks, a 1.1 million square foot super-regional mall in Thousand Oaks, California. The total purchase price was $152.5 million and was funded with $108.0 million of debt, bearing interest at LIBOR plus 1.15%, placed concurrently with the acquisition. The balance of the purchase price was funded by cash and borrowings under the Company's line of credit. The Oaks is referred to herein as the "Acquisition Center."

On July 26, 2002, the Operating Partnership acquired Westcor Realty Limited Partnership and its affiliated companies ("Westcor"). Westcor is the dominant owner, operator and developer of regional

malls and specialty retail assets in the greater Phoenix area. The total purchase price was approximately $1.475 billion including the assumption of $733 million in existing debt and the issuance of approximately $72 million of convertible preferred operating partnership units at a price of $36.55 per unit. Additionally, $18.9 million of partnership units of Westcor Realty Limited Partnership were issued to limited partners of Westcor which, subject to certain conditions, can be converted on a one for one basis into operating partnership units of the Operating Partnership. The balance of the purchase price was paid in cash which was provided primarily from a $380 million interim loan with a term of up to 18 months bearing interest at an average rate of LIBOR plus 3.25% and a $250 million term loan with a maturity of up to five years with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level.

Crossroads Mall-Boulder and Parklane Mall are currently under redevelopment and are referred to herein as the "Redevelopment Centers." All other Centers, excluding the Acquisition Center, the Westcor portfolio and the Redevelopment Centers, are referred to herein as the "Same Centers," unless the context otherwise requires.

Revenues include rents attributable to the accounting practice of straight lining of rents which requires rent to be recognized each year in an amount equal to the average rent over the term of the lease, including fixed rent increases over that period. The amount of straight lined rents, included in consolidated revenues, recognized for the nine and three months ended September 30, 2002 was $0.1 million and $0.4 million, respectively, compared to ($0.1) million and $0.0 million for the nine and three months ended September 30, 2001, respectively; Additionally, the Company recognized through equity in income of unconsolidated joint ventures $1.4 million and $1.0 million as its pro rata share of straight lined rents from joint ventures for the nine and three months ended September 30, 2002, respectively, compared to $1.0 and $0.3 million for the nine and three months ended September 30, 2001, respectively.

Risk Factors

The Company's historical growth in revenues, net income and Funds From Operations have been closely tied to the acquisition and redevelopment of shopping centers. Many factors, including the availability and cost of capital, the Company's total amount of debt outstanding, interest rates and the availability of attractive acquisition targets, among others, will affect the Company's ability to acquire, redevelop and develop additional properties in the future. The Company may not be successful in pursuing acquisition opportunities, and newly acquired properties may not perform as well as expected. Expenses arising from the Company's efforts to complete acquisitions, redevelop or develop properties or increase its market penetration may have an adverse effect on its business, financial condition and results of operations. In addition, the following describes some of the other significant factors that may impact the Company's future results of operations.

General Factors Affecting the Centers; Competition: Real property investments are subject to varying degrees of risk that may affect the ability of the Centers to generate sufficient revenues to meet operating and other expenses, including debt service, lease payments, capital expenditures and tenant improvements, and to make distributions to the Company and the Company's stockholders. Income from shopping center properties may be adversely affected by a number of factors, including: the national economic climate; the regional and local economy (which may be adversely impacted by plant closings, industry slowdowns, adverse weather conditions, natural disasters, terrorist activities, and other factors); local real estate conditions (such as an oversupply of, or a reduction in demand for, retail space or retail goods and the availability and creditworthiness of current and prospective tenants); perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center; and increased costs of maintenance, insurance and operations (including real estate taxes). A significant percentage of the Centers are located in California and the Westcor centers are concentrated in Arizona. To the extent that economic or other factors affect California or Arizona (or

their respective regions generally) more severely than other areas of the country, the negative impact on the Company's economic performance could be significant. There are numerous shopping facilities that compete with the Centers in attracting tenants to lease space, and an increasing number of new retail formats and technologies other than retail shopping centers that compete with the Centers for retail sales. Increased competition could adversely affect the Company's revenues. Income from shopping center properties and shopping center values are also affected by such factors as applicable laws and regulations, including tax, environmental, safety and zoning laws, interest rate levels and the availability and cost of financing.

Dependence on Tenants: The Company's revenues and funds available for distribution would be adversely affected if a significant number of the Company's lessees were unable (due to poor operating results, bankruptcy or other reasons) to meet their obligations, if the Company were unable to lease a significant amount of space in the Centers on economically favorable terms, or if for any reason, the Company were unable to collect a significant amount of rental payments. A decision by a department store or another significant tenant to cease operations at a Center could also have an adverse effect on the Company. In addition, mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry could result in the loss of tenants at one or more Centers. Furthermore, if the store sales of retailers operating in the Centers were to decline sufficiently, tenants might be unable to pay their minimum rents or expense recovery charges. In the event of a default by a lessee, the Center may also experience delays and costs in enforcing its rights as lessor.

Real Estate Development Risks: Through the Company's acquisition of Westcor, its business strategy has expanded to include the selective development and construction of retail properties. Any development, redevelopment and construction activities that the Company undertakes will be subject to the risks of real estate development, including lack of financing, construction delays, environmental requirements, budget overruns, sunk costs and lease-up. Furthermore, occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable. Real estate development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. If any of the above events occur, the ability to pay distributions and service the Company's indebtedness could be adversely affected.

Comparison of Nine Months Ended September 30, 2002 and 2001

Revenues

Minimum and percentage rents increased by 7.7% to $164.1 million in 2002 from $152.3 million in 2001. Approximately $5.7 million of the increase is attributed to the Same Centers primarily due to releasing space at higher rents, $3.7 million relates to the Acquisition Center and $10.9 million relates to Westcor. This is offset by a $7.4 million decrease relating to the sales of Villa Marina Marketplace and Boulder Plaza and $1.2 million of the decrease relates to the Redevelopment Centers.

Tenant recoveries increased to $85.4 million in 2002 from $79.6 million in 2001. Approximately $4.5 million relates to the Westcor transaction, $2.2 million relates to the Acquisition Center and $1.2 million relates to the Same Centers. These increases are offset by decreases of $0.2 million relating to the Redevelopment Centers and $1.8 million attributed to the sales of Villa Marina Marketplace and Boulder Plaza.

Expenses

Shopping center and operating expenses increased to $90.0 million in 2002 compared to $80.2 million in 2001. The increase is a result of $4.4 million of increased property taxes, insurance and other recoverable and non-recoverable expenses at the Same Centers. Additionally, effective March 29, 2001, the Macerich Property Management Company merged with and into Macerich Property

Management Company, LLC ("MPMC, LLC"). Expenses for MPMC, LLC for periods commencing March 29, 2001, are now consolidated and represent $1.4 million of the change. Prior to March 29, 2001, MPMC, LLC was an unconsolidated entity accounted for using the equity method of accounting. The Acquisition Center accounted for $2.2 million of the increase in expenses and $4.3 million of the increase related to Westcor. These increases are offset by decreases of approximately $2.5 million related to the sales of Villa Marina Marketplace and Boulder Plaza and $0.3 million from the Redevelopment Centers.

Interest Expense

Interest expense increased to $86.4 million in 2002 from $83.0 million in 2001. Approximately $9.1 million of the increase is related to the debt from the Westcor transaction and $1.0 million from the Acquisition Center. This increase is offset by decreases of approximately $3.2 million related to the sale of Villa Marina Marketplace and approximately $0.9 million related to the payoff of debt in 2001. In addition, the Company purchased and retired an additional $25.7 million of debentures in December 2001 which reduced interest expense by $1.5 million in 2002 compared to 2001. Capitalized interest was $4.8 million in 2002, up from $3.7 million in 2001.

Depreciation and Amortization

Depreciation and amortization increased to $55.1 million in 2002 from $48.8 million in 2001. Approximately $2.7 million relates to additional capital costs at the Same Centers, $1.2 million relates to the Acquisition Center and $4.0 million relates to Westcor. This increase is offset by a decrease of $1.8 million from the sale of Villa Marina Marketplace and Boulder Plaza.

Income from Unconsolidated Joint Ventures and Macerich Management Companies

The income from unconsolidated joint ventures and the Macerich Management Companies was $21.0 million for 2002, compared to income of $20.9 million in 2001. Income from the Macerich Management Companies increased by $1.1 million primarily due to MPMC, LLC being consolidated effective March 29, 2001. SDG Macerich Properties, LP income increased by $2.4 million primarily due to lower interest expense on floating rate debt. Pacific Premier Retail Trust's income increased by $3.7 million primarily due to a $2.3 million gain on sale of assets in 2002 and approximately $1.4 million relating to increases in minimum and percentage rents. Additionally, $2.4 million was attributed to the Westcor transaction. These increases are offset by $10.2 million of loss from the write-down of the Company's investment in MerchantWired, LLC.

Gain (loss) on Sale or Write-Down of Assets

A gain of $10.2 million in 2002 compares to a loss of $0.3 million in 2001. The 2002 gain was a result of the Company selling Boulder Plaza and recognizing a $13.9 million gain on March 19, 2002, which is offset by a $3.0 million loss representing the write-down of assets from the Company's various technological investments.

Extraordinary Loss from Early Extinguishment of Debt

In 2002, the Company recorded a loss from early extinguishment of debt of $0.9 million compared to $0.2 million in 2001.

Net Income Available to Common Stockholders

Primarily as a result of the sale of Boulder Plaza, the purchase of the Acquisition Center, the Westcor transaction and the foregoing results, net income available to common stockholders increased to $27.7 million in 2002 from $22.5 million in 2001.

Operating Activities

Cash flow from operations was $131.4 million in 2002 compared to $99.5 million in 2001. The increase is primarily due to the Westcor transaction, the Acquisition Center, consolidating the results of MPMC, LLC effective March 29, 2001, and increased net operating income at the Centers as mentioned above.

Investing Activities

Cash used in investing activities was $836.5 million in 2002 compared to cash used in investing activities of $55.7 million in 2001. The change resulted primarily from the Westcor transaction, the Acquisition Center and the write-down of assets of $10.2 million relating to MerchantWired, LLC, which are reflected in equity in income of unconsolidated joint ventures. These decreases are offset by the net cash proceeds received of $23.8 million in 2002 from the sale of Boulder Plaza.

Financing Activities

Cash flow provided by financing activities was $741.7 million in 2002 compared to cash flow used in financing activities of $52.2 million in 2001. The change resulted primarily from the new debt from the Westcor transaction, the $52.0 million of net proceeds from the 2002 equity offering, the financing of the Acquisition Center in 2002 and the refinancing of Centers in 2001.

Funds From Operations

Primarily because of the factors mentioned above, Funds from Operations—Diluted increased 12.2% to $133.8 million in 2002 from $119.3 million in 2001.

Comparison of Three Months Ended September 30, 2002 and 2001

Revenues

Minimum and percentage rents increased by 23% to $64.1 million in 2002 from $52.1 million in 2001. Approximately $1.0 million of the increase is attributed to the Same Centers primarily due to releasing space at higher rents, $3.0 million relates to the Acquisition Center and $10.9 million relates to the Westcor transaction. This is offset by decreases of $2.6 million relating to the sales of Villa Marina Marketplace and Boulder Plaza and $0.4 million from the Redevelopment Centers.

Tenant recoveries increased to $34.0 million in 2002 from $27.8 million in 2001. Approximately $4.5 million of the increase is attributable to Westcor, $1.9 million relates to the Acquisition Center and $1.0 million relates to the Same Centers. This is offset by decreases of $0.7 million relating to the sales of Villa Marina Marketplace and Boulder Plaza and $0.3 million relating to the Redevelopment Centers.

Expenses

Shopping center and operating expenses increased to $36.4 million in 2002 from $28.5 million in 2001. The results of the quarter ended September 30, 2002 included $2.2 million of increased property taxes, insurance and other recoverable and non-recoverable expenses at the Same Centers, $1.9 million relating to the Acquisition Center and $4.1 million relating to Westcor. This increase is offset by decreases of approximately $0.8 million related to the sales of Villa Marina Marketplace and Boulder Plaza and $0.1 million from the Redevelopment Centers.

Interest Expense

Interest expense increased to $36.2 million in 2002 from $27.5 million in 2001. Approximately $9.1 million of the increase is related to the Westcor transaction and $0.8 million from the Acquisition

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Center. This increase is offset by decreases of approximately $1.1 million related to the sale of Villa Marina Marketplace. In addition, the Company purchased and retired an additional $25.7 million of debentures in December 2001, which reduced interest expense by $0.6 million in 2002 compared to 2001. Capitalized interest was $1.5 million in 2002, up from $1.3 million in 2001.

Depreciation and Amortization

Depreciation and amortization increased to $21.5 million in 2002 from $16.5 million in 2001. Approximately $0.7 million relates to additional capital costs at the Same Centers, $1.0 million relates to the Acquisition Center and $4.0 million relates to the Westcor transaction. This increase is offset by a decrease of $1.2 million from the sale of Villa Marina Marketplace and Boulder Plaza.

Income From Unconsolidated Joint Ventures and Macerich Management Companies

The income from unconsolidated joint ventures and the Macerich Management Companies was $15.5 million for 2002 compared to $8.2 million in 2001. SDG Macerich Properties, LP income increased by $0.8 million primarily due to lower interest expense on floating rate debt. Pacific Premier Retail Trust's income increased by $3.1 million primarily due to a $2.3 million gain on sale of assets in 2002 and approximately $0.4 million relating to increases in minimum and percentage rents. Additionally, $2.4 million was attributed to the Westcor transaction. Income from the Macerich Management Companies increased by $0.4 million.

Extraordinary Loss from Early Extinguishment of Debt

In 2002, the Company recorded a loss from early extinguishment of debt of $0.9 million.

Net Income Available to Common Stockholders

Primarily as a result of the purchase of the Acquisition Center, the Westcor transaction and the foregoing results, net income available to common stockholders increased to $11.7 million in 2002 from $9.3 million in 2001.

Funds From Operations

Primarily because of the factors mentioned above, Funds from Operations—Diluted increased 22.6% to $52.1 million in 2002 from $42.5 million in 2001.

Liquidity and Capital Resources

The Company intends to meet its short term liquidity requirements through cash generated from operations, working capital reserves, property secured borrowings and borrowing under the new revolving line of credit. The Company anticipates that revenues will continue to provide necessary funds for its operating expenses and debt service requirements, and to pay dividends to stockholders in accordance with REIT requirements. The Company anticipates that cash generated from operations, together with cash on hand, will be adequate to fund capital expenditures which will not be reimbursed by tenants, other than non-recurring capital expenditures. The following table summarizes capital

expenditures incurred at the Centers, including the pro rata share of joint ventures, for the nine months ending September 30,

	2002	2001
	(Dollars in Millions)	
Acquisitions of property and equipment	$ 923.2	$ 11.2
Development, redevelopment and expansion of centers	27.0	25.2
Renovations of centers	4.2	9.4
Tenant allowances	9.9	13.6
Deferred leasing charges	12.2	9.8
Total	$ 976.5	$ 69.2

Management expects to incur similar levels in future years for tenant allowances and deferred leasing charges and to incur between $25 million to $100 million in 2002 for redevelopment and expansions, excluding Queens Center expansion and the developments of La Encantada and Scottsdale 101 which will be separately financed. Capital for major expenditures or major redevelopments has been, and is expected to continue to be, obtained from equity or debt financings which include borrowings under the Company's line of credit and construction loans. However, 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.

On February 28, 2002, the Company issued 1,968,957 common shares with total net proceeds of $52.0 million. The proceeds from the sale of the common shares will be used principally to finance a portion of the Queens Center expansion and redevelopment project and for general corporate purposes. The Queens Center expansion and redevelopment is anticipated to cost approximately $280 million. The Company is currently negotiating construction and permanent loans, which will be secured by the Queens Center property to finance the remaining project costs. Construction began in the second quarter of 2002 with completion estimated to be, in phases, through late 2004.

The Company has obtained a loan for $51.0 million for the development of La Encantada and the Company is negotiating a $54.0 million loan for the Scottsdale 101 development.

The Company believes that it will have access to the capital necessary to expand its business in accordance with its strategies for growth and maximizing Funds from Operations. The Company presently intends to obtain additional capital necessary for these purposes through a combination of debt or equity financings, joint ventures and the sale of non-core assets. The Company believes joint venture arrangements have in the past and may in the future provide an attractive alternative to other forms of financing, whether for acquisitions or other business opportunities.

The Company's total outstanding loan indebtedness at September 30, 2002 was $3.7 billion (including its pro rata share of joint venture debt of $1.1 billion). This equated to a debt to Total Market Capitalization (defined as total debt of the Company, including its pro rata share of joint venture debt, plus aggregate market value of outstanding shares of common stock, assuming full conversion of OP Units and preferred stock into common stock) ratio of approximately 67% at September 30, 2002. The majority of the Company's debt consists of fixed-rate conventional mortgages payable secured by individual properties.

The Company has filed a shelf registration statement, effective June 6, 2002, to sell securities. The shelf registration is for a total of $1 billion of common stock, common stock warrants or common stock rights.

The Company had an unsecured line of credit for up to $200.0 million with a maturity of July 26, 2002 with a right to extend the facility to May 26, 2003 subject to certain conditions. On July 26, 2002, concurrent with the closing of Westcor, the Company replaced this $200.0 million credit facility with a

new $425.0 million revolving line of credit. This increased revolving line of credit has a three-year term plus a one-year extension. The interest rate fluctuates from LIBOR plus 1.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. As of September 30, 2002, $220.0 million was outstanding at an average interest rate of 4.78%.

The Company has $125.1 million of convertible subordinated debentures (the "Debentures"), which mature December 15, 2002. The Debentures are callable after June 15, 2002 at par plus accrued interest. The Company expects to use the new revolving line of credit to fully retire the Debentures at their maturity.

At September 30, 2002, the Company had cash and cash equivalents available of $63.2 million.

Funds From Operations:

The Company believes that the most significant measure of its performance is Funds from Operations ("FFO"). FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be: Net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring, sales or write-down of assets, and cumulative effect of change in accounting principle, plus depreciation and amortization (excluding depreciation on personal property and amortization of loan and financial instrument costs) and after adjustments for unconsolidated entities. Adjustments for unconsolidated entities are calculated on the same basis. FFO does not represent cash flow from operations, as defined by GAAP, and is not necessarily indicative of cash available to fund all cash flow needs. FFO, as presented, may not be comparable to similarly titled

measures reported by other real estate investment trusts. The following reconciles net income available to common stockholders to FFO:

	Nine Months Ended September 30,			
	2002		2001	
	Shares	Amount	Shares	Amount
	(amounts in thousands)			
Net income available to commons stockholders		$ 27,748		$ 22,515
Adjustments to reconcile net income to FFO—basic:				
Minority interest		9,364		7,342
Depreciation and amortization on wholly owned centers		55,229		49,092
Pro rata share of unconsolidated entities' depreciation and amortization		25,541		20,244
(Gain) loss on sale of wholly-owned assets		(10,209)		295
Loss on early extinguishment of debt		870		187
Pro rata share of loss (gain) on sale or write-down of assets from unconsolidated entities		7,893		(208)
Less: Depreciation on personal property and amortization of loan costs and interest rate caps		(5,136)		(3,698)
FFO—basic(1)	47,525	111,300	44,915	95,769
Additional adjustments to arrive at FFO—diluted:				
Impact of convertible preferred stock	9,115	15,222	9,115	14,675
Impact of convertible debentures	4,021	7,251	4,847	8,829
Impact of employee incentive plans	464	—	—	—
FFO—diluted(2)	61,125	$ 133,773	58,877	$ 119,273

	Three Months Ended September 30,			
	2002		2001	
	Shares	Amount	Shares	Amount
	(amounts in thousands)			
Net income available to commons stockholders		$ 11,676		$ 9,268
Adjustments to reconcile net income to FFO—basic:				
Minority interest		4,184		2,965
Depreciation and amortization on wholly owned centers		21,479		16,601
Pro rata share of unconsolidated entities' depreciation and amortization		11,076		6,920
(Gain) loss on sale of wholly-owned assets		6		107
Loss on early extinguishment of debt		870		—
Pro rata share of loss (gain) on sale or write-down of assets from unconsolidated entities		(2,527)		(85)
Less: Depreciation on personal property and amortization of loan costs and interest rate caps		(2,309)		(1,298)
FFO—basic(1)	49,252	44,455	45,032	34,478
Additional adjustments to arrive at FFO—diluted:				
Impact of convertible preferred stock	9,115	5,195	9,115	5,013
Impact of convertible debentures	4,021	2,443	4,847	2,971
Impact of employee incentive plans	464	—	—	—
FFO—diluted(2)	62,852	$ 52,093	58,994	$ 42,462

1) Calculated based upon basic net income as adjusted to reach basic FFO. Weighted average number of shares includes the weighted average number of shares of common stock outstanding for 2002 and 2001 assuming the conversion of all outstanding OP units. As of September 30, 2002, 11.8 million of OP units were outstanding.

2) The computation of FFO—diluted and diluted average number of shares outstanding includes the effect of outstanding common stock options and restricted stock using the treasury method. The convertible debentures are dilutive for the nine and three months ending September 30, 2002 and 2001, and are included in the FFO calculation. On February 25, 1998, the Company sold $100 million of its Series A Preferred Stock. On June 17, 1998, the Company sold $150 million of its Series B Preferred Stock. The preferred stock can be converted on a one for one basis for common stock. The preferred shares are assumed converted for purposes of FFO diluted, as they are dilutive to that calculation.

Included in minimum rents were rents attributable to the accounting practice of straight lining of rents. The amount of straight lining of rents, including the Company's pro rata share from joint ventures, that impacted minimum rents was $1.5 million and $1.4 million for the nine and three months ended September 30, 2002, respectively; and $0.9 million and $0.3 million for the nine and three months ended September 30, 2001, respectively.

Inflation

In the last three years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically through the lease term. These rent increases are either in fixed increments or based on increases in the CPI. In addition, about 8%-12% of the leases expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. Additionally, the majority of the leases require the tenants to pay their pro rata share of operating expenses. This reduces the Company's exposure to increases in costs and operating expenses resulting from inflation.

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, and the implementation of Staff Accounting Bulletin 101, earnings are generally higher in the fourth quarter of each year.

New Pronouncements Issued

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which requires companies to record derivatives on the balance sheet, measured at fair value. Changes in the fair values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows.

As a result of the adoption of SFAS 133 on January 1, 2001, the Company recorded a transition adjustment of approximately $7.1 million to accumulated other comprehensive income related to treasury rate lock transactions settled in prior years. The entire transition adjustment was reflected in

the quarter ended March 31, 2001. The Company reclassified approximately $1.0 million and expects to reclassify approximately $1.3 million from accumulated other comprehensive income to earnings for the nine months ended September 30, 2002 and for the year ended December 31, 2002, respectively.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. The statement provides accounting and reporting standards for recognizing obligations related to asset retirement costs associated with the retirement of tangible long-lived assets. Under this statement, legal obligations associated with the retirement of long-lived assets are to be recognized at their fair value in the period in which they are incurred if a reasonable estimate of fair value can be made. The fair value of the asset retirement costs is capitalized as part of the carrying amount of the long-lived asset and expensed using a systematic and rational method over the assets' useful life. Any subsequent changes to the fair value of the liability will be expensed. The Company does not believe that the adoption of SFAS No. 143 will have a material impact on its consolidated financial statements.

On July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires that the purchase method of accounting be used for all business combinations for which the date of acquisition is after June 30, 2001. SFAS 141 also establishes specific criteria for the recognition of intangible assets. The Company has determined that the adoption of SFAS 141 did not have an impact on its consolidated financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"). SFAS 144 establishes a single accounting model, based on the framework established in SFAS 121, for long-lived assets to be disposed of by sale. The Company adopted SFAS 144 on January 1, 2002. The Company sold Boulder Plaza on March 19, 2002 and in accordance with SFAS 144 the results of Boulder Plaza for the periods from January 1, 2002 to March 19, 2002 and from January 1, 2001 to September 30, 2001 have been reclassified into "discontinued operations" on the consolidated statements of operations. Total revenues associated with Boulder Plaza was approximately $0.5 and $1.6 million for the periods January 1, 2002 to March 19, 2002 and January 1, 2001 to September 30, 2001, respectively.

In May 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections" ("SFAS 145"), which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS 4, SFAS 44 and SFAS 64 and amends SFAS 13 to modify the accounting for sales-leaseback transactions. SFAS 4 required the classification of gains and losses resulting from extinguishments of debt to be classified as extraordinary items. SFAS 64 amended SFAS 4 and is no longer necessary because SFAS 4 has been rescinded. The Company expects to reclassify a loss of approximately $2.0 million and $0.3 million for the years ending December 31, 2001 and 2000, respectively, from extraordinary items upon adoption of SFAS 145 on January 1, 2003.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The Company does not believe that the adoption of SFAS No. 146 will have a material impact on its consolidated financial statements.

Stock-based compensation expense. In the second quarter of 2002 and effective beginning in the first quarter of 2002, the Company adopted the expense recognition provisions of SFAS No. 123,

"Accounting for Stock-Based Compensation". Effective January 1, 2002, the Company will value stock options issued using the Black-Scholes option-pricing model and recognizes this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is applied to all options granted after the beginning of the year of adoption. Prior to January 1, 2002, the Company followed the intrinsic method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees". The Company has not issued stock options in 2002 and accordingly the Company has not recognized any stock-based compensation expense related to stock options for the three and nine months ending September 30, 2002.

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 conservative ratio of fixed rate, long-term debt to total debt such that variable rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term variable rate debt through the use of interest rate caps with appropriately matching maturities, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of September 30, 2002 concerning the Company's long term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value ("FV").

	For the Years Ended December 31,							
	2002	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**Total**	**FV**
	(dollars in thousands)							
Consolidated Centers:								
Long term debt:								
Fixed rate	$ 7,740	$ 28,884	$ 142,314	$ 22,516	$ 87,999	$ 1,112,613	$ 1,402,066	$ 1,534,926
Average interest rate	7.35%	7.34%	7.35%	7.35%	7.32%	7.32%	7.34%	—
Fixed rate—Debentures	125,148	—	—	—	—	—	125,148	125,658
Average interest rate	7.25%	—	—	—	—	—	7.25%	—
Variable rate	150,745	229,604	298,000	470,000	—	—	1,148,349	1,148,349
Average interest rate	3.58%	4.56%	4.49%	4.78%	—	—	4.35%	—
Total debt—Consolidated Centers	$ 283,633	$ 258,488	$ 440,314	$ 492,516	$ 87,999	$ 1,112,613	$ 2,675,563	$ 2,808,933
Joint Venture Centers:								
(at Company's pro rata share)								
Fixed rate	$ 18,333	$ 10,956	$ 10,756	$ 78,575	$ 96,675	$ 561,837	$ 777,132	$ 838,965
Average interest rate	7.05%	7.03%	7.03%	7.01%	7.15%	7.15%	7.07%	—
Variable rate	94	134,985	103,888	187	55,012	—	294,166	294,166
Average interest rate	3.01%	3.16%	3.05%	3.05%	3.05%	—	3.06%	—
Total debt—Joint Ventures	$ 18,427	$ 145,941	$ 114,644	$ 78,762	$ 151,687	$ 561,837	$ 1,071,298	$ 1,133,131
Total debt—all Centers	$ 302,060	$ 404,429	$ 554,958	$ 571,278	$ 239,686	$ 1,674,450	$ 3,746,861	$ 3,942,064

The $150.7 million of variable debt maturing in 2002 represents the debt at Chandler Fashion Center. On October 21, 2002, the Company paid this loan in full and a new note was issued for $184.0 million bearing interest at a fixed rate of 5.48% and maturing November 1, 2012.

The Company has $125.1 million of Debentures which will mature on December 15, 2002. The Debentures are callable after June 15, 2002 at par plus accrued interest. The Company expects to use the new revolving credit facility to fully retire the Debentures at their maturity (See Note 6).

In addition, the Company has assessed the market risk for its variable rate debt as of September 30, 2002 and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately $13.0 million per year based on $1.3 billion outstanding (excluding the $150.7 million debt refinanced on October 21, 2002) at September 30, 2002.

The fair value of the Company's long term debt is estimated based on discounted cash flows at interest rates that management believes reflect the risks associated with long term debt of similar risk and duration.

Item 4 Controls and Procedures

Within the 90-day period before the filing of this report, the chief executive officer and chief financial officer of the Company (collectively, the "certifying officers") have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-14 of the Securities Exchange Act of 1934). The certifying officers concluded, based on their evaluation, that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date when the internal controls were evaluated.

PART II

OTHER INFORMATION

Item 1 Legal Proceedings

During the ordinary course of business, the Company, from time to time, is threatened with, or becomes a party to, legal actions and other proceedings. Management is of the opinion that the outcome of currently known actions and proceedings to which it is a party will not, singly or in the aggregate, have a material adverse effect on the Company.

Item 2 Changes in Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 Other Information

The Audit Committee of the Board of Directors preapproved the retention of PricewaterhouseCoopers to perform various audit and tax services for the Company. The approved tax services are permitted non-audit services under the Sarbanes-Oxley Act of 2002.

Item 6 Exhibits and Reports on Form 8-K

a. *Exhibits*

10.1 Tax Matters Agreement dated as of July 26, 2002 between The Macerich Partnership L.P. and the Protected Partners.

b. *Current Reports on Form 8-K*

Current Report on Form 8-K event date July 26, 2002, (reporting completion of the acquisition of Westcor) as amended by Current Report on Form 8-K/A (filing the required financial statements and information for the acquisition).

Current Report on Form 8-K event date July 29, 2002 (reporting public announcement of completion of the acquisition of Westcor.)

SIGNATURES

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.

Date: November 14, 2002 THE MACERICH COMPANY

By: /s/ THOMAS E. O'HERN

Thomas E. O'Hern
Executive Vice President and
Chief Financial Officer

SECTION 302 CERTIFICATION

I, Arthur Coppola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Macerich Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or person performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Arthur Coppola
[Signature]

President and Chief Executive Officer
[Title]

SECTION 302 CERTIFICATION

I, Thomas E. O'Hern, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Macerich Company;

2.

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or person performing the equivalent functions):

    (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Thomas E. O'Hern
[Signature]

Executive Vice President and Chief Financial Officer
[Title]

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(a) Exhibits

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Exhibit 10.1

TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT ("Agreement"), dated as of July 26, 2002, is made by and between The Macerich Partnership, L.P., a Delaware limited partnership ("TMP"), and each of the Protected Partners (as defined below) who will become limited partners of TMP as a result of the Transaction (as defined below).

WHEREAS, pursuant to the Master Agreement dated as of June 29, 2002, among TMP, Westcor Realty Limited Partnership ("WRLP"), The Westcor Company Limited Partnership, The Westcor Company II Limited Partnership, Eastrich No. 128 Corp., the limited partners of WRLP, Macerich Galahad LP, Macerich TWC II Corp., Macerich WRLP Corp., Macerich TWC II LLC and Macerich WRLP LLC (the "Master Agreement") and the Purchase and Sale and Contribution Agreement dated as of June 29, 2002 among WRLP, Eastrich No. 128 Corp., each of the limited partners of WRLP, TMP, Macerich WRLP Corp. and Macerich WRLP LLC ("Sale and Contribution Agreement"), TMP is, among other things, acquiring certain of the limited partnership interests in WRLP from the Protected Partners in exchange for Series D Preferred partnership interests in TMP (the "Transaction");

WHEREAS, pursuant to the Master Agreement and the Sale and Contribution Agreement, TMP has agreed to make certain undertakings to the Protected Partners;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. **Definitions.** All capitalized terms used and not otherwise defined in this Agreement shall have the meaning set forth in the Master Agreement. As used herein, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Guarantee Opportunity" shall have the meaning set forth in Section 2(e) hereof.

"Indirect Owner" means, in the case of a Protected Partner that is an entity that is classified as a partnership or disregarded entity for federal income tax purposes, any person owning an equity interest in such Protected Partner, and, in the case of any Indirect Owner that itself is an entity that is classified as a partnership or disregarded entity for federal income tax purposes, any person owning an equity interest in such entity.

"Law Firm" shall have the meaning set forth in Section 3(b).

"Protected Amount" as to each Protected Partner, is the amount set forth with respect to such Protected Partner on Schedule 3 to this Agreement, as described in Section 2(e) hereof; provided, however, that, (i) upon the death of any Protected Partner or of any Indirect Owner in such Protected Partner which results in a stepped-up basis**,** for federal income tax purposes, to the successors of such Protected Partner or Indirect Owner in the Protected Units, or upon a fully or partially taxable sale or exchange of part or all of a Protected Partner's Protected Units, or an Indirect Owner's equity interest in such Protected Partner, the Protected Amount of such Protected Partner shall be reduced to the extent of the Protected Partner's (or Indirect Owner's) share of the Protected Partner's Protected Amount attributable to the stepped-up basis or the portion of the basis increased on the transfer, or (ii) upon a partial or complete redemption of Protected Units, the Protected Amount shall be reduced proportionate to such redemption.

"Protected Partners" shall mean the persons and entities whose names are set forth on Schedule 1 to this Agreement, and any person who holds Protected Units and who acquired such Protected Units from a Protected Partner in a transaction in which such transferee's adjusted basis, as determined for federal income tax purposes, is determined, in whole or part, by reference to the adjusted basis, as determined for federal income tax purposes, of the Protected Partner in such Protected Units. Notwithstanding the foregoing, (i) a person who acquires Protected Units as the

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result of the death of a Protected Partner shall not be considered a Protected Partner with respect to such Protected Units if such person received a stepped-up basis, for federal income tax purposes, in such Protected Units, or (ii) upon the complete redemption of Protected Units from any Protected Partner, such person or entity holding such Protected Units shall cease to be a Protected Partner.

"Protected Partner Representative" shall mean Robert L. Ward.

"Protected Period" shall mean the period beginning on the Closing Date and ending on the date which is ten (10) years after the Closing Date.

"Protected Properties" shall mean those properties set forth on Schedule 2 to this Agreement and any properties acquired in exchange for a Protected Property in a transaction in which gain is not recognized, in whole or part, for federal income tax purposes.

"Protected Property Disposition" shall have the meaning set forth in Section 2(a) hereof.

"Protected Units" shall mean solely those TMP Partnership Units issued in the Transaction and held by Protected Partners and any TMP Partnership Units thereafter issued by TMP in exchange for Protected Units in a transaction in which the transferee's adjusted basis, as determined for federal income tax purposes, in the issued Protected Units is determined, in whole part**,** by reference**,** to the transferee's adjusted basis, as determined for federal income tax purposes, the Protected Units**.** For the avoidance of doubt, Protected Units shall not include LTIP Units or Class C Units.

"Tax Payment Year" shall have the meaning set forth in Section 3(a) hereof.

2. **TMP's Obligations.**

(a) Subject to Sections 2(b) and 2(c), TMP agrees, for the benefit of each Protected Partner and the Indirect Owners of such Protected Partner, that neither TMP nor any entity in which TMP holds a direct or indirect interest will directly or indirectly sell, transfer, exchange, or otherwise dispose of any Protected Property or any direct or indirect interest therein (a "Protected Property Disposition") during the Protected Period.

(b) Section 2(a) shall not apply to (i) any transaction with respect to a Protected Property, such as a transaction which qualifies as a tax-free like-kind exchange under Code Section 1031 or a tax-free contribution under Code Section 721, which would not result in the recognition of income or gain by or allocation of recognized income or gain to any Protected Partner or its Indirect Owners; (ii) the condemnation or other taking of any Protected Property by a governmental entity or authority in eminent domain proceedings or otherwise (or pursuant to the threat thereof), provided that TMP has first used good faith efforts to structure any such disposition as either a tax-free like kind exchange under Code Section 1031 or as a tax-free reinvestment under Code Section 1033; (iii) the disposition of Desert Sky in a foreclosure proceeding (or a deed in lieu of foreclosure) if TMP has first offered, to the Protected Partner Representative, to distribute (or cause to be distributed) its interest in Desert Sky, subject to the debt encumbering Desert Sky, to the Protected Partners at a valuation of $5,000, or (iv) dispositions of pads or outparcels at the Protected Properties and dispositions of *de minimis* portions of the Protected Properties.

(c) In addition, Section 2(a) shall not apply to any transaction in which a Protected Property, or a direct or indirect interest therein, is sold, transferred, exchanged or disposed of pursuant to a contractual obligation existing on the Closing Date as a result of a partner or member in the entity that owns such Protected Property or a third party (other than partners or members who are Affiliates of TMP) (such other partner, member or third party being referred to in this Section 2(c) as the "Non-TMP Party") exercising its rights under the partnership agreement, limited liability company operating agreement or other organizational documents for such entity, or under any other agreement relating to such Protected Property which is binding on TMP or its Affiliates (by way of example only, buy-sell rights, rights of first offer, call rights, options to purchase or other preferential rights) (any such event being referred to in this Section 2(c) as a

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"Required Transfer"), provided that TMP uses good faith efforts to structure any such Required Transfer as a tax-free like-kind exchange under Code Section 1031. Notwithstanding the foregoing, if a Non-TMP Party delivers to TMP a notice exercising the Non-TMP Party's rights with respect to a Required Transfer, and, in accordance with the applicable agreement, the Non-TMP Party's notice sets forth the price (the "Exercise Price") on which it would be willing to either purchase or sell the Protected Property (or the applicable direct or indirect interest therein), with TMP then having the right to elect to purchase or sell the Protected Property (or the applicable direct or indirect interest therein) at the Exercise Price, and if TMP elects to sell the Protected Property (or the applicable direct or indirect interest therein), then the following provisions and procedures will be applicable:

(i) TMP promptly shall notify the Protected Partner Representative on behalf of the Protected Partners who would recognize taxable gain as a result of such Required Transfer (collectively, the "Affected Partners") of the proposed Required Transfer and the terms and conditions thereof (such terms and conditions, including the Exercise Price, being referred to in this Section 2(c) as the "Terms").

(ii) Within 10 days after the date of TMP's notice (or, if earlier, on or before the date that is five business days prior to the date on which TMP must deliver to the Non-TMP Party notice of TMP's election to either purchase or sell), the Protected Partner Representative shall notify TMP whether the Affected Partners wish to acquire the interest in such Protected Property owned by the Non-TMP Party (if the proposed Required Transfer is for the transfer of an interest in the entity which owns such Protected Property), or to form a new entity with TMP or one of its Affiliates to acquire such Protected Property (if the proposed Required Transfer is for the transfer of the Protected Property), in each case on the Terms. In the latter case, the terms and conditions of the documents which will govern such new entity will be substantively the same as the documents governing the entity which owns such Protected Property as of the Closing Date, with TMP or its Affiliate to hold the same percentage interest in the new entity as it holds as of the date the Non-TMP Party delivers its exercise notice, and the Affected Partners to own the remaining percentage interests in the new entity.

(iii) If the Protected Partner Representative does not notify TMP of the election of the Affected Partners to acquire such interest within the time period set forth in paragraph (ii) above), then TMP thereafter shall have the right to either purchase or sell the Protected Property (or the applicable direct or indirect interest therein) pursuant to the provisions of the applicable agreement, without any obligation or liability to the Affected Partners pursuant to this Agreement resulting from such transaction.

(iv) If the Protected Partner Representative, on behalf of the Affected Partners, timely elects to acquire such interest, then TMP and the Protected Partner Representative shall cooperate reasonably and in good faith to structure the transaction with the Non-TMP Party in a manner in which TMP (or its Affiliate) assigns to the Affected Partners TMP's rights to acquire such interest, and the Affected Partners then directly exercise the rights of TMP (or its Affiliate) to acquire such interest from the Non-TMP Party. If the Non-TMP Party will not agree to allow such an assignment and will not otherwise allow the Affected Partners to directly exercise such rights (in either case, at no additional cost to TMP), then TMP and the Protected Partner Representative shall cooperate reasonably and in good faith to structure the transaction in multiple steps such that, at the conclusion of the transaction, TMP and the Affected Partners are in the position that they would have been had the Non-TMP Party allowed the Affected Partners to directly exercise TMP's rights (*e.g.*, TMP or its Affiliate first will acquire the Protected Property or the applicable interest therein, and then TMP will transfer to the Affected Partners the applicable interest). The Affected Partners will be solely responsible for the payment of any additional costs or expenses that may be payable as a result of structuring such transaction in multiple steps (*e.g.*, additional transfer taxes, conveyancing fees, title premiums, etc.).

(v) If the Protected Partner Representative, on behalf of the Affected Partners, elects to acquire such interest, then concurrently with delivering their exercise notice to TMP, the Protected Partner Representative shall provide TMP with evidence reasonably satisfactory to TMP that the Affected Partners have the financial capability to timely consummate such acquisition. Further, at such time as TMP is to notify the Non-TMP Party that TMP will exercise its right to acquire the Protected Property (or the applicable interest therein), the Affected Partners shall provide to TMP security reasonably satisfactory to TMP for the performance by the Affected Partners of their obligations with respect to the acquisition of such Protected Property (or the applicable interest therein), including the payment in full of the consideration payable to the Non-TMP Party and all closing costs and expenses payable by the purchaser in such transaction, and also including any additional costs or expenses that may be payable as a result of structuring the transaction in multiple steps. If the Affected Partners breach their obligation to consummate the subject transaction, the Affected Partners shall indemnify, defend and hold TMP and its Affiliates harmless from any losses, damages, costs, liabilities, costs or expenses incurred or suffered by TMP or its Affiliates as a result of such breach.

(d) TMP shall use, and shall cause any other entity in which TMP has a direct or indirect interest to use (to the extent not prohibited by law), the "traditional method" under Regulations Section 1.704-3(b) for purposes of making allocations under Code Section 704(c) with respect to each Protected Property to take into account the book-tax disparities as of the Closing Date of the Transaction with respect to such Protected Property.

(e) TMP agrees to either (i) maintain, at all times, and on a continuous basis, with respect to each Protected Property, an amount of indebtedness sufficient to avoid the recognition of gain by any Protected Partner or Indirect Owner as a result of a deemed distribution to any Protected Partner or Indirect Owner under Code Section 752; or (ii) pursuant to Section 7.5 of the TMP Partnership Agreement, make available to each Protected Partner the opportunity (a "Guarantee Opportunity") to make a "bottom guarantee" of indebtedness. With respect to clause (i) of the first sentence of this Section 2(e), TMP shall be required to maintain such debt in an amount so that the sum of each Protected Partner's allocable share of such debt pursuant to the regulations under Code Section 752 is equal to the excess of (x) the amount of indebtedness to which each Protected Property is subject as of the Closing Date over (y) the adjusted tax basis, as determined for federal income tax purposes, of each Protected Property as of the Closing Date, as set forth on Schedule 3 (the "Protected Amount"). Schedule 3 initially shall be prepared based on estimates provided by the Protected Partners of the tax basis, liabilities and pre-contribution gain of the Protected Partners in the Protected Properties, but shall be updated promptly by TMP based on actual data as of the Closing Date when such information is available**.** TMP makes no representation or warranty to any Protected Partner that providing a "bottom guarantee" entered into pursuant to Section 7.5 of the TMP Partnership Agreement shall be respected for federal income tax purposes as causing the Protected Partner to be considered to "bear the economic risk of loss" with respect to the indebtedness thereby guaranteed by such Protected Partner for purposes of either Code Section 752 or otherwise.

(f) With respect to each Protected Property, TMP shall allocate, and shall cause any other entity in which TMP has a direct or indirect interest to allocate, "excess nonrecourse liabilities," as defined in Regulations Section 1.752-3(a)(3), according to the amount of built-in gain under Code Section 704(c) as of the Closing Date, as set forth on Schedule 3, less amounts previously taken into account under Regulations Sections 1.752-3(a)(1) and 1.752-3(a)(2).

3. **Indemnity for Breach of Obligations set forth in Section 2 by TMP.**

(a) If TMP breaches one or more of its obligations set forth in Section 2 hereof to any Protected Partner (or an Indirect Owner thereof), each such Protected Partner (or Indirect Owner thereof) shall receive from TMP as damages an amount equal to the aggregate federal, state and local income taxes incurred by such Protected Partner (or Indirect Owner thereof) as a result of

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the gain recognized by or allocated to such Protected Partner (or Indirect Owner thereof) with respect to Protected Units solely by reason of such breach plus an additional amount so that, after the payment by such Protected Partner (or Indirect Owner thereof) of all taxes on amounts received pursuant to this Section 3(a), such Protected Partner (or Indirect Owner thereof) retains an amount equal to its total tax liability incurred solely as a result of such breach. In the event of a breach of Section 2 hereof with respect to any Protected Partner (or Indirect Owner thereof), TMP shall promptly notify such Protected Partner (or Indirect Owner thereof) in writing of such breach. In addition, TMP shall prepare a computation of the indemnity payment, if any, owing to such Protected Partner (or Indirect Owner thereof) under this Section 3(a), which computation shall be delivered to such Protected Partner (or Indirect Owner thereof) no later than January 15th of the year following the year (the "Tax Payment Year") in which the Protected Partner (or Indirect Owner thereof) is required to report the gain resulting from the breach on such Protected Partner's (or Indirect Owner's) federal income tax return. TMP shall make any required indemnity payment owing to a Protected Partner (or Indirect Owner thereof) pursuant to this Section 3(a) no later than April 1st of the applicable Tax Payment Year, or, for any Protected Partner (or Indirect Owner thereof) who is required to make an additional quarterly payment of estimated tax for the year in which the Protected Partner (or Indirect Owner thereof) is required to report the gain resulting from the breach, TMP shall prepare a computation of the indemnity payment and shall make any required indemnity payment owing to a Protected Partner (or Indirect Owner thereof) no later than 5 days prior to the due date for such quarterly estimated tax payment, provided such Protected Partner (or Indirect Owner thereof) provides to TMP, not later than 15 days prior to the due date for such quarterly estimated tax payment, a written statement in a form reasonably acceptable to TMP setting forth the reasons for, and a calculation of, the additional quarterly payment of estimated tax. For purposes of this Section 3(a), (i) all income arising from a transaction or event that is treated as ordinary income under the applicable provisions of the Code and all payments under this Section 3(a) shall be treated as subject to federal, state and local income tax at an effective tax rate imposed on ordinary income of individuals residing in the city and state of residence of such Protected Partner (or Indirect Owner thereof), determined using the maximum federal rate of tax on ordinary income and the maximum state and local rates of tax on ordinary income then in effect in such city and state, (ii) all other income arising from the transaction or event shall be subject to federal, state, and local income tax at the effective tax rate imposed on long-term capital gains of individuals residing in the city and state of residence of such Protected Partner (or Indirect Owner thereof), determined using the maximum federal, city and state rates on long-term capital gains then in effect, (iii) any amounts giving rise to a payment pursuant to this Section 3(a) will be determined assuming that the transaction or event giving rise to TMP's obligation to make a payment was the only transaction or event reported on the Protected Partner's (or Indirect Owner's) tax return (i.e., without giving effect to any loss carry forwards or other deductions attributable to such Protected Partner or Indirect Owner), and (iv) any amounts payable with respect to state and local income taxes shall be assumed to be deductible for federal income tax purposes. In the case of a Protected Partner which is a partnership or disregarded entity for federal income tax purposes, the preceding sentence shall be applied treating each Indirect Owner of such partnership as if it were directly a Protected Partner, and in the case of a corporate Protected Partner (or Indirect Owner thereof), the preceding sentence shall be applied using the highest marginal rate of tax applicable to corporations for federal income tax purposes and state corporate income or franchise tax purposes. For purposes of computing the damages payable in the aggregate to the Protected Partners (or Indirect Owner thereof) under this Section 3(a) with respect to a breach of TMP's obligations under Section 2 hereof, in no event shall the gain taken into account with respect to the Protected Property exceed the amount of gain with respect to such Protected Property that would have been recognized by or allocated to the Protected Partners and Indirect Owners thereof with respect to the Protected Units if TMP had sold such Protected Property in a fully taxable transaction on the day following the Closing Date of the Transaction for a purchase price equal to the fair market value of such Protected Property at such time, provided that, for purposes of computing such amount, the aggregate amount of such gain with respect to such Protected Property shall not

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exceed each Protected Partners' (or Indirect Owner's) share of the Code Section 704 (c) gain stated with respect to such Protected Property on Schedule 3 of this Agreement (after subtracting from such scheduled amount the amount of any gain attributable to such scheduled amount which was previously recognized by or was otherwise allocable to (a) a Protected Partner on a transfer of some or all of its Protected Units to a transferee who is treated as a Protected Partner with respect to such Protected Units, (b) an Indirect Owner upon a sale or exchange of some or all of such Indirect Owner's equity interest in such Protected Partner, (c) any Protected Partner who has ceased to be a Protected Partner as of the end of the calendar year in which such gain is recognized, and (d) either a Protected Partner or an Indirect Owner to the extent of any decrease in the difference between the tax adjusted basis, as determined for federal income tax purposes, and the book value of the Protected Property pursuant to Regulations Section 1.704-3). All determinations of indemnity payments shall be made by applying the federal and state tax laws as in effect on the Closing Date and in no event shall any indemnity payment be due as a result of a change in the applicable tax law, a change in the interpretation of the applicable tax law or as a result of an adjustment made in the resolution (whether by settlement or by judicial decision) of any federal or state tax audit or examination.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner (or Indirect Owner thereof) for a breach of the obligations set forth in Section 2 hereof shall be a claim for damages against TMP, computed as set forth in Section 3(a), and no Protected Partner (or Indirect Owner thereof) shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2 hereof or bring a claim against any person that acquires a Protected Property. Notwithstanding anything to the contrary in this Agreement, TMP shall not be liable for, or obligated to indemnify any person with respect to, any claim or cause of action requesting or claiming special, exemplary, incidental, indirect, punitive, reliance or consequential damages or losses. Any claim or cause of action requesting or claiming any such damages is specifically waived and barred, whether or not such damages were foreseeable or any party was notified of the possibility of such damages. If TMP has breached an obligation set forth in Section 2 hereof (or a Protected Partner or Indirect Owner asserts that TMP has breached an obligation set forth in Section 2 hereof), TMP and the Protected Partner Representative agree to negotiate in good faith to resolve any disagreements regarding any such alleged breach and the amount of damages, if any, payable to such Protected Partner (or Indirect Owner thereof) under Section 3(a) hereof. If any such disagreement cannot be resolved by TMP and such Protected Partner Representative within thirty (30) days after notice to the other party of the alleged breach, TMP and the Protected Partner Representative shall jointly retain a nationally recognized law firm (the "Law Firm") to act as an arbitrator to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a breach of an obligation set forth in Section 2 hereof has occurred and, if so, the amount of damages to which the Protected Partner (or Indirect Owner thereof) is entitled as a result thereof, determined as set forth in Section 3(a) hereof). All determinations made by the Law Firm with respect to the resolution of any alleged breach of the obligations set forth in Section 2 hereof and the amount of any damages payable to the Protected Partner (or Indirect Owner thereof) under Section 3(a) hereof shall be final, conclusive and binding on TMP and the Protected Partner (or Indirect Owner thereof). The fees and expenses of the Law Firm incurred in connection with any such determination shall be shared equally by TMP and the Protected Partner (or Indirect Owner thereof). If TMP and a Protected Partner Representative, each having acted in good faith and with its or his best efforts to select an Law Firm, are unable to retain a Law Firm within sixty (60) days after the thirty (30) day period mentioned above, then following the expiration of such sixty (60) day period, any disagreement may be settled in any court of competent jurisdiction. TMP shall be considered to have satisfied its obligations under Section 2(e) hereof, and therefore shall have no liability under this Section 3 for breach of such Section 2(e), if TMP offers a Protected Partner (or Indirect Owner thereof) a Guarantee Opportunity in accordance with Section 2(e) hereof, and such Protected Partner (or Indirect Owner thereof) fails to accept such Guarantee Opportunity.

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4. **Notice of Death and Sale Events.** Each Protected Partner and Indirect Owner, hereby covenants and agrees to provide, on its own behalf or through its legal representatives, TMP with prompt written notice of any transfer of Protected Units or the death of such Protected Partner or Indirect Owner.

5. **Successors and Assigns.** If TMP or any of its successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, TMP shall cause proper provision to be made so that the successors and assigns of TMP assume the obligations to the Protected Partners set forth in this Agreement.

6. **Third Party Beneficiaries.** TMP acknowledge, agree and confirm that every Protected Partner, person who becomes a Protected Partner, and Indirect Owner or person that becomes an Indirect Owner, other than a person which becomes a Protected Partner or an Indirect Owner in a transaction in which gain or loss is recognized for federal income tax purposes or by inheritance, is an intended third party beneficiary of the provisions of this Agreement and the provisions of this Agreement are enforceable by any one of them.

7. **Appointment of Protected Partner Representative.** The Protected Partner Representative has been duly appointed as agent and representative of the Protected Partners (and Indirect Owners) for the purposes set forth herein, and the Protected Partner Representative has accepted such appointment on the terms set forth herein. The Protected Partner Representative represents and warrants to TMP that it has the right, power and authority to (i) enter into and perform this Agreement and to bind all of the Protected Partners (and Indirect Owners) for the purposes set forth herein, (ii) give and receive directions, instructions and notices hereunder, and (iii) make all determinations that may be required or that it deems appropriate under this Agreement. Until notified in writing by a notice signed by all of the Protected Partners, TMP may rely conclusively and act upon the directions, instructions and notices of the Protected Partner Representative for the purposes set forth herein and, thereafter, upon the directions, instructions and notices of any successor named in a writing executed by all of the Protected Partners. In addition, the Protected Partners (and Indirect Owners) acknowledge that TMP may rely exclusively upon the directions, instructions and notice of the Protected Partner Representative for the purposes set forth herein, notwithstanding the fact that TMP may have received conflicting directions, instructions and notices from the Protected Partners (or Indirect Owners).

8. **General Provisions.**

(a) **Notices.** All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, sent by overnight courier (providing proof of delivery) or sent by telecopy (providing confirmation of transmission) to the parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(1) if to TMP, to:

Richard A. Bayer, Esq.
The Macerich Company
401 Wilshire Blvd., Suite 700
Santa Monica, California 90401

with a copy to:

Frederick B. McLane, Esq.
O'Melveny & Myers LLP
400 S. Hope Street
Los Angeles, California 90071

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(2) if to a Protected Partner, to:

Such Protected Partner
[At the Address Provided on Schedule 1 hereto]

Fax No.: ____________

with a copy to:

[include Protected Partner Representative]

(b) **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(c) **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICT OF LAWS THEREOF.

IN WITNESS WHEREOF, TMP, WRLP and the Protected Partners have caused this Agreement to be signed personally or by their respective officers, general partners or members thereunto duly authorized all as of the date first written above.

[ADD SIGNATURE BLOCKS]

Exhibit I

Schedule 1

Protected Partners

Exhibit I

Schedule 2

Protected Properties

"Protected Properties" means the parcels of real property listed below, including any improvements now or hereafter constructed on such parcels, and any interest in any entity owning, directly or indirectly, such real property:

1. Desert Sky Mall (including Desert Sky Peripheral Land)—Regional Shopping Center located at the SWC of 75th Avenue and Thomas Road in Phoenix, AZ. The net site area, excluding anchors, is approximately 40 acres. The Peripheral Land is approximately 37 additional acres surrounding Desert Sky Mall.

2. Flagstaff Mall—Regional Shopping Center located at the SWC of U.S. Highway 89 and Railhead Avenue in Flagstaff, AZ. The net site area, excluding anchors, is approximately 25 acres.

3. Paradise Valley Mall—Regional Shopping Center located at the NWC of Cactus Rd. & Tatum Blvd. in Phoenix, AZ. The net site area, excluding anchors, is approximately 53 acres.

4. The Borgata—Specialty Center located at the NWC of Scottsdale Road and Rose Lane in Scottsdale, AZ. The net site area is approximately 7 acres.

5. Camelback Colonnade—Urban Village located at the SWC of 20th Street and Camelback Road in Phoenix, AZ. The net site area is approximately is 41 acres.

6. Hilton Village Shopping Center (including Office Park)—Specialty Center located at the NEC of Scottsdale Road and McDonald Drive in Scottsdale, AZ. The net site area, including Office Park, is approximately 11 acres.

7. PVIC Ground Leases—Consists of a total of 28 parcels of land encumbered by ground lease agreements. The majority of the parcels are situated around Paradise Valley Mall in Phoenix, AZ. The sites total approximately 44 acres.

8. Village Center—Urban Village located at the NWC of Cactus Road and Paradise Village Parkway in Phoenix, AZ. The net site area is approximately 12 acres.

9. Village Crossroads—Urban Village located at the SEC of Cactus Road and Tatum Boulevard in Phoenix, AZ. The net site area is approximately 16 acres.

10. Village Fair—Urban Village located at the SEC of Tatum Boulevard and Paradise Village Parkway East in Phoenix, AZ. The net site area is approximately 19 acres. Schedule 2 (continued) Protected Properties

11. Village Plaza—Urban Village located at the NEC of Cactus Road and Tatum Boulevard in Phoenix, AZ. The net site area is approximately 8 acres.

12. Village Square II—Urban Village located at the SWC of Cactus Road and Paradise Village Parkway in Phoenix, AZ. The net site area is approximately 12 acres.

13. Westbar (including Cost Plus)—Consists of a total of 44 parcels of land all of which are situated around Metrocenter regional mall in Phoenix, AZ. Of these 44 sites, 36 are ground leased, seven have single tenant buildings on them and one has a three-tenant building on it. Cost Plus located at the NEC of

28th Drive and Metro Parkway, the Metrocenter ring road. The net site area is approximately 2 acres.

14. Arrowhead Towne Center—Regional Shopping Center located at the NWC of Bell Road and 75th Avenue in Glendale, AZ. The net site area, excluding anchors, is approximately 38 acres.

15. Scottsdale Fashion Square (including SFS Office Building)—Regional Shopping Center located at the NWC of Camelback Road and Scottsdale Road in Scottsdale, AZ. The net site area, excluding anchors, is approximately 52 acres. The SFS Office Building is adjacent to Scottsdale Fashion Square with a net site area of approximately 4 acres.

16. Superstition Springs Center—Regional Shopping Center located at the NWC of the Superstition Freeway and Power Road in Mesa, AZ. The land is owned by Superstition Springs Ground Lease.

17. Superstition Springs Ground Lease—Landowner of Superstition Springs Center at the NWC of the Superstition Freeway and Power Road in Mesa, AZ. The total net site area, excluding anchors, is approximately 41 acres.

Schedule 3

Protected Amounts and 704(c) Gain / (Loss) of the Protected Partners as of the Closing Date

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QuickLinks

Exhibit 10.1

TAX MATTERS AGREEMENT