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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2000 or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-12504

**FORM 10-K**

**THE MACERICH COMPANY**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

401 Wilshire Boulevard, # 700

Santa Monica, California 90401

(Address of principal executive offices and zip code)

**95-4448705**

(I.R.S. Employer Identification No.)

Registrant's telephone number, including area code: (310) 394-6000

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

Title of each class

Common Stock, \$0.01 Par Value

Preferred Share Purchase Rights

Name of each exchange on which registered

New York Stock Exchange

New York Stock Exchange

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

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

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

As of February 27, 2001, the aggregate market value of the 21,646,000 shares of Common Stock held by non-affiliates of the registrant was \$450 million based upon the closing price (\$20.81) on the New York Stock Exchange composite tape on such date. (For this computation, the registrant has excluded the market value of all shares of its Common Stock reported as beneficially owned by executive officers and directors of the registrant and certain other shareholders; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.) As of February 27, 2001, there were 33,630,270 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the annual stockholders meeting to be held in 2001 are incorporated by reference into Part III.

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**THE MACERICH COMPANY**

**Annual Report on Form 10-K**

**For The Year Ended December 31, 2000**

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## Signatures

### Part I

#### ITEM I. BUSINESS

##### *General*

The Macerich Company (the "Company") is involved in the acquisition, ownership, 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"). The Operating Partnership owns or has an ownership interest in 46 regional shopping centers and five community shopping centers aggregating approximately 42 million square feet of gross leasable area ("GLA"). These 51 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 three management companies, Macerich Property Management Company, a California corporation, Macerich Manhattan Management Company, a California corporation, and Macerich Management Company, a California corporation (collectively, the "Management Companies").

The Company was organized as a Maryland corporation in September 1993 to continue and expand the shopping center operations of Mace Siegel, Arthur M. Coppola, Dana K. Anderson and Edward C. Coppola and certain of their business associates.

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

## RECENT DEVELOPMENTS

### *A. Stock Repurchase Program*

On November 10, 2000, the Company's Board of Directors approved a stock repurchase program of up to 3.4 million shares of common stock. As of December 31, 2000, the Company repurchased 564,000 shares of its common stock at an average price of \$19.02 per share.

### *B. Refinancings*

On April 12, 2000, additional debt of \$138.5 million was placed on the SDG Macerich Properties, L.P. portfolio. This debt, consisting of both fixed and floating interest rates, has a current average interest rate of 7.51% and matures May 15, 2006. The Company's share of the financing proceeds of \$69.2 million was used to pay down the Company's line of credit.

On June 1, 2000, the Pacific Premier Retail Trust ("PPRT") joint venture refinanced the debt on Kitsap Mall. A \$38.0 million loan at an effective interest rate of 8.60%, was paid in full and a new note was issued for \$61.0 million bearing interest at a fixed rate of 8.06% and maturing June 1, 2010.

On August 31, 2000, the Company refinanced the debt on Vintage Faire Mall. The prior loan of \$52.8 million, at a fixed interest rate of 7.65%, was paid in full and a new note was issued for \$70.0 million bearing interest at a fixed rate of 7.89% and maturing September 1, 2010.

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On October 2, 2000, the Company refinanced the debt on Santa Monica Place. An \$85.0 million floating rate loan was paid in full and a new note was issued for \$85.0 million bearing interest at a fixed rate of 7.70% and maturing November 1, 2010.

On December 1, 2000, the PPRT joint venture refinanced the debt on Stonewood Mall. A \$75.0 million floating rate loan was paid in full and a new note was issued for \$77.8 million bearing interest at a fixed rate of 7.41% and maturing December 11, 2010.

### *C. Other Events*

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 \$89.0 million, including a note receivable from the buyer for \$79.0 million at an interest rate of 8.75% payable monthly, until its maturity date of September 30, 2001.

During 2000, the Company entered into a ten-year energy management and procurement contract with Enron Energy Services ("Enron"). Enron will manage the supply of electricity and natural gas and provide energy management services to the majority of the Centers.

During 2000, the Company invested \$4.3 million in and became a founding member of MerchantWired, LLC, ("MerchantWired"). MerchantWired is providing a broadband communications network to retail property owners and retailers.

## THE SHOPPING CENTER INDUSTRY

### *General*

There are several types of retail shopping centers, which are differentiated primarily based on size and marketing strategy. Regional shopping centers generally contain in excess of 400,000 square feet of GLA, are typically anchored by two or more department or large retail stores ("Anchors") and are referred to as "Regional Shopping Centers" or "Malls". Regional Shopping Centers also typically contain numerous diversified retail stores ("Mall Stores"), most of which are national or regional retailers typically located along corridors connecting the Anchors. Community Shopping Centers, also referred to as "strip centers," are retail shopping centers that are designed to attract local or neighborhood customers and are typically anchored by one or more supermarkets, discount department stores and/or drug stores. Community Shopping Centers typically contain 100,000 square feet to 400,000 square feet of GLA. In addition, freestanding retail stores are located along the perimeter of the shopping centers ("Freestanding Stores"). Anchors, Mall and Freestanding Stores and other tenants typically contribute funds for the maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operation of the shopping center.

### *Regional Shopping Centers*

A Regional Shopping Center draws from its trade area by offering a variety of fashion merchandise, hard goods and services and entertainment, generally in an enclosed, climate controlled environment with convenient parking. Regional Shopping Centers provide an array of retail shops and entertainment facilities and often serve as the town center and the preferred gathering place for community, charity, and promotional events.

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The Company focuses on the acquisition, redevelopment, management and leasing of Regional Shopping Centers. Regional Shopping Centers have generally provided owners with relatively stable growth in income despite the cyclical nature of the retail business. This stability is due both to the diversity of tenants and to the typical dominance of Regional Shopping Centers in their trade areas. Regional Shopping Centers are difficult to develop because of the significant barriers to entry, including the limited availability of capital and suitable development sites, the presence of existing Regional Shopping Centers in most markets, a limited number of Anchors, and the associated development costs and risks. Consequently, the Company believes that few new Regional Shopping Centers will be built in the next five years.

Regional Shopping Centers have different strategies with regard to price, merchandise offered and tenant mix, and are generally tailored to meet the needs of their trade areas. Anchor tenants are located along common areas in a configuration designed to maximize consumer traffic for the benefit of the Mall Stores. Mall GLA, which generally refers to gross leasable area contiguous to the Anchors for tenants other than Anchors, is leased to a wide variety of smaller retailers. Mall Stores typically account for the majority of the revenues of a Regional Shopping Center.

Although a variety of retail formats compete for consumer purchases, the Company believes that Regional Shopping Centers will continue to be a preferred shopping destination. The combination of a climate controlled shopping environment, a dominant location, and a diverse tenant mix has resulted in Regional Shopping Centers generating higher tenant sales than are generally achieved at smaller retail formats. Further, the Company believes that department stores located in Regional Shopping Centers will continue to provide a full range of current fashion merchandise at a limited number of locations in any one market, allowing them to command the largest geographical trade area of any retail format.

### *Community Shopping Centers*

Community Shopping Centers are designed to attract local and neighborhood customers and are typically open air shopping centers, with one or more supermarkets, drugstores or discount department stores. National retailers such as Kids-R-U's at Bristol Shopping Center, Saks Fifth Avenue at Carmel Plaza and The Gap, Victoria's Secret and Express/Bath and Body at Villa Marina, provide the Company's Community Shopping Centers with the opportunity to draw from a much larger trade area than a typical supermarket or drugstore anchored Community Shopping Center.

## **BUSINESS OF THE COMPANY**

### *Management and Operating Philosophy*

The Company believes that the shopping center business requires specialized skills across a broad array of disciplines for effective and profitable operations. For this reason, the Company has developed a fully integrated real estate organization with in-house acquisition, accounting, construction, finance, leasing, legal, marketing, property management and redevelopment expertise. In addition, the Company emphasizes a philosophy of decentralized property management, leasing and marketing performed by on-site professionals. The Company believes that this strategy results in the optimal operation, tenant mix and drawing power of each Center as well as the ability to quickly respond to changing competitive conditions of the Center's trade area.

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*Property Management and Leasing.* The Company believes that on-site property managers can most effectively operate the Centers. Each Center's property manager is responsible for overseeing the operations, marketing, maintenance and security functions at the Center. Property managers focus special attention on controlling operating costs, a key element in the profitability of the Centers, and seek to develop strong relationships with and to be responsive to the needs of retailers.

The Company believes strongly in decentralized leasing and accordingly, most of its leasing managers are located on-site to better understand the market and the community in which a Center is located. Leasing managers are charged with more than the responsibility of leasing space; they continually assess and fine tune each Center's tenant mix, identify and replace under performing tenants and seek to optimize existing tenant sizes and configurations.

*Acquisitions.* Since its initial public offering ("IPO"), the Company has acquired interests in shopping centers nationwide. These acquisitions were identified and consummated by the Company's staff of acquisition professionals who are strategically located in Santa Monica, Dallas, Denver, and Atlanta. The Company believes that it is geographically well positioned to cultivate and maintain ongoing relationships with potential sellers and financial institutions and to act quickly when acquisition opportunities arise. The Company focuses on assets that are or can be dominant in their trade area, have a franchise and where there is intrinsic value.

The Company made the following acquisitions in 1998: The Company along with a 50/50 joint venture partner, acquired a portfolio of twelve regional malls totaling 10.7 million square feet on February 27, 1998; South Plains Mall in Lubbock, Texas on June 19, 1998; Westside Pavilion in Los Angeles, California on July 1, 1998; Village at Corte Madera in Corte Madera, California in June and July 1998; Carmel Plaza in Carmel, California on August 10, 1998; and Northwest Arkansas Mall in Fayetteville, Arkansas on December 15, 1998. Together, these properties are known as the "1998 Acquisition Centers."

On February 18, 1999, the Company, along with a joint venture partner, acquired a portfolio of three regional malls, the retail component of a mixed-use development, five contiguous properties and two non-contiguous community shopping centers totaling approximately 3.6 million square feet. The Company is a 51% owner of this portfolio. The second phase of this transaction, which closed on July 12, 1999, consisted of the acquisition of the office component of the mixed-use development. The two non-contiguous community shopping centers were subsequently sold in October and November of 1999. Additionally, the Company acquired Los Cerritos Center in Cerritos, California, on June 2, 1999 and Santa Monica Place in Santa Monica, California, on October 29, 1999. Together, these properties are known as the "1999 Acquisition Centers."

During 2000, market conditions, including the cost of capital and the lack of attractive opportunities, resulted in the first year subsequent to our IPO in which we had no acquisitions. Furthermore, management anticipates no acquisitions for 2001.

*Redevelopment.* One of the major components of the Company's growth strategy is its ability to redevelop acquired properties. For this reason, the Company has built a staff of redevelopment professionals who have primary responsibility for identifying redevelopment opportunities that will

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result in enhanced long-term financial returns and market position for the Centers. The redevelopment professionals oversee the design and construction of the projects in addition to obtaining required governmental approvals.

*The Centers.* As of December 31, 2000, the Centers consist of 46 Regional Shopping Centers and five Community Shopping Centers aggregating approximately 42 million square feet of GLA. The 46 Regional Shopping Centers in the Company's portfolio average approximately 884,378 square feet of GLA and range in size from 2.1 million square feet of GLA at Lakewood Mall to 328,667 square feet of GLA at Panorama Mall. The Company's five Community Shopping Centers, Boulder Plaza, Bristol Shopping Center, Carmel Plaza, Great Falls Marketplace and Villa Marina Marketplace, have an average of 217,652 square feet of GLA. The 46 Regional Shopping Centers presently include 182 Anchors totaling approximately 23.1 million square feet of GLA and approximately 6,363 Mall and Freestanding Stores totaling approximately 18.7 million square feet of GLA.

Total revenues, including joint ventures at their pro rata share, increased to \$486.1 million in 2000 from \$461.2 million in 1999 primarily due to releasing space at higher rents. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." No Center generated more than 10% of shopping center revenues during 1999 and 2000.

### *Cost of Occupancy*

The Company's management believes that in order to maximize the Company's operating cash flow, the Centers' Mall Store tenants must be able to operate profitably. A major factor contributing to tenant profitability is cost of occupancy. The following table summarizes occupancy costs for Mall Store tenants in the Centers as a percentage of total Mall Store sales for the last three years:

*For the Years Ended December 31,*

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	1998(2)	1999(3)	2000
Minimum rents	7.7%	7.4%	7.3%
Percentage rents	0.4%	0.5%	0.5%
Expense recoveries(1)	3.0%	2.9%	3.0%
Mall tenant occupancy costs	11.1%	10.8%	10.8%

(1) Represents real estate tax and common area maintenance charges.

(2) Excludes 1998 Acquisition Centers.

(3) Excludes 1999 Acquisition Centers.

#### Competition

The 46 Regional Shopping Centers are generally located in developed areas in middle to upper income markets where there are relatively few other Regional Shopping Centers. In addition, 44 of the 46 Regional Shopping Centers contain more than 400,000 square feet of GLA. The Company intends to consider additional expansion and renovation projects to maintain and enhance the quality of the Centers and their competitive position in their trade areas.

There are numerous owners and developers of real estate that compete with the Company in its trade areas. There are eight other publicly traded mall companies and several large private mall companies,

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any of which under certain circumstances, could compete against the Company for an acquisition, an Anchor or a tenant. This results in competition for both acquisition of centers and for tenants to occupy space. The existence of competing shopping centers could have a material impact on the Company's ability to lease space and on the level of rent that can be achieved. There is also increasing competition from other forms of retail, such as factory outlet centers, power centers, discount shopping clubs, mail-order services, internet shopping and home shopping networks that could adversely affect the Company's revenues.

#### Major Tenants

The Centers derived approximately 91.3% of their total rents for the year ended December 31, 2000 from Mall and Freestanding Stores. One tenant accounted for approximately 4.4% of annual base rents of the Company, and no other single tenant accounted for more than 3.0%, as of December 31, 2000.

The following tenants (including their subsidiaries) represent the 10 largest tenants in the Company's portfolio (including joint ventures) based upon minimum rents in place as of December 31, 2000:

<b>Tenant</b>	<b>Number of Locations in the Portfolio</b>	<b>% of Total Minimum Rents as of December 31, 2000</b>
The Limited, Inc.	142	4.4%
AT&T Wireless Services	4	3.0%
The Gap, Inc.	55	2.5%
Venator Group, Inc.	122	2.5%
J.C. Penney Co., Inc.	33	1.4%
The Musicland Group, Inc.	44	1.1%
Claire Stores, Inc.	84	1.0%
Barnes and Noble, Inc.	20	1.0%
Zale Corporation	59	1.0%
Federated Department Stores	23	1.0%

#### Mall and Freestanding Stores

Mall and Freestanding Store leases generally provide for tenants to pay rent comprised of a fixed base (or "minimum") rent and a percentage rent based on sales. In some cases, tenants pay only a fixed minimum rent, and in some cases, tenants pay only percentage rents. Most leases for Mall and Freestanding Stores contain provisions that allow the Centers to recover their costs for maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operations of the Center.

The Company uses tenant spaces 10,000 square feet and under for comparing rental rate activity. Tenant space 10,000 square feet and under in the portfolio at December 31, 2000, comprises 69.2% of all Mall and Freestanding Store space. The Company believes that to include space over 10,000 square feet would provide a less meaningful comparison.

When an existing lease expires, the Company is often able to enter into a new lease with a higher base rent component. The average base rent for new Mall and Freestanding Store leases, 10,000 square feet

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or under, commencing during 2000 was \$32.95 per square foot, or 22% higher than the average base rent for all Mall and Freestanding Stores (10,000 square feet or under) at December 31, 2000 of \$27.09 per square foot.

The following table sets forth for the Centers the average base rent per square foot of Mall and Freestanding GLA, for tenants 10,000 square feet and under, as of December 31 for each of the past three years:

<b>December 31,</b>	<b>Average Base Rent Per Square Foot(1)</b>	<b>Average Base Rent Per Sq. Ft. on Leases Commencing During the Year(2)</b>	<b>Average Base Rent Per Sq. Ft. on Leases Expiring During the Year(3)</b>
1998	\$25.08	\$28.58	\$26.34
1999	\$25.60	\$29.76	\$27.29
2000	\$27.09	\$32.95	\$28.56

- (1) Average base rent per square foot is based on Mall and Freestanding Store GLA for spaces 10,000 square feet or under occupied as of December 31 for each of the Centers owned by the Company in 1998 (excluding the 1998 Acquisition Centers), 1999 (excluding the 1999 Acquisition Centers), and 2000.
- (2) The base rent on lease signings during the year represents the actual rent to be paid on a per square foot basis during the first twelve months. New Centers are excluded in the year of acquisition.
- (3) The average base rent on leases expiring during the year represents the final year minimum rent, on a cash basis, for all tenant leases 10,000 square feet or under expiring during the year. On a comparable space basis, average initial rents, excluding the impact of straight lining of rent, on leases 10,000 square feet or under commencing in 2000 was \$34.26 compared to expiring rents of \$28.56. The average base rent on leases expiring in 1998 excludes the 1998 Acquisition Centers and the average for 1999 excludes the 1999 Acquisition Centers.

#### Bankruptcy and/or Closure of Retail Stores

The bankruptcy and/or closure of an Anchor, or its sale to a less desirable retailer, could adversely affect customer traffic in a Center and thereby reduce the income generated by that Center. Furthermore, the closing of an Anchor could, under certain circumstances, allow certain other Anchors or other tenants to terminate their leases or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center.

Retail stores at the Centers other than Anchors may also seek the protection of the bankruptcy laws and/or close stores, which could result in the termination of such tenants' leases and thus cause a reduction in the cash flow generated by the Centers. Although no single retailer accounts for greater than 4.4% of total rents, the bankruptcy and/or closure of stores could result in decreased occupancy levels, reduced rental income or otherwise adversely impact the Centers. Although certain tenants have filed for bankruptcy, the Company does not believe such filings and any subsequent closures of their stores will have a material adverse impact on its operations.

#### Lease Expirations

The following table shows scheduled lease expirations (for Centers owned as of December 31, 2000) of Mall and Freestanding Stores 10,000 square feet or under for the next ten years, assuming that none of the tenants exercise renewal options:

<b>Year Ending December 31,</b>	<b>Number of Leases Expiring</b>	<b>Approximate GLA of Expiring Leases(1)</b>	<b>% of Total Leased GLA Represented by Expiring Leases(2)</b>	<b>Ending Base Rent per Square Foot of Expiring Leases(1)</b>
2001	564	873,175	11.37%	\$25.93
2002	477	703,080	9.16%	\$28.34
2003	506	801,462	10.44%	\$26.05
2004	454	722,768	9.41%	\$27.61
2005	472	817,205	10.64%	\$28.49
2006	391	734,188	9.56%	\$30.18
2007	382	737,321	9.60%	\$29.67
2008	374	718,095	9.35%	\$30.74
2009	275	534,180	6.96%	\$30.83
2010	339	594,806	7.75%	\$32.66

(1) Includes joint ventures at pro rata share

(2) For leases 10,000 square feet or under

#### Anchors

Anchors have traditionally been a major factor in the public's identification with Regional Shopping Centers. Anchors are generally department stores whose

merchandise appeals to a broad range of shoppers. Although the Centers receive a smaller percentage of their operating income from Anchors than from Mall and Freestanding Stores, strong Anchors play an important part in maintaining customer traffic and making the Centers desirable locations for Mall and Freestanding Store tenants.

Anchors either own their stores, the land under them and in some cases adjacent parking areas, or enter into long-term leases with an owner at rates that are lower than the rents charged to tenants of Mall and Freestanding Stores. Each Anchor which owns its own store, and certain Anchors which lease their stores, enter into reciprocal easement agreements with the owner of the Center covering among other things, operational matters, initial construction and future expansion.

Anchors accounted for approximately 8.7% of the Company's total rent for the year ended December 31, 2000.

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The following table identifies each Anchor, each parent company that owns multiple Anchors and the number of square feet owned or leased by each such Anchor or parent company in the Company's portfolio at December 31, 2000:

<i>Name</i>	<i>Number of Anchor Stores</i>	<i>GLA Owned By Anchor</i>	<i>GLA Leased By Anchor</i>	<i>Total GLA Occupied By Anchor</i>
J.C. Penney(1)	33	1,229,034	3,184,378	4,413,412
Sears	30	2,197,192	1,631,297	3,828,489
Target Corp.				
Mervyn's	12	571,016	413,337	984,353
Target	9	581,260	379,871	961,131
Dayton's	2	115,193	100,790	215,983
Total	23	1,267,469	893,998	2,161,467
Federated Department Stores				
Macy's	10	1,467,367	411,599	1,878,966
Macy's Men's & Juniors	2	—	146,906	146,906
Macy's Men's & Home	1	—	88,537	88,537
The Bon Marche	2	—	181,000	181,000
Lazarus	1	159,068	—	159,068
Total	16	1,626,435	828,042	2,454,477
May Department Stores Co.				
Robinsons-May	6	676,928	494,102	1,171,030
Foley's	4	725,316	—	725,316
Hechts	2	140,000	143,426	283,426
Famous Barr	1	180,000	—	180,000
Meier & Frank	1	259,510	—	259,510
Meier & Frank-ZCMI	1	—	200,000	200,000
Total	15	1,981,754	837,528	2,819,282
Dillard's	15	1,372,330	662,735	2,035,065
Saks, Inc.				
Younker's	6	—	609,177	609,177
Herberger's	5	269,969	202,778	472,747
Total	11	269,969	811,955	1,081,924
Montgomery Ward(2)	7	180,431	853,745	1,034,176
Gottschalks	6	332,638	333,772	666,410
Nordstrom	5	226,853	503,369	730,222
Von Maur	3	186,686	59,563	246,249
Belk	2	—	127,950	127,950
Boscov's	2	—	314,717	314,717
Wal-Mart	2	281,455	—	281,455
Beall's	1	—	40,000	40,000
DeJong	1	—	43,811	43,811
Emporium	1	—	50,625	50,625
Gordman's	1	—	60,000	60,000
Home Depot	1	—	133,029	133,029
Kohl's	1	—	92,466	92,466
Peebles	1	—	42,090	42,090
Service Merchandise	1	—	60,000	60,000
Vacant	4	200,651	178,136	378,787
	182	11,352,897	11,743,206	23,096,103

(1)

(2)

Montgomery Ward filed for bankruptcy on December 28, 2000 and announced the closing of all of its stores, including the seven located at the Centers.

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## ENVIRONMENTAL MATTERS

Under various federal, state and local laws, ordinances and regulations, a current or prior owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of investigation, removal or remediation of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's or operator's ability to sell or rent such property or to borrow using such property as collateral. Persons or entities who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of a release of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person or entity. Certain environmental laws impose liability for release of asbestos-containing materials ("ACMs") into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and therefore potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

Each of the Centers has been subjected to a Phase I audit (which involves review of publicly available information and general property inspections, but does not involve soil sampling or ground water analysis) completed by an environmental consultant.

Based on these audits, and on other information, the Company is aware of the following environmental issues that are reasonably possible to result in costs associated with future investigation or remediation, or in environmental liability:

- *Asbestos.* The Company has conducted ACM surveys at various locations within the Centers. The surveys indicate that ACMs are present or suspected in certain areas, primarily vinyl floor tiles, mastics, roofing materials, drywall tape and joint compounds. The identified ACMs are generally non-friable, in good condition, and possess low probabilities for disturbance. At certain Centers where ACMs are present or suspected, however, some ACMs have been or may be classified as "friable," and ultimately may require removal under certain conditions. The Company has developed and implemented an operations and maintenance (O&M) plan to manage ACMs in place.

- *Underground Storage Tanks.* Underground storage tanks ("USTs") are or were present at certain of the Centers, often in connection with tenant operations at gasoline stations or automotive tire, battery and accessory service centers located at such Centers. USTs also may be or have been present at properties neighboring certain Centers. Some of these tanks have either leaked or are suspected to have leaked. Where leakage has occurred, investigation, remediation, and monitoring costs may be incurred by the Company if responsible current or former tenants, or other responsible parties, are unavailable to pay such costs.

- *Chlorinated Hydrocarbons.* The presence of chlorinated hydrocarbons such as perchloroethylene ("PCE") and its degradation byproducts have been detected at certain of the Centers, often in connection with tenant dry cleaning operations. Where PCE has been detected, the Company may incur investigation, remediation and monitoring costs if responsible current or former tenants, or other responsible parties, are unavailable to pay such costs.

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

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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. A total of \$187,976 and \$149,466 have already been incurred by the joint venture for remediation, and professional and legal fees for the years ending December 31, 2000 and 1999, respectively. An additional \$70,590 remains reserved by the joint venture as of December 31, 2000. The joint venture has been sharing costs on a 50/50 basis with a former owner of the property and intends to look to additional responsible parties for recovery.

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 includes a reserve of \$3.3 million to cover future removal of this asbestos, as necessary. The Company incurred \$25,939 and \$90,876 in remediation costs for the years ending December 31, 2000 and 1999, respectively.

## INSURANCE

The Company has comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to the Centers. The Company or the joint venture, as applicable, also currently carries earthquake insurance covering the Centers located in California. Management believes that such insurance provides adequate coverage.



## QUALIFICATION AS A REAL ESTATE INVESTMENT TRUST

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its first taxable year ended December 31, 1994, and intends to conduct its operations so as to continue to qualify as a REIT under the Code. As a REIT, the Company generally will not be subject to federal and state income taxes on its net taxable income that it currently distributes to stockholders. Qualification and taxation as a REIT depends on the Company's ability to meet certain dividend distribution tests, share ownership requirements and various qualification tests prescribed in the Code.

## EMPLOYEES

The Company and the Management Companies employ approximately 1,652 persons, including eight executive officers, personnel in the areas of acquisitions and business development (6), property management (263), leasing (76), redevelopment/construction (25), financial services (49) and legal affairs (33). In addition, in an effort to minimize operating costs, the Company generally maintains its own security staff (607) and maintenance staff (585). Approximately 14 of these employees are represented by a union. The Company believes that relations with its employees are good.

## ITEM 2. PROPERTIES

The following table sets forth certain information about each of the Centers as of December 31, 2000:

Company's Ownership %	Name of Center/ Location(1)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(2)	Mall and Free-standing GLA	Percentage of Mall and Free-standing GLA Leased	Anchors	Sales Per Square Foot(3)
100%	Boulder Plaza Boulder, Colorado	1969/1989	1991	158,109	158,109	90.3%	—	\$230
100%	Bristol Shopping Center(4) Santa Ana, California	1966/1986	1992	165,279	165,279	97.3%	—	342
50%	Broadway Plaza(4) Walnut Creek, California	1951/1985	1994	698,985	253,488	98.7%	Macy's, Nordstrom, Macy's Men's and Juniors	585
100%	Capitola Mall(4) Capitola, California	1977/1995	1988	583,899	204,182	97.5%	Gottschalks, Mervyn's, Sears(5)	360
100%	Carmel Plaza Carmel, California	1974/1998	1993	115,215	115,215	89.2%	—	410
100%	Chesterfield Towne Center Richmond, Virginia	1975/1994	1997	1,031,224	420,781	97.6%	Dillard's (two), Hechts, Sears, J.C. Penney	326
100%	Citadel, The Colorado Springs, Colorado	1972/1997	1995	1,042,027	446,687	85.3%	Dillard's, Foley's, J.C. Penney, Mervyn's	306
100%	Corte Madera, Village at Corte Madera, California	1985/1998	1994	428,267	210,267	92.2%	Macy's, Nordstrom	572
100%	County East Mall Antioch, California	1966/1986	1989	494,342	175,782	90.7%	Sears, Gottschalks, Mervyn's(5)	312
100%	Crossroads Mall Oklahoma City, Oklahoma	1974/1994	1991	1,269,067	529,379	84.7%	Dillards, Foley's, J.C. Penney, Montgomery Ward(6)	254
100%	Fresno Fashion Fair Fresno, California	1970/1996	1983	874,339	313,458	95.3%	Gottschalks, J.C. Penney, Macy's, Macy's Men's and Children	396
100%	Great Falls Marketplace Great Falls, Montana	1997/1997	—	201,395	201,395	100.0%	—	113
100%	Greeley Mall Greeley, Colorado	1973/1986	1987	574,433	231,071	81.9%	Dillard's (two), J.C. Penney, Sears, Montgomery Ward(6)	254
100%	Green Tree Mall(4) Clarksville, Indiana	1968/1975	1995	781,737	337,741	86.2%	Dillard's, J.C. Penney, Sears, Target	323
100%	Holiday Village Mall(4) Great Falls, Montana	1959/1979	1992	566,888	263,050	77.9%	Herberger's, J.C. Penney, Sears(5)	223
100%	Northgate Mall San Rafael, California	1964/1986	1987	743,267	272,936	93.5%	Macy's, Mervyn's, Sears	322
100%	Northwest Arkansas Mall Fayetteville, Arkansas	1972/1998	1997	822,786	309,116	91.9%	Dillard's (two), J.C. Penney, Sears	322
50%	Panorama Mall Panorama, California	1955/1979	1980	328,667	163,667	96.0%	Wal-Mart	288
100%	Queens Center Queens, New York	1973/1995	1991	623,876	155,733	100.0%	J.C. Penney, Macy's	880
100%	Rimrock Mall Billings, Montana	1978/1996	1980	610,152	294,712	96.6%	Dillard's (two), Herbergers, J.C. Penney	295
100%	Salisbury, Centre at Salisbury, Maryland	1990/1995	1990	880,937	275,956	97.0%	Boscov's, J.C. Penney, Hechts, Montgomery Ward, Sears(6)	332

100%	Santa Monica Place Santa Monica, California	1980/1999	1990	560,421	277,171	93.3%	Macy's, Robinsons-May	\$381
100%	South Plains Mall Lubbock, Texas	1972/1998	1995	1,145,726	403,939	90.6%	Beall's, Dillards (two), J.C. Penney, Mervyn's, Sears	350
100%	South Towne Center Sandy, Utah	1987/1997	1997	1,235,631	459,119	96.7%	Dillard's, J.C. Penney, Mervyn's, Target, Meier & Frank—ZCMI	317
100%	Valley View Center Dallas, Texas	1973/1996	1996	1,492,614	434,717	95.1%	Dillard's, Foleys, J.C. Penney, Sears	326
100%	Villa Marina Marketplace Marina Del Rey, California	1972/1996	1995	448,262	448,262	98.0%	—	358
100%	Vintage Faire Mall Modesto, California	1977/1996	—	1,029,557	329,638	93.5%	Gottschalks, J.C. Penney, Macy's, Macy's Men's & Home, Sears	361

19%	West Acres Fargo, North Dakota	1972/1986	1992	932,295	379,740	95.3%	Daytons, Herberger's, J.C. Penney, Sears	366
100%	Westside Pavilion Los Angeles, California	1985/1998	2000	756,236	398,108	92.1%	Nordstrom, Robinsons-May	431

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**Total/Average at December 31, 2000(a)** 20,595,633 8,628,698 92.7% \$366

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**Pacific Premier Retail Trust Properties(b):**

51%	Cascade Mall Burlington, Washington	1989/1999	1998	584,609	260,373	85.1%	The Bon Marche, Emporium, J.C. Penney, Sears, Target	\$291
51%	Kitsap Mall Silverdale, Washington	1985/1999	1997	850,104	340,121	87.9%	The Bon Marche, J.C. Penney, Gottschalks, Mervyn's, Sears	369
51%	Lakewood Mall Lakewood, California	1953/1975	2000	2,098,004	944,038	97.1%	Home Depot, J.C. Penney, Macy's, Mervyn's, Montgomery Ward, Robinsons-May(6)	338
51%	Los Cerritos Center Cerritos, California	1971/1999	1998	1,302,374	501,093	99.7%	Macy's, Mervyn's, Nordstrom, Robinsons-May, Sears	435
51%	Redmond Town Center(4)(7) Redmond, Washington	1997/1999	2000	1,151,454	1,151,454	97.4%	—	333
51%	Stonewood Mall(4) Downey, California	1953/1997	1991	928,159	357,412	86.3%	J.C. Penney, Mervyn's, Robinsons-May, Sears	348
51%	Washington Square Tigard, Oregon	1974/1999	1995	1,374,617	423,276	99.2%	J.C. Penney, Meier & Frank, Mervyn's, Nordstrom, Sears	578

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**Total/Average Pacific Premier Retail Trust Properties** 8,289,321 3,977,767 95.2% \$394

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**SDG Macerich Properties, L.P. Properties:**

50%	Eastland Mall(4) Evansville, Indiana	1978/1998	1995	1,072,815	479,860	97.4%	DeJong, Famous Barr, J.C. Penney, Lazarus, Service Merchandise	\$373
50%	Empire Mall(4) Sioux Falls, South Dakota	1975/1998	2000	1,305,336	615,229	95.5%	Daytons, J.C. Penney, Gordman's, Kohl's, Sears, Target, Younkers	353
50%	Granite Run Mall Media, Pennsylvania	1974/1998	1993	1,046,790	545,981	98.3%	Boscov's, J.C. Penney, Sears	304
50%	Lake Square Mall Leesburg, Florida	1980/1998	1992	560,968	264,931	86.0%	Belk, J.C. Penney, Sears, Target	262
50%	Lindale Mall Cedar Rapids, Iowa	1963/1998	1997	692,643	387,080	94.0%	Sears, Von Maur, Younkers	284
50%	Mesa Mall Grand Junction, Colorado	1980/1998	1991	855,241	429,424	88.3%	Herberger's, J.C. Penney, Mervyn's, Sears, Target	301
50%	NorthPark Mall Davenport, Iowa	1973/1998	1994	1,042,118	390,585	91.9%	J.C. Penney, Montgomery Ward, Sears, Von Maur, Younkers(6)	241
50%	Rushmore Mall Rapid City, South Dakota	1978/1998	1992	834,403	429,743	94.0%	Herberger's, J.C. Penney, Sears, Target	284
50%	Southern Hills Mall Sioux City, Iowa	1980/1998	—	752,515	438,938	91.9%	Sears, Target, Younkers	288
50%	SouthPark Mall Moline, Illinois	1974/1998	1990	1,034,687	456,631	90.0%	J.C. Penney, Sears, Younkers, Von Maur, Montgomery Ward(6)	217
50%	SouthRidge Mall Des Moines, Iowa	1975/1998	1998	1,008,543	510,737	88.5%	Sears, Younkers, J.C. Penney, Target(5)	214
50%	Valley Mall Harrisonburg, Virginia	1978/1998	1992	482,359	196,296	93.3%	Belk, J.C. Penney, Wal-Mart, Peeble's	288

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**Total/Average SDG Macerich Properties, L.P. Properties** 10,688,418 5,145,435 92.8% 287

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**Grand Total/Average at December 31, 2000(c)** 39,573,372 17,751,900 93.3% \$349

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**Major Redevelopment Properties:**

100%	Crossroads Mall(4) Boulder, Colorado	1963/1979	1998	569,500	251,063	(8)	Foley's, J.C. Penney, Sears(9)	(8)
100%	Pacific View Ventura, California	1965/1996	2000	1,249,233	422,759	(8)	J.C. Penney, Macy's, Montgomery Ward, Robinsons-May, Sears(6)	(8)
100%	Parklane Mall(4) Reno, Nevada	1967/1978	1998	377,561	247,841	(8)	Gottschalks	(8)

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**Total Major Redevelopment Properties** 2,196,294 921,663

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**Grand Total at December 31, 2000** 41,769,666 18,673,563

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a) Excluding Pacific Premier Retail Trust Properties, SDG Macerich Properties, L.P. Properties and Major Redevelopment Properties

b) Includes five contiguous freestanding properties

c) Excluding Major Redevelopment Properties

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(1) The land underlying forty of the Centers is owned in fee entirely by the Company or, in the case of jointly-owned Centers, by the joint venture property partnership or limited liability company. All or part of the land underlying the remaining Centers is owned by third parties and leased to the Company, property partnership or limited liability company pursuant to long-term ground leases. Under the terms of a typical ground lease, the Company, property partnership or limited liability company pays rent for the use of the land and is generally responsible for all costs and expenses associated

with the building and improvements. In some cases, the Company, property partnership or limited liability company has an option or right of first refusal to purchase the land. The termination dates of the ground leases range from 2000 to 2070.

- (2) Includes GLA attributable to Anchors (whether owned or non-owned) and Mall and Freestanding Stores as of December 31, 2000.
- (3) Sales are based on reports by retailers leasing Mall and Freestanding Stores for the year ending December 31, 2000 for tenants which have occupied such stores for a minimum of twelve months. In prior years, this sales per square foot calculation included all non anchor tenants except theaters. In 2000, in order to move towards a consensus in industry practice, sales per square foot are based on tenants 10,000 square feet and under, excluding theaters, that occupied their space for the entire year.
- (4) Portions of the land on which the Center is situated are subject to one or more ground leases.
- (5) These properties have a vacant Anchor location. The Company is contemplating various replacement tenant/redevelopment opportunities for these vacant sites.
- (6) Montgomery Ward filed for bankruptcy on December 28, 2000 and announced the closing of all of its stores including the seven located at the Centers.
- (7) The office portion of this mixed-use development does not have retail sales.
- (8) Certain spaces have been intentionally held off the market and remain vacant because of major redevelopment plans. As a result, the Company believes the percentage of Mall and Freestanding GLA leased and the sales per square foot at these major redevelopment properties is not meaningful data.
- (9) J.C. Penney closed its store at Crossroads Mall in Boulder, Colorado on January 31, 2001. The Company is contemplating various redevelopment opportunities for this vacant site.

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## MORTGAGE DEBT

The following table sets forth certain information regarding the mortgages encumbering the Centers, including those Centers in which the Company has less than a 100% interest. All mortgage debt is nonrecourse to the Company. The information set forth below is as of December 31, 2000.

<b>Property Pledged As Collateral</b>	<b>Fixed or Floating</b>	<b>Annual Interest Rate</b>	<b>Principal Balance (000's)</b>	<b>Annual Debt Service (000's)</b>	<b>Maturity Date</b>	<b>Balance Due on Maturity (000's)</b>	<b>Earliest Date on which all Notes Can Be Defeased or Be Prepaid</b>
<b>Wholly-Owned Centers:</b>							
Capitola Mall	Fixed	9.25%	\$ 36,587	\$ 3,801	12/15/2001	\$ 36,193	Any Time
Carmel Plaza	Fixed	8.18%	28,626	2,421	5/1/2009	25,642	5/26/2001
Chesterfield Towne Center(1)	Fixed	9.07%	63,587	6,580	1/1/2024	1,087	1/1/2006
Citadel	Fixed	7.20%	72,091	6,648	1/1/2008	59,962	1/1/2003
Corte Madera, Village at	Fixed	7.75%	71,313	6,190	11/1/2009	62,941	10/4/2003
Crossroads Mall—Boulder	Fixed	7.08%	34,476	3,948	12/15/2010	28,107	Any Time
Fresno Fashion Fair	Fixed	6.52%	69,000	4,561	8/10/2008	62,890	Any Time
Greeley Mall	Fixed	8.50%	15,328	2,245	9/15/2003	12,519	Any Time
Green Tree Mall/Crossroads—OK/Salisbury	Fixed	7.23%	117,714	8,499	3/5/2004	117,714	Any Time
Holiday Village	Fixed	6.75%	17,000	1,147	4/1/2001	17,000	Any Time
Northgate Mall	Fixed	6.75%	25,000	1,688	4/1/2001	25,000	Any Time
Northwest Arkansas Mall	Fixed	7.33%	61,011	5,209	1/10/2009	49,304	1/1/2004
Parklane Mall	Fixed	6.75%	20,000	1,350	4/1/2001	20,000	Any Time
Queens Center	Fixed	6.88%	99,300	7,595	3/1/2009	88,651	2/4/2002
Rimrock Mall	Fixed	7.70%	29,845	2,924	1/1/2003	28,496	Any Time
Santa Monica Place(2)	Fixed	7.70%	84,939	7,272	11/1/2010	75,439	10/1/2003
South Plains Mall	Fixed	8.22%	64,077	5,448	3/1/2009	57,557	2/17/2002
South Towne Center	Fixed	6.61%	64,000	4,289	10/10/2008	64,000	7/24/2001
Valley View Mall	Fixed	7.89%	51,000	4,080	10/10/2006	51,000	Any Time
Villa Marina Marketplace	Fixed	7.23%	58,000	4,249	10/10/2006	58,000	Any Time
Vintage Faire Mall(3)	Fixed	7.89%	69,853	6,099	9/1/2010	61,372	Any Time
Westside Pavilion	Fixed	6.67%	100,000	6,529	7/1/2008	91,133	Any Time
<b>Total—Wholly Owned Centers</b>			<b>\$ 1,252,747</b>				
<b>Joint Venture Centers (at pro rata share):</b>							
Broadway Plaza (50%)(4)	Fixed	6.68%	36,032	3,089	8/1/2008	29,315	Any Time
Pacific Premier Retail Trust (51%)(4):							
Cascade Mall	Fixed	6.50%	13,261	1,461	8/1/2014	141	Any Time
Kitsap Mall/Kitsap Place(5)	Fixed	8.06%	31,110	2,755	6/1/2010	28,143	5/13/2001
Lakewood Mall(6)	Fixed	7.20%	64,770	4,661	8/10/2005	64,770	Any Time
Lakewood Mall(7)	Floating	9.00%	8,224	372	7/25/2002	8,224	Any Time
Los Cerritos Center	Fixed	7.13%	60,174	5,054	7/1/2006	54,955	6/1/2002
North Point Plaza	Fixed	6.50%	1,821	190	12/1/2015	47	2/7/2004
Redmond Town Center—Retail	Fixed	6.50%	32,176	2,686	2/1/2011	23,850	Any Time
Redmond Town Center—Office(8)	Fixed	6.77%	45,500	3,575	7/10/2009	26,223	6/1/2002
Stonewood Mall(9)	Fixed	7.41%	39,653	3,298	12/11/2010	36,192	12/1/2004
Washington Square	Fixed	6.70%	59,441	5,051	1/1/2009	48,289	3/1/2004
Washington Square Too	Fixed	6.50%	6,318	634	12/1/2016	116	2/17/2004
SDG Macerich Properties L.P. (50%)(4)(10)	Fixed	6.54%	186,607	13,440	5/15/2006	150,000	Any Time
SDG Macerich Properties L.P. (50%)(4)(10)	Floating	7.21%	92,250	6,568	5/15/2003	92,250	Any Time
SDG Macerich Properties L.P. (50%)(4)(10)	Floating	7.08%	40,700	1,425	5/15/2006	40,700	Any Time
West Acres Center (19%)(4)	Fixed	6.52%	7,600	495	1/1/2009	7,538	1/4/2002
<b>Total—Joint Venture Centers(4)</b>			<b>\$ 725,637</b>				

## Notes:

- (1) *The annual debt service payment represents the 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 gross receipts (as defined in the loan agreement) exceeds a base amount specified therein. Contingent interest recognized was \$416,814, \$385,556 and \$387,101 for the years ended December 31, 2000, 1999 and 1998.*
- (2) *On October 2, 2000, the Company refinanced this loan with a 10 year fixed rate \$85.0 million loan bearing interest at 7.70%. The prior loan bore interest at LIBOR plus 1.75%.*
- (3) *On August 31, 2000, the Company refinanced the debt on Vintage Faire. The prior loan was paid in full and a new note was issued for \$70.0 million bearing interest at a fixed rate of 7.89% and maturing September 2010. The Company incurred a loss on early extinguishment of the prior debt in 2000 of \$983,745.*
- (4) *Reflects the Company's pro rata share of debt.*
- (5) *In connection with the acquisition of this Center, the joint venture assumed \$39.4 million of debt. At acquisition, this debt was recorded at the fair value of \$41.5 million which included an unamortized premium of \$2.1 million. This premium was being amortized as interest expense over the life of the loan using the effective interest method. The joint venture's monthly debt service was \$349,000 and was calculated using an 8.60% interest rate. At December 31, 1999, the joint venture's unamortized premium was \$1.4 million. On June 1, 2000, the joint venture paid off in full the old debt and a new note was issued for \$61.0 million bearing interest at a fixed rate of 8.06% and maturing June 2010. The new loan is interest only until December 31, 2001. Effective January 1, 2002, monthly principal and interest of \$450,150 will be payable through maturity. The new debt is cross-collateralized by Kitsap Mall and Kitsap Place.*
- (6) *In connection with the acquisition of this property, the joint venture assumed \$127.0 million 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 \$750,000 of restricted cash deposited with the trustee at December 31, 2000 and at December 31, 1999.*
- (7) *On July 28, 2000, the joint venture placed a \$16.1 million floating rate note on the property bearing interest at LIBOR plus 2.25% and maturing July 2002. At December 31, 2000, the total interest rate was 9.0%.*
- (8) *Concurrent with the acquisition, the joint venture placed \$76.7 million of debt and obtained a construction loan for an additional \$16.0 million. Principal is drawn on the construction loan as costs are incurred. As of December 31, 2000 and December 31, 1999, \$15.0 million and \$6.7 million, respectively; of principal has been drawn under the construction loan.*
- (9) *On December 1, 2000, the joint venture refinanced the debt on Stonewood Mall. The prior loan was paid in full and a new note was issued for \$77.8 million bearing interest at a fixed rate of 7.41% and maturing December 11, 2010. The joint venture incurred a loss on early extinguishment of the old debt in 2000 of \$375,000.*
- (10) *In connection with the acquisition of these Centers, the joint venture assumed \$485.0 million of mortgage notes payable which are secured by the properties. At acquisition, the \$300.0 million fixed rate portion of this debt reflected a fair value of \$322.7 million, which included an unamortized premium of \$22.7 million. This premium is being amortized as interest expense over the life of the loan using the effective interest method. At December 31, 2000 and December 31, 1999, the unamortized balance of the debt premium was \$16.1 million and \$18.6 million, respectively. This debt is due in May 2006 and requires monthly payments of \$1.9 million. \$184.5 million of this debt is due in May 2003 and requires monthly interest payments at a variable weighted average rate (based on LIBOR) of 7.21% and 6.96% at December 31, 2000 and December 31, 1999, 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 \$138.5 million of additional mortgage notes which are secured by the properties and are due in May 2006. \$57.1 million of this debt requires fixed monthly interest payments of \$387,000 at a weighted average rate of 8.13% while the floating rate notes of \$81.4 million require monthly interest payments at variable weighted average rate (based on LIBOR) of 7.08%. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 11.83%.*

The Company has a credit facility of \$150 million with a maturity of May, 2002, bearing interest at LIBOR plus 1.15% at December 31, 2000. The line of credit was extended in March 2001 with the new interest rate on such credit facility fluctuating between 1.35% and 1.80% over LIBOR. As of December 31, 2000 and December 31, 1999, \$59.0 million and \$57.4 million of borrowings were outstanding under this line of credit at interest rates of 7.90% and 7.65%, respectively.

Additionally, as of December 31, 2000, the Company issued \$10.8 million in letters of credit guaranteeing performance by the Company of certain obligations. The Company does not believe that these letters of credit will result in a liability to the Company.

During January 1999, the Company entered into a bank construction loan agreement to fund \$89.2 million of costs related to the redevelopment of Pacific View. The loan bore interest at LIBOR plus 2.25% through 2000. In January 2001, the interest rate was reduced to LIBOR plus 1.75% and the loan matures in February 2002. Principal was drawn as construction costs were incurred. As of December 31, 2000 and 1999, \$88.3 and \$72.7 million, respectively, of principal has been drawn under the loan.

In addition, the Company had a note payable of \$30.6 million due in February 2000 payable to the seller of the acquired portfolio. The note bore interest at 6.5%. The loan was paid in full on February 18, 2000.

During 1997, the Company issued and sold \$161.4 million of convertible subordinated debentures (the "Debentures") due 2002. 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 \$10.6 million of the Debentures. The Company recorded a gain on early extinguishment of debt of \$1.0 million related to the transaction. The Debentures mature on December 15, 2002 and are callable by the Company after June 15, 2002 at par plus accrued interest.

### ITEM 3. LEGAL PROCEEDINGS.

The Company, the Operating Partnership, the Management Companies and their respective affiliates are not currently involved in any material litigation nor, to the Company's knowledge, is any material litigation currently threatened against such entities or the Centers, other than routine litigation arising in the ordinary course of business, most of which is expected to be covered by liability insurance. For information about certain environmental matters, see "Business of the Company—Environmental Matters."

### ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS.

None.

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## Part II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The common stock of the Company is listed and traded on the New York Stock Exchange ("NYSE") under the symbol "MAC". The common stock began trading on March 10, 1994 at a price of \$19 per share. In 2000, the Company's shares traded at a high of \$24<sup>3</sup>/<sub>4</sub> and a low of \$18<sup>7</sup>/<sub>16</sub>.

As of February 27, 2001, there were approximately 534 stockholders of record. The following table shows high and low closing prices per share of common stock during each quarter in 1999 and 2000 and dividends/distributions per share of common stock declared and paid by quarter:

<i>Quarters Ended</i>	<i>Market Quotation Per Share</i>		<i>Dividends/Distributions Declared and Paid</i>
	<i>High</i>	<i>Low</i>	
March 31, 1999	\$ 26 <sup>11</sup> / <sub>16</sub>	\$ 22 <sup>7</sup> / <sub>16</sub>	\$0.485
June 30, 1999	27 <sup>1</sup> / <sub>16</sub>	22 <sup>1</sup> / <sub>8</sub>	0.485
September 30, 1999	26 <sup>5</sup> / <sub>8</sub>	21 <sup>1</sup> / <sub>2</sub>	0.485
December 31, 1999	22 <sup>5</sup> / <sub>8</sub>	17 <sup>13</sup> / <sub>16</sub>	0.51
March 31, 2000	\$ 23 <sup>15</sup> / <sub>16</sub>	\$ 19	\$0.51
June 30, 2000	24	20 <sup>7</sup> / <sub>16</sub>	0.51
September 30, 2000	24 <sup>3</sup> / <sub>4</sub>	20 <sup>1</sup> / <sub>4</sub>	0.51
December 31, 2000	20 <sup>3</sup> / <sub>4</sub>	18 <sup>7</sup> / <sub>16</sub>	0.53

The Company has issued 3,627,131 shares of its Series A cumulative convertible redeemable preferred stock ("Series A Preferred Stock"), and 5,487,471 shares of its Series B cumulative convertible redeemable preferred stock ("Series B Preferred Stock"). The Series A Preferred Stock and Series B Preferred Stock can be converted into shares of common stock on a one-to-one basis. There is no established public trading market for either the Series A Preferred Stock or the Series B Preferred Stock. All of the outstanding shares of the Series A Preferred Stock are held by Security Capital Preferred Growth Incorporated. All of the outstanding shares of the Series B Preferred Stock are held by Ontario Teachers' Pension Plan Board. The Series A Preferred Stock and Series B Preferred Stock were issued on February 25, 1998 and June 16, 1998, respectively. The following table shows the dividends per share of preferred stock declared and paid for each quarter in 1999 and 2000. Preferred stock dividends are accrued quarterly and paid in arrears. 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.

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*Series A Preferred Stock Dividends*

*Series B Preferred Stock Dividends*

<i>Quarters Ended</i>	<i>Declared</i>	<i>Paid</i>	<i>Declared</i>	<i>Paid</i>
March 31, 1999	\$0.485	\$0.485	\$0.485	\$0.485
June 30, 1999	0.485	0.485	0.485	0.485
September 30, 1999	0.510	0.485	0.510	0.485
December 31, 1999	0.510	0.510	0.510	0.510

<i>Quarters Ended</i>	<i>Declared</i>	<i>Paid</i>	<i>Declared</i>	<i>Paid</i>
March 31, 2000	\$0.510	\$0.510	\$0.510	\$0.510
June 30, 2000	0.510	0.510	0.510	0.510
September 30, 2000	0.530	0.510	0.530	0.510
December 31, 2000	0.530	0.530	0.530	0.530

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## ITEM 6. SELECTED FINANCIAL DATA.

The following sets forth selected financial data for the Company on a historical basis. The following data should be read in conjunction with the financial statements (and the notes thereto) of the Company and "Management's Discussion And Analysis of Financial Condition and Results of Operations" each included elsewhere in this Form 10-K.

The Selected Financial Data is presented on a consolidated basis. The limited partnership interests in the Operating Partnership (not owned by the REIT) are reflected as minority interest. Centers and entities in which the Company does not have a controlling ownership interest (Panorama Mall, North Valley Plaza, Broadway Plaza, Manhattan Village, MerchantWired, LLC, Pacific Premier Retail Trust, SDG Macerich Properties, L.P. and West Acres Shopping Center) are referred to as the "Joint Venture Centers", and along with the Management Companies, are reflected in the selected financial data under the equity method of accounting. Accordingly, the net income from the Joint Venture Centers and the Management Companies that is allocable to the Company is included in the statement of operations as "Equity in income (loss) of unconsolidated joint ventures and Management Companies."

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(All amounts in thousands, except per share data)

	<i>The Company</i>				
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
<b>OPERATING DATA:</b>					
Revenues:					
Minimum rents	\$ 195,236	\$ 204,568	\$ 179,710	\$ 142,251	\$ 99,061
Percentage rents	12,558	15,106	12,856	9,259	6,142
Tenant recoveries	104,125	99,126	86,740	66,499	47,648
Other	8,173	8,644	4,555	3,205	2,208
Total revenues	320,092	327,444	283,861	221,214	155,059
Shopping center expenses	101,674	100,327	89,991	70,901	50,792
REIT general and administrative expenses	5,509	5,488	4,373	2,759	2,378
Depreciation and amortization	61,647	61,383	53,141	41,535	32,591
Interest expense	108,447	113,348	91,433	66,407	42,353
Income before minority interest, unconsolidated entities, extraordinary item and cumulative effect of change in accounting principle	42,815	46,898	44,923	39,612	26,945
Minority interest(1)	(12,168)	(38,335)	(12,902)	(10,567)	(10,975)
Equity in income (loss) of unconsolidated joint ventures and management companies(2)	30,322	25,945	14,480	(8,063)	3,256
(Loss) gain on sale of assets	(2,773)	95,981	9	1,619	—
Extraordinary loss on early extinguishment of debt	(304)	(1,478)	(2,435)	(555)	(315)
Cumulative effect of change in accounting principle(3)	(963)	—	—	—	—
Net income	56,929	129,011	44,075	22,046	18,911
Less preferred dividends	18,958	18,138	11,547	—	—
Net income available to common stockholders	\$ 37,971	\$ 110,873	\$ 32,528	\$ 22,046	\$ 18,911
Earnings per share—basic:(4)					
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 1.14	\$ 3.30	\$ 1.14	\$ 0.86	\$ 0.92
Extraordinary item	(0.01)	(0.04)	(0.08)	(0.01)	(0.01)
Cumulative effect of change in accounting principle	(0.02)	—	—	—	—
Net income per share—basic	\$ 1.11	\$ 3.26	\$ 1.06	\$ 0.85	\$ 0.91

Earnings per share—diluted:(4)(7)(8)

Income before extraordinary item and cumulative effect of change in accounting principle	\$	1.14	\$	3.01	\$	1.11	\$	0.86	\$	0.90
Extraordinary item		(0.01)		(0.02)		(0.05)		(0.01)		(0.01)
Cumulative effect of change in accounting principle		(0.02)		—		—		—		—
Net income per share—diluted	\$	1.11	\$	2.99	\$	1.06	\$	0.85	\$	0.89
<b>OTHER DATA:</b>										
Funds from operations—diluted(5)	\$	167,244	\$	164,302	\$	120,518	\$	83,427	\$	62,428
EBITDA(6)	\$	212,909	\$	221,629	\$	189,497	\$	147,554	\$	101,889
EBITDA, including joint ventures at pro rata(6)	\$	314,628	\$	301,803	\$	230,362	\$	154,140	\$	109,266
Cash flows provided by (used in):										
Operating activities	\$	121,220	\$	139,576	\$	85,176	\$	78,476	\$	80,431
Investing activities	\$	1,698	\$	(247,685)	\$	(761,147)	\$	(215,006)	\$	(296,675)
Financing activities	\$	(127,100)	\$	123,421	\$	675,960	\$	146,041	\$	216,317
Number of centers at year end		51		52		47		30		26
Weighted average number of shares outstanding—basic(7)		45,050		46,130		43,016		37,982		32,934
Weighted average number of shares outstanding—diluted(5)(7)(8)		59,319		60,893		43,628		38,403		33,320
Cash distributions declared per common share	\$	2.06	\$	1.965	\$	1.865	\$	1.78	\$	1.70
FFO per share—diluted(5)	\$	2.819	\$	2.698	\$	2.426	\$	2.172	\$	1.874

(All amounts in thousands)

The Company

December 31,

2000 1999 1998 1997 1996

**BALANCE SHEET DATA:**

Investment in real estate (before accumulated depreciation)	\$	2,228,468	\$	2,174,535	\$	2,213,125	\$	1,607,429	\$	1,273,085
Total assets	\$	2,337,242	\$	2,404,293	\$	2,322,056	\$	1,505,002	\$	1,187,753
Total mortgage, notes and debentures payable	\$	1,550,935	\$	1,561,127	\$	1,507,118	\$	1,122,959	\$	789,239
Minority interest(1)	\$	120,500	\$	129,295	\$	132,177	\$	100,463	\$	112,242
Series A and Series B Preferred Stock	\$	247,336	\$	247,336	\$	247,336	\$	—	\$	—
Common stockholders' equity	\$	362,272	\$	401,254	\$	363,424	\$	216,295	\$	237,749

(1) "Minority Interest" reflects the ownership interest in the Operating Partnership not owned by the REIT.

(2) Unconsolidated joint ventures include all Centers and entities in which the Company does not have a controlling ownership interest and the Management Companies. The Management Companies have been reflected using the equity method.

(3) In December 1999, the Securities and Exchange Committee issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which became effective for periods beginning after December 15, 1999. This bulletin modified the timing of revenue recognition for percentage rent received from tenants. This change will defer recognition of a significant amount of percentage rent for the first three calendar quarters into the fourth quarter. The Company applied this change in accounting principle as of January 1, 2000. The cumulative effect of this change in accounting principle at the adoption date of January 1, 2000, including the pro rata share of joint ventures, was approximately \$1.8 million. If the Company had recorded percentage rent using the methodology prescribed in SAB 101, the Company's net income available to common stockholders would have been reduced by \$1.3 million or \$0.02 per diluted share for the year ended December 31, 1999.

(4) Earnings per share is based on SFAS No. 128 for all years presented.

(5) Funds from Operations ("FFO") represents net income (loss) (computed in accordance with generally accepted accounting principles ("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. 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 twelve month periods ending December 31, 2000 and 1999 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 stock was dilutive to FFO in 2000, 1999 and 1998 and the preferred stock and the convertible debentures were dilutive to net income in 1999.

(6) EBITDA represents earnings before interest, income taxes, depreciation, amortization, minority interest, equity in income (loss) of unconsolidated entities, extraordinary items, gain (loss) on sale 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 by the reader as an alternative to operating income as an indicator of the Company's operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) or as a measure of liquidity.

(7) Assumes that all OP Units are converted to common stock.

(8) Assumes issuance of common stock for in-the-money options and restricted stock calculated using the Treasury method in accordance with SFAS No. 128 for all years presented.

## ITEM 7. 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 and EBITDA. Funds from Operations 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. Funds from Operations 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.

EBITDA represents earnings before interest, income taxes, depreciation, amortization, minority interest, equity in income (loss) of unconsolidated entities, extraordinary items, gain (loss) on sale 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 to cash flows from operating activities (as determined in accordance with GAAP) or as a measure of liquidity. While the performance of individual Centers and the Management Companies determines EBITDA, the Company's capital structure also influences Funds from Operations. The most important component in determining EBITDA and Funds from Operations 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 financial statements of the Company for the years ended December 31, 2000, 1999 and 1998. The following discussion compares the activity for the year ended December 31, 2000 to results of operations for the year ended December 31, 1999.

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Also included is a comparison of the activities for the year ended December 31, 1999 to the results for the year ended December 31, 1998. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

### FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains or incorporates statements that constitute forward-looking statements. Those statements appear in a number of places in this Form 10-K and include statements regarding, among other matters, the Company's growth and acquisition opportunities, the Company's acquisition strategy, 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 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, 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 technology, risks of real estate development, acquisitions and dispositions; governmental actions and initiatives and environmental and safety requirements. The Company will not update any forward-looking information to reflect actual results or changes in the factors affecting the forward-looking information.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table reflects the Company's acquisitions in 1998 and 1999. There were no acquisitions in 2000.

*Date Acquired*

*Location*



*"1998 Acquisition Centers":*

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SDG Macerich Properties, L.P.(*)	February 27, 1998	Twelve properties in eight states
South Plains Mall	June 19, 1998	Lubbock, Texas
Westside Pavilion	July 1, 1998	Los Angeles, California
Village at Corte Madera	June-July 1998	Corte Madera, California
Carmel Plaza	August 10, 1998	Carmel, California
Northwest Arkansas Mall	December 15, 1998	Fayetteville, Arkansas

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*"1999 Acquisition Centers":*

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Pacific Premier Retail Trust(*)	February 18, 1999	Three regional malls, retail component of a mixed-use development and five contiguous properties in Washington and Oregon. The office component of the mixed-used development was acquired July 12, 1999.
PPR Albany Plaza LLC(*)	February 18, 1999	Two non-contiguous community shopping Centers located in Oregon and Ohio, respectively.
PPR Eastland Plaza LLC(*)		
Los Cerritos Center(*)	June 2, 1999	Cerritos, California
Santa Monica Place	October 29, 1999	Santa Monica, California

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(\*)

*denotes the Company owns its interests in these Centers through an unconsolidated joint venture or through one of the Management Companies.*

The financial statements include the results of these Centers for periods subsequent to their acquisition.

On February 18, 1999, the Company formed Pacific Premier Retail Trust ("PPRT"), a 51/49 joint venture with Ontario Teachers' Pension Plan Board ("Ontario Teachers"), which closed on the acquisition of three regional malls, the retail component of a mixed-use development, five contiguous properties and two non-contiguous community shopping centers comprising approximately 3.6 million square feet for a total purchase price of approximately \$427.0 million. On July 12, 1999, the Company closed on the acquisition of the office component of the mixed-use development for a purchase price of approximately \$111.0 million.

On June 2, 1999, Macerich Cerritos, LLC ("Cerritos"), a wholly-owned subsidiary of Macerich Management Company, acquired Los Cerritos Center, a 1,302,374 square foot super regional mall in Cerritos, California. The total purchase price was \$188.0 million, which was funded with \$120.0 million of debt placed concurrently with the closing and a \$70.8 million loan from the Company.

On October 26, 1999, 49% of the membership interests of Macerich Stonewood, LLC ("Stonewood"), Cerritos and Macerich Lakewood, LLC ("Lakewood"), were sold to Ontario Teachers' and concurrently

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Ontario Teachers' and the Company contributed their 99% collective membership interests in Stonewood and Cerritos and 100% of their collective membership interests in Lakewood to PPRT, a real estate investment trust, owned approximately 51% by the Company and 49% by Ontario Teachers. Lakewood, Stonewood, and Cerritos own Lakewood Mall, Stonewood Mall and Los Cerritos Center, respectively. The total value of the transaction was approximately \$535.0 million. The properties were contributed to PPRT subject to existing debt of \$322.0 million. The net cash proceeds to the Company were approximately \$104.0 million, which were used for reduction of debt and for general corporate purposes. Lakewood and Stonewood are referred to herein as the "Contributed JV Assets."

On October 27, 1999, Albany Plaza, a 145,462 square foot community center, which was owned 51% by the Macerich Management Company, was sold.

On October 29, 1999, Macerich Santa Monica, LLC, a wholly-owned indirect subsidiary of the Company, acquired Santa Monica Place, a 560,421 square foot regional mall located in Santa Monica, California. The total purchase price was \$130.8 million, which was funded with \$80.0 million of debt placed concurrently with the closing with the balance funded from proceeds from the PPRT transaction described above. Santa Monica Place is referred to herein as the "1999 Acquisition Center."

On November 12, 1999, Eastland Plaza, a 65,313 square foot community center, which was 51% owned by the Macerich Management Company, was sold.

On November 16, 1999, the Company sold Huntington Center. Huntington Center is a shopping center located in Huntington Beach, California, that was purchased by the Company in December 1996. The Center was purchased as part of a package with Fresno Fashion Fair in Fresno, California, and Pacific View (formerly known as Buenaventura Mall) in Ventura, California. The Center was sold for \$48.0 million and the net cash proceeds from the sale were used for general corporate purposes.

On September 30, 2000, Manhattan Village, a 551,847 square foot, regional shopping center, which was owned 10% by the Operating Partnership, was sold. The joint venture sold the property for \$89.0 million, including a note receivable from the buyer for \$79.0 million at an interest rate of 8.75% payable monthly, until its maturity date of September 30, 2001.

The properties acquired by SDG Macerich Properties, L.P., PPRT and the Management Companies ("Joint Venture Acquisitions") are reflected using the equity method of accounting. The results of these acquisitions are reflected in the consolidated results of operations of the Company in equity in income of unconsolidated joint ventures and the Management Companies.

Many of the variations in the results of operations, discussed below, occurred due to the Joint Venture Acquisition Centers, the 1999 and 1998 Acquisition Centers and the partial sale and contribution of the Contributed JV Assets to PPRT during 1999. Many factors impact the Company's ability to acquire additional properties; including the availability and cost of capital, the overall debt to market capitalization level, interest rates and availability of potential acquisition targets that meet the Company's criteria. There were no acquisitions in 2000 because of market conditions, including the cost of capital and the lack of attractive

opportunities. Furthermore, management currently anticipates no acquisitions for 2001. Accordingly, management is uncertain whether in future years that there will be similar acquisitions and corresponding increases in equity in income of unconsolidated joint ventures

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and the Management Companies and funds from operations that occurred as a result of the Joint Venture Acquisition Centers and the 1998 and 1999 Acquisition Centers. Pacific View (formerly known as Buenaventura Mall), Crossroads Mall-Boulder and Parklane Mall are currently under redevelopment and are referred to herein as the "Redevelopment Centers." All other Centers, excluding the 1999 and 1998 Acquisition Centers, the Joint Venture Acquisition Centers, the Contributed JV Assets and 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 in 2000 was \$0.9 million compared to \$2.6 million in 1999. Additionally, the Company recognized through equity in income of unconsolidated joint ventures, \$2.2 million as its pro rata share of straight lined rents from joint ventures in 2000 compared to \$2.3 million in 1999. These decreases resulted from the Company structuring the majority of its new leases using annual Consumer Price Index ("CPI") increases, which generally do not require straight lining treatment. 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.

The bankruptcy and/or closure of an Anchor, or its sale to a less desirable retailer, could adversely affect customer traffic in a Center and thereby reduce the income generated by that Center. Furthermore, the closing of an Anchor could, under certain circumstances, allow certain other Anchors or other tenants to terminate their leases or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center. Other retail stores at the Centers may also seek the protection of bankruptcy laws and/or close stores, which could result in the termination of such tenants and thus cause a reduction in cash flow generated by the Centers.

In addition, the Company's success in the highly competitive real estate shopping center business depends upon many other factors, including general economic conditions, the ability of tenants to make rent payments, increases or decreases in operating expenses, occupancy levels, changes in demographics, competition from other centers and forms of retailing and the ability to renew leases or relet space upon the expiration or termination of leases.

## **ASSETS AND LIABILITIES**

Total assets decreased to \$2,337 million at December 31, 2000 compared to \$2,404 million at December 31, 1999 and \$2,322 million at December 31, 1998. During that same period, total liabilities increased from \$1,579 million in 1998 to \$1,626 million in 1999 and decreased to \$1,607 million in 2000. These changes were primarily a result of the 1999 and 1998 Acquisition Centers, the partial sale and contribution of the Contributed JV Assets to PPRT and related debt transactions.

### *A. Stock Repurchase Program*

On November 10, 2000, the Company's Board of Directors approved a stock repurchase program of up to 3.4 million shares of common stock. As of December 31, 2000, the Company repurchased 564,000 shares of its common stock at an average price of \$19.02 per share.

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### *B. Refinancings*

On April 12, 2000, additional debt of \$138.5 million was placed on the SDG Macerich Properties, L.P. portfolio. This debt, consisting of both fixed and floating interest rates, has a current average interest rate of 7.51% and matures May 15, 2006. The Company's share of the financing proceeds of \$69.2 million was used to pay down the Company's line of credit.

On June 1, 2000, the PPRT joint venture refinanced the debt on Kitsap Mall. A \$38.0 million loan at an effective interest rate of 8.60%, was paid in full and a new note was issued for \$61.0 million bearing interest at a fixed rate of 8.06% and maturing June 1, 2010.

On August 31, 2000, the Company refinanced the debt on Vintage Faire Mall. The prior loan of \$52.8 million, at a fixed interest rate of 7.65%, was paid in full and a new note was issued for \$70.0 million bearing interest at a fixed rate of 7.89% and maturing September 1, 2010.

On October 2, 2000, the Company refinanced the debt on Santa Monica Place. An \$85.0 million floating rate loan was paid in full and a new note was issued for \$85.0 million bearing interest at a fixed rate of 7.70% and maturing November 1, 2010.

On December 1, 2000, the PPRT joint venture refinanced the debt on Stonewood Mall. A \$75.0 million floating rate loan was paid in full and a new note was issued for \$77.8 million bearing interest at a fixed rate of 7.41% and maturing December 11, 2010.

### *C. Other Events*

On September 30, 2000, Manhattan Village, a 551,847 square foot regional shopping center, 10% which was owned by the Operating Partnership, was sold. The joint venture sold the property for \$89.0 million, including a note receivable from the buyer for \$79.0 million at an interest rate of 8.75% payable monthly, until its maturity date of September 30, 2001.

During 2000, the Company entered into a ten-year energy management and procurement contract with Enron. Enron will manage the supply of electricity and natural gas and provide energy management services to a majority of the Company's Centers.

During 2000, the Company invested \$4.3 million in and became a founding member of MerchantWired. MerchantWired is providing a broadband communications network to retail property owners and retailers.

### *Revenues*

Minimum and percentage rents decreased by 5.4% to \$207.8 million in 2000 from \$219.7 million in 1999. Approximately \$24.6 million of the decrease related to the contribution of 100% and 99% of the membership interests of Lakewood Mall and Stonewood Mall, respectively, to the PPRT joint venture on October 26, 1999. The Company's pro rata share of results from those assets subsequent to the contribution to PPRT is reflected in Income from Unconsolidated Joint Ventures. The decreases due to the Contributed JV Assets are partially offset by revenue increases of \$8.2 million relating to the 1999 acquisition of Santa Monica Place.

In December 1999, the Securities and Exchange Committee issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which became effective for periods beginning after December 15, 1999. This bulletin modified the timing of revenue recognition for percentage rent received from tenants. This change will defer recognition of a significant amount of percentage rent for the first three calendar quarters into the fourth quarter. The Company applied this change in accounting principle as of January 1, 2000. The cumulative effect of this change in accounting principle at the adoption date of January 1, 2000, including pro rata share of joint ventures, was approximately \$1.8 million.

Tenant recoveries increased to \$104.1 million in 2000 from \$99.1 million in 1999. The increase resulted from the impact of Santa Monica Place, Pacific View and from the Same Centers. These increases were partially offset by revenue decreases of \$7.7 million resulting from the Contributed JV Assets.

Other income decreased to \$8.2 million in 2000 from \$8.6 million in 1999.

### *Expenses*

Shopping center expenses increased to \$101.7 million in 2000 compared to \$100.3 million in 1999. Approximately \$6.4 million of the increase resulted from the 1999 acquisition of Santa Monica Place, \$3.4 million of the increase resulted from increased property taxes and recoverable expenses at the Same Centers. These increases were partially offset by a decrease of \$8.1 million from the Contributed JV Assets.

### *Interest Expense*

Interest expense decreased to \$108.4 million in 2000 from \$113.3 million in 1999. Approximately \$7.5 million of the decrease is from the Contributed JV Assets. This decrease is partially offset by the acquisition activity in 1999, which was partially funded with secured debt and borrowings under the Company's line of credit.

### *Depreciation and Amortization*

Depreciation and amortization increased to \$61.6 million in 2000 from \$61.4 million in 1999. Approximately \$2.5 million of the increase relates primarily to the 1999 Acquisition Center, which is partially offset by a decrease of \$4.6 million relating to the Contributed JV Assets.

### *Minority Interest*

The minority interest represents the 24.3% weighted average interest of the Operating Partnership that was not owned by the Company during 2000. This compares to 26.3% not owned by the Company during 1999.

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### *Income From Unconsolidated Joint Ventures and Management Companies*

The income from unconsolidated joint ventures and the Management Companies was \$30.3 million for 2000, compared to income of \$25.9 million in 1999. A total of \$8.2 million of the increase is attributable to the 1999 Joint Venture Acquisitions and the Contributed JV Assets. Additionally, \$1.1 million is attributable to the gain from the sale of Manhattan Village on September 30, 2000. These increases are partially offset by the cumulative effect of the change in accounting principle for percentage rent required by SAB 101 of \$0.8 million and additional interest expense from the debt restructuring at SDG Macerich Properties, L.P. of \$4.8 million.

### *Gain (loss) on Sale of Assets*

A loss of \$2.8 million in 2000 compares to a gain of \$96.0 million in 1999. The 1999 gain was a result of the Company selling approximately 49% of the membership interests of Stonewood and Lakewood to Ontario Teachers' in October of 1999 and the Company's sale of Huntington Center on November 16, 1999.

### *Extraordinary Loss from Early Extinguishment of Debt*

In 2000, the Company recorded a loss from early extinguishment of debt of \$0.3 million which was a result of write offs of \$1.3 million of unamortized financing costs and is offset by a gain of \$1.0 million relating to the Company's purchase and retirement of \$10.6 million of the Debentures, compared to the write off of \$1.5 million of unamortized financing costs in 1999.

### *Cumulative Effect of Change in Accounting Principle*

A loss of \$1.0 million in 2000 compared to no loss in 1999 is a result of implementation of SAB 101 at January 1, 2000.

### *Net Income Available to Common Stockholders*

As a result of the foregoing, net income available to common stockholders decreased to \$38.0 million in 2000 from \$110.9 million in 1999.

### *Operating Activities*

Cash flow from operations was \$121.2 million in 2000 compared to \$139.6 million in 1999. The decrease is primarily because of decreased net operating income from the factors mentioned above.

### *Investing Activities*

Cash generated from investing activities was \$1.7 million in 2000 compared to cash utilized by investing activities of \$247.7 million in 1999. The change resulted primarily from the cash contributions for the joint venture acquisitions of \$116.9 million in 1999 compared to \$12.9 million in 2000. This is offset by increases in joint venture distributions of \$113.0 million in 2000 compared to \$30.0 million in 1999.

### *Financing Activities*

Cash flow used in financing activities was \$127.1 million in 2000 compared to cash provided by financing activities of \$123.4 million in 1999. The change resulted primarily from the refinancing of Centers in 1999.

### *EBITDA and Funds From Operations*

Primarily because of the factors mentioned above, EBITDA, including joint ventures at pro rata, increased 4.2% to \$314.6 million in 2000 from \$301.8 million in

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## Comparison of Years Ended December 31, 1999 and 1998

### *Revenues*

Minimum and percentage rents increased by 14.1% to \$219.7 million in 1999 from \$192.6 million in 1998. Approximately \$26.3 million of the increase resulted from the 1998 Acquisition Centers, \$1.9 million from the 1999 acquisition of Santa Monica Place and \$5.2 million of the increase was attributable to the Same Centers. These increases were partially offset by revenue decreases at the Redevelopment Centers of \$2.1 million in 1999 and \$4.2 million of the decrease related to the contribution of 100% and 99% of the membership interests of Lakewood Mall and Stonewood Mall, respectively, to the PPRT joint venture on October 26, 1999.

Tenant recoveries increased to \$99.1 million in 1999 from \$86.7 million in 1998. The 1998 Acquisition Centers generated \$12.9 million of this increase, \$1.3 million was from the acquisition of Santa Monica Place, and \$1.9 million of the increase was from the Same Centers. These increases were partially offset by revenue decreases at the Redevelopment Centers of \$2.1 million in 1999 and \$1.6 million of the decrease resulted from the contribution of Lakewood Mall and Stonewood Mall to the PPRT joint venture.

Other income increased to \$8.6 million in 1999 from \$4.5 million in 1998. Approximately \$0.7 million of the increase related to the 1998 Acquisition Centers and the 1999 acquisition of Santa Monica Place, and \$3.7 million of the increase was attributable to the Same Centers.

### *Expenses*

Shopping center expenses increased to \$100.3 million in 1999 compared to \$90.0 million in 1998. Approximately \$13.2 million of the increase resulted from the 1998 Acquisition Centers and the 1999 acquisition of Santa Monica Place and \$1.1 million of the increase resulted from increased property taxes and recoverable expenses at the Same Centers. The Redevelopment Centers had a net decrease of \$2.0 million in shopping center expenses resulting primarily from decreased property taxes and recoverable expenses. The contribution of Lakewood Mall and Stonewood Mall to the PPRT joint venture resulted in \$2.0 million of this decrease.

General and administrative expenses increased to \$5.5 million in 1999 from \$4.4 million in 1998 primarily as a result of the accounting change required by EITF 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which requires the expensing of internal acquisition costs. Previously, in accordance with GAAP, certain internal acquisition costs were capitalized. The increase is also attributable to higher executive and director compensation expense.

### *Interest Expense*

Interest expense increased to \$113.3 million in 1999 from \$91.4 million in 1998. This increase of \$22.1 million is primarily attributable to the acquisition activity in 1998 and 1999, which was partially funded with secured debt and borrowings under the Company's line of credit.

### *Depreciation and Amortization*

Depreciation increased to \$61.4 million from \$53.1 million in 1998. This increase relates primarily to the 1998 and 1999 Acquisition Centers.

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### *Minority Interest*

The minority interest represents the 26.3% weighted average interest of the Operating Partnership that was not owned by the Company during 1999. This compares to 28.4% not owned by the Company during 1998.

### *Income From Unconsolidated Joint Ventures and Management Companies*

The income from unconsolidated joint ventures and the Management Companies was \$25.9 million for 1999, compared to income of \$14.5 million in 1998. A total of \$3.2 million of the change is attributable to the 1998 acquisitions of SDG Macerich Properties, L.P. and \$7.9 million of the change is attributable to the 1999 acquisitions by Pacific Premier Retail Trust.

### *Gain on Sale of Assets*

A gain on sale of assets of \$96.0 million is a result of the Company selling approximately 49% of the membership interests of Stonewood and Lakewood to Ontario Teachers' in October 1999 and the Company's sale of Huntington Center on November 16, 1999.

### *Extraordinary Loss from Early Extinguishment of Debt*

In 1999, the Company wrote off \$1.5 million of unamortized financing costs, compared to \$2.4 million written off in 1998.

### *Net Income Available to Common Stockholders*

As a result of the foregoing, including the gain on sale of assets, net income available to common stockholders increased to \$110.9 million in 1999 from \$32.5 million in 1998.

### *Operating Activities*

Cash flow from operations was \$139.6 million in 1999 compared to \$85.2 million in 1998. The increase is primarily because of increased net operating income from the 1998 and 1999 Acquisition Centers.

### *Investing Activities*

Cash flow used in investing activities was \$247.7 million in 1999 compared to \$761.1 million in 1998. The change resulted primarily from the cash contributions required by the Company for the joint venture acquisitions of \$240.2 million in 1998 compared to \$116.9 million in 1999, and the proceeds from the sale of assets in 1999 of \$106.9 million.

### *Financing Activities*

Cash flow from financing activities was \$123.4 million in 1999 compared to \$676.0 million in 1998. The decrease resulted from no equity offerings in 1999 compared to 7,920,181 shares of common stock sold in 1998. Additionally, 9,114,602 shares of preferred stock were sold in the first and second quarters of 1998.

### EBITDA and Funds From Operations

Primarily because of the factors mentioned above, EBITDA, including joint ventures at pro rata, increased 31.0% to \$301.8 million in 1999 from \$230.4 million in 1998 and Funds from Operations—Diluted increased 36.3% to \$164.3 million from \$120.5 million in 1998.

### Liquidity and Capital Resources

The Company intends to meet its short term liquidity requirements through cash generated from operations and working capital reserves. 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. 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.

The Company believes that it will have access to the capital necessary to execute its share repurchase program and expand its business in accordance with its strategies for growth and maximizing Funds from Operations. The Company presently intends to obtain additional capital necessary to expand its business and execute its share repurchase program through a combination of debt financings, joint ventures and the sale of non-core assets. During 1998 and 1999, the Company acquired two portfolios through joint ventures and raised additional capital in 1999 from the sale of interests in two properties to one joint venture partner. The Company believes such joint venture arrangements provide an attractive alternative to other forms of financing whether for acquisitions or other business opportunities.

The Company's total outstanding loan indebtedness at December 31, 2000 was \$2.3 billion (including its pro rata share of joint venture debt). 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 69% at December 31, 2000. The Company's debt consists primarily of fixed-rate conventional mortgages payable secured by individual properties.

The Company has filed a shelf registration statement, effective December 8, 1997, to sell securities. The shelf registration is for a total of \$500 million of common stock, common stock warrants or common stock rights. During 1998, the Company sold a total of 7,920,181 shares of common stock under this shelf registration. The aggregate offering price of these transactions was approximately \$212.9 million, leaving approximately \$287.1 million available under the shelf registration statement.

The Company has an unsecured line of credit for up to \$150.0 million. There were \$59.0 million of borrowings outstanding at December 31, 2000. The line of credit has been extended to May 2002.

At December 31, 2000, the Company had cash and cash equivalents available of \$36.3 million.

### Funds From Operations

The Company believes that the most significant measure of its performance is 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. The following reconciles net income available to common stockholders to FFO:

(amounts in thousands)

	2000		1999	
	Shares	Amount	Shares	Amount
Net income—available to common stockholders		\$ 37,971		\$ 110,873
Adjustments to reconcile net income to FFO—basic:				
Minority interest		12,168		38,335
Loss on early extinguishment of debt		304		1,478
(Gain) loss on sale of wholly-owned assets		2,773		(95,981)
(Gain) loss on sale or write-down of assets from unconsolidated entities (pro rata)		(235)		193
Depreciation and amortization on wholly owned centers		61,647		61,383
Depreciation and amortization on joint ventures and from the management companies (pro rata)		24,472		19,715
Cumulative effect of change in accounting principle—wholly owned centers		963		—
Cumulative effect of change in accounting principle—prorata unconsolidated entities		787		—
Less: depreciation on personal property and amortization of loan costs and interest rate caps		(5,106)		(4,271)
FFO—basic(1)	45,050	\$ 135,744	46,130	\$ 131,725
Additional adjustment to arrive at FFO—diluted				

Impact of convertible preferred stock	9,115	18,958	9,115	18,138
Impact of stock options and restricted stock using the treasury method	(n/a—antidilutive)		462	1,823
Impact of convertible debentures	5,154	12,542	5,186	12,616
FFO—diluted(2)	59,319	\$ 167,244	60,893	\$ 164,302

(1)

Calculated based upon basic net income as adjusted to reach basic FFO. Weighted average number of shares includes the weighted average shares of common stock outstanding for 2000 assuming the conversion of all outstanding OP Units. As of December 31, 2000, 11.2 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 debentures are dilutive at December 31, 2000 and 1999 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 1999 net income as they are dilutive to that calculation. The preferred shares are assumed converted for purposes of 2000 and 1999 FFO—diluted per share as they are dilutive to that calculation.

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Included in minimum rents were rents attributable to the accounting practice of straight lining of rents. The amount of straight lining of rents that impacted minimum rents was \$865,259 for 2000, \$2,628,000 for 1999 and \$3,814,000 for 1998. The decline in straight-lining of rents from 1999 to 2000 is due to the Company structuring its new leases using rent increases tied to the change in CPI rather than using contractually fixed rent increases. CPI increases do not generally require straight-lining of rent treatment.

#### 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, many of the leases are for terms of less than ten years, 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, most 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, plus the change in accounting principle discussed below for percentage rent, earnings are generally higher in the fourth quarter of each year.

#### New Pronouncements Issued

In December 1999, the Securities and Exchange Committee issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which became effective for periods beginning after December 15, 1999. This bulletin modified the timing of revenue recognition for percentage rent received from tenants. This change will defer recognition of a significant amount of percentage rent for the first three calendar quarters into the fourth quarter. The Company applied this change in accounting principle as of January 1, 2000. The cumulative effect of this change in accounting principle at the adoption date of January 1, 2000, including the pro rata share of joint ventures, was approximately \$1,750,000.

In June 1998, the 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 will be 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. In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities," which delays the implementation of SFAS 133 from January 1, 2000 to January 1, 2001. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an Amendment of FASB Statement No. 133," ("SFAS 138") which amends the accounting and reporting standards of SFAS 133. The Company has determined the implementation of SFAS 133 and SFAS 138 will not have a material impact on its consolidated financial statements.

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## ITEM 7A. 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 December 31, 2000 concerning the Company's long term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value ("FV"):

(dollars in thousands)

For the Years Ended December 31,

	2001	2002	2003	2004	2005	Thereafter	Total	FV
<b>Long term debt:</b>								
Fixed rate	\$ 108,607	\$ 11,858	\$ 52,630	\$ 129,297	\$ 12,554	\$ 937,801	\$ 1,252,747	\$ 1,282,163
Average interest rate	7.42%	7.41%	7.39%	7.41%	7.41%	7.41%	7.41%	—
Fixed rate—Debentures	—	150,848	—	—	—	—	150,848	148,132
Average interest rate	—	7.25%	—	—	—	—	7.25%	—
Variable rate	59,000	88,340	—	—	—	—	147,340	147,340
Average interest rate	8.75%	8.62%	—	—	—	—	8.69%	—
<b>Total debt—Wholly owned Centers</b>	<b>\$ 167,607</b>	<b>\$ 251,046</b>	<b>\$ 52,630</b>	<b>\$ 129,297</b>	<b>\$ 12,554</b>	<b>\$ 937,801</b>	<b>\$ 1,550,935</b>	<b>\$ 1,577,635</b>
<b>Joint Venture Centers: (at Company's pro rata share)</b>								
Fixed rate	\$ 6,812	\$ 7,538	\$ 8,410	\$ 8,977	\$ 74,468	\$ 478,258	\$ 584,463	\$ 586,595
Average interest rate	6.86%	6.86%	6.86%	6.87%	6.83%	6.83%	6.85%	—
Variable rate	—	8,224	92,250	—	—	40,700	141,174	141,174
Average interest rate	—	9.00%	7.21%	—	—	7.08%	7.72%	—
<b>Total debt—Joint Ventures</b>	<b>\$ 6,812</b>	<b>\$ 15,762</b>	<b>\$ 100,660</b>	<b>\$ 8,977</b>	<b>\$ 74,468</b>	<b>\$ 518,958</b>	<b>\$ 725,637</b>	<b>\$ 727,769</b>
<b>Total debt—All Centers</b>	<b>\$ 174,419</b>	<b>\$ 266,808</b>	<b>\$ 153,290</b>	<b>\$ 138,274</b>	<b>\$ 87,022</b>	<b>\$ 1,456,759</b>	<b>\$ 2,276,572</b>	<b>\$ 2,305,404</b>

The \$59.0 million of variable debt maturing in 2001 represents the outstanding borrowings under the Company's credit facility. Subsequent to December 31, 2000, the line of credit was extended to May 2002.

In addition, the Company has assessed the market risk for its variable rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately \$2.9 million per year based on \$288.5 million outstanding at December 31, 2000.

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

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Refer to the Index to Financial Statements and Financial Statement Schedules for the required information.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

### **Part III**

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.**

There is hereby incorporated by reference the information which appears under the captions "Election of Directors," "Executive Officers" and "Section 16 Reporting" in the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

#### **ITEM 11. EXECUTIVE COMPENSATION.**

There is hereby incorporated by reference the information which appears under the caption "Executive Compensation" in the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders; provided, however, that the Report of the Compensation Committee on executive compensation and the Stock Performance Graph set forth therein shall not be incorporated by reference herein, in any of the Company's prior or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates such report or stock performance graph by reference therein and shall not be otherwise deemed filed under either of such Acts.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

There is hereby incorporated by reference the information which appears under the captions "Principal Stockholders," "Information Regarding Nominees and Directors" and "Executive Officers" in the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

There is hereby incorporated by reference the information which appears under the captions "Certain Transactions" in the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

**Part IV****ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

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(b)	1. Reports on Form 8-K	
	None	
(c)	1. Exhibits	
	The Exhibit Index attached hereto is incorporated by reference under this item	

**Report of Independent Accountants**

To the Board of Directors and Stockholders of The Macerich Company:

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 39 present fairly, in all material respects, the financial position of The Macerich Company (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(4) on page 40 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the financial statements of SDG Macerich Properties, L.P. (the "Partnership"), the investment in which is reflected in the accompanying consolidated financial statements using the equity method of accounting. The investment in the Partnership represents approximately 7.2 percent and 10.0 percent of the Company's consolidated total assets at December 31, 2000 and 1999, respectively, and the equity in income represents approximately 33.1%, 16.0% and 44.6% of the related consolidated net income for each of the three years in the period ended December 31, 2000. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Partnership, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2000, the Company adopted Staff Accounting Bulletin 101.



As discussed in Note 16 to the consolidated financial statements, the Company has revised its accounting for the Series A and Series B redeemable preferred stock to classify such securities outside of common stockholders' equity.

PricewaterhouseCoopers LLP

Los Angeles, CA  
February 13, 2001

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**THE MACERICH COMPANY**

**CONSOLIDATED BALANCE SHEETS**

**(Dollars in thousands, except share data)**

	<i>December 31,</i>	
	<i>2000</i>	<i>1999</i>
<b>ASSETS:</b>		
Property, net	\$ 1,933,584	\$ 1,931,415
Cash and cash equivalents	36,273	40,455
Tenant receivables, including accrued overage rents of \$6,486 in 2000 and \$7,367 in 1999	38,922	34,423
Deferred charges and other assets, net	55,323	55,065
Investments in joint ventures and the Management Companies	273,140	342,935
<b>Total assets</b>	<b>\$ 2,337,242</b>	<b>\$ 2,404,293</b>
<b>LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY:</b>		
Mortgage notes payable:		
Related parties	\$ 133,063	\$ 133,876
Others	1,119,684	1,105,180
<b>Total</b>	<b>1,252,747</b>	<b>1,239,056</b>
Bank notes payable	147,340	160,671
Convertible debentures	150,848	161,400
Accounts payable and accrued expenses	24,681	27,815
Due to affiliates	8,800	6,969
Other accrued liabilities	17,887	25,849
Preferred stock dividend payable	4,831	4,648
<b>Total liabilities</b>	<b>1,607,134</b>	<b>1,626,408</b>
Minority interest in Operating Partnership	120,500	129,295
Commitments and contingencies (Note 11)		
Series A cumulative convertible redeemable preferred stock, \$.01 par value, 3,627,131 shares authorized, issued and outstanding at December 31, 2000 and 1999	98,934	98,934
Series B cumulative convertible redeemable preferred stock, \$.01 par value, 5,487,471 shares authorized, issued and outstanding at December 31, 2000 and 1999	148,402	148,402
	<b>247,336</b>	<b>247,336</b>
Common stockholders' equity:		
Common stock, \$.01 par value, 100,000,000 shares authorized, 33,612,462 and 34,072,625 shares issued and outstanding at December 31, 2000 and 1999, respectively	338	338
Additional paid in capital	359,306	363,896
Accumulated earnings	10,314	43,514
Unamortized restricted stock	(7,686)	(6,494)
<b>Total common stockholders' equity</b>	<b>362,272</b>	<b>401,254</b>
<b>Total liabilities, preferred stock and common stockholders' equity</b>	<b>\$ 2,337,242</b>	<b>\$ 2,404,293</b>

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

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## CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share amounts)

	<i>For the years ended December 31,</i>		
	<i>2000</i>	<i>1999</i>	<i>1998</i>
<b>REVENUES:</b>			
Minimum rents	\$ 195,236	\$ 204,568	\$ 179,710
Percentage rents	12,558	15,106	12,856
Tenant recoveries	104,125	99,126	86,740
Other	8,173	8,644	4,555
<b>Total revenues</b>	<b>320,092</b>	<b>327,444</b>	<b>283,861</b>
<b>EXPENSES:</b>			
Shopping center expenses	101,674	100,327	89,991
General and administrative expense	5,509	5,488	4,373
	107,183	105,815	94,364
Interest expense:			
Related parties	10,106	10,170	10,224
Others	98,341	103,178	81,209
<b>Total interest expense</b>	<b>108,447</b>	<b>113,348</b>	<b>91,433</b>
Depreciation and amortization	61,647	61,383	53,141
Equity in income of unconsolidated joint ventures and the management companies	30,322	25,945	14,480
(Loss) gain on sale of assets	(2,773)	95,981	9
Income before minority interest, extraordinary item and cumulative effect of change in accounting principle	70,364	168,824	59,412
Extraordinary loss on early extinguishment of debt	(304)	(1,478)	(2,435)
Cumulative effect of change in accounting principle	(963)	—	—
Income of the Operating Partnership	69,097	167,346	56,977
Less minority interest in net income of the Operating Partnership	12,168	38,335	12,902
Net income	56,929	129,011	44,075
Less preferred dividends	18,958	18,138	11,547
<b>Net income available to common stockholders</b>	<b>\$ 37,971</b>	<b>\$ 110,873</b>	<b>\$ 32,528</b>

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

	<i>For the years ended December 31,</i>		
	<i>2000</i>	<i>1999</i>	<i>1998</i>
<b>Earnings per common share—basic:</b>			
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 1.14	\$ 3.30	\$ 1.14
Extraordinary item	(0.01)	(0.04)	(0.08)
Cumulative effect of change in accounting principle	(0.02)	—	—
<b>Net income—available to common stockholders</b>	<b>\$ 1.11</b>	<b>\$ 3.26</b>	<b>\$ 1.06</b>
<b>Weighted average number of common shares outstanding—basic</b>	<b>34,095,000</b>	<b>34,007,000</b>	<b>30,805,000</b>
<b>Weighted average number of common shares outstanding—basic, assuming full conversion of operating units outstanding</b>	<b>45,050,000</b>	<b>46,130,000</b>	<b>43,016,000</b>

## Earnings per common share—diluted:

Income before extraordinary item and cumulative effect of change in accounting principle	\$ 1.14	\$ 3.01	\$ 1.11
Extraordinary item	(0.01)	(0.02)	(0.05)
Cumulative effect of change in accounting principle	(0.02)	—	—
Net income—available to common stockholders	\$ 1.11	\$ 2.99	\$ 1.06
Weighted average number of common shares outstanding—diluted for EPS	45,050,000	60,893,000	43,628,000

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

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## THE MACERICH COMPANY

## CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

(Dollars in thousands, except share data)

	Common Stock (# shares)	Common Stock Par Value	Additional Paid In Capital	Accumulated Earnings	Unamortized Restricted Stock	Total Common Stockholders' Equity
Balance December 31, 1997	26,004,800	\$ 260	\$ 219,121	—	\$ (3,086)	\$ 216,295
Common stock issued to public	7,828,124	78	214,562			214,640
Issuance costs			(11,149)			(11,149)
Issuance of restricted stock	83,018		2,383			2,383
Unvested restricted stock	(83,018)				(2,383)	(2,383)
Restricted stock vested in 1998	26,039				945	945
Exercise of stock options	43,000		839			839
Distributions paid (\$1.865) per share			(24,464)	\$ (32,528)		(56,992)
Net income				32,528		32,528
Adjustment to reflect minority interest on a pro rata basis according to year end ownership percentage of Operating Partnership			(33,682)			(33,682)
Balance December 31, 1998	33,901,963	338	367,610	—	(4,524)	363,424
Issuance costs			(198)			(198)
Issuance of restricted stock	176,600		4,007			4,007
Unvested restricted stock	(176,600)				(4,007)	(4,007)
Restricted stock vested in 1999	51,675				2,037	2,037
Exercise of stock options	88,250		1,705			1,705
Distributions paid (\$1.965) per share				(67,359)		(67,359)
Net income				110,873		110,873
Conversion of OP units to common stock	30,737		441			441
Adjustment to reflect minority interest on a pro rata basis according to year end ownership percentage of Operating Partnership			(9,669)			(9,669)
Balance December 31, 1999	34,072,625	338	363,896	43,514	(6,494)	401,254
Issuance costs			(7)			(7)
Issuance of restricted stock	169,556		3,412			3,412
Unvested restricted stock	(169,556)				(3,412)	(3,412)
Restricted stock vested in 2000	82,733				2,220	2,220
Exercise of stock options	20,704		388			388
Common stock repurchase	(563,600)		(10,739)			(10,739)
Distributions paid (\$2.06) per share				(71,171)		(71,171)
Net income				37,971		37,971
Adjustment to reflect minority interest on a pro rata basis according to year end ownership percentage of Operating Partnership			2,356			2,356
Balance December 31, 2000	33,612,462	\$ 338	\$ 359,306	\$ 10,314	\$ (7,686)	\$ 362,272

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

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**THE MACERICH COMPANY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Dollars in thousands)**
*For the years ended December 31,*

	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Cash flows from operating activities:</b>			
Net income—available to common stockholders	\$ 37,971	\$ 110,873	\$ 32,528
Preferred dividends	18,958	18,138	11,547
Net income	56,929	129,011	44,075
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Extraordinary loss on early extinguishment of debt	304	1,478	2,435
Cumulative effect of change in accounting principle	963	—	—
Loss (gain) on sale of assets	2,773	(95,981)	(9)
Depreciation and amortization	61,647	61,383	53,141
Amortization of net discount (premium) on trust deed note payable	33	191	(635)
Minority interest in the net income of the Operating Partnership	12,168	38,335	12,902
<b>Changes in assets and liabilities:</b>			
Tenant receivables, net	(5,462)	(3,174)	(13,677)
Other assets	967	9,817	(19,772)
Accounts payable and accrued expenses	(3,134)	2,407	10,366
Due to affiliates	1,811	4,059	(12,156)
Other liabilities	(7,962)	(8,178)	4,086
Accrued preferred stock dividend	183	228	4,420
Total adjustments	64,291	10,565	41,101
Net cash provided by operating activities	121,220	139,576	85,176
<b>Cash flows from investing activities:</b>			
Acquisitions of property and improvements	(5,639)	(142,564)	(481,735)
Renovations and expansions of centers	(44,808)	(74,560)	(40,545)
Tenant allowances	(5,913)	(7,213)	(5,383)
Deferred charges	(11,737)	(17,352)	(14,536)
Equity in income of unconsolidated joint ventures and the management companies	(30,322)	(25,945)	(14,480)
Distributions from joint ventures	113,047	29,989	32,623
Contributions to joint ventures	(12,930)	(116,944)	(240,196)
Loans to affiliates	—	—	3,105
Proceeds from sale of assets	—	106,904	—
Net cash provided by (used in) investing activities	1,698	(247,685)	(761,147)
<b>Cash flows from financing activities:</b>			
Proceeds from mortgages, notes and debentures payable	295,672	584,270	480,348
Payments on mortgages, notes and debentures payable	(305,897)	(328,452)	(165,671)
Net proceeds from equity offerings	—	—	450,828
Dividends and distributions	(97,917)	(114,259)	(77,998)
Dividends to preferred shareholders	(18,958)	(18,138)	(11,547)
Net cash (used in) provided by financing activities	(127,100)	123,421	675,960
Net (decrease) increase in cash	(4,182)	15,312	(11)
Cash and cash equivalents, beginning of period	40,455	25,143	25,154
Cash and cash equivalents, end of period	\$ 36,273	\$ 40,455	\$ 25,143
<b>Supplemental cash flow information:</b>			
Cash payment for interest, net of amounts capitalized	\$ 108,003	\$ 112,399	\$ 89,543
<b>Non-cash transactions:</b>			
Acquisition of property by assumption of debt	—	—	\$ 70,116
Acquisition of property by issuance of OP Units	—	—	\$ 7,917
Contributions of liabilities in excess of assets to joint venture	—	\$ 8,820	—

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in thousands, except per share amounts)**

**1. Organization and Basis of Presentation:**

The Macerich Company (the "Company") commenced operations effective with the completion of its initial public offering (the "IPO") on March 16, 1994. The Company is the sole general partner of and, assuming conversion of the redeemable preferred stock, holds a 79% ownership interest in The Macerich Partnership, L. P. (the "Operating Partnership"). The interests in the Operating Partnership are known as OP Units. OP Units not held by the Company are redeemable, subject to certain restrictions, on a one-for-one basis, for the Company's common stock or cash at the Company's option.

The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The 21% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these financial statements as minority interest.

The property management, leasing and redevelopment of the Company's portfolio is provided by the Macerich Management Company, Macerich Property Management Company and Macerich Manhattan Management Company, all California corporations (together referred to hereafter as the "Management Companies"). The non-voting preferred stock of the Macerich Management Company and Macerich Property Management Company is owned by the Operating Partnership, which provides the Operating Partnership the right to receive 95% of the distributable cash flow from the Management Companies. Macerich Manhattan Management Company is a 100% subsidiary of Macerich Management Company.

*Basis Of Presentation:*

The consolidated financial statements of the Company include the accounts of the Company and the Operating Partnership. The properties in which the Operating Partnership does not have a controlling interest in, and the Management Companies, have been accounted for under the equity method of accounting. These entities are reflected on the Company's consolidated financial statements as "Investments in joint ventures and the Management Companies."

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

**2. Summary of Significant Accounting Policies:**

*Cash And Cash Equivalents:*

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents, for which cost approximates fair value. Included in cash is restricted cash of \$1,464 at December 31, 2000 and \$1,418 at December 31, 1999.

*Tenant Receivables:*

Included in tenant receivables are allowances for doubtful accounts of \$700 and \$1,752 at December 31, 2000 and 1999, respectively.

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*Revenues:*

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." Rental income was increased by \$865 in 2000, \$2,628 in 1999 and \$3,814 in 1998 due to the straight lining of rent adjustment. Percentage rents are recognized on an accrual basis. Recoveries from tenants for real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable costs are incurred.

The Management Companies provide property management, leasing, corporate, redevelopment and acquisition services to affiliated and non-affiliated shopping centers. In consideration for these services, the Management Companies receive monthly management fees generally ranging from 1.5% to 5% of the gross monthly rental revenue of the properties managed.

*Property:*

Costs related to the redevelopment, construction and improvement of properties are capitalized. Interest costs are capitalized until construction is substantially complete.

Expenditures for maintenance and repairs are charged to operations as incurred. 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:

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Buildings and improvements	5-40 years
Tenant improvements	initial term of related lease
Equipment and furnishings	5-7 years

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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 between the carrying value and the fair value of a center. Management believes no such impairment has occurred in its net property carrying values at December 31, 2000 and 1999.

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*Deferred Charges:*

Costs relating to financing of shopping center properties and obtaining tenant leases are deferred and amortized over the initial term of the agreement. The straight-line method is used to amortize all costs except financing, for which the effective interest method is used. The range of the terms of the agreements are as follows:

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

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In March 1998, the Financial Accounting Standards Board ("FASB"), through its Emerging Issues Task Force ("EITF"), concluded based on EITF 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," that all internal costs to source, analyze and close acquisitions should be expensed as incurred. The Company had historically capitalized these costs, in accordance with generally accepted accounting principles ("GAAP"). The Company had adopted the FASB's interpretation effective March 19, 1998.

*Deferred Acquisition Liability:*

As part of the Company's total consideration to the seller of Capitola Mall, the Company issued \$5,000 of OP Units five years after the acquisition date, which was December 21, 1995. The number of OP Units was determined based on the Company's common stock price at December 21, 2000. A total of 254,373 of OP Units were issued to these partners on December 21, 2000.

*Income Taxes:*

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. A REIT is generally not subject to income taxation on that portion of its income that qualifies as REIT taxable income as long as it distributes at least 95 percent of its taxable income to its stockholders and complies with other requirements. Accordingly, no provision has been made for income taxes in the consolidated financial statements.

On a tax basis, the distributions of \$2.06 paid during 2000 represented \$1.7304 of ordinary income and \$0.3296 of return of capital. The distributions of \$1.965 per share during 1999 represented \$1.30 of ordinary income and \$0.665 of capital gain. During 1998, the distributions were \$1.865 per share of which \$1.12 was ordinary income and \$0.745 was return of capital.

Each partner is taxed individually on its share of partnership income or loss, and accordingly, no provision for federal and state income tax is provided for the Operating Partnership in the consolidated financial statements.

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*Reclassifications:*

Certain reclassifications have been made to the 1998 and 1999 consolidated financial statements to conform to the 2000 consolidated financial statements presentation.

*Accounting Pronouncements:*

In December 1999, the Securities and Exchange Committee issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which became effective for periods beginning after December 15, 1999. This bulletin modified the timing of revenue recognition for percentage rent received from tenants. This change will defer recognition of a significant amount of percentage rent for the first three calendar quarters into the fourth quarter. The Company applied this change in accounting principle as of January 1, 2000. The cumulative effect of this change in accounting principle at the adoption date of January 1, 2000, including the pro rata share of joint ventures, was approximately \$1,750. If the Company had recorded percentage rent using the methodology prescribed in SAB 101, the Company's net income available to common stockholders would have been reduced by \$1,290 or \$0.02 per diluted share for the year ended December 31, 1999.

In June 1998, the 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 will be 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. In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities," which delays the implementation of SFAS 133 from January 1, 2000 to January 1, 2001. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities—an Amendment of FASB Statement No. 133, ("SFAS 138") which amends the accounting and reporting standards of SFAS 133. The Company has determined the implementation of SFAS 133 and SFAS 138 will not have a material impact on its consolidated financial statements.

*Fair Value of Financial Instruments:*

To meet the reporting requirement of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," the Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the

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amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Interest rate cap agreements were purchased by the Company from third parties to hedge the risk of interest rate increases on some of the Company's variable rate debt. The cost of these cap agreements was amortized over the life of the cap agreement on a straight line basis. Payments received as a result of the cap agreements were recorded as a reduction of interest expense. The unamortized costs of the cap agreements were included in deferred charges. The fair value of these caps will vary with fluctuations in interest rates. The Company is exposed to credit loss in the event of nonperformance by these counter parties to the financial instruments; however, management does not anticipate nonperformance by the counter parties.

The Company periodically enters into treasury lock agreements in order to hedge its exposure to interest rate fluctuations on anticipated financings. Under these agreements, the Company pays or receives an amount equal to the difference between the treasury lock rate and the market rate on the date of settlement, based on the notional amount of the hedge. The realized gain or loss on the contracts is recorded on the balance sheet, in other assets, and amortized as interest expense over the period of the hedged loans.

*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 years ended December 31, 2000, 1999 and 1998. The computation of diluted earnings per share includes the effect of outstanding restricted stock and common stock options calculated using the Treasury stock method. The 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. The following table reconciles the basic and diluted earnings per share calculation:

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(in thousands, except per share data)

	<i>For the years ended</i>								
	<i>2000</i>			<i>1999</i>			<i>1998</i>		
	<i>Net Income</i>	<i>Shares</i>	<i>Per Share</i>	<i>Net Income</i>	<i>Shares</i>	<i>Per Share</i>	<i>Net Income</i>	<i>Shares</i>	<i>Per Share</i>
Net income	\$ 56,929	34,095		\$ 129,011	34,007		\$ 44,075	30,805	
Less: Preferred stock dividends	18,958			18,138			11,547		
<i>Basic EPS</i>									
Net income— available to common stockholders	\$ 37,971	34,095	\$ 1.11	\$ 110,873	34,007	\$ 3.26	\$ 32,528	30,805	\$ 1.06
<i>Diluted EPS:</i>									
Conversion of OP units	12,168	10,955		38,335	12,123		12,902	12,211	
Employee stock options and restricted stock		n/a—antidilutive		1,824	462		668	612	
Convertible preferred stock		n/a—antidilutive		18,138	9,115		n/a—antidilutive		
Convertible debentures		n/a—antidilutive		12,616	5,186		n/a—antidilutive		
Net income—available to common stockholders	\$ 50,139	45,050	\$ 1.11	\$ 181,786	60,893	\$ 2.99	\$ 46,098	43,628	\$ 1.06

*Concentration of Risk:*

The Company maintains its cash accounts in a number of commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$100. At various times during the year, the Company had deposits in excess of the FDIC insurance limit.

No Center generated more than 10% of shopping center revenues during 2000, 1999 or 1998.

The Centers derived approximately 91.3%, 90.2% and 89.9% of their total rents for the years ended December 31, 2000, 1999 and 1998, respectively, from Mall and Freestanding Stores. The Limited represented 4.4%, 5.2% and 6.1% of total minimum rents in place as of December 31, 2000, 1999 and 1998, respectively, and no other retailer represented more than 3.0%, 3.2% and 4.5% of total minimum rents as of December 31, 2000, 1999 and 1998, respectively.

*Management Estimates:*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**3. Investments in Joint Ventures and the Management Companies:**

The following are the Company's investments in various joint ventures. The Operating Partnership's interest in each joint venture as of December 31, 2000 is as follows:

*Joint Venture*

*The Operating*

Macerich Northwestern Associates	50%
Manhattan Village, LLC	10%
MerchantWired, LLC	9.5%
Pacific Premier Retail Trust	51%
Panorama City Associates	50%
SDG Macerich Properties, L.P.	50%
West Acres Development	19%

The Operating Partnership also owns the non-voting preferred stock of the Macerich Management Company and Macerich Property Management Company and is entitled to receive 95% of the distributable cash flow of these two entities. Macerich Manhattan Management Company is a 100% subsidiary of Macerich Management Company. The Company accounts for the Management Companies and joint ventures using the equity method of accounting.

On February 27, 1998, the Company, through SDG Macerich Properties, L.P., a 50/50 joint venture with an affiliate of Simon Property Group, Inc., acquired a portfolio of twelve regional malls. The properties in the portfolio comprise 10.7 million square feet and are located in eight states. The total purchase price was \$974,500, which included \$485,000 of assumed debt, at fair value. Each of the joint venture partners have assumed leasing and management responsibilities for six of the regional malls.

On February 18, 1999, the Company formed Pacific Premier Retail Trust ("PPRT"), a 51/49 joint venture with Ontario Teachers' Pension Plan Board ("Ontario Teachers") which closed on the acquisition of three regional malls, the retail component of a mixed-use development, five contiguous properties and two non-contiguous community shopping centers comprising approximately 3.6 million square feet for a total purchase price of approximately \$427,000. On July 12, 1999, the Company closed on the acquisition of the office component of the mixed-use development for a purchase price of approximately \$111,000.

On June 2, 1999, Macerich Cerritos, LLC ("Cerritos"), a wholly-owned subsidiary of Macerich Management Company, acquired Los Cerritos Center in Cerritos, California. The total purchase price was \$188,000, which was funded with \$120,000 of debt placed concurrently with the closing and a \$70,800 loan from the Company.

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On October 26, 1999, 49% of the membership interests of Macerich Stonewood, LLC ("Stonewood"), Cerritos and Macerich Lakewood, LLC ("Lakewood"), were sold to Ontario Teachers' and concurrently Ontario Teachers' and the Company contributed their 99% collective membership interests in Stonewood and Cerritos and 100% of their collective membership interests in Lakewood to PPRT. Lakewood, Stonewood, and Cerritos own Lakewood Mall, Stonewood Mall and Los Cerritos Center, respectively. The total value of the transaction was approximately \$535,000. The properties were contributed to PPRT subject to existing debt of \$322,000.

The results of these joint ventures are included for the period subsequent to their respective dates of acquisition.

On October 27, 1999, Albany Plaza, a 145,462 square foot community center, which was owned 51% by the Macerich Management Company, was sold.

On November 12, 1999, Eastland Plaza, a 65,313 square foot community center, which was 51% owned by the Macerich Management Company, was sold.

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 an interest rate of 8.75% payable monthly, until its maturity date of September 30, 2001. A gain from sale of the property for \$10,945 was recorded at September 30, 2000.

Combined and condensed balance sheets and statements of operations are presented below for all unconsolidated joint ventures and the Management Companies, followed by information regarding the Operating Partnership's beneficial interest in the combined operations. Beneficial interest is calculated based on the Operating Partnership's ownership interests in the joint ventures and the Management Companies.

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#### COMBINED AND CONDENSED BALANCE SHEETS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES

	<i>December 31, 2000</i>	<i>December 31, 1999</i>
<b>ASSETS:</b>		
Properties, net	\$ 2,064,777	\$ 2,117,711
Other assets	155,919	58,412
<b>Total assets</b>	<b>\$ 2,220,696</b>	<b>\$ 2,176,123</b>
<b>LIABILITIES AND PARTNERS' CAPITAL:</b>		
Mortgage notes payable	\$ 1,461,857	\$ 1,287,732
Other liabilities	51,791	62,891
The Company's capital	273,140	342,935
Outside partners' capital	433,908	482,565



## COMBINED AND CONDENSED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES

For the years ended December 31,

	2000					1999					1998			
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Mgmt Co.'s	Total	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Mgmt Co.'s	Total	SDG Macerich Properties, L.P.	Other Joint Ventures	Mgmt Co.'s	Total
Revenues:														
Minimum rents	\$ 91,635	\$ 94,496	\$ 24,487	—	\$ 210,618	\$ 88,014	\$ 46,170	\$ 25,497	\$ 5,940	\$ 165,621	\$ 71,892	\$ 25,213	—	\$ 97,105
Percentage rents	6,282	5,872	2,077	—	14,231	7,422	3,497	2,268	191	13,378	6,138	1,208	—	7,346
Tenant recoveries	41,621	34,187	10,219	—	86,027	40,647	15,866	11,305	2,917	70,735	31,752	10,905	—	42,657
Management fee	—	—	—	\$ 12,944	12,944	—	—	—	10,033	10,033	—	—	\$ 6,605	6,605
Other	1,921	1,605	3,689	1,230	8,445	2,291	336	1,243	897	4,767	1,723	940	486	3,149
Total revenues	141,459	136,160	40,472	14,174	332,265	138,374	65,869	40,313	19,978	264,534	111,505	38,266	7,091	156,862
Expenses:														
Management Company expense	—	—	—	15,181	15,181	—	—	—	12,737	12,737	—	—	10,122	10,122
Shopping center expenses	51,962	37,217	20,360	—	109,539	50,972	18,373	13,205	2,724	85,274	38,673	12,877	—	51,550
Interest expense	40,119	46,527	7,457	(355)	93,748	30,565	21,642	7,579	5,291	65,077	26,432	7,129	(398)	33,163
Depreciation and amortization	23,573	20,238	3,081	1,068	47,960	21,451	10,463	3,362	2,405	37,681	17,383	4,288	787	22,458
Total operating expenses	115,654	103,982	30,898	15,894	266,428	102,988	50,478	24,146	23,157	200,769	82,488	24,294	10,511	117,293
Gain (loss) on sale of assets	416	—	12,336	(1,200)	11,552	5	—	961	(392)	574	29	140	(198)	(29)
Extraordinary loss on early extinguishment of debt	—	(375)	—	—	(375)	—	—	—	—	—	—	—	—	—
Cumulative effect of change in accounting principle	(1,053)	(397)	(98)	(9)	(1,557)	—	—	—	—	—	—	—	—	—
Net income (loss)	\$ 25,168	\$ 31,406	\$ 21,812	\$ (2,929)	\$ 75,457	\$ 35,391	\$ 15,391	\$ 17,128	\$ (3,571)	\$ 64,339	\$ 29,046	\$ 14,112	\$ (3,618)	\$ 39,540

Significant accounting policies used by the unconsolidated joint ventures and the 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 \$161,281 and \$156,219, for the years ended December 31, 2000 and 1999, 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 \$9,801, \$7,138 and \$3,786 for the years ended December 31, 2000, 1999, and 1998, respectively.

The following table sets forth the Operating Partnership's beneficial interest in the joint ventures and the Management Companies:

## PRO RATA SHARE OF COMBINED AND CONDENSED STATEMENT OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES

For the years ended December 31,

	2000					1999					1998			
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Mgmt Co.'s	Total	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Mgmt Co.'s	Total	SDG Macerich Properties, L.P.	Other Joint Ventures	Mgmt Co.'s	Total
Revenues:														
Minimum rents	\$ 45,818	\$ 48,192	\$ 7,963	—	\$ 101,973	\$ 44,007	\$ 23,547	\$ 7,822	\$ 5,643	\$ 81,019	\$ 35,946	\$ 7,763	—	\$ 43,709
Percentage rents	3,141	2,995	735	—	6,871	3,711	1,783	730	181	6,405	3,069	416	—	3,485
Tenant recoveries	20,810	17,436	3,121	—	41,367	20,323	8,092	3,214	2,771	34,400	15,876	2,963	—	18,839
Management fee	—	—	—	\$ 12,297	12,297	—	—	—	9,531	9,531	—	—	\$ 6,275	6,275
Other	960	819	554	1,169	3,502	1,146	171	262	852	2,431	862	212	461	1,535
Total revenues	70,729	69,442	12,373	13,466	166,010	69,187	33,593	12,028	18,978	133,786	55,753	11,354	6,736	73,843

Expenses:														
Management Company expense	—	—	—	14,422	14,422	—	—	—	12,100	12,100	—	—	9,616	9,616
Shopping center expenses	25,981	18,981	4,908	—	49,870	25,486	9,370	4,077	2,579	41,512	19,337	4,025	—	23,362
Interest	20,060	23,729	2,920	(337)	46,372	15,283	11,037	2,973	5,028	34,321	13,216	2,525	(378)	15,363
Depreciation and amortization	11,787	10,321	1,349	1,015	24,472	10,726	5,336	1,371	2,282	19,715	8,692	1,439	748	10,879
<b>Total operating costs</b>	<b>57,828</b>	<b>53,031</b>	<b>9,177</b>	<b>15,100</b>	<b>135,136</b>	<b>51,495</b>	<b>25,743</b>	<b>8,421</b>	<b>21,989</b>	<b>107,648</b>	<b>41,245</b>	<b>7,989</b>	<b>9,986</b>	<b>59,220</b>
Gain (loss) on sale of assets	208	—	1,358	(1,140)	426	3	—	176	(372)	(193)	15	30	(188)	(143)
Extraordinary loss on early extinguishment of debt	—	(191)	—	—	(191)	—	—	—	—	—	—	—	—	—
Cumulative effect of change in accounting principle	(527)	(202)	(49)	(9)	(787)	—	—	—	—	—	—	—	—	—
<b>Net income (loss)</b>	<b>\$ 12,582</b>	<b>\$ 16,018</b>	<b>\$ 4,505</b>	<b>\$ (2,783)</b>	<b>\$ 30,322</b>	<b>\$ 17,695</b>	<b>\$ 7,850</b>	<b>\$ 3,783</b>	<b>\$ (3,383)</b>	<b>\$ 25,945</b>	<b>\$ 14,523</b>	<b>\$ 3,395</b>	<b>\$ (3,438)</b>	<b>\$ 14,480</b>

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#### 4. Property:

Property is summarized as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Land	\$ 397,947	\$ 399,172
Building improvements	1,716,860	1,603,348
Tenant improvements	56,723	49,654
Equipment & furnishings	12,259	11,272
Construction in progress	44,679	111,089
	2,228,468	2,174,535
Less, accumulated depreciation	(294,884)	(243,120)
	<b>\$ 1,933,584</b>	<b>\$ 1,931,415</b>

Depreciation expense for the years ended December 31, 2000, 1999 and 1998 was \$51,764, \$52,592 and \$46,030, respectively.

A gain on sale of assets of \$95,981 for the year ended December 31, 1999 is a result of the Company selling approximately 49% of the membership interests of Stonewood and Lakewood to Ontario Teachers' on October 26, 1999 and the Company's sale of Huntington Center on November 16, 1999.

#### 5. Deferred Charges and Other Assets:

Deferred charges and other assets are summarized as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Leasing	\$ 40,783	\$ 32,934
Financing	20,779	20,773
	61,562	53,707
Less, accumulated amortization	(28,761)	(22,131)
	32,801	31,576
Other assets	22,522	23,489
	<b>\$ 55,323</b>	<b>\$ 55,065</b>

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#### 6. Mortgage Notes Payable:

Mortgage notes payable at December 31, 2000 and December 31, 1999 consist of the following:

*Carrying Amount of Notes*



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

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- (h) In connection with the acquisition of this Center, the joint venture assumed \$39,425 of debt. At acquisition, this debt was recorded at its fair value of \$41,475 which included an unamortized premium of \$2,050. This premium was being amortized as interest expense over the life of the loan using the effective interest method. The joint venture's monthly debt service was \$349 and was calculated based on an 8.60% interest rate. At December 31, 1999, the joint venture's unamortized premium was \$1,365. On June 1, 2000, the joint venture paid off in full the old debt and a new note was issued for \$61,000 bearing interest at a fixed rate of 8.06% and maturing June 2010. The new loan is interest only until December 31, 2001. Effective January 1, 2002, monthly principal and interest of \$450 will be payable through maturity. The new debt is cross-collateralized by Kitsap Mall and Kitsap Place.
- (i) 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 December 31, 2000 and at December 31, 1999.
- (j) 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 2002. At December 31, 2000, the total interest rate was 9.0%.
- (k) Concurrent with the acquisition, the joint venture placed \$76,700 of debt and obtained a construction loan for an additional \$16,000. Principal is drawn on the construction loan as costs are incurred. As of December 31, 2000 and December 31, 1999, \$15,038 and \$6,745 of principal has been drawn under the construction loan, respectively.
- (l) On December 1, 2000, the joint venture refinanced the debt on Stonewood. The prior loan was paid in full and a new note was issued for \$77,750 bearing interest at a fixed rate of 7.41% and maturing December 11, 2010. The joint venture incurred a loss on early extinguishment of the prior debt in 2000 of \$375.
- (m) In connection with the acquisition of these Centers, the joint venture assumed \$485,000 of mortgage notes payable which are secured 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 December 31, 2000 and December 31, 1999, the unamortized balance of the debt premium was \$16,113 and \$18,565, 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 7.21% and 6.96% at December 31, 2000 and December 31, 1999, 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 secured 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 7.08%. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 11.83%.

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- (n) On January 4, 1999, the joint venture replaced the prior debt with a new loan of \$40,000. The loan has an interest rate of 6.52% and matures January 2009. The debt is interest only until January 2001 at which time monthly payments of principal and interest will be due in the amount of \$299.

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

Total interest expense capitalized, including the prorata share of joint ventures, during 2000, 1999 and 1998 was \$8,619, \$7,243 and \$3,603, respectively.

The fair value of mortgage notes payable for wholly-owned Centers at December 31, 2000 and December 31, 1999 is estimated to be approximately \$1,282,163 and \$1,179,469, respectively, based on current interest rates for comparable loans.

The above debt matures as follows:

<b>Years Ending December 31,</b>	<b>Wholly-Owned Centers</b>	<b>Joint Venture Centers (at pro rata share)</b>	<b>Total</b>
2001	\$ 108,607	\$ 6,812	\$ 115,419
2002	11,858	15,762	27,620
2003	52,630	100,660	153,290
2004	129,297	8,977	138,274
2005	12,554	74,468	87,022
2006 and beyond	937,801	518,958	1,456,759
	\$ 1,252,747	\$ 725,637	\$ 1,978,384

The Company is currently in negotiations to refinance \$98.6 million of the debt maturing in 2001. The remaining debt maturing in 2001 reflects the amortization of principal on existing debt.

#### **7. Bank and Other Notes Payable:**

The Company has a credit facility of \$150,000 with a maturity of May 2002, bearing interest at LIBOR plus 1.15% at December 31, 2000. The line of credit was extended in March 2001 with the new interest rate on such credit facility fluctuating between 1.35% and 1.80% over LIBOR. As of December 31, 2000 and December 31, 1999, \$59,000 and \$57,400 of borrowings were outstanding under this line of credit at interest rates of 7.90% and 7.65%, respectively.

Additionally, as of December 31, 2000, the Company issued \$10,776 in letters of credit guaranteeing performance by the Company of certain obligations. The Company does not believe that these letters of credit will result in a liability to the Company.

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During January 1999, the Company entered into a bank construction loan agreement to fund \$89,200 of costs related to the redevelopment of Pacific View. The loan bore interest at LIBOR plus 2.25% through 2000. In January 2001, the interest rate was reduced to LIBOR plus 1.75% and the loan matures in February 2002. Principal was drawn as construction costs were incurred. As of December 31, 2000 and 1999, \$88,340 and \$72,671, respectively, of principal has been drawn under the loan.

In addition, the Company had a note payable of \$30,600 due in February 2000 payable to the seller of the PPRT portfolio. The note bore interest at 6.5%. The entire \$30,600 loan was paid off on February 18, 2000.

#### **8. Convertible Debentures:**

During 1997, the Company issued and sold \$161,400 of convertible subordinated debentures (the "Debentures") due 2002. 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. The Company recorded a gain on early extinguishment of debt of \$1,018 related to the transaction. The Debentures mature on December 15, 2002 and are callable by the Company after June 15, 2002 at par plus accrued interest.

#### **9. Related-Party Transactions:**

The Company engaged the Management Companies to manage the operations of its properties and certain unconsolidated joint ventures. During 2000, 1999 and 1998, management fees of \$3,094, \$3,247 and \$2,817, respectively, were paid to the Management Companies by the Company. During 2000, 1999 and 1998, management fees of \$7,322, \$4,982, and \$2,375, respectively, were paid to the Management Companies by the joint ventures.

Certain mortgage notes are held by one of the Company's joint venture partners. Interest expense in connection with these notes was \$10,187, \$10,171 and \$10,224 for the years ended December 31, 2000, 1999 and 1998, respectively. Included in accounts payables and accrued expense is interest payable to these partners of \$612 and \$513 at December 31, 2000 and 1999, respectively.

In 1997 and 1999, certain executive officers received loans from the Company totaling \$6,500. These loans are full recourse to the executives. \$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 loans was forgiven with respect to three of these officers and charged to compensation expense. The \$500 loan issued in 1997 is non interest bearing and is forgiven ratably over a five year term. These loans receivable are included in other assets at December 31, 2000 and 1999.

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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.

#### **10. Future Rental Revenues:**

Under existing noncancellable operating lease agreements, tenants are committed to pay the following minimum rental payments to the Company:

##### ***Years Ending December 31,***

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2001	\$ 170,187
2002	162,050
2003	148,303
2004	133,805
2005	115,448
2006 and beyond	401,437
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	\$ 1,131,230

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#### **11. Commitments and Contingencies:**

The Company has certain properties subject to noncancellable operating ground leases. The leases expire at various times through 2070, 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 \$345, \$890 and \$1,125 for the years ended December 31, 2000, 1999 and 1998, respectively. No contingent rent was incurred for the years ended December 31, 2000, 1999 or 1998.

Minimum future rental payments required under the leases are as follows:

**Years Ending December 31,**

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2001	\$ 1,250
2002	2,014
2003	2,014
2004	2,019
2005	2,019
2006 and beyond	115,376

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\$ 124,692

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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

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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. A total of \$187, \$149 and \$153 have already been incurred by the joint venture for remediation and professional and legal fees for the years ending December 31, 2000, 1999 and 1998, respectively. An additional \$71 remains reserved by the joint venture as of December 31, 2000. The joint venture has been sharing costs on a 50/50 basis with a former owner of the property and intends to look to additional responsible parties for recovery.

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 includes a reserve of \$3,300 to cover future removal of this asbestos, as necessary. The Company incurred \$26, \$91 and \$255 in remediation costs for the years ending December 31, 2000, 1999 and 1998, respectively.

**12. Profit Sharing Plan:**

The Management Companies and the Company have a retirement profit sharing plan that was established in 1984 covering substantially all of their eligible employees. The plan is qualified in accordance with section 401(a) of the Internal Revenue Code. Effective January 1, 1995, this plan was modified to include a 401(k) plan whereby employees can elect to defer compensation subject to Internal Revenue Service withholding rules. This plan was further amended effective February 1, 1999, to add the Macerich Company Common Stock Fund as a new investment alternative under the plan. A total of 150,000 shares of common stock were reserved for issuance under the plan. Contributions by the Management Companies are made at the discretion of the Board of Directors and are based upon a specified percentage of employee compensation. The Management Companies and the Company contributed \$833, \$615 and \$509 to the plan during the years ended December 31, 2000, 1999 and 1998, respectively.

**13. Stock Option Plan:**

The Company has established an employee stock incentive plan under which stock options or restricted stock and/or other stock awards may be awarded for the purpose of attracting and retaining executive

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officers, directors and key employees. The Company has issued options to employees and directors to purchase shares of the Company under the stock incentive plan. The term of these options is ten years from the grant date. These options generally vest 33<sup>1</sup>/<sub>3</sub>% per year over three years and were issued and are exercisable at the market value of the common stock at the grant date.

In addition, the Company has established a plan for non employee directors. The non employee director options have a term of ten years from the grant date, vest six months after grant and are issued at the market value of the common stock on the grant date. The plan reserved 50,000 shares of which 47,500 shares were granted as of December 31, 2000.

The Company issued 559,448 shares of restricted stock under the employees stock incentive plan to executives. These awards are granted based on certain performance criteria for the Company. The restricted stock generally vests over 3 to 5 years and the compensation expense related to these grants is determined by the market value at the vesting date and is amortized over the vesting period on a straight line basis. As of December 31, 2000 and 1999, 169,559 and 85,962 shares, respectively, of restricted stock had vested. A total of 169,556 shares at a weighted average price of \$20.125 were issued in 2000, 176,600 shares at a weighted average price of \$22.69 were issued in 1999, 83,018 shares at a weighted average price of \$28.71 were issued during 1998 and 89,958 shares at a weighted average price of \$27.46 were issued during 1997. Restricted stock is subject to restrictions determined by the Company's compensation committee. Restricted stock has the same dividend and voting rights as common stock and is considered issued when vested. Compensation expense for restricted stock was \$2,220, \$2,037 and \$945 in 2000, 1999 and 1998, respectively.

Approximately 31,000 and 319,000 additional shares were reserved and were available for issuance under the stock incentive plan at December 31, 2000 and 1999, respectively. The plan allows for, among other things, granting options or restricted stock at market value.

The Company has established an additional employee stock incentive plan in November of 2000 which provides for the granting of stock options, restricted stock and other stock awards for the purpose of attracting and retaining executive officers, directors and key employees. No stock awards have been granted under this new plan as of December 31, 2000.

	<i>Employee Plan</i>		<i>Director Plan</i>		<i># of Options Exercisable At Year End</i>	<i>Weighted Average Exercise Price On Exercisable Options At Year End</i>
	<i>Shares</i>	<i>Option Price Per Share</i>	<i>Shares</i>	<i>Option Price Per Share</i>		
Shares outstanding at December 31, 1997	1,619,891	\$ 19.00-\$ 26.88	32,500	\$ 19.00-\$ 28.50	1,230,227	\$ 20.58
Granted	432,500	\$ 27.25-\$ 27.380	5,000	\$ 25.625		
Exercised	(66,080)	\$ 19.00	(7,000)	\$ 19.00-\$ 21.375		
Shares outstanding at December 31, 1998	1,986,311	\$ 19.00-\$ 27.38	30,500	\$ 19.00-\$ 28.50	1,330,654	\$ 19.38
Granted	520,000	\$ 23.375	5,000	\$ 20.688		
Exercised	(88,250)	\$ 19.00	—			
Forfeited	(18,500)	—	—			
Shares outstanding at December 31, 1999	2,399,561	\$ 19.00-\$ 27.38	35,500	\$ 19.00-\$ 28.50	1,536,473	\$ 21.72
Granted	60,000	\$ 19.813-\$ 20.313	5,000	\$ 19.813		
Exercised	(15,000)	\$ 19.00	—			
Shares outstanding at December 31, 2000	2,444,561	\$ 19.00-\$ 27.38	40,500	\$ 19.00-\$ 28.50	1,934,680	\$ 21.91

The weighted average exercise price for options granted in 1997 was \$27.06, in 1998 was \$27.38, in 1999 was \$23.35 and in 2000 was \$20.12.

The weighted average remaining contractual life for options outstanding at December 31, 2000 was 5 years and the weighted average remaining contractual life for options exercisable at December 31, 2000 was 5 years.

The Company records options granted using Accounting Principles Board (APB) opinion Number 25, "Accounting for Stock Issued to Employees and Related Interpretations." Accordingly, no compensation

expense is recognized on the date the options are granted. If the Company had recorded compensation expense using the methodology prescribed in SFAS 123, "Accounting for Stock-Based Compensation," the Company's net income would have been reduced by approximately \$471 or \$0.01 per share for the year ended December 31, 2000, \$488 or \$0.01 per share for the year ended December 31, 1999 and \$228 or \$0.00 per share for the year ended December 31, 1998.

The weighted average fair value of options granted during 2000, 1999 and 1998 were \$1.27, \$0.98 and \$2.01, respectively. The fair value of each option grant issued in 2000, 1999 and 1998 is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: (a) dividend yield of 10.2% in 2000, 10% in 1999 and 7.8% in 1998, (b) expected volatility of the Company's stock of 20.35% in 2000, 17.29% in 1999 and 17.26% in 1998, (c) a risk free interest rate based on U.S. Zero Coupon Bonds with time of maturity approximately equal to the options' expected time to exercise and (d) expected option lives of five years for options granted in 2000, 1999 and 1998.

#### 14. Deferred Compensation Plans:

The Company has established deferred compensation plans under which key executives of the Company may elect to defer receiving a portion of their cash compensation otherwise payable in one calendar year until a later year. The Company may, as determined by the Board of Directors at its sole discretion, credit a participant's account with an amount equal to a percentage of the participant's deferral. The Company contributed \$387, \$296 and \$295 to the plans during the years ended December 31, 2000, 1999 and 1998, respectively.

In addition, certain executives have split dollar life insurance agreements with the Company whereby the Company generally pays annual premiums on a life insurance policy in an amount equal to the executives deferral under one of the Company's deferred compensation plans.

#### 15. Stock Repurchase Program:

On November 10, 2000, the Company's Board of Directors approved a stock repurchase program of up to 3.4 million shares of common stock. As of December 31, 2000, the Company repurchased 564,000 shares of its common stock at an average price of \$19.02 per share.

#### 16. 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.

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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 of 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 Stock holder 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.

Although the Company believes that the likelihood of redemption occurring is remote, it has revised its 1999 consolidated financial statements in accordance with the Securities and Exchange Commission's Accounting Series Release No. 268. As a result, the carrying value of the Series A Preferred Stock and Series B Preferred Stock as redeemable, which was previously presented as a component of common stockholders' equity, has now been presented outside of common stockholders' equity as of December 31, 1999.

The matter described above had no effect on the Company's net income, total assets or total liabilities.

The Company's previously reported redeemable preferred stock was at \$0 at December 31, 1999. After reflecting adjustments of \$98,934 and \$148,402 to present the Series A Preferred Stock and Series B Preferred Stock as redeemable, the redeemable preferred stock, as revised, is \$247,336 at December 31, 1999. The Company's previously reported Minority Interest in Operating Partnership was \$157,599 at December 31, 1999. In connection with the Series A Preferred Stock and Series B Preferred Stock being presented outside of common stockholders' equity, Minority Interest in Operating Partnership, as revised, is \$129,295 at December 31, 1999. The Company's previously reported common stockholders' equity was \$620,286 at December 31, 1999. After reflecting adjustments of \$98,934 and \$148,402 to present the Series A Preferred Stock and Series B Preferred Stock as redeemable and the related adjustment to Minority Interest in Operating Partnership, the Company's common stockholders' equity, as revised, is \$401,254 at December 31, 1999.

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#### 17. Quarterly Financial Data (Unaudited):

The following is a summary of periodic results of operations for 2000 and 1999:

	<i>2000 Quarter Ended</i>				<i>1999 Quarter Ended</i>			
	<i>Dec 31</i>	<i>Sept 30</i>	<i>June 30</i>	<i>Mar 31</i>	<i>Dec 31</i>	<i>Sept 30</i>	<i>June 30</i>	<i>Mar 31</i>
Revenues	\$ 91,597	\$ 76,937	\$ 76,255	\$ 75,303	\$ 84,676	\$ 83,244	\$ 80,675	\$ 78,849
Income before minority interest and extraordinary items	26,658	15,102	14,628	13,976	117,438	17,200	16,665	17,521
Income before extraordinary items	16,199	8,153	7,597	7,289	84,327	9,153	9,001	9,870
Net income—available to common stockholders	16,879	7,169	7,597	6,326	83,865	9,125	8,986	8,897
Income before extraordinary items and cumulative effect of change in accounting principle per share	\$ 0.46	\$ 0.24	\$ 0.22	\$ 0.22	\$ 2.48	\$ 0.27	\$ 0.26	\$ 0.29
Net income—available to common stockholders per share—basic	\$ 0.46	\$ 0.21	\$ 0.22	\$ 0.22	\$ 2.47	\$ 0.27	\$ 0.26	\$ 0.26

For all quarterly balance sheet dates, an amount of \$247,366 and approximately \$31,000, previously presented in common stockholders' equity is now presented as redeemable preferred stock and minority interest, respectively.

#### 18. Segment Information:

During 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 established standards for disclosure about operating segments and related disclosures about products and services, geographic areas and major customers. The Company currently operates in one business segment, the acquisition, ownership, redevelopment, management and leasing of regional and community shopping centers. Additionally, the Company operates in one geographic area, the United States.



## 19. Subsequent Events:

On February 13, 2001 a dividend/distribution of \$0.53 per share was declared for common stockholders and OP Unit holders of record on February 22, 2001. In addition, the Company declared a dividend of \$0.53 on the Company's Series A Preferred Stock and a dividend of \$0.53 on the Company's Series B Preferred Stock. All dividends/distributions will be payable on March 7, 2001.

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## Report of Independent Accountants

To the Board of Trustees and Stockholders of Pacific Premier Retail Trust:

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 39 present fairly, in all material respects, the financial position of Pacific Premier Retail Trust (the "Trust") at December 31, 2000 and 1999, and the results of its operations and its cash flows for the year ended December 31, 2000 and for the period from February 18, 1999 (Inception) to December 31, 1999 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(4) on page 40 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2000, the Trust adopted Staff Accounting Bulletin 101.

PricewaterhouseCoopers LLP  
February 13, 2001

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## PACIFIC PREMIER RETAIL TRUST (A Maryland Real Estate Investment Trust)

### CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	<i>December 31,</i>	
	<i>2000</i>	<i>1999</i>
<b>ASSETS:</b>		
Property, net	\$ 1,001,484	\$ 984,743
Cash and cash equivalents	12,174	4,295
Tenant receivables, net	9,756	6,793
Deferred rent receivables	5,806	2,501
Deferred charges, less accumulated amortization of \$851 and \$161 at December 31, 2000 and 1999, respectively	3,745	1,116
Other assets	612	778
Total assets	\$ 1,033,577	\$ 1,000,226
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Mortgage notes payable:		
Related parties	\$ 89,215	\$ 82,839
Others	621,465	587,948
Total	710,680	670,787
Accounts payable	2,524	3,086
Accrued interest payable	3,705	3,556
Accrued real estate taxes	1,486	912
Tenant security deposits	1,171	1,018
Other accrued liabilities	3,425	9,192
Due to related parties	1,802	1,479
Total liabilities	724,793	690,030
Commitments (Note 8)		
Stockholders' equity:		
Series A redeemable preferred stock, \$.01 par value, 625 shares authorized, issued and outstanding at	—	—

December 31, 2000 and 1999

Common stock, \$.01 par value, 219,611 shares authorized issued and outstanding at December 31, 2000 and 1999

Additional paid in capital	307,613	307,613
Accumulated earnings	1,169	2,581
<b>Total stockholders' equity</b>	<b>308,784</b>	<b>310,196</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,033,577</b>	<b>\$ 1,000,226</b>

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

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**PACIFIC PREMIER RETAIL TRUST**  
(A Maryland Real Estate Investment Trust)

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**For the Year Ended December 31, 2000 and  
for the Period from February 18, 1999 (Inception)  
through December 31, 1999**

(Dollars in thousands)

	<b>2000</b>	<b>1999</b>
<b>Revenues:</b>		
Minimum rents	\$ 94,496	\$ 46,170
Percentage rents	5,872	3,497
Tenant recoveries	34,187	15,866
Other income	1,605	336
<b>Total revenues</b>	<b>136,160</b>	<b>65,869</b>
<b>Expenses:</b>		
Interest	46,527	21,642
Depreciation and amortization	20,238	10,463
Maintenance and repairs	9,051	4,627
Real estate taxes	10,317	4,743
Management fees	4,584	2,253
General and administrative	2,280	1,132
Ground rent	634	905
Insurance	891	301
Marketing	895	662
Utilities	4,978	2,012
Security	3,524	1,724
<b>Total expenses</b>	<b>103,919</b>	<b>50,464</b>
Income before minority interest, extraordinary item and cumulative effect of change in accounting principle	32,241	15,405
Minority interest	63	14
Extraordinary loss on early extinguishment of debt	375	—
Cumulative effect of change in accounting principle	397	—
<b>Net income</b>	<b>\$ 31,406</b>	<b>\$ 15,391</b>

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

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**PACIFIC PREMIER RETAIL TRUST**  
(A Maryland Real Estate Investment Trust)

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**For the Year Ended December 31, 2000 and  
for the Period from February 18, 1999 (Inception)  
through December 31, 1999**

**(Dollars in thousands, except share data)**

	Common stock (# of shares)	Preferred stock (# of shares)	Common stock Par value	Additional Paid in capital	Accumulated Earnings	Total Stockholders' Equity
Common stock issued to Macerich PPR Corp.	111,691		\$ 1	\$ 115,527		\$ 115,528
Common stock issued to Ontario Teachers' Pension Plan Board	107,920		1	189,677		189,678
Preferred stock issued		625		2,500		2,500
Issuance costs				(91)		(91)
Distributions paid to Macerich PPR Corp.					\$ (6,524)	(6,524)
Distributions paid to Ontario Teachers' Pension Plan Board					(6,268)	(6,268)
Other distributions paid					(18)	(18)
Net income					15,391	15,391
Balance December 31, 1999	219,611	625	2	307,613	2,581	310,196
Cash contributions by Macerich PPR Corp.					8,679	8,679
Cash contributions by Ontario Teachers' Pension Plan Board					8,340	8,340
Distributions paid to Macerich PPR Corp.					(25,324)	(25,324)
Distributions paid to Ontario Teachers' Pension Plan Board					(24,438)	(24,438)
Other distributions paid					(75)	(75)
Net income					31,406	31,406
Balance December 31, 2000	219,611	625	\$ 2	\$ 307,613	\$ 1,169	\$ 308,784

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

**PACIFIC PREMIER RETAIL TRUST  
(A Maryland Real Estate Investment Trust)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Year Ended December 31, 2000 and  
for the Period from February 18, 1999 (Inception)  
through December 31, 1999**

**(Dollars in thousands)**

	<b>2000</b>	<b>1999</b>
Cash flows from operating activities:		
Net income	\$ 31,406	\$ 15,391
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,238	10,463
Extraordinary loss on early extinguishment of debt	375	—
Cumulative effect of change in accounting principle	397	—
Changes in assets and liabilities:		
Tenant receivables, net	(3,360)	(3,438)
Deferred rent receivables	(3,305)	(2,501)
Other assets	166	27
Accounts payable	(562)	2,870
Accrued interest payable	149	2,285
Accrued real estate taxes	574	(1,228)
Tenant security deposits	153	315
Other accrued liabilities	(5,767)	5,449
Due to related parties	323	4,108
Total adjustments	9,381	18,350
Net cash flows provided by operating activities	40,787	33,741

Cash flows from investing activities:		
Acquisition of property and improvements	(36,284)	(389,536)
Deferred leasing costs	(2,372)	(704)
Net cash flows used in investing activities	(38,656)	(390,240)
Cash flows from financing activities:		
Proceeds from notes payable	163,188	203,444
Payments on notes payable	(123,670)	(4,942)
Net proceeds from preferred stock offering	—	409
Contributions	17,019	175,266
Distribution	(49,762)	(12,792)
Preferred dividends paid	(75)	(18)
Deferred finance costs	(952)	(573)
Net cash flows provided by financing activities	5,748	360,794
Net increase in cash	7,879	4,295
Cash, beginning of period	4,295	—
Cash, end of year	\$ 12,174	\$ 4,295
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	\$ 46,378	\$ 18,087
Non-cash transactions:		
Non-cash contribution of assets, net of assumed debt	—	\$ 131,100
Non-cash assumption of debt	—	\$ 150,625

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

## 1. Organization and Basis of Presentation:

On February 18, 1999, Macerich PPR Corp. (the "Corp"), an indirect wholly owned subsidiary of The Macerich Company (the "Company"), and Ontario Teachers' Pension Plan Board ("Ontario Teachers") acquired a portfolio of properties in the first of a two-phase acquisition and formed the Pacific Premier Retail Trust (the "Trust").

The first phase of the acquisition consisted of three regional malls, the retail component of a mixed-use development and five contiguous properties comprising approximately 3.4 million square feet for a total purchase price of approximately \$415,000. The purchase price was funded with a \$120,000 loan placed concurrently with the closing, \$109,800 of debt from an affiliate of the seller and \$39,400 of assumed debt. The balance of the purchase price was paid in cash.

The second phase consisted of the acquisition of the office component of the mixed-use development for a purchase price of approximately \$111,000. The purchase price was funded with a \$76,700 loan placed concurrently with the closing and the balance was paid in cash.

On October 26, 1999, 99% of the membership interests of Los Cerritos Center and Stonewood Mall and 100% of the membership interests of Lakewood Mall were contributed to the Trust. The total value of the transaction was approximately \$535,000. The properties were contributed to the Trust subject to existing debt of \$322,000. The properties were recorded at approximately \$453,100 to reflect the cost basis of the assets contributed to the Trust.

The Trust was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The Corp maintains a 51% ownership interest in the Trust, while Ontario Teachers' maintains a 49% ownership interest in the Trust.

The properties as of December 31, 2000 and their locations are as follows:

Cascade Mall	Burlington, Washington
Creekside Crossing Mall	Redmond, Washington
Cross Court Plaza	Burlington, Washington
Kitsap Mall	Silverdale, Washington
Kitsap Place Mall	Silverdale, Washington
Lakewood Mall	Lakewood, California
Los Cerritos Center	Cerritos, California
Northpoint Plaza	Silverdale, Washington
Redmond Towne Center	Redmond, Washington
Redmond Office	Redmond, Washington
Stonewood Mall	Downey, California
Washington Square Mall	Tigard, Oregon
Washington Square Too	Tigard, Oregon

## 2. Summary of Significant Accounting Policies:

### *Cash and Cash Equivalents:*

The Trust considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents, for which cost approximates fair value. Included in cash is restricted cash of \$2,009 and \$1,299 at December 31, 2000 and 1999, respectively.

### *Tenant Receivables:*

Included in tenant receivables are accrued overage rents of \$2,630 and \$2,835 and an allowance for doubtful accounts of \$258 and \$171 at December 31, 2000 and 1999, respectively.

### *Revenues:*

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." Rental income was increased by \$3,306 and \$2,501 in 2000 and 1999, respectively, due to the straight lining of rents. Percentage rents are recognized on an accrual basis. Recoveries from tenants for real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable costs are incurred.

### *Property:*

Costs related to the redevelopment, construction and improvement of properties are capitalized. Interest costs are capitalized until construction is substantially complete.

Expenditures for maintenance and repairs are charged to operations as incurred. 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 lives of the assets as follows:

Building and improvements	5-39 years
Tenant improvements	initial term of related lease
Equipment and furnishings	5 years

The Trust 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 Trust may recognize an impairment loss if the income stream is not sufficient to cover its investments. Such a loss would be

determined as the difference between the carrying value and the fair value of a property. Management believes no such impairment has occurred in its net property carrying values at December 31, 2000 and 1999.

### *Deferred Charges:*

Costs relating to financing of properties and obtaining tenant leases are deferred and amortized over the initial term of the agreement. The straight-line method is used to amortize all costs except financing, for which the effective interest method is used. The range of the terms of the agreements are as follows:

Deferred lease costs	1-9 years
Deferred financing costs	1-12 years

### *Income taxes:*

The Trust has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. A REIT is generally not subject to income taxation on that portion of its income that qualifies as REIT taxable income as long as it distributes at least 95% of its taxable income to its stockholders and complies with other requirements. Accordingly, no provision has been made for income taxes in the financial statements.

### *Accounting Pronouncements:*

In December 1999, the Securities and Exchange Committee issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which became effective for periods beginning after December 15, 1999. This bulletin modified the timing of revenue recognition for percentage rent received from tenants. This change will defer recognition of a significant amount of percentage rent for the first three calendar quarters into the fourth quarter. The Trust applied this change in accounting principle as of January 1, 2000. The cumulative effect of this change in accounting principle at the adoption date of January 1, 2000, was approximately \$397. If the Trust had recorded percentage rent using the methodology prescribed in SAB 101, the Trust's net income would have been reduced by \$397 for the period ended December 31, 1999.

In June 1998, 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 will be 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. In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities," which delays the implementation of SFAS 133 from January 1, 2000 to January 1, 2001. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an

Amendment of FASB Statement No. 133, ("SFAS 138") which amends the accounting and reporting standards of SFAS 133. The Trust has determined the implementation of SFAS 133 and SFAS 138 will not have an impact on its consolidated financial statements.

*Fair Value of Financial Instruments:*

To meet the reporting requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," the Trust calculates the fair value of financial instruments and includes this additional information in the notes to the consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made. The estimated fair value amounts have been determined by the Trust using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Trust could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

*Concentration of Risk:*

The Trust maintains its cash accounts in a number of commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$100. At various times during the year, the Trust had deposits in excess of the FDIC insurance limit.

AT&T Wireless Services represented 12.8% and 9.5% of total minimum rents in place as of December 31, 2000 and 1999, respectively; and no other tenant represented more than 3.8% and 2.7% of total minimum rents as of December 31, 2000 and 1999.

*Management Estimates:*

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

### 3. Property:

Property is summarized as follows:

	<i>December 31,</i>	
	<i>2000</i>	<i>1999</i>
Land	\$ 237,754	\$ 239,194
Building and improvements	783,170	735,258
Tenant improvements	2,348	89
Equipment and furnishings	1,417	148
Construction in progress	6,640	20,356
	1,031,329	995,045
Less, accumulated depreciation	(29,845)	(10,302)
	\$ 1,001,484	\$ 984,743

### 4. Mortgage Notes Payable:

Mortgage notes payable at December 31, 2000 and 1999 consist of the following:

<i>Property Pledged As Collateral</i>	<i>Carrying Amount of Notes</i>				<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Maturity Date</i>
	<i>2000</i>		<i>1999</i>				
	<i>Other</i>	<i>Related Party</i>	<i>Other</i>	<i>Related Party</i>			
Cascade Mall	\$ 26,002	—	\$ 27,130	—	6.50%	239(a)	2014
Kitsap Mall/Kitsap Place(b)	61,000	—	40,101	—	8.06%	450(a)	2010
Lakewood Mall(c)	127,000	—	127,000	—	7.20%	interest only	2005
Lakewood Mall(d)	16,125	—	—	—	9.00%	interest only	2002
Los Cerritos Center	117,988	—	119,430	—	7.13%	826(a)	2006
North Point Plaza	3,571	—	3,705	—	6.50%	31(a)	2015
Redmond Town Center—Retail	63,090	—	64,202	—	6.50%	439(a)	2011
Redmond Town Center—Office(e)	—	\$ 89,215	—	\$ 82,839	6.77%	726(a)	2009

Stonewood Mall(f)	77,750	—	75,000	—	7.41%	539(a)	2010
Washington Square	116,551	—	118,571	—	6.70%	825(a)	2009
Washington Square Too	12,388	—	12,809	—	6.50%	104(a)	2016
<b>Total</b>	<b>\$ 621,465</b>	<b>\$ 89,215</b>	<b>\$ 587,948</b>	<b>\$ 82,839</b>			

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

(b) In connection with the acquisition of this property, the Trust assumed \$39,425 of debt. At acquisition, this debt was recorded at fair value of \$41,475 which included an unamortized premium of \$2,050. This premium was being amortized as interest expense over the life of the loan using the effective interest method. The Trust's monthly debt service was \$349 and was calculated based on an 8.60% interest rate. At December 31, 1999, the Trust's unamortized premium was \$1,365. On June 1, 2000, the Trust paid off in full the old debt and a new note was issued for \$61,000 bearing interest at a fixed rate of 8.06% and maturing June 2010. The new loan is interest only until December 31, 2001. Effective January 1, 2002, monthly principal and interest of \$450 will be payable through maturity. The new debt is cross-collateralized by Kitsap Mall and Kitsap Place.

(c) In connection with the acquisition of this property, the Trust 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 Trust 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 December 31, 2000 and 1999.

(d) On July 28, 2000, the Trust placed a \$16,125 floating rate note on the property bearing interest at LIBOR plus 2.25% and maturing July 2002. At December 31, 2000, the total interest rate was 9.0%.

(e) Concurrent with the acquisition of the property, the Trust placed \$76,700 of debt and obtained a construction loan for an additional \$16,000. Principal is drawn on the construction loan as costs are incurred. As of December 31, 2000 and 1999, \$15,038 and \$6,745 of principal has been drawn under the construction loan, respectively.

(f) On December 1, 2000, the Trust refinanced the debt on this property. The old loan was paid in full and a new note was issued for \$77,750 bearing interest at a fixed rate of 7.41% and maturing December 11, 2010. The Trust incurred a loss on early extinguishment of the old debt in 2000 of \$375.

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

Total interest costs capitalized for the years ended December 31, 2000 and 1999 was \$1,905 and \$290, respectively.

The fair value of mortgage notes payable at December 31, 2000 and 1999 is estimated to be approximately \$714,084 and \$621,393, respectively, based on interest rates for comparable loans.

The above debt matures as follows:

**Years Ending December 31,**

2001	\$ 9,389
2002	26,681
2003	11,986
2004	12,806
2005	140,905
2006 and beyond	508,913
	<b>\$ 710,680</b>

**5. Related Party Transactions:**

The Trust engages the Macerich Management Company (the "Management Company"), an affiliate of the Company, to manage the operations of the Trust. The Management Company provides property management, leasing, corporate, redevelopment and acquisitions services to the properties of the Trust. In consideration of these services, the Management Company receives monthly management fees ranging from 1.0% to 4.0% of the gross monthly rental revenue of the properties managed. During the year ended 2000 and the period ended 1999, the Trust incurred management fees of \$4,584 and \$2,253, respectively, to the Management Company.

A mortgage note collateralized by the office component of Redmond Town Center is held by one of the Company's joint venture partners. In connection with this note, interest expense was \$4,953 and \$2,192 during the year ended December 31, 2000 and the period ended 1999, respectively. Additionally, \$386 and \$248 of interest costs were capitalized during the year ended December 31, 2000 and the period ended 1999, respectively, in relation to this note.

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**6. Future Rental Revenues:**

The property leases generally provide for fixed annual minimum rent, overage rent based on sales, and reimbursement for certain operating expenses, including real estate taxes. For leases in effect at December 31, 2000, fixed minimum rents to be received in each of the next five years and thereafter are summarized as follows:

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2001	\$ 88,792
2002	86,274
2003	80,406
2004	74,884
2005	68,056
Thereafter	328,607

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\$ 727,019

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#### 7. Redeemable Preferred Stock:

On October 6, 1999, the Trust issued 125 shares of Series A Redeemable Preferred Shares of Beneficial Interest ("Preferred Stock") for proceeds totaling \$500 in a private placement. On October 26, 1999, the Trust issued 254 and 246 shares of Preferred Stock to the Corp and Ontario Teachers', respectively. The Preferred Stock can be redeemed by the Trust at any time with 15 days notice for \$4,000 per share plus accumulated and unpaid dividends and the applicable redemption premium. The Preferred Stock will pay a semiannual dividend equal to \$300 per share. The Preferred Stock has limited voting rights.

#### 8. Commitments:

The Trust has certain properties subject to non-cancelable operating ground leases. The leases expire at various times through 2069, subject in some cases to options to extend the terms of the lease. Ground rent expense, net of amounts capitalized, was \$634 and \$905 for the year ended December 31, 2000 and the period ended 1999, respectively.

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Minimum future rental payments required under the leases are as follows:

#### *Years Ending December 31,*

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2001	\$ 1,130
2002	1,130
2003	1,145
2004	1,145
2005	1,145
Thereafter	64,129

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\$ 69,824

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#### Independent Auditors' Report

The Partners SDG Macerich Properties, L.P.:

We have audited the accompanying balance sheets of SDG Macerich Properties, L.P. as of December 31, 2000 and 1999, and the related statements of operations, cash flows, and partners' equity for each of the years in the three year period ended December 31, 2000. In connection with our audits of the financial statements, we have also audited the related financial statement schedule (Schedule III). These financial statements and the financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SDG Macerich Properties, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule (Schedule III), when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2(a) to the financial statements, the Partnership changed its method of accounting for overage rent in 2000.

Indianapolis, Indiana  
February 9, 2001



## SDG MACERICH PROPERTIES, L.P.

## BALANCE SHEETS

As of December 31, 2000 and 1999

(Dollars in thousands)

	2000	1999
<b>ASSETS:</b>		
Properties:		
Land	\$ 199,962	200,123
Building and improvements	829,542	815,559
Equipment and furnishings	1,955	1,125
	1,031,459	1,016,807
Less accumulated depreciation	62,019	38,818
	969,440	977,989
Cash and cash equivalents	7,088	8,332
Tenant receivables, including accrued revenue, less allowance for doubtful accounts of \$1,648 and \$979	20,507	20,700
Due from affiliates	97	126
Deferred financing costs, net of accumulated amortization of \$358	2,508	—
Prepaid real estate taxes and other assets	1,327	2,052
	\$ 1,000,967	1,009,199
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
Mortgage notes payable	\$ 639,114	503,565
Accounts payable	5,945	7,755
Due to affiliates	156	447
Accrued real estate taxes	15,223	14,859
Accrued interest expense	2,064	1,562
Accrued management fee	557	508
Other liabilities	681	674
	663,740	529,370
Partners' equity	337,227	479,829
	\$ 1,000,967	1,009,199

See accompanying notes to financial statements.

## SDG MACERICH PROPERTIES, L.P.

## STATEMENTS OF OPERATIONS

Years ended December 31, 2000, 1999 and 1998

(Dollars in thousands)

	2000	1999	1998
<b>Revenues:</b>			
Minimum rents	\$ 91,333	88,051	72,016
Overage rents	5,848	6,905	5,782
Tenant recoveries	47,593	47,161	35,806
Other	2,599	2,382	1,822
	147,373	144,499	115,426
<b>Expenses:</b>			
Property operations	17,955	18,750	13,561

Depreciation of properties	23,201	21,451	17,383
Real estate taxes	18,464	18,603	13,577
Repairs and maintenance	8,577	6,979	6,312
Advertising and promotion	6,843	7,481	5,013
Management fees	3,762	3,763	3,062
Provision for credit losses	1,289	748	809
Interest on mortgage notes	40,477	30,565	26,432
Other	584	768	231
	121,152	109,108	86,380

Income before cumulative effect of a change in accounting principle	26,221	35,391	29,046
Cumulative effect of a change in accounting for overage rent	(1,053)	—	—
Net income	\$ 25,168	35,391	29,046

See accompanying notes to financial statements.

## SDG MACERICH PROPERTIES, L.P.

### STATEMENTS OF CASH FLOWS

Years ended December 31, 2000, 1999 and 1998

(Dollars in thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 25,168	35,391	29,046
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of properties	23,201	21,451	17,383
Amortization of debt premium	(2,451)	(2,303)	(1,843)
Amortization of financing costs	358	—	—
Change in tenant receivables	192	(121)	(14,452)
Other items	(1,481)	(2,248)	8,344
Net cash provided by operating activities	44,987	52,170	38,478
Cash flows from investing activities:			
Acquisition of properties, net of mortgage notes and other liabilities assumed of \$519,259 in 1998	—	—	(480,392)
Additions to properties	(14,819)	(12,394)	(4,922)
Proceeds from sale of land	424	—	—
Net cash used by investing activities	(14,395)	(12,394)	(485,314)
Cash flows from financing activities:			
Payments of mortgage note	(500)	—	—
Proceeds from mortgage notes payable	138,500	—	—
Deferred financing costs	(2,866)	—	—
Contributions by partners	—	—	480,392
Distributions to partners, net of \$800 non-cash in 2000	(166,970)	(40,600)	(24,400)
Net cash provided by financing activities	(31,836)	(40,600)	455,992
Net change in cash and cash equivalents	(1,244)	(824)	9,156
Cash and cash equivalents at beginning of year	8,332	9,156	—
Cash and cash equivalents at end of year	\$ 7,088	8,332	9,156
Supplemental cash flow information:			
Cash payments for interest	\$ 42,231	32,868	26,713

See accompanying notes to financial statements.

## SDG MACERICH PROPERTIES, L.P.

## STATEMENTS OF PARTNERS' EQUITY

Years ended December 31, 2000, 1999 and 1998

(Dollars in thousands)

	<i>Simon Property Group, Inc. affiliates</i>	<i>The Macerich Company affiliates</i>	<i>Total</i>
Percentage ownership interest	50%	50%	100%
Balance at January 1, 1998	\$ —	—	—
Contributions	240,196	240,196	480,392
Distributions	(12,200)	(12,200)	(24,400)
Net income for the year	14,523	14,523	29,046
Balance at December 31, 1998	242,519	242,519	485,038
Distributions	(20,300)	(20,300)	(40,600)
Net income for the year	17,695	17,696	35,391
Balance at December 31, 1999	239,914	239,915	479,829
Distributions	(83,885)	(83,885)	(167,770)
Net income for the year	12,584	12,584	25,168
Balance at December 31, 2000	\$ 168,613	\$ 168,614	\$ 337,227

See accompanying notes to financial statements.

## (1) General

## (a) Partnership Organization

On December 29, 1997, affiliates of Simon Property Group, Inc. (Simon) and The Macerich Company (Macerich) formed a limited partnership to acquire and operate a portfolio of 12 regional shopping centers. SDG Macerich Properties, L.P. (the Partnership) acquired the properties on February 27, 1998, and the accompanying financial statements include the results of operations of the properties since the date of acquisition. As a result, the statement of operations presented for 1998 only represents ten months of activity.

## (b) Properties

Affiliates of Simon and Macerich each manage six of the shopping centers. The shopping centers and their locations are as follows:

## Simon managed properties:

South Park Mall	Moline, Illinois
Valley Mall	Harrisonburg, Virginia
Granite Run Mall	Media, Pennsylvania
Eastland Mall and Convenience Center	Evansville, Indiana
Lake Square Mall	Leesburg, Florida
North Park Mall	Davenport, Iowa

## Macerich managed properties:

Lindale Mall	Cedar Rapids, Iowa
Mesa Mall	Grand Junction, Colorado
South Ridge Mall	Des Moines, Iowa
Empire Mall and Empire East	Sioux Falls, South Dakota
Rushmore Mall	Rapid City, South Dakota
Southern Hills Mall	Sioux City, Iowa

The shopping center leases generally provide for fixed annual minimum rent, overage rent based on sales, and reimbursement for certain operating expenses, including real estate taxes. For leases in effect at December 31, 2000, fixed minimum rents to be received in each of the next five years and thereafter are summarized as follows:

2001	\$ 75,525
2002	69,358
2003	62,458
2004	55,087
2005	44,402
Thereafter	155,872
	\$462,702

## (2) Summary of Significant Accounting Policies

### (a) Revenues

All leases are classified as operating leases, and minimum rents are recognized monthly on a straight-line basis over the terms of the leases.

Most retail tenants are also required to pay overage rents based on sales over a stated base amount during the lease year, generally ending on January 31. Overage rents are recognized as revenues based on reported and estimated sales for each tenant through December 31. Differences between estimated and actual amounts are recognized in the subsequent year.

During January 2000, the Emerging Issues Task Force addressed certain revenue recognition policies which required overage rent to be recognized as revenue only when each tenant's sales exceeded its threshold. The Partnership previously recognized overage rent before the threshold was met based on tenant sales over a prorated base sales amount. The Partnership changed its accounting effective January 1, 2000 and recorded a loss for the cumulative effect of the change of \$1,053.

Tenant recoveries for real estate taxes and common area maintenance are adjusted annually based on the actual expenses, and the related revenues are recognized in the year in which the expenses are incurred. Charges for other operating expenses are billed monthly with periodic adjustments based on the estimated utility usage and/or a current price index, and the related revenues are recognized as the amounts are billed and as adjustments become determinable.

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### (b) Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

### (c) Properties

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

Buildings and improvements	39 years
Equipment and furnishings	5-7 years
Tenant improvements	Initial term of related lease

Improvements and replacements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. All repairs and maintenance items are expensed as incurred.

The Partnership assesses whether there has been an impairment in the value of a property 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 Partnership would recognize an impairment loss if the estimated future income stream of a property is not sufficient to recover its investment. Such a loss would be the difference between the carrying value and the fair value of a property. Management believes no impairment in its net property carrying values have occurred.

### (d) Financing Costs

Financing costs of \$2,866 related to the proceeds of mortgage notes obtained April 12, 2000 are being amortized to interest expense over the remaining life of the notes.

### (e) Use of Estimates

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 reported amounts of 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.

### (f) Income Taxes

As a partnership, the allocated share of income or loss for the year is includable in the income tax returns of the partners; accordingly, income taxes are not reflected in the accompanying financial statements.

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## (3) Mortgage Notes Payable and Fair Value of Financial Instruments

In connection with the acquisition of the properties in 1998, the Partnership assumed \$485,000 of mortgage notes secured by the properties. The notes consist of \$300,000 of debt that is due in May 2006 and requires monthly interest payments at a fixed weighted average rate of 7.41% and \$185,000 of debt that is due in May 2003 and requires monthly interest payments at a variable weighted average rate (based on LIBOR) of 7.21% at December 31, 2000 (6.96% at December 31, 1999). The variable rate debt is covered by an interest cap agreement that effectively prevents the variable rate from exceeding 11.53%. In March 2000, the Partnership made a principal payment of \$500 on the variable rate debt in order to obtain \$138,500 of additional mortgage financing.

The fair value assigned to the \$300,000 fixed-rate debt at the acquisition date based on an estimated market interest rate of 6.23% was \$322,711, and the resultant debt premium is being amortized to interest expense over the remaining term of the debt using a level yield method. At December 31, 2000 and 1999, the unamortized balance of the debt premium was \$16,114 and \$18,565, respectively.

On April 12, 2000, the Partnership obtained \$138,500 of additional mortgage financing which is also secured by the properties. The notes consist of \$57,100 of debt that requires monthly interest payments at a fixed weighted average rate of 8.13% and \$81,400 of debt that requires monthly interest payments at a variable weighted average rate (based on LIBOR) of 7.08% at December 31, 2000. All of the notes mature on May 15, 2006. The variable rate debt is covered by an interest cap agreement that effectively prevents the variable rate from exceeding 11.83%.

The fair value of the fixed-rate debt of \$357,100 at December 31, 2000 and \$300,000 at December 31, 1999, based on an interest rate of 6.94% and 8.34%, respectively, is estimated to be \$368,892 and \$288,261, respectively. The carrying value of the variable-rate debt of \$265,900 and the Partnership's other financial instruments are estimated to approximate their fair values.

SFAS 133 will be effective for the Partnership beginning January 1, 2001 and may not be applied retroactively. The fair value of the interest rate cap agreements is to be reflected in the balance sheet as derivative financial instruments, and changes in the fair values are to be recognized currently in earnings or other comprehensive earnings. The impact of this change of accounting is not significant.

Interest costs of \$195 were capitalized in 2000 as a component of the cost of major development projects.

#### (4) Management Services

Management fees incurred in 2000, 1999 and 1998 totaled \$1,900, \$1,960 and \$1,592, respectively, for the Simon-managed properties and \$1,862, \$1,803 and \$1,470, respectively, for the Macerich-managed properties, both based on a fee of 4% of gross receipts, as defined.

#### (5) Contingent Liability

The Partnership currently is not involved with any litigation other than routine and administrative proceedings arising in the ordinary course of business. On the basis of consultation with counsel, management believes that these items will not have a material adverse impact on the Partnership's financial statements taken as a whole.

## THE MACERICH COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

(Dollars in thousands)

#### Schedule III. Real Estate and Accumulated Depreciation

	Initial Cost to Company				Gross Amount at Which Carried at Close of Period					Accumulated Depreciation	Total Cost Net of Accumulated Depreciation
	Land	Building and Improvements	Equipment and Furnishings	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total		
Shopping Centers/Entities:											
Bristol Shopping Center	\$ 132	\$ 11,587	\$ 0	\$ 1,610	\$ 132	\$ 13,187	\$ 0	\$ 10	\$ 13,329	\$ 6,719	\$ 6,610
Boulder Plaza	2,919	9,053	0	818	2,919	9,871	0	0	12,790	3,577	9,213
Capitola Mall	11,312	46,689	0	1,988	11,309	48,562	88	30	59,989	6,542	53,447
Carmel Plaza	9,080	36,354	0	969	9,080	37,182	34	107	46,403	2,343	44,060
Chesterfield Towne Center	18,517	72,936	2	17,037	18,517	87,779	2,186	10	108,492	18,796	89,696
Citadel, The	21,600	86,711	0	3,927	21,600	90,061	386	191	112,238	7,580	104,658
Corte Madera, Village at	24,433	97,821	0	1,904	24,433	99,509	172	44	124,158	6,435	117,723
County East Mall	4,096	20,317	1,425	7,737	4,099	28,471	821	184	33,575	12,824	20,751
Crossroads Mall-Boulder	50	37,793	64	42,047	21,616	42,405	161	15,772	79,954	25,601	54,353
Crossroads Mall-Oklahoma	10,279	43,486	291	13,584	12,671	53,556	380	1,033	67,640	11,067	56,573
Fresno Fashion Fair	17,966	72,194	0	(997)	17,966	70,620	148	429	89,163	7,478	81,685
Great Falls Marketplace	2,960	11,840	0	1,167	3,090	12,877	0	0	15,967	969	14,998
Greeley Mall	5,601	12,648	13	8,124	5,601	20,585	172	28	26,386	11,661	14,725
Green Tree Mall	4,947	14,925	332	23,652	4,947	38,355	554	0	43,856	24,042	19,814
Holiday Village Mall	3,491	18,229	138	18,628	5,268	34,957	252	9	40,486	23,308	17,178

Northgate Mall	8,400	34,865	841	20,309	8,400	54,812	991	212	64,415	23,053	41,362
Northwest Arkansas Mall	18,800	75,358	0	1,272	18,800	76,544	61	25	95,430	4,119	91,311
Pacific View	8,697	8,696	0	98,028	8,697	102,323	285	4,117	115,422	2,397	113,025
Parklane Mall	2,311	15,612	173	15,635	2,426	25,293	433	5,579	33,731	18,190	15,541
Queens Center	21,460	86,631	8	6,997	21,454	87,514	647	5,481	115,096	11,532	103,564
Rimrock Mall	8,737	35,652	0	3,940	8,737	39,429	119	44	48,329	4,462	43,867
Salisbury, The Centre at	15,290	63,474	31	2,009	15,284	64,937	583	0	80,804	9,490	71,314
Santa Monica Place	26,400	105,600	0	405	26,400	105,857	28	120	132,405	3,199	129,206
South Plains Mall	23,100	92,728	0	2,650	23,100	95,145	160	73	118,478	6,355	112,123
South Towne Center	19,600	78,954	0	6,922	19,600	85,621	218	37	105,476	8,896	96,580
Valley View Center	17,100	68,687	0	16,098	17,100	74,957	655	9,173	101,885	8,955	92,930
Villa Marina Marketplace	15,852	65,441	0	518	15,852	65,891	41	27	81,811	8,680	73,131
Vintage Faire Mall	14,902	60,532	0	1,347	14,298	60,411	728	1,344	76,781	6,747	70,034
Westside Pavilion	34,100	136,819	0	11,096	34,100	145,359	1,956	600	182,015	9,350	172,665
The Macerich Partnership, L.P.	451	1,844	0	(330)	451	1,513	0	0	1,964	517	1,447
	\$ 372,583	\$ 1,523,476	\$ 3,318	\$ 329,091	\$ 397,947	\$ 1,773,583	\$ 12,259	\$ 44,679	\$ 2,228,468	\$ 294,884	\$ 1,933,584

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Depreciation and amortization of the Company's investment in buildings and improvements reflected in the statements of income are calculated over the estimated useful lives of the asset as follows:

Buildings and improvements	5-40 years
Tenant improvements	life of related lease
Equipment and furnishings	5-7 years

The changes in total real estate assets for the three years ended December 31, 2000 are as follows:

	1998	1999	2000
Balance, beginning of year	\$ 1,607,429	\$ 2,213,125	\$ 2,174,535
Additions	605,696	224,322	53,933
Disposals and retirements	—	(262,912)	—
Balance, end of year	\$ 2,213,125	\$ 2,174,535	\$ 2,228,468

The changes in accumulated depreciation and amortization for the three years ended December 31, 2000 are as follows:

	1998	1999	2000
Balance, beginning of year	\$ 200,250	\$ 246,280	\$ 243,120
Additions	46,030	52,592	51,764
Disposals and retirements	—	(55,752)	—
Balance, end of year	\$ 246,280	\$ 243,120	\$ 294,884

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Properties:	Initial Cost to Trust			Gross Amount Which Carried at Close of Period				Total	Accumulated Depreciation	Total Cost Net of Accumulated Depreciation
	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Furniture, Fixtures and Equipment	Construction in Progress			
Cascade Mall	\$ 8,200	\$ 32,843	\$ 566	\$ 8,200	\$ 33,270	\$ 109	\$ 30	\$ 41,609	\$ 1,599	\$ 40,010
Creekside Crossing Mall	620	2,495	27	620	2,500	—	22	3,142	121	3,021
Cross Court Plaza	1,400	5,629	20	1,400	5,649	—	—	7,049	270	6,779
Kitsap Mall	13,590	56,672	183	13,590	56,832	23	—	70,445	2,794	67,651
Kitsap Place Mall	1,400	5,627	35	1,400	5,662	—	—	7,062	272	6,790
Lakewood Mall	48,025	112,059	23,590	48,025	130,868	683	4,098	183,674	3,507	180,167
Los Cerritos Center	57,000	133,000	999	57,000	133,664	304	31	190,999	4,126	186,873
Northpoint Plaza	1,400	5,627	30	1,400	5,657	—	—	7,057	272	6,785
Redmond Towne Center	18,381	73,868	8,270	16,942	81,104	45	2,428	100,519	3,740	96,779
Redmond Office	20,676	90,929	15,191	20,676	106,120	—	—	126,796	3,483	123,313
Stonewood Mall	30,902	72,104	283	30,901	72,205	183	—	103,289	2,252	101,037
Washington Square Mall	33,600	135,084	913	33,600	135,897	69	31	169,597	6,637	162,960

Washington Square Too	4,000	16,087	4	4,000	16,090	1	—	20,091	772	19,319
	\$ 239,194	\$ 742,024	\$ 50,111	\$ 237,754	\$ 785,518	\$ 1,417	\$ 6,640	\$ 1,031,329	\$ 29,845	\$ 1,001,484

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Depreciation and amortization of the Trust's investment in buildings and improvements reflected in the statement of income are calculated over the estimated useful lives of the asset as follows:

Buildings and improvements	5-39 years
Tenant improvements	life of related lease
Equipment and furnishings	5-7 years

The changes in total real estate assets for the two years ended December 31, 2000 are as follows:

	1999	2000
Balance, beginning of year	—	\$ 995,045
Acquisitions	\$ 981,218	—
Additions	13,827	36,284
Disposals and retirements	—	—
Balance, end of year	\$ 995,045	\$ 1,031,329

The changes in accumulated depreciation and amortization for the two years ended December 31, 2000 are as follows:

	1999	2000
Balance, beginning of year	—	\$ 10,302
Additions	\$ 10,302	19,543
Disposals and retirements	—	—
Balance, end of year	\$ 10,302	\$ 29,845

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### Schedule III. Real Estate and Accumulated Depreciation

Shopping Center(1)	Location	Initial Cost to Partnership				Gross Book Value at December 31, 2000			Accumulated Depreciation	Total Cost Net of Accumulated Depreciation
		Land	Building and Improvements	Equipment and Furnishings	Costs Capitalized Subsequent to Acquisition	Land	Building and Improvements	Equipment and Furnishings		
Mesa Mall	Grand Junction, Colorado	\$ 11,155	44,635	—	1,222	11,155	45,832	25	3,465	53,547
Lake Square Mall	Leesburg, Florida	7,348	29,392	—	811	7,348	30,117	86	2,511	35,040
South Park Mall	Moline, Illinois	21,341	85,540	—	3,673	21,341	88,955	258	6,714	103,840
Eastland Mall	Evansville, Indiana	28,160	112,642	—	3,759	28,160	116,054	347	8,685	135,876
Lindale Mall	Cedar Rapids, Iowa	12,534	50,151	—	1,017	12,534	51,137	31	3,797	59,905
North Park Mall	Davenport, Iowa	17,210	69,042	—	2,825	17,210	71,497	370	5,325	83,752
South Ridge Mall	Des Moines, Iowa	11,524	46,097	—	4,497	12,112	49,851	155	3,758	58,360
Granite Run Mall	Media, Pennsylvania	26,147	104,671	—	2,060	26,147	106,424	307	7,846	125,032
Rushmore Mall	Rapid City, South Dakota	12,089	50,588	—	1,709	12,089	52,256	41	4,115	60,271
Empire Mall	Sioux Falls, South Dakota	23,706	94,860	—	7,171	23,697	101,914	126	7,281	118,456
Empire East	Sioux Falls, South Dakota	2,073	8,291	—	13	2,073	8,304	—	603	9,774
Southern Hills Mall	Sioux City, South Dakota	15,697	62,793	—	1,672	15,697	64,368	97	4,784	75,378
Valley Mall	Harrisonburg, Virginia	10,393	41,572	—	1,379	10,399	42,833	112	3,135	50,209
		\$ 199,377	800,274	—	31,808	199,962	829,542	1,955	62,019	969,440

(1)

All of the shopping centers are encumbered by mortgage notes payable with a carrying value of \$639,114 and \$503,565 at December 31, 2000 and 1999, respectively.

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<u>/s/ ARTHUR M. COPPOLA</u>	President and Chief Executive Officer And Director	March 26, 2001
Arthur M. Coppola		
<u>/s/ MACE SIEGEL</u>	Chairman of the Board	March 26, 2001
Mace Siegel		
<u>/s/ DANA K. ANDERSON</u>	Vice Chairman of the Board	March 26, 2001
Dana K. Anderson		
<u>/s/ EDWARD C. COPPOLA</u>	Executive Vice President	March 26, 2001
Edward C. Coppola		
<u>/s/ JAMES COWNIE</u>		
James Cownie	Director	March 26, 2001
<u>/s/ THEODORE HOCHSTIM</u>		
Theodore Hochstim	Director	March 26, 2001
<u>/s/ FREDERICK HUBBELL</u>		
Frederick Hubbell	Director	March 26, 2001

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<u>/s/ STANLEY MOORE</u>		
Stanley Moore	Director	March 26, 2001
<u>/s/ WILLIAM SEXTON</u>		
William Sexton	Director	March 26, 2001
<u>/s/ THOMAS E. O'HERN</u>	Executive Vice President, Treasurer and Chief Financial and Accounting Officer	March 26, 2001
Thomas E. O'Hern		

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## EXHIBIT INDEX

<i>Exhibit Number</i>	<i>Description</i>	<i>Sequentially Numbered Page</i>
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3.1*	Articles of Amendment and Restatement of the Company	
3.1.1**	Articles Supplementary of the Company	
3.1.2***	Articles Supplementary of the Company (Series A Preferred Stock)	
3.1.3****	Articles Supplementary of the Company (Series B Preferred Stock)	
3.1.4###	Articles Supplementary of the Company (Series C Junior Participating Preferred Stock)	
3.2*****	Amended and Restated Bylaws of the Company	
4.1*****	Form of Common Stock Certificate	
4.2*****	Form of Preferred Stock Certificate (Series A Preferred Stock)	
4.2.1###	Form of Preferred Stock Certificate (Series B Preferred Stock)	
4.2.2*****	Form of Preferred Stock Certificate (Series C Junior Participating Preferred Stock)	
4.3*****	Indenture for Convertible Subordinated Debentures dated June 27, 1997	
4.4*****	Agreement dated as of November 10, 1998 between the Company and First Chicago Trust Company of New York, as Rights Agent	
10.1*****	Amended and Restated Limited Partnership Agreement for the Operating Partnership dated as of March 16, 1994	
10.1.1*****	Amendment to Amended and Restated Limited Partnerships Agreement for the	

- Operating Partnership dated June 27, 1997
- 10.1.2\*\*\*\*\* Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated November 16, 1997
- 10.1.3\*\*\*\*\* Fourth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated February 25, 1998
- 10.1.4\*\*\*\*\* Fifth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated February 26, 1998
- 10.1.5### Sixth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated June 17, 1998
- 10.1.6### Seventh Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated December 31, 1999
- 10.1.7 Eighth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated November 9, 2000.
- 10.2\*\*\*\*\* Employment Agreement between the Company and Mace Siegel dated as of March 16, 1994
- 10.2.1\*\*\*\*\* List of Omitted Employment Agreements

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- 10.2.2\*\*\*\*\* Employment Agreement between Macerich Management Company and Larry Sidwell dated as of February 11, 1997
  - 10.3\*\*\*\*\* The Macerich Company Amended and Restated 1994 Incentive Plan
  - 10.4# The Macerich Company 1994 Eligible Directors' Stock Option Plan
  - 10.5# The Macerich Company Deferred Compensation Plan
  - 10.6# The Macerich Company Deferred Compensation Plan for Mall Executives
  - 10.7##### The Macerich Company Eligible Directors' Deferred Compensation Plan/Phantom Stock Plan (as amended and restated as of June 30, 2000)
  - 10.8\*\*\*\*\* The Macerich Company Executive Officer Salary Deferral Plan
  - 10.9##### 1999 Cash Bonus/Restricted Stock Program and Stock Unit Program under the Amended and Restated 1994 Incentive Plan (including the forms of the Award Agreements)
  - 10.10\*\*\*\*\* Registration Rights Agreement, dated as of March 16, 1994, between the Company and The Northwestern Mutual Life Insurance Company
  - 10.11\*\*\*\*\* Registration Rights Agreement, dated as of March 16, 1994, among the Company and Mace Siegel, Dana K. Anderson, Arthur M. Coppola and Edward C. Coppola
  - 10.12\*\*\*\*\* Registration Rights Agreement, dated as of March 16, 1994, among the Company, Richard M. Cohen and MRII Associates
  - 10.13\*\*\*\*\* Registration Rights Agreement dated as of June 27, 1997
  - 10.14\*\*\*\*\* Registration Rights Agreement dated as of February 25, 1998 between the Company and Security Capital Preferred Growth Incorporated
  - 10.15\*\*\*\*\* Incidental Registration Rights Agreement dated March 16, 1994
  - 10.16\*\*\*\*\* Incidental Registration Rights Agreement dated as of July 21, 1994
  - 10.17\*\*\*\*\* Incidental Registration Rights Agreement dated as of August 15, 1995
  - 10.18\*\*\*\*\* Incidental Registration Rights Agreement dated as of December 21, 1995
  - 10.18.1\*\*\*\*\* List of Incidental/Demand Registration Rights Agreements, Election Forms, Accredited/Non-Accredited Investors Certificates and Investor Certificates
  - 10.19### Registration Rights Agreement dated as of June 17, 1998 between the Company and the Ontario Teachers' Pension Plan Board
  - 10.20### Redemption, Registration Rights and Lock-Up Agreement dated as of July 24, 1998 between the Company and Harry S. Newman, Jr. and LeRoy H. Brettin

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- 10.21\*\*\*\*\* Indemnification Agreement, dated as of March 16, 1994, between the Company and Mace Siegel
  - 10.21.1\*\*\*\*\* List of Omitted Indemnification Agreements
  - 10.22\* Partnership Agreement for Macerich Northwestern Associates, dated as of January 17, 1985, between Macerich Walnut Creek Associates and the Northwestern Mutual Life Insurance Company
  - 10.23\*\*\*\*\* First Amendment to Macerich Northwestern Associates Partnership Agreement between Operating Partnership and the Northwestern Mutual Life Insurance Company
  - 10.24\* Agreement of Lease (Crossroads-Boulder), dated December 31, 1960, between H.R. Hindry, as lessor, and Gerri Von Frellick, as lessee, with amendments and supplements thereto
  - 10.25\*\*\*\*\* Secured Full Recourse Promissory Note dated November 17, 1997 Due November 16, 2007 made by Edward C. Coppola to the order of the Company
  - 10.25.1\*\*\*\*\* List of Omitted Secured Full Recourse Notes
  - 10.26\*\*\*\*\* Stock Pledge Agreement dated as of November 17, 1997 made by Edward C. Coppola for the benefit of the Company
  - 10.26.1\*\*\*\*\* List of omitted Stock Pledge Agreement
  - 10.27\*\*\*\*\* Promissory Note dated as of May 2, 1997 made by David J. Contis to the order of Macerich Management Company
  - 10.28## Purchase and Sale Agreement between the Equitable Life Assurance Society of

- the United States and S.M. Portfolio Partners
- 10.29\*\*\*\*\* Partnership Agreement of S.M. Portfolio Ltd. Partnership
- 10.30 Second Amended and Restated Credit and Guaranty Agreement, dated as of March 22, 2001, between the Operating Partnership, the Company and Wells Fargo Bank, National Association
- 10.31##### Secured full recourse promissory note dated November 30, 1999 due November 29, 2009 made by Arthur M. Coppola to the order of the Company.
- 10.32##### Stock Pledge Agreement dated as of November 30, 1999 made by Arthur M. Coppola for the benefit of the Company.
- 10.33 The Macerich Company 2000 Incentive Plan effective as of November 9, 2000 (including 2000 Cash Bonus/Restricted Stock Program and Stock Unit Program and Award Agreements).
- 10.34 Form of Stock Option Agreements under the 2000 Incentive Plan
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Accountants (PricewaterhouseCoopers LLP)

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23.2 Consent of Independent Auditors (KPMG LLP)

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\* *Previously filed as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964), and incorporated herein by reference.*

\*\* *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995, and incorporated herein by reference.*

\*\*\* *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date February 25, 1998, and incorporated herein by reference.*

\*\*\*\* *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date June 17, 1998, and incorporated herein by reference.*

\*\*\*\*\* *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date November 10, 1998, as amended, and incorporated herein by reference.*

\*\*\*\*\* *Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference.*

\*\*\*\*\* *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date June 20, 1997, and incorporated herein by reference.*

\*\*\*\*\* *Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference.*

# *Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and incorporated herein by reference.*

## *Previously filed as an exhibit to the Company's Current Report on Form 8-K, event date February 27, 1998, and incorporated herein by reference.*

### *Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.*

#### *Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference.*

##### *Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, and incorporated herein by reference.*

##### *Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.*

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**EIGHTH AMENDMENT TO THE  
AMENDED AND RESTATED  
LIMITED PARTNERSHIP AGREEMENT OF  
THE MACERICH PARTNERSHIP, L.P**

THIS EIGHTH AMENDMENT (the "**Amendment**") TO THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT DATED AS OF MARCH 16, 1994, AMENDED AS OF AUGUST 14, 1995, FURTHER AMENDED AS OF JUNE 27, 1997, FURTHER AMENDED AS OF NOVEMBER 16, 1997, FURTHER AMENDED AS OF FEBRUARY 25, 1998, FURTHER AMENDED AS OF FEBRUARY 26, 1998, FURTHER AMENDED AS OF JUNE 17, 1998, AND FURTHER AMENDED AS OF DECEMBER 23, 1998 (the "**Agreement**") OF THE MACERICH PARTNERSHIP, L.P. (the "**Partnership**") is made and entered into effective as of November 9, 2000.

**WHEREAS**, the General Partner on behalf of the Partnership and on its own behalf is contemplating a repurchase of shares of the Common Stock of the General Partner which would enable and be funded by a simultaneous redemption of a number of Common Units held by the General Partner at the price paid for the repurchased shares in the manner described below;

**WHEREAS**, the General Partner and Partnership will effect such repurchase and redemption if they determine such transactions to be in the best interest of the Partnership, the Partners and the stockholders of the General Partner, as applicable; and

**WHEREAS**, it is proposed that the Agreement be amended in accordance with the provisions thereof.

**NOW, THEREFORE**, pursuant to the authority granted to the General Partner under the Agreement, in its capacity as General Partner and as a holder of a 1% Percentage Interest as General Partner and a 79% Percentage Interest as a Limited Partner in the Partnership, the Agreement is hereby amended as follows:

**1. Amendment to Article IX:** The caption of Article IX is changed to "Redemptions"; and a new section 9.2 is added to the Agreement immediately following Section 9.1 thereof as follows:

9.2 **Redemption on Share Repurchase.** Notwithstanding anything herein to the contrary, the General Partner is hereby authorized to cause the Partnership to redeem for cash Common Units from the General Partner, in connection and simultaneous with any repurchase by the General Partner of Shares, at the price paid for the repurchased Shares. The number of such Common Units will equal the number of repurchased Shares divided by the Conversion Factor and the aggregate redemption price of the Common Units will be in an amount necessary to provide the General Partner with an amount in cash equal to the aggregate price paid by the General Partner to repurchase the Shares.

**2. Conforming Clarifications to Sections 6.2.**

(a) Section 8.1 is amended to add to the beginning thereof the phrase "Except in the case of a redemption authorized pursuant to Section 9.2," and decapitalizing the word "The" which follows; and

(b) Section 6.2 is amended by deletion of the "and" after clause (i) thereof, adding "; and" after clause (j) thereof, and adding a new clause (k) as follows:

(k) To take other action not inconsistent with applicable law expressly contemplated by other provisions of this Agreement."

**3. Defined Terms and Recitals.** As used in this Amendment, capitalized terms used and defined in this Amendment shall have the meaning assigned to them in this Amendment, and capitalized terms

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used in this Amendment but not defined herein, shall have the meaning assigned to them in the Agreement.

**4. Ratification and Confirmation.** Except to the extent specifically amended by this Amendment, the terms and provisions of the Agreement, as previously amended, are hereby ratified and confirmed.

**5. Notice.** The General Partner shall give notice of this Amendment to the Partners as required by Section 12.1(b) of the Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed this Amendment effective as of the date first above mentioned in its capacity as General Partner and as the holder of a 1% Percentage Interest as General Partner and a 79% Percentage Interest as a Limited Partner.

**THE MACERICH COMPANY**

By: \_\_\_\_\_  
Richard A. Bayer  
Executive Vice President,  
General Counsel and Secretary



**SECOND AMENDED AND RESTATED  
CREDIT AND GUARANTY AGREEMENT**

among

**THE MACERICH PARTNERSHIP, L.P.,  
a Delaware limited partnership,  
as the Borrower,**

**THE ENTITIES FROM TIME TO TIME PARTIES HERETO  
AS GUARANTORS,**

**THE MACERICH COMPANY,  
a Maryland corporation,**

**THE BANKS AND OTHER FINANCIAL INSTITUTIONS  
THAT EITHER NOW OR IN THE FUTURE  
ARE PARTIES HERETO**

and

**WELLS FARGO BANK,  
NATIONAL ASSOCIATION,  
as the Agent**

March 22, 2001

\$150,000,000

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**SECOND AMENDED AND RESTATED  
CREDIT AND GUARANTY AGREEMENT**

**SECOND AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT**, dated as of March 22, 2001 (as amended from time to time, this "*Agreement*"), by and among **THE MACERICH PARTNERSHIP, L.P.**, a Delaware limited partnership (the "*Borrower*"), **THE ENTITIES FROM TIME TO TIME PARTIES HERETO AS GUARANTORS, THE MACERICH COMPANY**, a Maryland corporation (the "*REIT*"), **THE BANKS AND OTHER FINANCIAL INSTITUTIONS THAT EITHER NOW OR IN THE FUTURE ARE PARTIES HERETO** (collectively, the "*Lenders*" and each individually, a "*Lender*"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (including in its capacity as an issuer of Letters of Credit, the "*Agent Bank*"), as agent and representative for the Lenders (the Agent Bank in such capacity or any successor in such capacity is referred to herein as the "*Agent*"). The Lenders (including the Agent Bank) and the Agent are collectively referred to herein as the "*Lender Parties*" and each individually as a "*Lender Party*."

**RECITALS**

A. The Borrower, the Guarantors, the REIT, the Agent and the Agent Bank have entered into a First Amended and Restated Credit and Guaranty Agreement dated as of June 25, 1998, as amended (the "*Existing Credit Agreement*").

B. As of the Closing Date, (I) the Existing Credit Agreement is being amended and restated as set forth herein and (II) all outstanding Advances (the "*Existing Advances*") under the Existing Credit Agreement will be considered "Advances" under this Agreement, all of which transactions will occur contemporaneously.

**ARTICLE 1.****DEFINITIONS AND RELATED MATTERS**

**Section 1.1. Definitions.** The following terms with initial capital letters have the following meanings:

"**Acquisition**" means any direct or indirect purchase or acquisition (including pursuant to any merger with any Person other than a Consolidated Entity prior to such merger) of any Capital Stock of any Person, or all or any substantial part of the business or assets of any Person, or the purchase or acquisition of any Real Property of any other Person, in each case, either in one transaction or a series of transactions.

"**Acquisition Advances**" is defined in Section 4.3.1.3.

"**Acquisition Agreement**" is defined in Section 4.3.1.6.

"**Advance**" is defined in Section 2.1.1.

"**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. Unless otherwise indicated, "Affiliate" refers to an Affiliate of any Borrower Party. Notwithstanding the foregoing, in no event shall any Lender Party or any Affiliate of any Lender Party be deemed to be an Affiliate of the Borrower.

"**Agent**" is defined in the Preamble.

"**Agent Bank**" is defined in the Preamble.

"**Agent's Account**" means the account identified on *Schedule 1.1B* as the Agent's Account or such account as the Agent may hereafter designate by notice to the Borrower and each Lender.

"**Agent's Office**" means the office of the Agent identified as such on *Schedule 1.1.B*, or such other office as the Agent may hereafter designate by notice to the Borrower and each Lender.

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"**Agreement**" is defined in the Preamble and includes all Schedules and Exhibits.

"**Applicable Law**" means all applicable provisions of all (i) constitutions, treaties, statutes, laws, rules, regulations and ordinances of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, judgments, awards and decrees of any Governmental Authority.

"**Applicable Lending Office**" means, with respect to any Lender, (i) in the case of any payment with respect to Fixed Rate Advances, the Lender's LIBO Lending Office, and (ii) in the case of any payment with respect to Base Rate Advances or any other payment under the Loan Documents, the Lender's Domestic Lending Office.

"**Applicable LIBO Margin**" means, in respect of Fixed Rate Advances at any date, (i) 1.350% per annum if the ratio of Total Liabilities to Gross Asset Value (expressed as a percentage) as of the last day of the Fiscal Quarter most recently ended is less than 50.0%, (ii) 1.500% per annum if the ratio of Total Liabilities to Gross Asset Value (expressed as a percentage) as of the last day of the Fiscal Quarter most recently ended is greater than or equal to 50.0% but less than 55.0%, (iii) 1.650% per annum if the ratio of the Total Liabilities to Gross Asset Value (expressed as a percentage) as of the last day of the Fiscal Quarter most recently ended is greater than or equal to 55.0% but less than 60.0%, or (iv) 1.800% per annum if none of clause (i), (ii) or (iii) applies (including if the Pricing Certificate showing that any of clause (i), (ii) or (iii), as the case may be, is satisfied is not delivered when required hereby), *provided* in the case of any of clause (i), (ii) or (iii), at least four Business Days shall have expired from the day on which the Borrower shall have delivered a Pricing Certificate showing that any of clause (i), (ii) or (iii) is satisfied and *provided, further*, that any change in the Applicable LIBO Margin resulting from the change in the ratio of Total Liabilities to Gross Asset Value shall not take effect until the fifth Business Day after the Pricing Certificate with respect to a Fiscal Quarter is (or is required to be) delivered.

"**Applicable LIBO Rate**" means, in respect of Fixed Rate Advances, the rate of interest, rounded upward (if necessary) to the nearest whole multiple of .01%, equal to the sum of (x) the Applicable LIBO Margin, *plus* (y) the LIBO Rate, which LIBO Rate is divided by 1.00 minus the Reserve Percentage, which may be expressed as follows:

Applicable LIBO Rate = Applicable LIBO Margin + LIBO Rate / (1 - Reserve Percentage)

"**Assigned Commitments**" is defined in the Recitals.

"**Assignment**" and "**Assignment and Acceptance**" are defined in Section 10.5.2.

"**Bankruptcy Code**" means Title 11 of the United States Code (11 U.S.C. Section 101 *et seq.*), as amended from time to time.

"**Bankruptcy Remote Entity**" means a Consolidated Entity (i) one hundred percent of the Capital Stock of which is owned, directly or indirectly, by the Borrower or the REIT and (ii) which is a so-called "bankruptcy remote special purpose vehicle" or "bankruptcy remote SPV" that meets, or at the time such Consolidated Entity first added the applicable provisions to its organizational documents met, the published criteria in effect from time to time of S&P, Moody's, Duff & Phelps Credit Rating Co. or Fitch Investors Service Inc.

"**Base Rate**" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the higher of:

- (i) the then effective Prime Rate; or
- (ii) the then effective Federal Funds Rate *plus* 0.50%.

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Each change in the interest rate on Advances based on a change in the Base Rate shall be effective as of the effective date of such change in the Base Rate.

"**Base Rate Advance**" means any Advance that constitutes or, when made, will constitute, part of the Base Rate Portion.

"**Base Rate Portion**" means, at any time, the portion or portions of the unpaid principal balance of all Advances bearing interest at a rate determined by reference to the Base Rate.

"**Board of Directors**" means the Board of Directors, as constituted from time to time, of the REIT (in the case of actions to be taken by the REIT, the Borrower or any other Borrower Party or Consolidated Entity of which the REIT is the general partner or manager) or of any other Borrower Party or Consolidated Entity (as in the case of actions to be taken by such Borrower Party or Consolidated Entity or by any other Borrower Party or Consolidated Entity of which such Borrower Party or Consolidated Entity is the general partner or manager).

"**Borrower**" is defined in the Preamble and includes its successors and permitted assigns.

"**Borrower Account**" means the account of the Borrower identified as such on *Schedule 10.4.*, or such other account as the Borrower may hereafter designate by notice to the Agent (including in connection with a Credit Sweep Program), *provided* that if such account is maintained with any Person other than the Agent Bank, such designation shall not be effective unless and until a Funds Transfer Agreement and all documents contemplated thereby are executed and delivered by the Borrower to the Agent Bank.

"**Borrower Party**" means the Borrower, any Guarantor or the REIT. Notwithstanding anything herein to the contrary, recourse to the REIT for payment and performance of the Obligations is limited as set forth in Section 10.12.

"**Borrowing**" means a contemporaneous borrowing of Advances or the issuance of a Letter of Credit, as applicable.

"**Bullet Payment**" means any payment of the entire unpaid balance of any Debt at its final maturity other than the final payment with respect to a loan that is fully amortized over its term.

"**Business Day**" means a day of the week (but not a Saturday, Sunday or holiday) on which the offices of banks located in San Francisco and Los Angeles, California are open to the public for carrying on substantially all of such banks' business functions, *provided* that with respect to any Fixed Rate Advance, "Business Day" shall further mean any day on which commercial banks are open for dealings in Dollar deposits in the London interbank market.

"**Capital Stock**" means, with respect to any Person, all (i) shares, interests, participations or other equivalents (howsoever designated) of capital stock or partnership or other equity interests of such Person and (ii) rights (other than debt securities convertible into capital stock or other equity interests), warrants or options to acquire any such capital stock or partnership or other equity interests of such Person. The term "Capital Stock" includes the Partnership Units of the Borrower.

"**Capitalized Leases**" means all leases of the REIT and the Consolidated Entities of real or personal property that are required to be capitalized on the consolidated balance sheets of such Persons.

"**Capitalized Loan Fees**" means, with respect to the REIT, any Consolidated Entity or any Unconsolidated Joint Venture, and with respect to any period, any upfront, closing or similar fees paid by such Person in connection with the incurrence or refinancing of Debt during such period that are capitalized on the balance sheet of such Person.

"**Closing Date**" means the earliest date upon which all of the conditions to the effectiveness of this Agreement set forth in Section 4.1. are satisfied.

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"**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" is defined in Section 3.2.

"**Commencement of Construction**" with respect to a Real Property, means the commencement of material on-site work (including grading) or the commencement of a work of improvement of such Real Property.

"**Commitment**" means, with respect to each Lender, the amount set forth for such Lender as its "Commitment" on *Schedule 1.1.A*, as reduced or terminated from time to time pursuant to the terms hereof.

"**Commitment Usage**" means, at any time, (i) with respect to any Lender, the sum of (A) the aggregate unpaid principal amount of all Advances made by such Lender, *plus* (B) the Lender's *pro rata* share of all Letter of Credit Liability, *plus* (C) the Lender's *pro rata* share of the Interest Reserve or (ii) with respect to all Lenders, the sum of (A) the aggregate unpaid principal amount of all Advances made by all Lenders, *plus* (B) all Letter of Credit Liability, *plus* (C) the Interest Reserve, in each case, giving effect to the Borrowings then requested.

"**Compliance Certificate**" means a certificate of the chief financial officer and the secretary of each Borrower Party, substantially in the form of *Exhibit C-4*.

"**Consolidated Entities**" means, collectively, (i) the Borrower, (ii) any other Person the accounts of which are consolidated with those of the REIT in the consolidated financial statements of the REIT in accordance with GAAP, and (iii) except for purposes of Sections 7.1.2. and 7.3., all Unconsolidated Joint Ventures of which any Consolidated Entity is a general partner or of which any Consolidated Entity owns more than 50% of the Capital Stock.

"**Construction-in-Process**" means, with respect to any Retail Property Under Construction, the aggregate amount of expenditures classified as "construction-in-process" on the REIT's balance sheet with respect thereto.

"**Contingent Obligation**" means, as to any Person, any obligation, direct or indirect, contingent or otherwise, of such Person (i) with respect to any Debt or other obligation of another Person, including any direct or indirect guarantee of such Debt (other than any endorsement for collection in the ordinary course of business) or any other direct or indirect obligation, by agreement or otherwise, to purchase or repurchase any such Debt or obligation or any security therefor, or to provide funds for the payment or discharge of any such Debt or obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), (ii) to provide funds to maintain the financial condition of the other Person, or (iii) otherwise to assure or hold harmless the holders of Debt or other obligation of another Person against loss in respect thereof. The amount of any Contingent Obligation shall be an amount equal to the amount of the Debt or obligation guaranteed or otherwise supported thereby. Notwithstanding the foregoing, "**Contingent Obligations**" shall not include (w) any obligation of the Borrower or any of the Consolidated Entities under any contract for the acquisition of Real Property entered into in the ordinary course to pay the purchase price of such Real Property prior to the transfer of title to such Real Property, (x) any unliquidated contingent liabilities under environmental indemnities given by the Borrower or any of the Consolidated Entities, (y) any unliquidated contingent liabilities under recourse exceptions to any Non-Recourse Debt to the extent that such exceptions relate to: (1) misapplication or misappropriation of insurance or condemnation proceeds, security deposits or rents; (2) fraud; (3) waste; (4) violations of transfer provisions; or (5) gross negligence or willful misconduct which results in the loss of property or (z) any amount representing the excess of the obligations of an Unconsolidated Joint Venture over the Borrower's *pro rata* share of such obligations.

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"**Contractual Obligation**" means, as applied to any Person, any provision of any security issued by that Person or of any agreement or other instrument to which that Person is a party or by which it or any of the properties owned by it is bound or otherwise subject.

"**Control**" means the possession, directly or indirectly, of the power, whether or not exercised, to direct or cause the direction of the management or policies of a Person, whether through the ownership of Capital Stock, by contract or otherwise, and the terms "*controlled*" and "*common control*" have correlative meanings.

"**Controlled Consolidated Entity**" means any Consolidated Entity, except an Unconsolidated Joint Venture that is not controlled by the REIT or the Borrower, provided that any Unconsolidated Joint Venture the general partners of which include both a Consolidated Entity (or a Person controlled by a Consolidated Entity) and a Person (the "*Third Person*") other than a Consolidated Entity (or an Affiliate of a Consolidated Entity) shall not be a Controlled Consolidated Entity as to any transaction or matter that such Third Person has the power, under Applicable Law, to engage in or undertake on behalf of the Unconsolidated Joint Venture without the consent of the Consolidated Entity that is also a general partner (whether or not such consent would be required under the partnership agreement or any other Contractual Obligation of the Third Person or the Unconsolidated Joint Venture).

"**Controlled Group**" means all domestic and foreign members of a controlled group of corporations under Section 1563(a) of the Code (determined without regard to Section 1563(b)(2)(C) of the Code) and all trades or businesses (irrespective of whether incorporated) that are under common control with the REIT. With regard to all Plans and Multiemployer Plans, "*Controlled Group*" includes all ERISA Affiliates.

"**Credit Sweep Program**" is defined in Section 2.1.3.3.

"**Cut-off Date**" is defined in Section 4.3.2.1.

"**Debt**" means, with respect to any Person, the aggregate amount of, without duplication: (i) all obligations for borrowed money including, in the case of the REIT, the Permitted Subordinated Debentures; (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations to pay the deferred purchase price of property or services (excluding current trade accounts payable arising in the ordinary course of business not overdue by more than 60 days); (iv) all Capitalized Leases; (v) all obligations or liabilities of others secured by a Lien on any asset owned by such Person or Persons whether or not such obligation or liability is assumed; (vi) all obligations of such Person or Persons, contingent or otherwise, in respect of any letters of credit or bankers' acceptances; (vii) the maximum fixed redemption or repurchase price of Disqualified Capital Stock of such Person at the date of determination, (viii) all Contingent Obligations and (ix) the Interest Reserve, which shall be considered Unsecured Debt for purposes of this Agreement.

"**Default**" means any condition or event that, with the giving of notice or lapse of time or both, would, unless cured or waived, become an Event of Default.

"**Defaulting Lender**" is defined in Section 9.10.2.

"**Defined Benefit Plan**" means any pension plan subject to Title IV of ERISA including a Multiemployer Plan and any money purchase pension plan subject to the funding requirements of Section 412 of the Code.

"**Depreciation and Amortization Expense**" means (without duplication), for any period, the sum for such period of (i) total depreciation and amortization expense, whether paid or accrued, of the REIT and the Consolidated Entities, plus (ii) the REIT's and any Consolidated Entity's *pro rata* share of depreciation and amortization expenses of Unconsolidated Joint Ventures. For purposes of this definition, the REIT's *pro rata* share of depreciation and amortization expense of any Unconsolidated Joint Venture shall be deemed equal to the product of (i) the depreciation and amortization expense of

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such Unconsolidated Joint Venture, multiplied by (ii) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

"**Disqualified Capital Stock**" of any Person means any Capital Stock of such Person (other than preferred stock of the REIT issued and outstanding on the Closing Date) that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or otherwise (including upon the occurrence of any event), is required to be redeemed or is redeemable for cash at the option of the holder thereof, in whole or in part (including by operation of a sinking fund), or is exchangeable for Debt (other than at the option of such Person), in whole or in part, at any time prior to the 91st day after the Maturity Date.

"**Dollars**" and "\$" means lawful money of the United States of America.

"**Domestic Lending Office**" means the office, branch or Affiliate of the Lender identified on *Schedule 1.1B* designated as its Domestic Lending Office or such other office, branch or Affiliate as such Lender may hereafter designate as its Domestic Lending Office for one or more types of Advances by notice to the Borrower and the Agent.

"**EBITDA**" means, for any period, (i) Net Income, plus (without duplication) (A) Interest Expense, (B) Tax Expense, and (C) Depreciation and Amortization Expense, in each case for such period.

"**Effective Rate**" is defined in Section 2.4.1.

"**Eligible Assignee**" is defined in Section 10.5.2.

"**Environmental Damages**" means all claims, judgments, damages, losses, penalties, liabilities (including strict liability), costs and expenses, including costs of investigation, remediation, defense, settlement and attorneys' fees and consultants' fees, that are incurred at any time as a result of the existence of Hazardous Materials upon, about or beneath any Real Property or migrating or threatening to migrate to or from any Real Property, or arising in any manner whatsoever out of any violation of Environmental Requirements.

"**Environmental Lien**" means a Lien in favor of any Governmental Authority for Environmental Damages.

"**Environmental Requirements**" means all Applicable Laws relating to Hazardous Materials or the protection of human health or the environment, including all requirements pertaining to reporting, permitting, investigation and remediation of releases or threatened releases of Hazardous Materials into the environment, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"**ERISA Affiliate**" means any Person that is or was a member of the controlled group of corporations or trades or businesses (as defined in Subsection (b), (c), (m) or (o) of Section 414 of the Code) of which any Borrower Party is or was a member at any time within the last six years.

"**Existing Advances**" is defined in the Recitals.

"**Existing Credit Agreement**" is defined in the Recitals.

"**Existing Letters of Credit**" is defined in the Recitals.

"**Extension Fee**" is defined in Section 2.6.4.

"**Event of Default**" means any of the events specified in Section 8.1.

"**Facility Fee**" is defined in Section 2.6.3.

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"**fair salable value**" is defined in Section 3.9.

"**fair valuation**" is defined in Section 3.9.

"**Federal Funds Rate**" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York on the Business Day next succeeding such day, *provided* that if such rate is not so published for any day that is a Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Agent Bank on such day on such transactions as determined by the Agent Bank.

"**Federal Reserve Board**" means the Board of Governors of the Federal Reserve System, or any successor thereto.

"**Fee Letter**" means that certain letter dated February , 2001 between the Borrower and the Agent, as amended from time to time.

"**Fees**" means, collectively, the fees described or referenced in the Fee Letter and in Section 2.6.

"**Fiscal Year**" means the fiscal year of the REIT, which shall be the 12-month period ending on December 31 in each year or such other period as the REIT may designate and the Agent may approve in writing. "**Fiscal Quarter**" or "**fiscal quarter**" means any three-month period ending on March 31, June 30 or September 30 of any Fiscal Year.

"**Fixed Charges**" means, for any period, the sum of the amounts for such period of (i) scheduled payments of principal of Debt of the REIT and the Consolidated Entities (other than any Bullet Payment), (ii) the REIT's *pro rata* share of scheduled payments of principal of Debt of Unconsolidated Joint Ventures (other than any Bullet Payment) that does not otherwise constitute Debt of and is not otherwise recourse to the REIT and the Consolidated Entities or their assets, (iii) Interest Expense, (iv) payments of dividends in respect of Disqualified Capital Stock and (v) an amount equal to \$0.05 per quarter, *multiplied by* the Gross Leasable Area of all Real Properties wholly-owned by the Consolidated Entities and the *pro rata* share of the Gross Leasable Area of all the Real Properties owned by the Unconsolidated Joint Ventures and the Gross Leasable Area of all the Real Properties partially-owned by the Consolidated Entities, in each case, at the end of such period *minus* (vi) to the extent otherwise included in Interest Expense, dividends and other distributions paid during such period by the Borrower or the REIT with respect to preferred stock. For purposes of clauses (ii) and (v), the REIT's *pro rata* share of payments by or square footage of any Unconsolidated Joint Venture shall be deemed equal to the product of (a) the payments made by or square footage of such Unconsolidated Joint Venture, *multiplied by* (b) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

"**Fixed Charge Coverage Ratio**" means, at any time, the ratio of (i) EBITDA for the fiscal quarter then most recently ended, to (ii) Fixed Charges for such period.

"**Fixed Rate**" means the Applicable LIBO Rate as accepted by the Borrower as an Effective Rate for a particular Fixed Rate Period and Fixed Rate Portion.

"**Fixed Rate Advance**" means any Advance that constitutes or, when made, will constitute, the Fixed Rate Portion of any Advance.

"**Fixed Rate Commencement Date**" is defined in Section 2.4.2.4.

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"**Fixed Rate Notice**" means, with respect to any Fixed Rate Advance, a written notice, substantially in the form of *Exhibit B-3*, which confirms the Fixed Rate for a particular Fixed Rate Period and the Fixed Rate Portion.

"**Fixed Rate Period**" means the period or periods of any Fixed Rate Advance, (a) one, two, three or six months; or (b) any other period of at least one month that ends at the Maturity Date, which periods are selected by the Borrower pursuant to Section 2.4.2. and may be confirmed in a Fixed Rate Notice; *provided* that no Fixed Rate Period shall extend beyond the Maturity Date. Notwithstanding the foregoing: (a) if a Fixed Rate Advance is continued, the Fixed Rate Period applicable to the continued or converted Advance shall commence on the day on which the Fixed Rate Period applicable to such Fixed Rate Advance ends; and (b) any Fixed Rate Period applicable to a Fixed Rate Advance (1) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day, unless such succeeding Business Day falls in another calendar month, in which case such Fixed Rate Period shall end on the next preceding Business Day or (2) that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Fixed Rate Period) shall end on the last Business Day of the calendar month at the end of such Fixed Rate Period.

"**Fixed Rate Portion**" means the portion or portions of the unpaid principal balance of all Advances that the Borrower selects to have subject to a Fixed Rate. The Fixed Rate Portion shall comply with Sections 2.4.2.7.

"**Fixed Rate Price Adjustment**" is defined in Section 2.13.

"**Floating Rate Debt**" is defined in Section 7.3.6.

"**Funding Date**" means any date on which an Advance is (or is requested to be) made or a Letter of Credit is (or is requested to be) issued.

"**Funds From Operations**" or "**FFO**" means, for any period, the "Funds From Operations" calculated for such period in accordance with NAREIT Guidelines, provided that, notwithstanding Section 10.8., the components of Funds From Operations or FFO shall be calculated on the basis of, and in accordance with, GAAP as it exists on the date of this Agreement, and no effect shall be given to any changes to such accounting principles that may be made from time to time after the Closing Date. It is understood by the parties that, notwithstanding the internal accounting practices or operations of the Borrower, the defined terms included in this definition shall have the meanings set forth in this Agreement.

"**Funds Transfer Agreement**" means a Funds Transfer Agreement for Disbursement of Loan Proceeds between the Agent Bank and the Borrower, on the Agent Bank's standard form, executed and delivered after the date of the Existing Credit Agreement as contemplated by the definition of "Borrower Account," as such agreement may be amended from time to time.

"**GAAP**" means generally accepted accounting principles as in effect in the United States of America (as such principles are in effect on the date hereof), [except for such deviations or adjustments as are necessary in order to eliminate the effect of Staff Accounting Bulletin No. 101 issued by the Financial Accounting Standards Board].

"**Governmental Approval**" means an authorization, consent, approval, permit or license issued by, or a registration or filing with, any Governmental Authority.

"**Governmental Authority**" means any nation and any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any tribunal or arbitrator of competent jurisdiction.

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"**Gross Asset Value**" means, at any time, the sum of (without duplication):

(i) for Retail Properties that are Wholly-Owned the sum of, for each such property, (a) such property's Property NOI for the Measuring Period, *divided by* (b) (1) 8.25% (expressed as a decimal), in the case of regional Retail Properties or (2) 9.50% (expressed as a decimal) in the case of Retail Properties that are not regional Retail Properties, *plus*

(ii) for Retail Properties that are not Wholly-Owned, the sum of, for each such property, (a) the Gross Asset Value of each such Retail Property at such time, as calculated pursuant to the foregoing clause (i), *multiplied by* (b) a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity or Unconsolidated Joint Venture holding title to such Retail Properties, *plus*

(iii) all cash and Permitted Investments (other than, in either case, Restricted Cash) held by the Consolidated Entities at such time, in the case of cash and Permitted Investments not Wholly-Owned, *multiplied by* a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity holding title to such cash and Permitted Investments, *plus*

(iv) for Mortgage Loans that are Wholly-Owned, the lowest of (A) the book value of each such Mortgage Loan at the time it is initially acquired, (B) the book value of each such Mortgage Loan at the time Gross Asset Value is being determined, or (C) the excess, if any, of (1) 80% of the Gross Asset Value of the Retail Property securing such Mortgage Loan, determined pursuant to the applicable clause of this definition as if such Retail Property were Wholly-Owned, over (2) the amount of any Debt and other liabilities or obligations, absolute or contingent, also secured by a Lien on such Retail Property, which Lien is senior to or *pari passu* with the Lien securing such Mortgage Loan; *plus*

(v)(a) 100% of Construction-in-Process with respect to Retail Properties that are Wholly-Owned and (b) the product of (1) 100% of Construction-in-Process with respect to Retail Properties Under Construction that are not Wholly-Owned *multiplied by* (2) a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity or Unconsolidated Joint Venture holding title to such Retail Properties Under Construction; *plus*

(vi) to the extent not otherwise included in the foregoing clauses, (a) the book value of tenant receivables, deferred charges and other assets with respect to Real Properties that are Wholly-Owned and (b) the product of (1) the book value of tenant receivables, deferred charges and other assets with respect to Real Properties that are not Wholly-Owned *multiplied by* (2) a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity or Unconsolidated Joint Venture holding title to such Retail Property (collectively, "Other GAV Assets"), *provided* that the aggregate value of Other GAV Assets shall not exceed five percent (5%) of the aggregate Gross Asset Value of all the assets of the Borrower and the Consolidated Entities as a whole;

*provided, however*, that the determination of Gross Asset Value for any period shall not include any Retail Property (or any Property NOI relating to any Retail Property) that has been sold or otherwise disposed of at any time prior to or during such period.

"**Gross Leasable Area**" means the total leasable square footage of buildings situated on Real Properties, excluding the square footage of any department stores.

"**Guarantor**" means (i) any Initial Guarantor and (ii) any other Person who from time to time becomes a Guarantor hereunder by executing and delivering a Joinder Agreement substantially in the

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form of Exhibit E, in each case unless and until such Person is released from any further liability hereunder pursuant to the terms of this Agreement.

"**Guaranty**" is defined in Section 3.1.

"**Hazardous Materials**" means any chemical substance (i) the presence of which requires investigation or remediation under any Applicable Law; or (ii) that is or becomes defined as a "hazardous waste" or "hazardous substance" under any Applicable Law, including the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 *et seq.*) or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 *et seq.*); or (iii) that is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any Governmental Authority; or (iv) the presence of which on any Real Property causes or threatens to cause a nuisance upon the Real Property or to adjacent properties or poses or threatens to pose a hazard to any Real Property or to the health or safety of Persons on or about any Real Property; or (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated biphenyls (PCBs) or asbestos.

"**Indemnified Liabilities**" is defined in Section 10.1.3.

"**Indemnitees**" is defined in Section 10.1.3.

"**Initial Guarantors**" means MACERICH BRISTOL ASSOCIATES, a California general partnership, and its successors, MACERICH GREAT FALLS LIMITED PARTNERSHIP, a California limited partnership, and its successors, MACERICH OKLAHOMA LIMITED PARTNERSHIP, a California limited partnership, and its successors, MACERICH WESTSIDE ADJACENT LIMITED PARTNERSHIP, a California limited partnership, and its successors, and MACERICH SASSAFRAS LIMITED PARTNERSHIP, a California limited partnership, and its successors.

"**Insolvent**" is defined in Section 3.9.

"**Intangible Assets**" means (i) all unamortized debt discount and expense, unamortized deferred charges, goodwill and other intangible assets and (ii) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of assets of a going concern business made within twelve months after the acquisition of such business) subsequent to December 31, 1994, in the book value of any asset owned by the REIT or any Consolidated Entity.

"**Interest Coverage Ratio**" means, at any time, the ratio of (i) EBITDA for the fiscal quarter then most recently ended, to (ii) Interest Expense for such period.

"**Interest Expense**" means, for any period, the sum (without duplication) for such period of (i) total interest expense, whether paid or accrued, of the REIT and the Consolidated Entities, including Fees payable pursuant to Section 2.6., charges in respect of Letters of Credit and the portion of any Capitalized Lease Obligations allocable to interest expense, including the REIT's share of interest expenses in Unconsolidated Joint Ventures but excluding amortization or write-off of debt discount and expense (except as provided in clause (ii) below), (ii) amortization of costs related to interest rate protection contracts and rate buydowns (other than the costs associated with the interest rate buydowns completed in connection with the initial public offering of the REIT), (iii) capitalized interest, *provided* that capitalized interest may be excluded from this clause (iii) to the extent such interest (A) does not exceed the Interest Reserve designated for such period or (B) is paid or reserved out of any interest reserve established under a loan facility, (iv) for purposes of determining Interest Expense as used in the Fixed Charge Coverage Ratio (both numerator and denominator) only, amortization of Capitalized Loan Fees, (v) to the extent not included in clauses (i), (ii), (iii) and (iv), the REIT's *pro rata* share of interest expense and other amounts of the type referred to in such clauses of the Unconsolidated Joint Ventures, and (vi) interest incurred on any liability or obligation that constitutes a Contingent Obligation of the REIT or any Consolidated Entity. For purposes of clause (v), the REIT's *pro rata*

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share of interest expense or other amount of any Unconsolidated Joint Venture shall be deemed equal to the product of (a) the interest expense or other relevant amount of such Unconsolidated Joint Venture, *multiplied by* (b) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

"**Interest Reserve**" means, with respect to any Fiscal Quarter, the dollar amount designated by the Borrower as "Interest Reserve" for such Fiscal Quarter in the Compliance Certificate submitted during such Fiscal Quarter; *provided, however*, that such dollar amount may not exceed the lesser of (i) the amount that the Borrower would be permitted to draw as an Advance under this Agreement or (ii) \$10,000,000; *provided further, however*, that on the date of this Agreement, the Interest Reserve shall be equal to \$2,000,000.

"**Investment**" means, with respect to any Person, (i) any direct or indirect purchase or other acquisition by that Person of Capital Stock, or any beneficial interest in Capital Stock, of any other Person or all or any substantial part of the business or assets of any other Person, or (ii) any direct or indirect loan, advance or capital contribution by that Person to any other Person, including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business. The amount of any Investment shall be the original cost of such Investment, *plus* the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"**Joint Venture**" means a joint venture, partnership, limited liability company, real estate investment trust, business trust or similar arrangement, whether in corporate, partnership or other legal form; *provided* that, as to any such arrangement in corporate form, such corporation shall not, as to any Person of which such corporation is a Subsidiary, be considered to be a Joint Venture to which such Person is a party.

"**Lender**" is defined in the Preamble, subject to Section 9.10.2. For purposes of the Sections referred to in (and subject to) Section 10.5.3., "**Lender**" includes a holder of a Participation.

"**Lender Party**" is defined in the Preamble. For purposes of the Sections referred to in (and subject to) Section 10.5.3., "**Lender Party**" includes a holder of a Participation.

"**Letter of Credit**" means a standby letter of credit issued pursuant to this Agreement (including the Existing Letters of Credit) and a Letter of Credit Agreement, either as originally issued or as amended, supplemented, modified, renewed or extended.

"**Letter of Credit Agreement**" means an Application and Agreement for Standby Letter of Credit in the form attached hereto as *Exhibit G*.

"**Letter of Credit Collateral**" is defined in Section 8.4.2.

"**Letter of Credit Collateral Account**" is defined in Section 8.4.1.

"**Letter of Credit Fee**" is defined in Section 2.6.2.

"**Letter of Credit Liability**" means, at any time, all contingent liabilities of the Borrower to the Agent Bank in respect of Letters of Credit outstanding at such time and shall equal the aggregate Stated Amount of all Letters of Credit then outstanding.

"**LIBO Lending Office**" means the office, branch or Affiliate of any Lender identified on *Schedule 1.1.B* as its LIBO Lending Office or such other office, branch or Affiliate as such Lender may hereafter designate as its LIBO Lending Office by notice to the Borrower and the Agent.

"**LIBO Rate**" is the rate of interest, rounded upward (if necessary) to the nearest whole multiple of one-sixteenth of one percent (.0625%), quoted by the Agent Bank as the London Inter-Bank Offered

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Rate for deposits in U.S. Dollars at approximately 11:00 a.m. (London time), on the second Business Day prior to (or, if the Agent Bank is then the sole Lender hereunder, on) a Fixed Rate Commencement Date or on a Price Adjustment Date, as appropriate, for purposes of calculating effective rates of interest for loans or obligations making reference thereto for an amount approximately equal to the Fixed Rate Portion and for a period of time approximately equal to a Fixed Rate Period or the time remaining in a Fixed Rate Period after a Price Adjustment Date, as appropriate.

"**Lien**" means any lien, mortgage, pledge, security interest, charge, or encumbrance of any kind (including any conditional sale or other title retention agreement or any lease in the nature thereof) and any agreement to give or refrain from giving any lien, mortgage, pledge, security interest, charge, or other encumbrance of any kind.

"**Loan Documents**" means, collectively, this Agreement, the Notes, the Fee Letter, each Letter of Credit Agreement, each Letter of Credit, any Funds Transfer Agreement and any other agreement, instrument or other writing executed or delivered by the Borrower, the REIT or any Subsidiary in connection herewith from time to time, and all amendments, exhibits and schedules to any of the foregoing.

"**M&F Gross Leaseable Area**" means, with respect to any Real Property, the gross leaseable area of the mall and freestanding areas of such Real Property (excluding the gross leaseable area of such Real Property that is, at the time of determination, undergoing substantial capital improvements other than any such capital improvements made to a tenant space pursuant to or in anticipation of a new or renewed lease for such space).

"**Management Companies**" means Macerich Property Management Company, a California corporation, and Macerich Management Company, a California corporation, and includes their respective successors.

"**Management Contract**" means any contract between any Management Company, on the one hand, and the Borrower and/or any other Consolidated Entity or Unconsolidated Joint Venture, on the other hand, relating to the management of the Borrower, any other Consolidated Entity or any Unconsolidated Joint Venture or any of the properties of such Person, as the same may be amended from time to time.

"**Macerich Group Member**" means any of the Borrower Parties, the Principal Investors, the Management Companies, any Consolidated Entity (other than any of the foregoing), or any other Person involved in the day-to-day management of any Consolidated Entity or any Real Property held by it.

"**Margin Regulations**" means Regulations T, U and X of the Federal Reserve Board, as amended from time to time.

"**Margin Stock**" means "margin stock" as defined in Regulation U.

"**Material**," "**Material Adverse Effect**" or "**Material Adverse Change**" means (i) a condition or event material to, (ii) a material adverse effect on or (iii) a material adverse change in, as the case may be, any one or more of the following: (A) the business, assets, results of operations, financial condition or prospects of the REIT and the Consolidated Entities taken as a whole or (B) the ability of any Borrower Party to perform its obligations under any Loan Document to which it is a party.

"**Maturity Date**" means May 26, 2002; *provided*, that if the Maturity Date shall have been extended pursuant to Section 2.7.2., "**Maturity Date**" means May 26, 2003.

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"**Measuring Period**" means the period of four consecutive fiscal quarters ended on the last day of the Fiscal Quarter most recently ended as to which operating statements with respect to a Real Property have been delivered to the Lenders.

"**Minority Interests**" means all of the Partnership Units of the Borrower held by any Person other than the REIT.

"**Moody's**" means Moody's Investors Service, Inc. or any successor.

"**Mortgage Loans**" means all loans owned or held by the Borrower secured by mortgages or deeds of trust on Retail Properties.

"**Multiemployer Plan**" means a "multiemployer plan" as defined in Section 3(37) and Section 4001(a)(3) of ERISA to which the Borrower or any of its ERISA Affiliates is making or accruing an obligation to make contributions or to which any such Person has made or accrued an obligation to make contributions.

"**NAREIT Guidelines**" means the guidelines published by the National Association of Real Estate Investment Trusts as in effect on the date of this Agreement.

"**Net Income**" means, for any period, total net income (or loss) of the REIT and the Consolidated Entities for such period taken as a single accounting period, including the REIT's *pro rata* share of the income (or loss) of any Unconsolidated Joint Venture for such period, *provided* that there shall be excluded therefrom (i) any charges for minority interests in the Borrower held by Persons holding Partnership Units of the Borrower (other than the REIT), (ii) any income or loss attributable to extraordinary items, (iii) gains and losses from sales of assets (other than undeveloped land that constitutes a portion of any Retail Property), (iv) except to the extent otherwise included hereunder, the income (or loss) of any Person accrued prior to the date it becomes a Consolidated Entity or is merged with the REIT or any Consolidated Entity or such Person's assets are acquired by the REIT or any Consolidated Entity, and (v) any impairment loss required to be



taken in such period in accordance with Statement of Financial Accounting Standards No. 121 (Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of) with respect to any long-lived assets to be disposed of and whose value is being reported during such period at the lower of its carrying amount or fair value. For purposes of this definition, the REIT's *pro rata* share of income (or loss) of any Unconsolidated Joint Venture shall be deemed equal to the product of (i) the income (or loss) of such Unconsolidated Joint Venture, *multiplied by* (ii) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

"**Net Worth**" means, at any date, the consolidated stockholders' equity of the REIT and the Consolidated Entities, excluding any amounts attributable to Disqualified Capital Stock.

"**New Lenders**" is defined in the Recitals.

"**Non-Recourse Debt**" means Debt that (i) is non-recourse to the Consolidated Entities (other than such Unconsolidated Joint Venture) and their assets and (ii) does not constitute Debt of the Consolidated Entities (other than such Unconsolidated Joint Venture).

"**Non-Recourse Secured Debt**" means Debt that (i) is non-recourse to the Consolidated Entities (other than such Unconsolidated Joint Venture) and their assets, (ii) does not constitute Debt of the Consolidated Entities (other than such Unconsolidated Joint Venture) and (iii) is recourse only to Retail Properties that secures such Debt.

"**Note**" means a promissory note made by Borrower payable to the order of any Lender, in the amount of such Lender's Commitment, which note is substantially in the form of *Exhibit A*, as amended from time to time.

"**Notice of Borrowing**" is defined in Section 2.1.3.1.

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"**Obligated Party**" is defined in Section 9.10.2.

"**Obligations**" means all present and future obligations and liabilities of the Borrower of every type and description arising under or in connection with this Agreement, the Notes and the other Loan Documents due or to become due to the Lender Parties or any Person entitled to indemnification, or any of their respective successors, transferees or assigns, whether for principal, interest, letter of credit or other reimbursement obligations, cash collateral cover, Fees, expenses, indemnities or other amounts (including attorneys' fees and expenses) and whether due or not due, direct or indirect, joint and/or several, absolute or contingent, voluntary or involuntary, liquidated or unliquidated, determined or undetermined, and whether now or hereafter existing, renewed or restructured, whether or not from time to time decreased or extinguished and later increased, created or incurred, whether or not arising after the commencement of a proceeding under the Bankruptcy Code (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding, and whether or not recovery of any such obligation or liability may be barred by a statute of limitations or such obligation or liability may otherwise be unenforceable.

"**Obligor**" is defined in Section 3.2.

"**Offering Circular**" means, as the case may be, (i) with respect to the debentures described in clause (i) of the definition of "Permitted Subordinated Debentures," the Offering Circular, dated June 20, 1997, pursuant to which the Permitted Subordinated Debentures were offered by the REIT or (ii) with respect to any other Permitted Subordinated Debentures, the final offering document pursuant to which such Permitted Subordinated Debentures are offered by the REIT.

"**Operatives**" is defined in Section 10.12.2.

"**Other Guarantor**" is defined in Section 3.2.

"**Other Guaranty**" is defined in Section 3.2.

"**Participation**" is defined in Section 10.5.3.

"**Partnership Units**," "**Preferred Partnership Units**," "**Series A Partnership Units**" and "**Series B Partnership Units**" are each defined in the Partnership Agreement of the Borrower. Unless the context indicates otherwise, the term "**Partnership Units**" is used herein to refer, collectively, to the Partnership Units, the Preferred Partnership Units and the Series A Partnership Units.

"**PBGC**" means the Pension Benefit Guaranty Corporation, as defined in Title IV of ERISA, or any successor.

"**Permitted Investments**" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and having, at the time of acquisition, the highest rating obtainable from either Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, or Moody's, (iii) commercial paper having, at the time of acquisition, the highest rating obtainable from either S&P or Moody's, (iv) certificates of deposit, other time deposits, and bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank operating under the laws of the United States or any state thereof or the District of Columbia that has combined capital and surplus of not less than \$500,000,000, (v) institutional money market funds organized under the laws of the United States of America or any state thereof that invest solely in any of the Investments permitted under the foregoing clauses (i), (ii), (iii) and (iv) or (vi) Capital Stock that is (x) traded on a national securities exchange, (y) purchased in the secondary market and (z) not subject to any legal or contractual restrictions on transferability.

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"**Permitted Subordinated Debentures**" means (i) the 7<sup>1</sup>/<sub>4</sub>% Convertible Subordinated Debentures due 2002 of the REIT in the aggregate principal amount of \$161,400,000, offered pursuant to the Offering Circular, which debentures have such terms and are subject to such conditions as are set forth in the Offering Circular and (ii) any other unsecured subordinated debentures issued by the REIT *provided that*, in the reasonable discretion of the Agent, the terms and conditions related to subordination of such unsecured subordinated debentures are substantially similar to the terms and conditions related to subordination of the debentures described in clause (i) of this definition.

"**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof and, for the purpose of the definition of "ERISA Affiliate," a trade or business.

"**Plan**" means any pension, retirement, disability, defined benefit, defined contribution, profit sharing, deferred compensation, employee stock ownership, employee stock purchase, health, life insurance, or other employee benefit plan or arrangement, irrespective of whether any of the foregoing is funded, in which any personnel of any Borrower Party or its ERISA Affiliates participates or from which any such personnel may derive a benefit.

"**Post-Default Rate**" means, at any time, a rate per annum equal to the Base Rate in effect at such time *plus* 2%.

"**Price Adjustment Date**", with respect to any Fixed Rate Advance is defined in Section 2.13.

"**Pricing Certificate**" means a certificate of the chief financial officer of the Borrower, substantially in the form of *Exhibit C-5*.

"**Prime Rate**" means a base rate of interest which the Agent Bank establishes from time to time and which serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto. Any change in an Effective Rate due to a change in the Prime Rate shall become effective on the day each such change is announced within the Agent Bank.

"**Principal Investors**" means, collectively, Mace Siegel, Arthur Coppola, Dana Anderson and Edward Coppola.

"**Pro Forma Unencumbered Asset Value**" is defined in Section 4.3.1..

"**Prohibited Transaction**" means a transaction that is prohibited under Section 4975 of the Code or Section 406 or 407 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA.

"**Property Expenses**" means, for any Retail Property, all operating expenses relating to such Retail Property, including the following items (*provided, however*, that Property Expenses shall not include Debt service, tenant improvement costs, leasing commissions, capital improvements, Depreciation and Amortization Expenses and any extraordinary items not considered operating expenses under GAAP):

(i) all expenses for the operation of such Retail Property, including any management fees payable under the Management Contracts and all insurance expenses, but not including any expenses incurred in connection with a sale or other capital or interim capital transaction;

(ii) water charges, property taxes, sewer rents and other impositions, other than fines, penalties, interest or such impositions (or portions thereof) that are payable by reason of the failure to pay an imposition timely; and

(iii) the cost of routine maintenance, repairs and minor alterations, to the extent they can be expensed under GAAP.

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"**Property Income**" means, for any Retail Property, all gross revenue from the ownership and/or operation of such Retail Property (but excluding income from a sale or other capital item transaction), service fees and charges and all tenant expense reimbursement income payable with respect to such Retail Property (but not such reimbursement for expenditures not deducted as a Property Expense).

"**Property NOI**" means, for any Retail Property for any period, (i) all Property Income for such period, *minus* (ii) all Property Expenses for such period.

"**Raw Land**" means (i) raw land or (ii) undeveloped land that constitutes a portion of any Retail Property, other than such portions of the Retail Properties as are reasonably considered to be an integral part of or a pad site for such properties.

"**Real Property**" means each of those parcels (or portions thereof) of real property, improvements and fixtures thereon and appurtenances thereto now or hereafter owned or leased by the Borrower or any other Consolidated Entity.

"**Regulation D**" means Regulation D of the Federal Reserve Board, as amended from time to time.

"**Regulation U**" means Regulation U of the Federal Reserve Board, as amended from time to time.

"**Regulatory Costs**" are, collectively, future, supplemental, emergency or other changes in Reserve Percentages, assessment rates imposed by the FDIC, or similar requirements or costs imposed by any domestic or foreign governmental authority and related in any manner to a Fixed Rate.

"**Regulatory Change**" means, with respect to any Lender, (i) the adoption or becoming effective after the date hereof of any treaty, law, rule or regulation, (ii) any change in any such treaty, law, rule or regulation, or any change in the administration or enforcement thereof, by any Governmental Authority, central bank or other monetary authority charged with the interpretation or administration thereof, in each case after the date hereof, or (iii) compliance after the date hereof by the Lender (or its Applicable Lending Office or any holding company of the Lender) with, any interpretation, directive, request, order or decree (whether or not having the force of law) of any such Governmental Authority, central bank or other monetary authority.

"**REIT**" is defined in the Preamble.

"**Renovation LC Debt**" means Debt with respect to any letter of credit provided on behalf of the Borrower or any Consolidated Entity relating to the performance and/or completion of renovation construction at a Retail Property to the extent that (i) the Borrower or any Consolidated Entity has incurred Debt to fund such renovation construction and (ii) the terms of such letter of credit provide that the amount of such letter of credit will be reduced upon the completion of the renovation construction, or portion thereof, funded by the Debt referred to in clause (i) above.

"**Required Lenders**" means, (i) if the Commitments have not terminated, Lenders holding at least 66<sup>2</sup>/3% of the aggregate amount of the Commitments and, if the Agent Bank is not the sole Lender hereunder at such time, at least two Lenders, or (ii) if the Commitments have terminated, (a) Lenders holding at least 66<sup>2</sup>/3% of the sum of (x) the aggregate unpaid principal amount of the Advances *plus* (y) the aggregate amount of all Letter of Credit Liability and (b) if the Agent Bank is not the sole Lender hereunder at such time, at least two Lenders, in each case giving effect to the provisions of Section 9.10.2.

"**Responsible Officer**" is defined in Section 2.1.5.1.

"**Reserve Percentage**" is, at any time the percentage announced within the Agent Bank as the reserve percentage under Regulation D for loans and obligations making reference to a LIBO Rate for a Fixed Rate Period or time remaining in a Fixed Rate Period on a Price Adjustment Date, as appropriate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for eurocurrency liabilities, as defined in Regulation D, from related institutions as though the Agent Bank were in a net borrowing position, as promulgated by the Federal Reserve Board.

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"**Residual Advance**" means that portion of an Advance that, after giving effect thereto, would result in the aggregate amount of Unsecured Debt of the REIT and the Consolidated Entities (other than the Permitted Subordinated Debentures) exceeding 68.97% of the aggregate Unencumbered Asset Value.

"**Residual Value**" means, with respect to any Wholly-Owned Retail Property, the excess of (i) 70% of the Gross Asset Value of such Retail Property over (ii) the aggregate outstanding amount of Debt secured by a Lien on such Retail Property, in each case, as determined as of the end of the most recently ended Measuring Period.

"**Restricted Cash**" means any cash or cash equivalents held by the Borrower or any of the other Consolidated Entities with respect to which the Borrower or the Consolidated Entity does not have unrestricted access and unrestricted right to expend such cash or expend or liquidate such Permitted Investments.

"**Restricted Payment**" means (i) any dividend or other distribution, direct or indirect, on account of any Capital Stock of the Borrower, the REIT or any Subsidiary now or hereafter outstanding, except (a) a dividend or other distribution payable solely in shares of Capital Stock of the Borrower, the REIT or such Subsidiary, as the case may be, and (b) the issuance of equity interests upon the exercise of outstanding warrants, options or other rights, or (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Capital Stock of the Borrower, the REIT or any Subsidiary now or hereafter outstanding. It is understood that the conversion of any Capital Stock of the Borrower into Capital Stock of the REIT shall not constitute a Restricted Payment by the Borrower.

"**Retail Property**" means any Real Property that is a neighborhood, community or regional shopping center or mall.

"**Retail Property Under Construction**" means Retail Property for which Commencement of Construction has occurred but construction of such Retail Property is not substantially complete.

"**SEC**" means the United States Securities and Exchange Commission, and any successor.

"**Senior Obligations**" is defined in Section 9.10.2.

"**Senior Officer**" means, with respect to any Borrower Party, the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the President, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the General Counsel or any Vice President in charge of a principal business unit or division of such Borrower Party.

"**Senior Unsecured Interest Expense Coverage Ratio**" means, at any time, the ratio of (i) Property NOI of all Unencumbered Assets for the Fiscal Quarter then most recently ended, to (ii) Interest Expense on all Unsecured Debt for such period (other than Interest Expense attributable to the Permitted Subordinated Debentures).

"**Single Employer Plan**" means a Plan other than a Multiemployer Plan.

"**Stated Amount**" means, with respect to a Letter of Credit, the maximum amount available to be drawn thereunder, without regard to whether any conditions to drawing could be met.

"**Subordinated Debt**" is defined in Section 6.9.

"**Subordinated Creditor**" is defined in Section 6.9.

"**Subsidiary**" means, with respect to any Person, any other Person of which more than 50% of the total voting power of the Capital Stock entitled to vote in the election of the board of directors (or other Persons performing similar functions) are at the time directly or indirectly owned by such first Person. Unless otherwise specified, the term "**Subsidiary**" refers to any Subsidiary of a Borrower Party.

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"**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., or any successor.

"**Tangible Net Worth**" means, at any time, (i) Net Worth *minus* (ii) Intangible Assets, *plus* (iii) solely for purposes of Section 7.3.1., any minority interest reflected in the balance sheet of the REIT, but only to the extent attributable to Minority Interests, in each case at such time.

"**Tax Expense**" means (without duplication), for any period, total tax expense (if any) attributable to income and franchise taxes based on or measured by income, whether paid or accrued, of the REIT and the Consolidated Entities, including the REIT's and Consolidated Entity's *pro rata* share of tax expenses in the Unconsolidated Joint Venture. For purposes of this definition, the REIT's *pro rata* share of any such tax expense of any Unconsolidated Joint Venture shall be deemed equal to the product of (i) such tax expense of such Unconsolidated Joint Venture, *multiplied by* (ii) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

"**Taxes**" means, collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign Governmental Authority and related in any manner to a Fixed Rate.

"**Third Person**" is defined in the definition of "Controlled Consolidated Entity" in this Section 1.1.

"**Total Liabilities**" means, at any time, without duplication, the aggregate amount of (i) all Debt and other liabilities of the Borrower and the Consolidated Entities reflected in the financial statements of the REIT or disclosed in the financial notes thereto, *plus* (ii) all liabilities of all Unconsolidated Joint Ventures that is otherwise recourse to the Borrower or any Consolidated Entity or any of its assets or that otherwise constitutes Debt of the Borrower or any Consolidated Entity, *plus* (iii) the Borrower's *pro rata* share of all Debt and other liabilities of any Unconsolidated Joint Venture not otherwise constituting Debt of or recourse to the Borrower or any Consolidated Entity or any of its assets, *plus* (iv) all liabilities of the Borrower and the Consolidated Entities with respect to purchase and repurchase obligations, provided that such obligations to acquire fully-constructed Retail Property shall not be included in Total Liabilities prior to the transfer of title of such Retail Property. For the purposes of clause (i), with respect to any Retail Property Under Construction as to which the Borrower or any Consolidated Entity has provided an outstanding and undrawn letter of credit relating to the performance and/or completion of construction at such property, the amount of Debt incurred by the Borrower or any Consolidated Entity to fund construction with respect to any such Retail Property Under Construction, to the extent not exceeding the amount of the applicable letter of credit and in an amount not to exceed \$25,000,000 in the aggregate at any time, shall not be included. For purposes of clause (iii), the Borrower's *pro rata* share of all Debt and other liabilities of any Unconsolidated Joint Venture shall be deemed equal to the product of (a) such Debt or other liabilities, *multiplied by* (b) the percentage of the total outstanding Capital Stock of such Person held by the Borrower or any Consolidated Entity, expressed as a decimal.

"**Transferred Participations**" is defined in the Recitals.

"**Unconsolidated Joint Venture**" means (i) any Joint Venture of the REIT or any Consolidated Entity in which the REIT or such Consolidated Entity holds any Capital Stock but which would not be combined with the REIT in the consolidated financial statements of the REIT in accordance with GAAP, and (ii) any Investment of the REIT or any Consolidated Entity in any Person that is not a Joint Venture.

"**Unencumbered Asset**" means, subject to Section 4.3., any Real Property that satisfies all of the following conditions:

(i) is a neighborhood, community and regional shopping center or mall;

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(ii) is Wholly-Owned, free and clear of any Lien on such Real Property or the Person holding title to such Real Property (unless approved in writing by the Required Lenders in their discretion) (other than (a) easements, covenants, and other restrictions, charges or encumbrances not securing Debt that do not interfere materially with the ordinary operations of the property and do not materially detract from the value of the property; (b) building restrictions, zoning laws and other Applicable Laws, and (c) leases and subleases of the property in the ordinary course of business, *provided* that any such Liens under (c) that are ground leases entered into after the Closing Date or that are ground leases with respect to Real Properties that become part of the Unencumbered Pool after the Closing Date shall have been approved by the Required Lenders in their discretion);

(iii) in the case of any Real Property title to which is not held directly by the Borrower, (a) the Subsidiary holding title to such Real Property is a Guarantor or becomes a Guarantor prior to the Real Property being treated as an Unencumbered Asset for purposes of determining the Unencumbered Pool, (b) the Capital Stock of such Subsidiary is not subject to any Lien, and (c) such Subsidiary delivers to the Agent (1) an opinion of counsel, substantially in the form delivered to the Agent pursuant to Section 4.1 and by counsel reasonably acceptable to the Agent, with respect to the matters covered by the closing opinion delivered pursuant to Section 4.1 with respect to the Initial Guarantors, and (2) a copy of the charter documents of the Subsidiary, as in effect at that time;

(iv) unless waived by the Agent, a title report from a title company of national repute for such Real Property is delivered to the Agent showing that no material defects exist in or with respect to title to the Real Property (other than Liens permitted to exist pursuant to clause (ii));

(v) unless waived by the Required Lenders, a Phase I environmental study for such Real Property is delivered to the Agent showing that no material adverse environmental conditions exist on or with respect to the Real Property;

(vi) not less than 75% of the M&F Gross Leaseable Area of any Real Property included in the Unencumbered Pool shall be subject to a lease or a sublease pursuant to which rent is being paid by the tenant thereunder;

(vii) the Real Property has been otherwise expressly approved by the Required Lenders in writing as eligible for inclusion in the Unencumbered Pool in their discretion; and

(viii) the Real Property has been designated by the Borrower as an Unencumbered Asset.

Unless the Borrower shall have notified the Agent and the Lenders to the contrary, the Real Properties listed as "Unencumbered Assets" in the Compliance Certificate most recently delivered to the Agent pursuant to Section 6.1.3, shall be considered designated by the Borrower as Unencumbered Assets pursuant to clause (viii) above. As of the date hereof, all of the Real Properties that have been approved by the Required Lenders as eligible for inclusion in the Unencumbered Pool and designated by the Borrower as Unencumbered Assets pursuant to clauses (vii) and (viii) above, respectively, are set forth on *Schedule 1.1C*. If any Unencumbered Asset (including any of the properties listed on *Schedule 1.1C*) no longer satisfies the conditions of the foregoing clauses (ii), (iii) or (vi), at the direction of the Required Lenders, the Agent shall notify the Borrower that, effective upon the giving of such notice, such asset shall no longer be considered an Unencumbered Asset (irrespective of whether a Default or Event of Default exists at that time or results therefrom). If the Borrower intends to designate a property as an Unencumbered Asset to be added to the Unencumbered Pool from time to time (other than those listed on *Schedule 1.1C*), it will notify the Agent and the Lenders of such intention, which notice will include (a) a physical description of the property to be added to the Unencumbered Pool, including its age and location and, if requested by the Agent, a recent title report. (b) if title to the property is held by a Consolidated Entity other than the Borrower, the names and respective percentage interests of all Persons holding Capital Stock of such Consolidated Entity,

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(c) information regarding the occupancy of the property (a rent roll), (d) operating statements for the most recent Fiscal Quarter and the most recent Fiscal Year (and the previous Fiscal Year, if available) and (e) an operating budget for the current Fiscal Year. The property shall become part of the Unencumbered Pool upon the written approval of the Required Lenders. If the Borrower at any time intends to withdraw any Real Property from the Unencumbered Pool, it shall (i) notify the Agent and the Lenders of its intention, and (ii) deliver to the Agent and the Lenders a certificate of its chief financial officer setting forth the calculations establishing that the Borrower will be in compliance with Section 7.4. with giving effect to such withdrawal (and any concurrent addition of properties to the Unencumbered Pool), which calculations shall be substantially in the form of the calculations in *Exhibit C-4* relating to Section 7.4. Effective

automatically upon delivery of such notice and certificate by the Borrower, (i) such property shall no longer constitute an Unencumbered Asset and (ii) if title to the property that is being released from the Unencumbered Pool is not held directly by the Borrower and the Consolidated Entity holding title to such property holds title to no other Unencumbered Asset, such Consolidated Entity shall be released from the Guaranty, and shall cease to be a Guarantor hereunder, in each case without any further action by the Agent or any Lender.

**"Unencumbered Asset Value"** means, at any time:

(i) with respect to any specified Unencumbered Asset other than the Unencumbered Assets described in clauses (ii) or (iv) below, for each such property, (a) the product of such property's Property NOI for the Measuring Period *divided by* (b) 9.50% (expressed as a decimal); *plus*

(ii) with respect to any specified Unencumbered Asset that is a regional Retail Property other than a regional Retail Property described in clause (iv) below, for each such property, (a) the product of such property's Property NOI for the Measuring Period, *divided by* (b) 8.25% (expressed as a decimal); *plus*

(iii) all cash and Permitted Investments (other than, in either case, Restricted Cash) held by the Consolidated Entities at such time, *multiplied by* in the case of cash and Permitted Investments not Wholly-Owned, a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity holding title to such cash and Permitted Investments; *plus*

(iv)(a) 50% of Construction-in-Process with respect to Retail Properties in the Unencumbered Pool that are Wholly-Owned and are Unencumbered Assets and (b) the product of (1) 50% of Construction-in-Process with respect to Retail Properties in the Unencumbered Pool that are not Wholly-Owned *multiplied by* (2) a percentage (expressed as a decimal) equal to the percentage of the total outstanding Capital Stock held by the Borrower of the Consolidated Entity holding title to such Retail Properties in the Unencumbered Pool; *provided, however*, that the Unencumbered Asset Value included in this clause (iv) shall not constitute more than 10% percent of the total Unencumbered Asset Value.

**"Unencumbered Pool"** means the pool of Unencumbered Assets.

**"Unsecured Debt"** means any Debt that is not secured by (i) a first priority Lien on Real Property of a Borrower Party, (ii) a Lien on office machines, (iii) a Lien on automobiles, (iv) a Lien on personal property held at the property level used in the ongoing operation of any Retail Property or (v) a second priority Lien on Real Property of a Borrower Party, *provided* that with respect to any Real Property that is the subject of a second priority Lien (a) such Real Property is owned by a Bankruptcy Remote Entity, (b) the Debt secured by the second priority Lien on such Real Property is non-recourse to the Borrower and (c) the sum of (x) the Debt secured by the first priority Lien on such Real Property and (y) the Debt that is secured by the second priority Lien on such Real Property does not exceed 85% of the Gross Asset Value of such Real Property.

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**"Wholly-Owned"** means, with respect to any Real Property or other asset owned or leased, that (i) title to such asset is held directly by, or such asset is leased by, the Borrower, or (ii) in the case of Real Property, title to such property is held by, or such property is leased by, a Consolidated Entity at least 99% of the Capital Stock of which is held of record and beneficially by the Borrower and the balance of the Capital Stock of which (if any) is held of record and beneficially by the REIT (or any wholly-owned Subsidiary of the REIT).

**"Wholly-Owned Entity"** is defined in Section 7.2.2.

## **Section 1.2. Related Matters.**

**1.2.1. Construction.** Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, the singular includes the plural, the part includes the whole, "including" is not limiting, and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole (including the Preamble, the Recitals, the Schedules and the Exhibits) and not to any particular provision of this Agreement. Article, section, subsection, exhibit, schedule, recital and preamble references in this Agreement are to this Agreement unless otherwise specified. References in this Agreement to any agreement, other document or law "as amended" or "as amended from time to time," or to amendments of any document or law, shall include any amendments, supplements, replacements, renewals, waivers or other modifications. References in this Agreement to any law (or any part thereof) include any rules and regulations promulgated thereunder (or with respect to such part) by the relevant Governmental Authority, as amended from time to time.

**1.2.2. Determinations.** Any determination or calculation contemplated by this Agreement that is made by any Lender Party shall be final and conclusive and binding upon each Borrower Party, and, in the case of determinations by the Agent, also the other Lender Parties, in the absence of manifest error. References in this Agreement to any "determination" by any Lender Party include good faith estimates by such Lender Party (in the case of quantitative determinations), and good faith beliefs by such Lender Party (in the case of qualitative determinations). All references herein to "discretion" of any Lender Party (or terms of similar import) shall mean "absolute and sole discretion." All consents and other actions of any Lender Party contemplated by this Agreement may be given, taken, withheld or not taken in such Lender Party's discretion (whether or not so expressed), except as otherwise expressly provided herein.

**1.2.3. Accounting Terms and Determinations.** Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared on a consolidated basis in accordance with GAAP applied on a basis consistent (except for changes that the independent public accountants of the REIT deem necessary in order to allow them to render an unqualified opinion to the REIT and for changes that are not deemed so necessary but are concurred in by such independent public accountants and the Agent) with the audited consolidated financial statements of the REIT and the Consolidated Entities referred to in Section 5.6.1. Notwithstanding anything herein to the contrary, for purposes of determining the REIT's *pro rata* share of any income, expense, asset, liability or other item of or with respect to any Unconsolidated Joint Venture, as used in the defined terms used in or by reference in Section 7.3., the percentage of the Capital Stock held by the REIT or any Consolidated Entity shall be the percentage required to be used under GAAP.

**1.2.4. Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS (OTHER THAN THE RULES REGARDING CONFLICTS OF LAWS, EXCEPT THOSE CONTAINED IN CALIFORNIA CIVIL CODE SECTION 1646.5) OF THE STATE OF CALIFORNIA.

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**1.2.5. Headings.** The Article and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction hereof.

**1.2.6. Severability.** If any provision of this Agreement shall be held to be invalid, illegal or unenforceable under Applicable Law in any jurisdiction, such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability, which shall not affect any other provisions hereof or the validity, legality or enforceability of such provision in any other jurisdiction.

**1.2.7. Independence of Covenants.** All covenants under this Agreement shall each be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by another covenant, by an exception thereto, or be otherwise within the limitations thereof, shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

**1.2.8. Other Definitions.** Terms otherwise defined in Preamble, the Recitals and in any other provision of this Agreement or any of the other Loan Documents not defined or referenced in Section 1.1. have their respective defined meanings when used herein or therein.

## ARTICLE 2.

### AMOUNT AND TERMS OF THE CREDIT FACILITIES

#### Section 2.1. Advances.

**2.1.1. Advances.** Upon the terms and subject to the conditions set forth in this Agreement, (a) on the Closing Date, the Existing Credit Agreement is hereby superseded, amended and restated in its entirety, and (b) each Lender hereby severally agrees, at any time from and after the Closing Date until the Business Day next preceding the Maturity Date, to make advances (each an "Advance," which term shall also include amounts drawn under Letters of Credit pursuant to Section 2.2.4.1.) to the Borrower in an aggregate outstanding principal amount not to exceed at any time outstanding, when added to other Commitment Usage of such Lender at such time, the Commitment of such Lender, *provided* that the Commitment Usage of all Lenders at any time, in the aggregate, shall not exceed the aggregate Commitments of all Lenders; *provided, further*, that with respect to any Residual Advance, (i) the aggregate amount of all outstanding Residual Advances shall not exceed the lesser of (A) \$50,000,000 and (B) 25.0% of the aggregate Residual Value of all Wholly-Owned Retail Properties and (ii) no principal amount of a Residual Advance shall remain outstanding more than 210 days after the earlier of (x) the Funding Date of such Residual Advance and (y) the Funding Date of the earliest Residual Advance outstanding at the time such Residual Advance is made (the "*Residual Advance Maturity Date*"). Advances may be voluntarily prepaid and, subject to the provisions of this Agreement (including Section 2.13.), any amounts so prepaid may be re-borrowed, up to the amount available under this Section 2.1.1. at the time of such re-borrowing.

**2.1.2. Type of Advances and Minimum Amounts.** Advances made under this Section 2.1. may be Base Rate Advances or Fixed Rate Advances, subject, however, to Section 2.4. Each Borrowing of Fixed Rate Advances to which the same Fixed Rate Period is applicable shall be in a minimum amount of \$2,000,000 and integral multiples of \$1,000,000.

#### 2.1.3. Notice of Borrowing.

**2.1.3.1.** When the Borrower desires to borrow pursuant to Section 2.1., it shall deliver to the Agent, (i) in the case of an Advance other than a Residual Advance, a Notice of Borrowing substantially in the form of *Exhibit B-1A* and a Borrowing Certificate substantially in the form of *Exhibit B-2* (a "*Borrowing Certificate*") or (ii) in the case of a Residual Advance, a Notice of Borrowing substantially in the form of *Exhibit B-1B* and a Borrowing Certificate, in each case, duly completed and executed by a Responsible Officer (each Notice of Borrowing delivered pursuant to

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clause (i) and (ii) above, a "*Notice of Borrowing*"), no later than 10:00 a.m. (California time) (i) at least one Business Day before (or, if the Agent Bank is the sole Lender hereunder at such time, on) the proposed Funding Date, in the case of a Base Rate Advance, or (ii) at least three Business Days (or, if the Agent Bank is the sole Lender hereunder at such time, one Business Day), but not more than five Business Days, before the proposed Funding Date, in the case of a Fixed Rate Advance.

**2.1.3.2.** In lieu of delivering a Notice of Borrowing for an Advance (other than with respect to a Residual Advance), the Borrower, through a Responsible Officer, may give the Agent telephonic notice by the required time of the proposed borrowing for Advances of that type and all information required by a Notice of Borrowing; *provided, however*, that such notice shall be confirmed in writing by delivery of a Notice of Borrowing by fax to the Agent as soon as practicable one day prior to the proposed Funding Date. The Lender Parties shall incur no liability to the Borrower in acting upon any telephonic notice that the Agent believes to have been given by a Person authorized to act on behalf of the Borrower or for otherwise acting in good faith under this Section 2.1. and in making any Advance in accordance with this Agreement pursuant to any telephonic notice.

**2.1.3.3.** Notwithstanding anything herein to the contrary, no Notice of Borrowing shall be required at any time while the Agent Bank is the only Lender hereunder with respect to any Base Rate Advance while there shall be in effect, pursuant to subsequent mutual agreement between the Borrower and the Agent Bank, a program (such as a credit sweep) whereby Base Rate Advances are made automatically to maintain a target balance in an account the Borrower maintains with the Agent Bank (a "*Credit Sweep Program*"). The Agent Bank shall incur no liability to the Borrower making Advances pursuant to any Credit Sweep Program.

**2.1.3.4.** The Agent shall promptly notify each Lender of the contents of any Notice of Borrowing (or telephonic notice in lieu thereof) received by it and such Lender's *pro rata* portion of the Borrowing of Advances requested. Not later than 9:00 a.m. (California time) on the date specified in such notice as the Funding Date, each Lender, subject to the terms and conditions hereof, shall make its *pro rata* portion of the Borrowing of Advances available, in immediately available funds, to the Agent at the Agent's Account.

**2.1.4. Funding of Advances.** Subject to and upon satisfaction of the applicable conditions set forth in Article 4. as determined by the Agent, the Agent shall make the proceeds of the requested Advances available to the Borrower in Dollars in immediately available funds in the Borrower Account. In addition, if the Borrower Account is maintained with a financial institution other than the Agent, all borrowings hereunder shall be subject to the terms and conditions of the Funds Transfer Agreement.

#### 2.1.5. Responsible Officers With Respect to Advances.

**2.1.5.1.** The Borrower shall notify the Agent of the names of its officers and employees authorized to request and take other actions with respect to Advances on behalf of the Borrower (each a "Responsible Officer") and shall provide the Agent with a specimen signature of each such officer or employee. The Agent shall be entitled to rely conclusively on a Responsible Officer's authority to request and take other actions (including any Notices of Borrowing or telephonic notice in lieu thereof, notices pursuant to Section 2.4.2., or acceptance of telephonic quotes of Fixed Rates given by the Lender pursuant to Section 2.4.2.,) with respect to Advances on behalf of the Borrower until the Agent receives written notice to the contrary. The Agent shall have no duty to verify the authenticity of the signature appearing on any Notice of Borrowing or any other certificate or notice delivered pursuant to this Agreement.

**2.1.5.2.** Any Notice of Borrowing (or telephone notice in lieu thereof) delivered pursuant to Section 2.1.3. shall be irrevocable and the Borrower shall be bound to make a Borrowing in

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accordance therewith. Further, each Notice of Borrowing shall set forth that the Agent's Loan Number is 3959ZL and the Agent's Accounting Unit Number is 2924.

## **Section 2.2. Letters of Credit.**

**2.2.1. In General.** Upon the terms and subject to the conditions set forth in this Agreement, at any time from and after the Closing Date until the day that is thirty (30) days prior to the Maturity Date, the Agent Bank shall issue for the account of the Borrower one or more Letters of Credit, *provided* that (a) the aggregate Stated Amount of all outstanding Letters of Credit shall not exceed \$20,000,000, (b) the Stated Amount of the proposed Letter of Credit, when added to other Commitment Usage of all Lenders at such time, in the aggregate, shall not exceed the aggregate Commitments of all Lenders, and (c) in no event shall Letters of Credit be issued for the benefit of any of the Lenders. Letters of Credit shall have expiry dates not later than 24 months from the date of issuance and in any event not later than 10 Business Days prior to the Maturity Date. No Letter of Credit shall contain an automatic renewal or extension clause. The provisions of this Section 2.2. and Section 4.2. shall apply to any supplement, amendment, extension, renewal or increase of a Letter of Credit as if it were a new Letter of Credit.

**2.2.2. Issuances of Letters of Credit.** When the Borrower desires the issuance of a Letter of Credit, the Borrower shall deliver to the Agent Bank at least five (5) Business Days before the Funding Date, a Letter of Credit Agreement and such other documents and materials as may be required by the Agent Bank, each in form and substance satisfactory to the Agent Bank. The Agent Bank shall, if it approves of the contents of the Letter of Credit Agreement and such other documents and materials, and subject to the terms and conditions of this Agreement, issue the Letter of Credit on or before 5:00 p.m. (California time) on or before the day that is five (5) Business Days following the receipt of all documents required under this Section 2.2.2. In the event of a conflict between the terms of any Letter of Credit Agreement and this Agreement, the terms of this Agreement shall govern. Upon issuance of a Letter of Credit, the Agent shall promptly notify each Lender thereof and of such Lender's *pro rata* share of such Letter of Credit.

**2.2.3. Participations in Letters of Credit.** Immediately upon the issuance of a Letter of Credit (other than the Existing Letters of Credit), each Lender (other than the Agent Bank) shall be deemed to have irrevocably purchased from the Agent Bank a participation in such Letter of Credit and any drawing thereunder in an amount equal to such Lender's *pro rata* share of the Stated Amount of such Letter of Credit. An amount equal to the Letter of Credit Liability for each Letter of Credit shall be reserved under the Commitments and shall not be available for borrowing for any purpose other than reimbursement of amounts drawn under the Letters of Credit pursuant to the terms of this Section 2.2.

**2.2.4. Drawings, Etc.** Notwithstanding any provisions to the contrary in any Letter of Credit Agreement:

**2.2.4.1.** In case of a drawing under any Letter of Credit, the amounts so drawn shall, from the date of payment thereof by the Agent Bank, be deemed to be an Advance by the Agent Bank, as a Lender, and, to the extent reimbursed pursuant to Section 2.2.4.2., Advances by the other Lenders, for all purposes hereunder.

**2.2.4.2.** Promptly after payment by the Agent Bank of any amount drawn under any Letter of Credit, the Agent shall notify each Lender of the amount of such drawing and of such Lender's respective participation therein. Each Lender shall make available to the Agent Bank an amount equal to its respective participation in immediately available funds, at the office of such Agent Bank specified in such notice, not later than the Business Day after the date on which the Agent gives such notice. Each Lender's obligations under this Section 2.2.4.2. (a) shall not be subject to any set-off, counterclaim or defense to payment that the Lender may have against any Borrower Party or against the Agent Bank and (b) shall be absolute, unconditional and irrevocable, and as a

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primary obligor, not as a surety, notwithstanding any circumstance or event whatsoever, including (i) the occurrence of an Event of Default or Default, (ii) the failure of any other Lender to fund its participation as required hereby, (iii) the financial condition of any Borrower Party or Lender Party or any set-off, counterclaim or defense to payment that the Borrower may have or (iv) the termination or cancellation of the Commitment of such Lender. If any Lender fails to make available to the Agent Bank the amount of such Lender's participation in the Letter of Credit as provided in this Section 2.2.4.2., (A) such amount shall bear interest at the Federal Funds Rate (or, commencing with the third day, the Base Rate) from the day on which the Agent's notice referred to above is given until paid and (B) upon demand by the Agent Bank, the Borrower shall make payment to the Agent Bank of such amount, together with interest accrued thereon.

**Section 2.3. Use of Proceeds.** The proceeds of the Advances shall be used by the Borrower only for pre-development and development costs, acquisition costs, capital improvements, working capital, Investments, repayment of Debt, scheduled amortization payments of Debt and general corporate purposes, in each case to the extent otherwise permissible hereunder. No part of the proceeds of the Advances or Letters of Credit shall be used directly or indirectly (a) to purchase Capital Stock of any Lender Party or any of their respective Affiliates, or (b) for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock or maintaining or extending credit to others for such purpose or for any other purpose that otherwise violates the Margin Regulations.

## **Section 2.4. Interest; Conversion/Continuation.**

### **2.4.1. Effective Rate.**

**2.4.1.1.** The unpaid principal amount of all Advances (or portions thereof) shall bear interest at the Effective Rate. The "Effective Rate" upon which interest shall be calculated for the Advances shall be one or more of the following:

**2.4.1.1.1.** Provided no Default or Event of Default then exists:

(i) for those portions of the principal balance of Advances that are not part of any Fixed Rate Portions, the Effective Rate shall be the Base Rate; and

(ii) for those portions of the principal balance of Advances that are part of Fixed Rate Portions, the Effective Rate for the Fixed Rate Period thereof shall be the Fixed Rate selected by the Borrower and set in accordance with the provisions hereof.

**2.4.1.2.** During such time as a Default or Event of Default exists (whether or not the Obligations have then become due and payable by acceleration) and from and after the Maturity Date, the interest rate applicable to the then outstanding principal balance of all Advances shall be the rate set forth in Section 2.4.1.1.1. or, at the option of the Lenders holding 66<sup>2</sup>/3% of the outstanding Advances, the Post-Default Rate.

**2.4.2. Selection of Fixed Rate for Advances.** Provided no Default or Event of Default then exists, the Borrower, at its option and upon satisfaction of the conditions set forth herein, may request a Fixed Rate as the Effective Rate for calculating interest on any Advance being requested pursuant to Section 2.1. or the portion of the unpaid principal balance of outstanding Advances, in each case for the period selected in accordance with and subject to the following procedures and conditions:

**2.4.2.1.** In the case of a request of a Fixed Rate with respect to outstanding Advances, at least three Business Days (or, if the Agent Bank is the sole Lender hereunder at such time, one Business Day), but not more than five Business Days, before requesting a Fixed Rate, the Borrower shall give the Agent advance telephonic notice that it will request a rate quotation for a portion of the principal balance of the Advances and for a period of time that conforms to a Fixed Rate Portion and Fixed Rate Period and the other provisions hereof. The Agent will promptly notify the Lenders of such request. In the case of a new Advance, the Notice of Borrowing shall

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set forth the requested period of time, which shall conform to a Fixed Rate Portion and Fixed Rate Period and the other provisions hereof.

**2.4.2.2.** In the case of a request of a Fixed Rate with respect to outstanding Advances, at approximately 9:00 a.m. (California time) on the Business Day next following such advance notice, the Borrower shall telephonically request the Agent to quote telephonically an Applicable LIBO Rate as a Fixed Rate for the Fixed Rate Portion and Fixed Rate Period selected by the Borrower. If upon the expiration of any Fixed Rate Period with respect to any Fixed Rate Portion, the Borrower fails to select, or the Agent is unable to provide, a Fixed Rate with respect to such Fixed Rate Portion or any part thereof, such Fixed Rate Portion or part shall automatically convert into a Base Rate Portion, and the Agent shall promptly notify the Lenders of such fact. The Borrower shall not be released from its obligation to pay interest at the Effective Rate and the Lender Parties shall incur no liability to the Borrower if the Borrower is unable to obtain, or the Agent is unable to provide, a telephonic quote on any Business Day.

**2.4.2.3.** In the case of a new Advance that is a Fixed Rate Advance, at approximately 9:00 a.m. (California time) on the Business Day before the Funding Date (or, if the Agent Bank is the sole Lender hereunder at such time, on the Funding Date) requested in the Notice of Borrowing, the Borrower shall telephonically request the Agent to quote telephonically an Applicable LIBO Rate as a Fixed Rate for the Fixed Rate Portion and Fixed Rate Period selected by the Borrower in the related Notice of Borrowing. The Lender Parties shall incur no liability to the Borrower if the Borrower is unable to obtain, or the Agent is unable to provide, a telephonic quote on any Business Day. In any such case, the Borrower shall be deemed to have withdrawn its Notice of Borrowing without any further action being required by the Agent or the Borrower.

**2.4.2.4.** If the Borrower accepts the Agent's telephonic quote of the Fixed Rate requested with respect to any Advance by approximately 9:05 a.m. (California time) on the day of the Agent's quote, such Fixed Rate shall be the Effective Rate for the Fixed Rate Portion and Fixed Rate Period selected. The date that is two Business Days after the day on which (or, if the Agent Bank is then the sole Lender hereunder, the day on which) the quoted Fixed Rate is telephonically accepted by the Borrower shall be the "Fixed Rate Commencement Date" for that Fixed Rate Period.

**2.4.2.5.** The Agent is authorized to rely upon the telephonic request by any Responsible Officer and acceptance of the Agent's telephonic quote by any Person who purports to be a Responsible Officer. The Agent shall incur no liability to the Borrower in acting upon any telephonic notice or acceptance of any telephonic quote that the Agent believes to have been given or made by a Person authorized to act on behalf of the Borrower or for otherwise acting in good faith under this Section 2.4.2.

**2.4.2.6.** The Borrower's acceptance of a Fixed Rate shall be confirmed by a written Fixed Rate Notice, which the Agent shall promptly deliver to the Borrower and the Lenders not less than two days prior to the Fixed Rate Commencement Date. The Agent's failure to deliver the Fixed Rate Notice shall not release the Lenders from funding any Advance requested pursuant to a Notice of Borrowing, or the Borrower from its obligation to pay interest at the Effective Rate pursuant to the terms hereof.

**2.4.2.7.** The Borrower shall not have the right to request an Advance in the form of a Fixed Rate Advance or request or accept a quote of a Fixed Rate applicable to Fixed Rate Advances if more than five Fixed Rate Portions are then subject to a Fixed Rate or if more than eight different Fixed Rate Periods are then applicable to Fixed Rate Advances.

**2.4.2.8.** All Advances made or deemed made pursuant to Section 2.2.4.1. shall initially be Base Rate Advances.

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**2.4.3. Payment of Interest.** Interest accrued on the Base Rate Portion and each Fixed Rate Advance shall be due and payable in arrears (a) on the first Business Day of each month, commencing with the first month following the Closing Date and (b) on the Maturity Date.

**2.4.4. Computations.** Interest on the Advances and other amounts payable hereunder or the other Loan Documents shall be computed on the basis of a 360-day year and the actual number of days elapsed. Any change in the interest rate on any Advance or other amount resulting from a change in the rate applicable thereto (or any component thereof) pursuant to the terms hereof shall become effective as of the opening of business on the Business Day on which such change



in the applicable rate (or component) shall become effective. Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower for all purposes, in the absence of manifest error.

**2.4.5. Maximum Lawful Rate of Interest.** The rate of interest payable on any Advances or other amount shall in no event exceed the maximum rate permissible under Applicable Law. If the rate of interest payable on any Advances or other amount is ever reduced as a result of this Section and at any time thereafter the maximum rate permitted by Applicable Law shall exceed the rate of interest provided for in this Agreement, then the rate provided for in this Agreement shall be increased to the maximum rate provided by Applicable Law for such period as is required so that the total amount of interest received by the Lenders is that which would have been received by the Lenders but for the operation of the first sentence of this Section.

#### **Section 2.5. Note, Etc.**

**2.5.1. Advances Evidenced by Note.** The Advances made by each Lender shall be evidenced by its own single Note. Each Note shall be dated the Closing Date and stated to mature in accordance with the provisions of this Agreement applicable to the relevant Advances.

**2.5.2. Notation of Amounts and Maturities, Etc.** Each Lender is hereby irrevocably authorized to record on the schedule attached to its Note (or a continuation thereof) the information contemplated by such schedule. The failure to record, or any error in recording, any such information shall not, however, affect the obligations of the Borrower hereunder or under any Note to repay the principal amount of the Advances evidenced thereby, together with all interest accrued thereon. All such notations shall constitute conclusive evidence of the accuracy of the information so recorded, in the absence of manifest error.

#### **Section 2.6. Fees.**

**2.6.1.** On the Closing Date and from time to time thereafter as specified in the Fee Letter, the Borrower shall pay to the Agent the Fees specified in the Fee Letter. All Fees shall be fully earned when payable hereunder and under the Fee Letter and shall be non-refundable.

**2.6.2.** The Borrower shall pay to the Agent, for the account of the Lenders, a standby letter of credit fee (the "*Letter of Credit Fee*") for each Letter of Credit issued (which Letter of Credit Fee shall be remitted to the Lenders net of the Agent's usual and customary operational charges related to the issuance, amendment or negotiation of any Letters of Credit) equal to one and one-half percent (1.50%) per annum (\$500 minimum per annum) of the Stated Amount of each Letter of Credit from the date of issuance of such Letter of Credit until its expiry. The Letter of Credit Fee shall be payable in advance upon the issuance of any Letter of Credit.

**2.6.3.** On each of April 1, July 1, October 1 and January 1 prior to the Maturity Date and on the Maturity Date, the Borrower shall pay in arrears to the Agent for the *pro rata* benefit of the Lenders a fee (the "*Facility Fee*") equal to (i) 0.15% per annum of the Commitments of all Lenders if the ratio of Total Liabilities to Gross Asset Value (expressed as a percentage) at the end of the Fiscal Quarter with respect to which the Facility Fee is being determined is less than 50% and (ii) 0.20% per annum of the Commitments of all Lenders if the ratio of Total Liabilities to Gross Asset Value (expressed as a

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percentage) at the end of the Fiscal Quarter with respect to which the Facility Fee is being determined is greater than or equal to 50.0% but less than 55.0%, (iii) 0.25% per annum of the Commitments of all Lenders if the ratio of Total Liabilities to Gross Asset Value (expressed as a percentage) at the end of the Fiscal Quarter with respect to which the Facility Fee is being determined is greater than or equal to 55.0% but less than 60.0% or (iv) 0.30% if none of clauses (i), (ii) and (iii) applies (including if the Compliance Certificate showing that any of clauses (i), (ii) and (iii), as the case may be, is satisfied is not delivered when required hereby), *provided, however*, that respect to the Facility Fee to be paid on the Maturity Date, (a) such Facility Fee shall be calculated for the period commencing on the last day of the Fiscal Quarter most recently ended and ending on the Maturity Date (the "Stub Period") and (b) shall be in an amount equal to the product of (x) a fraction, the numerator of which shall be the number of days of the Stub Period and the denominator of which shall be 90 and (y) the product of (1) the percentage (expressed as a decimal) used to calculate the Facility Fee for the most recently ended Fiscal Quarter *multiplied by* (2) the Commitments of all Lenders immediately prior to the Maturity Date.

**2.6.4.** If the extension option is exercised by the Borrower in accordance with Section 2.7.2., then the Borrower shall pay to the Agent for the *pro rata* benefit of the Lenders, a fee (the "*Extension Fee*") equal to 0.25% of the aggregate amount of the Commitments.

#### **Section 2.7. Termination, Reduction and Extension of Commitment.**

**2.7.1.** Each Lender's Commitment shall terminate without further action on the part of such Lender on the Maturity Date unless the Maturity Date is extended pursuant to Section 2.7.2. In addition, the Commitment shall terminate in accordance with Section 8.2.

**2.7.2.** The Borrower may, by written notice to the Agent and the Lenders not less than 60 days and not more than 120 days before the Maturity Date initially in effect, request that the Maturity Date be extended to the date that is one year following the initial Maturity Date. If the Borrower shall so request such an extension, the Maturity Date shall be automatically extended to the date that is one year following the initial Maturity Date; *provided* that no such extension shall be effective unless (a) no Default or Event of Default shall exist either on the date of the notice requesting such extension or on the Maturity Date initially in effect, (b) each of the representations and warranties of the Borrower Parties set forth in the Loan Documents shall be true and complete on and as of each such date with the same force and effect as if made on and as of each such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), (c) each of the Lenders and the Agent shall have approved in writing the terms of any refinancing, repayment or other arrangement made by the REIT with respect to the Debt outstanding with respect to Permitted Subordinated Debentures and (d) the Borrower shall have paid the Extension Fee.

**2.7.3.** The Borrower shall have the right, at any time or from time to time after the Closing Date, to terminate in whole or permanently reduce in part, without premium or penalty, the unused Commitments to an amount not less than the Commitment Usage of all Lenders outstanding at such time, by giving the Agent not less than three Business Days' prior written notice of such termination or reduction and the amount of any partial reduction. Any such termination or partial reduction shall be effective on the date specified in the Borrower's notice, shall be in a minimum amount of \$1,000,000 and an integral multiple thereof and shall be applied to the reduction, on a proportionate basis, of each of the Commitments and the maximum Stated Amount of all Letters of Credit as set forth in Section 2.2.1.

#### **Section 2.8. Repayments and Prepayments.**

**2.8.1. Repayment.** The unpaid principal amount of all Advances shall be paid in full on the Maturity Date. Notwithstanding the foregoing, the unpaid principal amount of a Residual Advance shall be paid in full on the earlier of the (i) Maturity Date and (ii) the Residual Advance Maturity Date.

**2.8.2. Mandatory Prepayment for Excess Advances.** If at any time the outstanding principal amount of (a) all Advances *plus* the Letter of Credit Liability exceeds the aggregate amount of the Commitments, or (b) the aggregate outstanding principal amount of all Residual Advances shall exceed the lesser of (i) \$50,000,000 and (ii) 25.0% of the aggregate Residual Value of all Wholly-Owned Retail Properties, the Borrower shall, on the Business Day on which the Borrower learns or is notified of the excess, make mandatory prepayments of Advances so that, after such repayment, such excess is eliminated.

**2.8.3. Reinstatement.** To the extent any Lender Party receives payment of any amount under the Loan Documents, whether by way of payment by the Borrower, set-off or otherwise, which payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, other law or equitable cause, in whole or in part, then, to the extent of such payment received, the Obligations or part thereof intended to be satisfied thereby shall be revived and continue in full force and effect as if such payment had not been received by such Lender Party.

**Section 2.9. Manner of Payment.**

Except as otherwise expressly provided, the Borrower shall make each payment hereunder or under the other Loan Documents to the Agent in Dollars and in immediately available funds, without any deduction whatsoever, including any deduction for any set-off, recoupment, counterclaim or Taxes, at the Agent's Office, for the account of the Applicable Lending Offices of the Lenders entitled to such payment, not later than 11:00 a.m. (California time) on the due date thereof. Any payments received after 11:00 a.m. (California time) on any Business Day shall be deemed received on the next succeeding Business Day. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall instead be made on the next succeeding Business Day. Not later than 5:00 p.m. (California time) on the day such payment is credited to the Advances outstanding hereunder, the Agent shall deliver to each Lender, for the account of the Lender's Applicable Lending Office, in Dollars and in immediately available funds, such Lender's share of the payment so made, determined pursuant to Section 2.10. Delivery shall be made in accordance with the written instructions satisfactory to the Agent from time to time given to the Agent by each Lender.

**Section 2.10. Pro Rata Treatment.** Except to the extent otherwise expressly provided herein,

**2.10.1.** Advances shall be requested from, and all Letter of Credit Liability, the Interest Reserve and all Fees payable pursuant to Sections 2.6.2, 2.6.3 and 2.6.4 shall be allocated to, the Lenders, *pro rata* according to their respective Commitments.

**2.10.2.** Each reduction of the Commitments of the Lenders shall be applied to the respective Commitments of the Lenders *pro rata* according to their respective Commitments before such reduction.

**2.10.3.** Subject to Section 2.10.4, each payment or prepayment by the Borrower of principal of the Advances shall be made for the account of the Lenders *pro rata* according to the respective unpaid principal amount of the Advances owed to the Lenders, and each payment by the Borrower of interest on the Advances shall be made for the account of the Lenders *pro rata* according to the respective accrued but unpaid interest on the Advances owed to such Lenders.

**2.10.4.** If, pursuant to Section 8.2.2, the Agent shall have declared the unpaid principal amount of all Advances together with any and all accrued interest thereon to be due and payable, all amounts received by the Agent or any of the Lenders (whether received by voluntary payment, by counterclaim or cross action or by the enforcement of any or all of the Obligations) which are applicable to the payment of the Obligations, equitable adjustment will be made so that, in effect, all such amounts will be shared among the Lenders ratably in accordance with their proportionate share of the amount to be

so applied based on, in each case, the ratio of the aggregate principal amount of all outstanding Advances owed to each Lender to the aggregate principal amount of all outstanding Advances.

**Section 2.11. Mandatory Suspension and Conversion of Fixed Rate Advances.** If any of the transactions necessary for the calculation of interest at any Fixed Rate requested or selected by the Borrower should be or become prohibited or unavailable to any Lender, or, if in the Agent's good faith judgment, it is not possible or practical for the Agent to set a Fixed Rate for a Fixed Rate Portion or any Fixed Rate Period as requested or selected by the Borrower or to continue to have outstanding any Fixed Rate Portion, the Effective Rate for such Fixed Rate Portion shall remain at or automatically revert to the Base Rate, and such Fixed Rate Advance then being requested by the Borrower shall be made as a Base Rate Advance, in each case, without any action on the part of the Borrower or the Lender Parties.

**Section 2.12. Increased Regulatory Costs.**

**2.12.1. Taxes, Regulatory Costs and Percentages.** Upon any Lender's demand, the Borrower shall pay to the Agent, in addition to all other amounts that may be, or become, due and payable under this Agreement or the other Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of a Fixed Rate. Further, at each Lender's option, the Fixed Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by such Lender in its prudent banking judgment, from the date of imposition (or any subsequent date selected by such Lender) of any such Regulatory Costs. The relevant Lender shall give the Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but the Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given. In addition, if, on or after the date hereof, any Regulatory Change (a) shall subject any Lender Party (or its Applicable Lending Office) to any Taxes with respect to Letters of Credit or its obligations under or with respect thereto, or changes the basis of taxation of payments to any Lender Party of reimbursement obligations or related Fees or (b) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance or similar requirement against, or any fees or charges in respect of, assets held by, deposits with or other liabilities for the account of, Letters of Credit or shall impose on any Lender Party (or its Applicable Lending Office) any other condition affecting any Letter of Credit or any obligation in respect of Letter of Credit participations, and the effect of the foregoing is (i) to increase the cost to such Lender Party (or its Applicable Lending Office) of making, issuing, renewing or maintaining any Letter of Credit or in respect of Letter of Credit participations or (ii) to reduce the amount of any sum received or receivable by such Lender Party (or its Applicable Lending Office) hereunder or under any other Loan Document with respect thereto, then the Borrower shall from time to time pay to such Lender Party, within 10 days after request by such Lender Party, such additional amounts as may be specified by such Lender Party as sufficient to compensate such Lender Party for such increased cost or reduction.

**2.12.2. Capital Costs.** If a Regulatory Change after the date hereof regarding capital adequacy (including the adoption or becoming effective of any treaty, law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards") has or would have the effect of reducing the rate of return on the capital of or maintained by any Lender Party or any company controlling such Lender Party as a consequence of such Lender Party's Advances, Letters of Credit, participations therein or obligations hereunder and other commitments of this type to a level below that which such Lender Party or such company could have achieved but for such Regulatory Change (taking into account such Lender Party's or company's policies with respect to capital adequacy), then, subject to Section 2.14., the Borrower shall from time to time pay to such Lender Party, within 10 days after request by such Lender Party, such additional amounts as may be specified by such Lender Party as sufficient to compensate such Lender Party or company for such reduction in return, to the extent such Lender Party or such company determines such reduction to be attributable to the existence, issuance or maintenance of such Advances, Letters of Credit, participations therein or obligations for the account of the Borrower.

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**Section 2.13. Fixed Rate Price Adjustment.** The Borrower acknowledges that prepayment or acceleration of a Fixed Rate Advance (including pursuant to Sections 2.8.2., 2.11., 2.12., 2.13. and 8.2.) during a Fixed Rate Period will result in the Lender Party holding such Fixed Rate Advance incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, on the date a Fixed Rate Portion is prepaid or the date all Obligations become due and payable, by acceleration or otherwise (a "Price Adjustment Date"), the Borrower will pay each Lender Party (in addition to all other sums then owing to such Lender Party) an amount (the "Fixed Rate Price Adjustment") equal to (i) the then present value, calculated by using as a discount rate, the LIBO Rate quoted on the Price Adjustment Date, of the amount of interest that would have accrued on the Fixed Rate Portion then outstanding to such Lender Party for the remainder of the Fixed Rate Period at the Fixed Rate, set on the related Fixed Rate Commencement Date less (ii) the amount of interest that would accrue on the same Fixed Rate Portion for the same period if the Fixed Rate were set on the Price Adjustment Date as the Applicable LIBO Rate in effect on the Price Adjustment Date.

By initialing this provision where indicated below, the Borrower confirms that each Lender Party's agreement to make the Advances evidenced by this Agreement at the interest rates and on the other terms set forth herein and in the other Loan Documents constitutes adequate and valuable consideration, given individual weight by the Borrower, for this Agreement.

BORROWER'S INITIALS: \_\_\_\_\_

**Section 2.14. Purchase, Sale and Matching of Funds.** The Borrower understands, agrees and acknowledges the following: (a) no Lender Party has any obligation to purchase, sell and/or match funds in connection with the use of a LIBO Rate as a basis for calculating a Fixed Rate or Fixed Rate Price Adjustment; (b) a LIBO Rate is used merely as a reference in determining a Fixed Rate and Fixed Rate Price Adjustment; and (c) the Borrower has accepted a LIBO Rate as a reasonable and fair basis for calculating a Fixed Rate and a Fixed Rate Price Adjustment. The Borrower further agrees to pay the Fixed Rate Price Adjustment, Taxes and Regulatory Costs, if any, whether or not any Lender Party elects to purchase, sell and/or match funds.

### ARTICLE 3.

#### GUARANTY

##### Section 3.1. Guaranty.

**3.1.1.** The Guarantors unconditionally jointly and severally guaranty and promise to pay to the order of the Agent, for the benefit of the Lender Parties, on demand, in lawful money of the United States of America, any and all Obligations from time to time owing to the Lender Parties (together with the related provisions of this Article 3, this "Guaranty"). All Obligations shall be conclusively presumed to have been created in reliance on this Guaranty.

**3.1.2.** In addition, the Guarantors jointly and severally promise to pay to the Lender Parties, any and all costs and expenses, including attorneys' fees and expenses, that the Lender Parties may incur in connection with (a) the collection of all sums guaranteed hereunder or (b) the exercise or enforcement of any of the rights, powers or remedies of the Lender Parties under this Guaranty or Applicable Law. All such amounts and all other amounts payable hereunder shall be payable on demand, together with interest at a rate equal to the lesser of (i) the Post Default Rate, or (ii) the maximum rate allowed by Applicable Law, from and including the due date to and excluding the date of payment.

**3.1.3.** All payments under this Guaranty shall be made free and clear of any and all deductions, withholdings and setoffs, including withholdings on account of Taxes.

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**Section 3.2. Continuing and Irrevocable Guaranty.** This Guaranty is a continuing guaranty of the Obligations and may not be revoked and shall not otherwise terminate unless and until the Obligations have been indefeasibly paid and performed in full. If, notwithstanding the foregoing, any Guarantor shall have any right under Applicable Law to terminate this Guaranty prior to indefeasible payment in full of the Obligations, no such termination shall be effective until noon the next Business Day after the Lender Parties shall receive written notice thereof, signed by such Guarantor. Any such termination shall not affect this Guaranty in relation to (a) any Obligation that was incurred or arose prior to the effective time of such notice, (b) any Obligation incurred or arising after such effective time where such Obligation is incurred or arises either pursuant to commitments existing at such effective time or incurred for the purpose of protecting or enforcing rights against the Borrower, any Guarantor or other guarantor of or other Person directly or indirectly liable on the Obligations or any portion thereof (an "Other Guarantor"; each of the Borrower, the Guarantors and the Other Guarantors is referred to herein as an "Obligor") or any security ("Collateral") given for the Obligations or any other guaranties of the Obligations or any portion thereof (an "Other Guaranty") (c) any renewals, extensions, readvances, modifications or rearrangements of any of the foregoing or (d) the liability of any other Guarantor hereunder.

**Section 3.3. Nature of Guaranty.** The liability of each Guarantor under this Guaranty is independent of and not in consideration of or contingent upon the liability of the Borrower or any other Obligor, and a separate action or actions may be brought and prosecuted against any Guarantor, whether or not any action is brought or prosecuted against the Borrower or any other Obligor or whether the Borrower or any other Obligor is joined in any such action or actions. This Guaranty shall be construed as a continuing, absolute and unconditional guaranty of payment (and not merely of collection) without regard to:

**3.3.1.** the legality, validity or enforceability of this Agreement (including this Guaranty), the Note or any other Loan Document, any of the Obligations, any Lien or Collateral or any Other Guaranty;

**3.3.2.** any defense (other than payment), set-off or counterclaim that may at any time be available to the Borrower or any other Obligor against, and any right of setoff at any time held by, any Lender Party; or

**3.3.3.** any other circumstance whatsoever (with or without notice to or knowledge of each Guarantor or any other Obligor), whether or not similar to any of the foregoing, that constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower or any other Obligor, in bankruptcy or in any other instance.

Any payment by any Obligor or other circumstance that operates to toll any statute of limitations applicable to such Obligor shall also operate to toll the statute of limitations applicable to each Guarantor. When making any demand hereunder (including by commencement or continuance of any legal proceeding), any Lender Party may, but shall be under no obligation to, make a similar demand on all or any of the other Obligors, and any failure by any Lender Party to make any such demand shall not relieve any Guarantor of its obligations hereunder.

**Section 3.4. Authorization.** Each Guarantor authorizes each Lender Party, without notice to or further assent by each Guarantor, and without affecting each Guarantor's liability hereunder (regardless of whether any subrogation or similar right that each Guarantor may have or any other right or remedy of each Guarantor is extinguished or impaired), from time to time to:

**3.4.1.** permit the Borrower to increase or create Obligations, or terminate, release, compromise, subordinate, extend, accelerate or otherwise change the amount or time, manner or place of payment of, or rescind any demand for payment or acceleration of, the Obligations or any part thereof, or otherwise amend the terms and conditions of this Agreement, any other Loan Document or any provision thereof;

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**3.4.2.** take and hold any Collateral from the Borrower or any other Person for the Obligations, perfect or refrain from perfecting a Lien on such Collateral, and exchange, enforce, subordinate, release (whether intentionally or unintentionally), or take or fail to take any other action in respect of, any such Collateral or Lien or any part thereof;

**3.4.3.** exercise in such manner and order as it elects in its sole discretion, fail to exercise, waive, suspend, terminate or suffer expiration of, any of the remedies or rights of any Lender Party against the Borrower or any other Obligor in respect of any Obligations or any Collateral;

**3.4.4.** release, add or settle with any Obligor in respect of this Guaranty, any Other Guaranty of the Obligations;

**3.4.5.** accept partial payments on the Obligations and apply any and all payments or recoveries from any Obligor or Collateral to such of the Obligations as any Lender Party may elect in its sole discretion, whether or not such Obligations are secured or guaranteed;

**3.4.6.** refund at any time, at any Lender Party's sole discretion, any payments or recoveries received by such Lender Party in respect of any Obligations or Collateral; and

**3.4.7.** otherwise deal with the Borrower, any other Obligor and any Collateral as any Lender Party may elect in its sole discretion.

**Section 3.5. Certain Waivers.** Each Guarantor hereby waives:

**3.5.1.** the right to require any Lender Party to proceed against the Borrower or any other Obligor, to proceed against or exhaust any Collateral or to pursue any other remedy in such Lender Party's power whatsoever and the right to have the property of the Borrower or any other Obligor first applied to the discharge of the Obligations;

**3.5.2.** all rights and benefits under Section 2809 of the California Civil Code and any other Applicable Law purporting to reduce a guarantor's obligations in proportion to the obligation of the principal or providing that the obligation of a surety or guarantor must neither be larger nor in other respects more burdensome than that of the principal;

**3.5.3.** the benefit of any statute of limitations affecting the Obligations or Guarantor's liability hereunder and of Section 359.5 of the California Code of Civil Procedure;

**3.5.4.** any requirement of marshaling or any other principle of election of remedies and all rights and defenses arising out of an election of remedies by any Lender Party, even though that election of remedies, such as nonjudicial foreclosure with respect to the security for a guaranteed obligation, has destroyed such Guarantor's rights of subrogation, and reimbursement against the Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise;

**3.5.5.** any right to assert against any Lender Party any defense (legal or equitable), set-off, counterclaim and other right that such Guarantor may now or any time hereafter have against the Borrower or any other Obligor;

**3.5.6.** presentment, demand for payment or performance (including diligence in making demands hereunder), notice of dishonor or nonperformance, protest, acceptance and notice of acceptance of this Guaranty, and all other notices of any kind;

**3.5.7.** all defenses that at any time may be available to such Guarantor by virtue of any valuation, stay, moratorium or other law now or hereafter in effect;

**3.5.8.** any rights, defenses and other benefits such Guarantor may have by reason of any failure of any Lender Party to comply with Applicable Law in connection with the disposition of Collateral;

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**3.5.9.** any rights or defenses the Guarantor may have because the Obligations are secured by real property or an estate for years, including any rights or defenses that are based upon, directly or indirectly, the application of Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure to the Obligations; and

**3.5.10.** without limiting the generality of the foregoing or any other provision hereof, EACH GUARANTOR HEREBY WAIVES ALL RIGHTS AND DEFENSES THAT ARE OR MAY BECOME AVAILABLE TO THE GUARANTOR BY REASON OF SECTIONS 2787 TO 2855, INCLUSIVE, AND SECTION 3433 OF THE CALIFORNIA CIVIL CODE.

### **Section 3.6. Subrogation; Certain Agreements.**

**3.6.1.** EACH GUARANTOR WAIVES ANY AND ALL RIGHTS OF SUBROGATION, INDEMNITY, CONTRIBUTION OR REIMBURSEMENT, AND ANY AND ALL BENEFITS OF AND RIGHTS TO ENFORCE ANY POWER, RIGHT OR REMEDY THAT ANY LENDER PARTY MAY NOW OR HEREAFTER HAVE IN RESPECT OF THE OBLIGATIONS AGAINST THE BORROWER OR ANY OTHER OBLIGOR, ANY AND ALL BENEFITS OF AND RIGHTS TO PARTICIPATE IN ANY COLLATERAL, WHETHER REAL OR PERSONAL PROPERTY, NOW OR HEREAFTER HELD BY ANY LENDER PARTY, AND ANY AND ALL OTHER RIGHTS AND CLAIMS (AS DEFINED IN THE BANKRUPTCY CODE) THE GUARANTOR MAY HAVE AGAINST THE BORROWER OR ANY OTHER OBLIGOR, UNDER APPLICABLE LAW OR OTHERWISE, AT LAW OR IN EQUITY, BY REASON OF ANY PAYMENT HEREUNDER, UNLESS AND UNTIL THE OBLIGATIONS SHALL HAVE BEEN PAID IN FULL. Without limitation, each Guarantor shall exercise no voting rights, shall file no claim, and shall not participate or appear in any bankruptcy or insolvency case involving the Borrower with respect to the Obligations unless and until all the Obligations shall have been paid in full. If, notwithstanding the foregoing, any amount shall be paid to any Guarantor on account of any such rights at any time, such amount shall be held in trust for the benefit of the Lender Parties and shall forthwith be paid to the Lender Parties to be credited and applied in accordance with the terms of this Agreement and the other Loan Documents upon the Obligations, whether matured, unmatured, absolute or contingent, in the discretion of the Agent.

**3.6.2.** Each Guarantor assumes the responsibility for being and keeping itself informed of the financial condition of the Borrower and each other Obligor and of all other circumstances bearing upon the risk of nonpayment of the Obligations that diligent inquiry would reveal, and agrees that the Lender Parties shall have no duty to advise any Guarantor of information regarding such condition or any such circumstances.

### **Section 3.7. Bankruptcy No Discharge.**

**3.7.1.** Without limiting Section 3.3 this Guaranty shall not be discharged or otherwise affected by any bankruptcy, reorganization or similar proceeding commenced by or against the Borrower, any Guarantor or any other Obligor, including (i) any discharge of, or bar or stay against collecting, all or any part of the Obligations in or as a result of any such proceeding, whether or not assented to by any Lender Party, (ii) any disallowance of all or any portion of any Lender Party's claim for repayment of the Obligations, (iii) any use of cash or other collateral in any such proceeding, (iv) any agreement or stipulation as to adequate protection in any such proceeding, (v) any failure by any Lender Party to file or enforce a claim against the Borrower, any Guarantor or any other Obligor or its estate in any bankruptcy or reorganization case, (vi) any amendment, modification, stay or cure of any Lender Party's rights that may occur in any such proceeding, (vii) any election by any Lender Party under Section 1111(b)(2) of the Bankruptcy Code, or (viii) any borrowing or grant of a Lien under Section 364 of the Bankruptcy Code. Each Guarantor understands and acknowledges that by virtue of this Guaranty, it has specifically assumed any and all risks of any such proceeding with respect to the Borrower and each other Obligor.

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**3.7.2.** Notwithstanding anything herein to the contrary, any Event of Default under Section 8.1.7 and 8.1.8 of this Agreement shall render all Obligations under this Guaranty, automatically due and payable for purposes of this Guaranty, without demand on the part of any Lender Party.

**3.7.3.** Notwithstanding anything to the contrary herein contained, this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment, or any part thereof, of any or all of the Obligations is rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be restored or returned by any Lender Party in connection with any bankruptcy, reorganization or similar proceeding involving the Borrower, any other Obligor or otherwise or if such Lender Party elects to return any such payment or proceeds or any part thereof in its sole discretion, all as though such payment had not been made or such proceeds not been received.

**Section 3.8. Maximum Liability of Guarantor.** If the obligations of each of the Guarantors hereunder otherwise would be subject to avoidance under Section 548 of the Bankruptcy Code or any applicable state law relating to fraudulent conveyances or fraudulent transfers, taking into consideration such Guarantor's (i) rights of reimbursement and indemnity from the Borrower with respect to amounts paid by such Guarantor, (ii) rights of subrogation to the rights of the Lender Parties and (iii) rights of contribution from each other Obligor, then such obligations hereby are reduced to the largest amount that would make them not subject to such avoidance. Any Person asserting that such Guarantor's obligations are so avoidable shall have the burden (including the burden of production and of persuasion) of proving (a) that, without giving effect to this Section 3.8, such Guarantor's obligations hereunder would be avoidable and (b) the extent to which such obligations are reduced by operation of this Section 3.8.

**Section 3.9. Financial Benefit.** Each Guarantor hereby acknowledges and warrants it has derived or expects to derive a financial advantage from each Advance and each other relinquishment of legal rights, made or granted or to be made or granted by any Lender Party in connection with the Obligations. After giving effect to this Guaranty, and the transactions contemplated hereby, such Guarantor is not Insolvent or left with assets or capital that is unreasonably small in relation to its business or the Obligations. "Insolvent" means, with respect to each Guarantor, that (a) determined on the basis of a "fair valuation" or their "fair salable value" (whichever is the applicable test under Section 548 and other relevant provisions of the Bankruptcy Code and the relevant state fraudulent conveyance or transfer laws) the sum of such Guarantor's assets is less than its debts, or (b) such Guarantor is generally not paying its debts as they become due. The meaning of the terms "fair valuation" and "fair salable value" and the calculation of assets and liabilities shall be determined and made in accordance with the relevant provisions of the Bankruptcy Code and applicable state fraudulent conveyance or transfer laws.

### **Section 3.10. Additional Guarantors.**

The Borrower will cause each Consolidated Entity that is required or desires to become a Guarantor after the Closing Date to execute and deliver to the Agent (a) a Joinder Agreement in the form of *Exhibit E* hereto pursuant to which such Consolidated Entity will unconditionally guarantee the Obligations from time to time owing to the Lender Parties and (b) other documents required by the Agent confirming the authorization, execution and delivery and enforceability (subject to customary exceptions) of the Guaranty by such Consolidated Entity.

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## ARTICLE 4.

### CONDITIONS PRECEDENT TO ADVANCES AND LETTERS OF CREDIT

**Section 4.1. Conditions Precedent to Closing Date.** The obligations of the Lenders to make any Advances or of the Agent Bank to issue any Letters of Credit on any Funding Date shall be subject to the occurrence of the following conditions precedent:

**4.1.1. Closing Date.** The Closing Date shall occur on or before March 31, 2001.

**4.1.2. Certain Documents.** The Agent shall have received the documents listed on *Schedule 4.1.2.*, all of which shall be in form and substance satisfactory to the Agent.

**4.1.3. Fees and Expenses Paid.** The Borrower shall have paid all of the Fees and expenses due and payable on or before the Closing Date, including the Fees specified in the Fee Letter and all legal fees and disbursements of the Agent's counsel (including, without limitation, allocated costs of in-house counsel) for which the Borrower shall have been billed on or prior to such date.

**4.1.4. General.** All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered or executed or recorded in form and substance satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified copies thereof as the Agent may request.

**Section 4.2. Conditions Precedent to Advances and Letters of Credit.** The obligation of the Lenders to make any Advances (except pursuant to Section 2.2.4.) or of the Agent Bank to issue any Letters of Credit on any Funding Date shall be subject to the following conditions precedent:

**4.2.1. Closing Date.** The conditions precedent set forth in Section 4.1. shall have been satisfied or waived in writing by the Agent before the Notice of Borrowing (or telephonic notice in lieu thereof) is given or the Letter of Credit Agreement is delivered.

**4.2.2. Notice of Borrowing, Letter of Credit Agreement, Etc.** The Borrower shall have delivered, in accordance with the applicable provisions of this Agreement, (a) to the Agent, a Notice of Borrowing (or telephonic notice in lieu thereof (other than with respect to a Residual Advance)), in the case of an Advance (except in the case of any borrowing of a Base Rate Advance pursuant to a Credit Sweep Program, if the Agent Bank is the sole Lender hereunder), provided with respect to any Residual Advance, such Notice of Borrowing shall specify that a Residual Advance is requested thereunder and shall be accompanied by a certificate of a Responsible Officer setting forth the calculations required pursuant to Section 2.1.3.1, or (b) to the Agent Bank, a Letter of Credit Agreement (and such other documents and instruments as the Agent Bank may require under Section 2.2.2.), in the case of a Letter of Credit.

**4.2.3. Representations and Warranties.** All of the representations and warranties of the Borrower contained in the Loan Documents shall be true and correct in all material respects on and as of the Funding Date as though made on and as of that date (except to the extent that such representations and warranties expressly were made only as of a specific date).

**4.2.4. Letter of Credit Fees.** In the case of any issuance of a Letter of Credit, the Borrower shall have paid to the Agent Bank, for the account of the Lenders, the Letter of Credit Fees then due and payable in respect of such Letter of Credit.

**4.2.5. No Default.** No Default or Event of Default shall exist or result from the making of the Advance or the issuance of the Letter of Credit.

**4.2.6. No Material Adverse Change.** No Material Adverse Change shall have occurred since the date of the financial statements referred to in Section 5.6.

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**4.2.7. Orders of Governmental Authority, Etc.** No order, judgment or decree of, or any request or directive (whether or not having the force of law) from, any Governmental Authority, or any other Applicable Law, shall purport by its terms to enjoin, restrain, prohibit or otherwise prevent the Agent Bank from issuing letters of credit generally or the Letter of Credit or shall impose upon the Agent Bank or any Lender with respect to that Letter of Credit (or any participation therein) any restriction, unreimbursed reserve requirement or unreimbursed cost or expense that was not applicable, in effect or known to the Agent Bank or such Lender on the Closing Date and that the Agent Bank or such Lender in good faith deems materially adverse to it.

Each borrowing of an Advance (including any Advance made pursuant to any Credit Sweep Program or upon any draw under a Letter of Credit) and Letter of Credit issuance shall constitute a representation and warranty by the Borrower as of the Funding Date that the conditions contained in Sections 4.2.5. through 4.2.7. have been satisfied.

**Section 4.3. Additional Conditions Precedent and Provisions Applicable to Certain Acquisition Advances.**

**4.3.1. Certain Conditions.** The Borrower may request, and the Lenders shall be required to make Advances pursuant to Section 2.1.1, for the purpose of making an Acquisition of a Real Property (a) that, once acquired, qualifies as an Unencumbered Asset (including the previous approval by the Required Lenders pursuant to subsection (vii) of the definition of "Unencumbered Asset"), and (b) without inclusion of which in the Unencumbered Pool, the Borrower would not be in compliance with Section 7.4 giving effect to such Advances, if, in addition to the other conditions set forth in this Agreement (including Section 4.2), all of the following conditions shall be satisfied as of the Funding Date:

**4.3.1.1.** The Borrower shall be in compliance with Section 7.4 giving effect to the Acquisition and the funding of the Advances;

**4.3.1.2.** The Borrower shall have previously delivered to the Agent and the Lenders the information required to be delivered to them under the definition of "Unencumbered Asset" as to each Real Property constituting, or part of, such Acquisition, and such Real Property shall have been approved as eligible for inclusion in the Unencumbered Pool as contemplated by clause (ii) of such definition;

**4.3.1.3.** The Borrower shall have delivered to the Agent a separate Notice of Borrowing with respect to that portion of such Advances that could not be made in compliance with Section 7.4 without giving effect to the inclusion of such Real Property in the Unencumbered Pool (such portion being the

"Acquisition Advances");

4.3.1.4. The Borrower shall have delivered to the Agent concurrently with its Notice of Borrowing referred to in Section 4.3.1.3 above, a certificate in the form attached hereto as *Exhibit B-4*, duly executed by a Senior Officer of the Borrower, describing the proposed Acquisition and any Real Property acquired pursuant thereto, designating such Real Property as an Unencumbered Asset effective upon consummation of the Acquisition, and setting forth the Unencumbered Asset Value of such Real Property as if it were an Unencumbered Asset as of the date of such Notice of Borrowing (the "*Pro Forma Unencumbered Asset Value*");

4.3.1.5. All statements set forth in the certificate referred to in 4.3.1.4 above shall be true and correct as of the date thereof and the Funding Date;

4.3.1.6. The Borrower shall have provided to the Agent and the Lenders such information as may be reasonably requested by the Agent and the Lenders in order to verify the terms, timing and method of payment specified in the contract between a Borrower Party, as purchaser of the

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Real Property to be acquired, and the seller of such property (the "*Acquisition Agreement*"), or to determine compliance with this Section 4.3.; and

4.3.1.7. No Required Lender shall have notified the Borrower (and, if the notice is given by any Lender, also the other Lenders and the Agent) that it is not satisfied in its discretion that the requested Acquisition Advances are consistent with the terms of the Acquisition Agreement, that such Acquisition Agreement is *bona fide*, and that the Real Property will qualify as an Unencumbered Asset upon the completion of the Acquisition of such property pursuant to the terms of the Acquisition Agreement.

Each borrowing of an Acquisition Advance shall constitute a representation and warranty by the Borrower as of the Funding Date that the conditions contained in this Section 4.3.1 have been satisfied.

#### 4.3.2. *Certain Provisions Applicable to Acquisition Advances.*

4.3.2.1. The amount of the Pro Forma Unencumbered Asset Value reflected in the certificate referred to in Section 4.3.1.4 with respect to a Real Property, the Acquisition of which is financed through Acquisition Advances, shall, notwithstanding that such Real Property is not yet an Unencumbered Asset, be added to, and treated as part of, the Unencumbered Asset Value for a period commencing on the related Funding Date and ending no later than the earlier to occur of (i) seven calendar days thereafter, or (ii) the date on which the Acquisition is consummated (the "*Cut-off Date*").

4.3.2.2. The Borrower agrees and covenants that the proceeds of all Acquisition Advances shall be used only to acquire the relevant Real Property and that, if the Acquisition of such Real Property is not consummated by, or such Real Property does not qualify as an Unencumbered Asset on the Cut-off Date, then the Borrower shall immediately prepay outstanding Advances under the Credit Agreement in an amount equal to the amount of such Acquisition Advances.

## ARTICLE 5.

### REPRESENTATIONS AND WARRANTIES

Each Borrower Party represents and warrants to the Lender Parties as follows:

#### Section 5.1. *Organization, Authority and Tax Status of the Borrower; Enforceability, Etc.*

5.1.1. **Organization and Authority; Tax Status.** The Borrower has been duly formed, is validly existing as a limited partnership in good standing under the laws of the State of Delaware, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification except where the absence of such qualification would not have a Material Adverse Effect. The Borrower has all requisite power and authority to own or hold under lease the property it purports to own (including the properties listed on *Schedule 1.1C* that are designated as owned by the Borrower) or hold under lease, to carry on its business as now conducted and as proposed to be conducted, to execute and deliver the Loan Documents to which it is a party and to perform its obligations hereunder and thereunder. The Borrower is a partnership for purposes of federal income taxation and for purposes of the tax laws of any state or locality in which the Borrower is subject to taxation based on its income.

5.1.2. **Authorization; Binding Effect.** The Borrower has by all necessary action duly authorized (a) the execution and delivery of the Loan Documents to which the Borrower is a party and (b) the performance of its obligations thereunder. Each Loan Document to which the Borrower is a party constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its respective terms, except as enforcement may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally.

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5.1.3. **Partnership Units; General Partner.** All of the Partnership Units of the Borrower are validly issued and non-assessable and owned of record in the percentage amounts and by the Persons set forth on *Schedule 5.1.*, as amended from time to time. The REIT owns (i) 33,612,462 Partnership Units of the Borrower, (ii) 4,846,522 Preferred Partnership Units of the Borrower, (iii) 5,487,471 Series B Preferred Partnership Units of the Borrower and (iv) 3,627,131 Series A Preferred Partnership Units of the Borrower, free and clear of any Liens. Such Partnership Units were offered and sold in compliance with all Applicable Laws (including, without limitation, federal and state securities laws). There are no outstanding securities convertible into or exchangeable for Partnership Units of the Borrower, or options, warrants or rights to purchase any such Partnership Units, or, except as set forth on *Schedule 5.1.*, commitments of any kind for the issuance of additional Partnership Units or any such convertible or exchangeable securities or options, warrants or rights to purchase such Partnership Units. The REIT is the sole general partner of the Borrower.

#### Section 5.2. *Organization, Authority and REIT Status of the REIT; Enforceability, Etc.*

5.2.1. **Organization and Authority.** The REIT is a corporation duly organized, validly existing and in good standing under the laws of Maryland, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such

qualification except where the absence of such qualification would not have a Material Adverse Effect. The REIT has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to carry on its business as now conducted and as proposed to be conducted, to execute and deliver this Agreement and to perform its obligations hereunder.

**5.2.2. Authorization; Binding Effect.** The REIT has by all necessary action duly authorized the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the REIT, enforceable against it in accordance with its respective terms, except as enforcement may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally.

**5.2.3. REIT Status.** The REIT is organized in conformity with the requirements for qualification as a real estate investment trust under the Code and its ownership and method of operation enables it to meet the requirements for taxation as a real estate investment trust under the Code.

### **Section 5.3. Organization, Authority and Tax Status of Guarantors; Enforceability, Etc.**

**5.3.1. Organization and Authority.** Each of the Guarantors has been duly formed, is validly existing as a general partnership or a limited partnership, as the case may be, in good standing under the laws of the State of California, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification except where the absence of such qualification would not have a Material Adverse Effect. Each of the Guarantors has all requisite power and authority to own or hold under lease the property it purports to own (including the property listed on *Schedule 1.1C* that is designated as owned by such Guarantor) or hold under lease, to carry on its business as now conducted and as proposed to be conducted, to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. Each of the Guarantors is a partnership for purposes of federal income taxation and for purposes of the tax laws of any state or locality in which such Guarantor is subject to taxation based on its income.

**5.3.2. Authorization; Binding Effect.** Each of the Guarantors has by all necessary action duly authorized the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of each Guarantor, enforceable against it in accordance with its respective terms, except as enforcement may be limited by

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equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally.

### **Section 5.4. Consolidated Entities and Unconsolidated Joint Ventures; Management Companies.**

**5.4.1. Ownership.** *Schedule 5.4.* (as amended from time to time) contains complete and correct lists of the Consolidated Entities (other than the Borrower) and the Unconsolidated Joint Ventures, showing, in each case, the correct name thereof, the type of organization, the jurisdiction of its organization, and the percentage of Capital Stock outstanding and owned by the Borrower Parties and the Consolidated Entities, as the case may be. All of the outstanding shares of Capital Stock of each Consolidated Entity or Unconsolidated Joint Venture shown in *Schedule 5.4.* as being owned by any Borrower Party or any Consolidated Entity have been validly issued and are owned by such Borrower Party or Consolidated Entity free and clear of any Lien (except as otherwise disclosed on *Schedule 5.4.*).

**5.4.2. Organization and Ownership.** Each Consolidated Entity and Unconsolidated Joint Venture is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification except where the absence of such qualification would not have a Material Adverse Effect. Each such Consolidated Entity and Unconsolidated Joint Venture has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to carry on its business as now conducted and as proposed to be conducted. Each such Consolidated Entity or Unconsolidated Joint Venture organized as a partnership is a partnership for purposes of federal income taxation and for purposes of the tax laws of any state or locality in which the Borrower is subject to taxation based on its income.

**5.4.3. Management Companies.** Each of the Management Companies is a corporation duly organized, validly existing and in good standing under the laws of jurisdiction of incorporation, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification. Each of the Management Companies has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to carry on its business as now conducted and as proposed to be conducted. The Borrower is the sole owner of record of all of the issued and outstanding shares of preferred stock of each of the Management Companies. Each of the Management Contracts constitutes the legal, valid and binding obligations of the signatories that are party thereto, enforceable against each of them in accordance with its terms.

### **Section 5.5. No Conflict, Etc.**

**5.5.1. No Conflict.** The execution, delivery and performance by each Borrower Party of each Loan Document to which it is party, and the consummation of the transactions contemplated thereby, do not and will not (a) violate any provision of the charter, bylaws or partnership agreement of any Borrower Party, as the case may be, (b) conflict with, result in a breach of, or constitute (or, with the giving of notice or lapse of time or both, would constitute) a default under, or require the approval or consent of any person pursuant to (except as disclosed in *Schedule 5.5.*, which consents have been obtained and are in full force and effect), any Contractual Obligation of any Borrower Party, or violate any provision of Applicable Law binding on any Borrower Party, or (c) result in the creation or imposition of any Lien upon any material asset of any Borrower Party.

**5.5.2. Governmental Approvals.** Except for filings and recordings which are described on *Schedule 5.5.*, which in each case have been made and are in full force and effect, no Governmental Approval is or will be required in connection with the execution, delivery and performance of any Borrower Party of this Agreement or any Loan Document to which it is party or the transactions contemplated hereby or thereby or to ensure the legality, validity or enforceability hereof or thereof. Each of the REIT, the Borrower and the other Consolidated Entities possesses all material Governmental Approvals, in full force and effect, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of its properties and conduct of its business as now conducted and proposed to be conducted, and is not in violation thereof.

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### **Section 5.6. Financial Information.**



**5.6.1.** The consolidated balance sheet of the REIT and the Consolidated Entities for the Fiscal Years ended December 31, 1997, December 31, 1998, and December 31, 1999, and the consolidated statements of income, retained earnings and cash flow of the REIT and the Consolidated Entities for the Fiscal Year then ended, in each case certified by the Borrower's independent certified public accountants, copies of which have been delivered to the Agent, were prepared in accordance with GAAP consistently applied and fairly present the consolidated financial position of the REIT and the Consolidated Entities as at the respective dates thereof and the results of operations and cash flow of the REIT and the Consolidated Entities for the respective periods then ended. Neither the REIT nor any Consolidated Entity had on such dates any material Contingent Obligations, liabilities for Taxes or long-term leases, unusual forward or long-term commitments or unrealized losses from any unfavorable commitments which are not reflected in the foregoing statements or in the notes thereto and which are material to the business, assets, prospects, results of operation or financial condition of the REIT and the Consolidated Entities taken as a whole.

**5.6.2.** The unaudited consolidated balance sheet of the REIT as at September 30, 2000 and related statements of income, retained earnings and cash flow for the period then ended, approved by the Chief Financial Officer of the REIT, a copy of which has been delivered to the Agent, were prepared in accordance with GAAP consistently applied (except to the extent noted therein) and fairly present the consolidated financial position of the REIT and the Consolidated Entities as of such date and the results of operations and cash flow for the period covered thereby, subject to normal year-end audit adjustments. Neither the REIT nor any Consolidated Entity had on such date any material Contingent Obligations, liabilities for Taxes or long-term leases, unusual forward or long-term commitments or unrealized losses from any unfavorable commitments which are not reflected in the foregoing statements or in the notes thereto and which are Material.

**Section 5.7. No Material Adverse Changes.** Since December 31, 1999, there has been no Material Adverse Change that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof.

**Section 5.8. Litigation.** Except as disclosed in *Schedule 5.8.* hereto, there are no actions, suits or proceedings pending or, to the best knowledge of the Borrower Parties, threatened against or affecting the REIT or any Consolidated Entity or any of its or their respective properties before any Governmental Authority (a) in which there is a reasonable possibility of an adverse determination that could have a Material Adverse Effect, or (b) which draws into question the validity or the enforceability of this Agreement, any other Loan Document or any transaction contemplated hereby or thereby.

**Section 5.9. Agreements; Applicable Law.** Neither the REIT nor any Consolidated Entity is in violation of any Applicable Law, or in default under any Contractual Obligations to which it is a party or by which its properties are bound, except where such violation or default could not, individually or in the aggregate, have a Material Adverse Effect. Neither the REIT or any Consolidated Entity is a party to or bound by any unduly burdensome Contractual Obligation which could have a Material Adverse Effect that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof.

**Section 5.10. Governmental Regulation.** Neither the REIT nor any Consolidated Entity is (a) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or a company controlled by such a company, or (b) subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or to any Federal or state, statute or regulation limiting its ability to incur Debt for money borrowed.

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**Section 5.11. Margin Regulations.** Neither the REIT nor any Consolidated Entity is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying Margin Stock. The execution, delivery and performance of the Loan Documents by the Borrower Parties will not violate the Margin Regulations. The value of all Margin Stock held by the Borrower Parties and their Subsidiaries constitutes less than 25% of the value, as determined in accordance with the Margin Regulations, of all assets of the Borrower Parties and their Subsidiaries.

**Section 5.12. Employee Benefit Plans.**

**5.12.1.** Each Borrower Party and each of the ERISA Affiliates is in compliance in all Material respects with all Applicable Laws including any applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder with respect to all Plans and Multiemployer Plans. There have been no Prohibited Transactions with respect to any Plan which could result in any Material liability of any Borrower Party or any of the ERISA Affiliates. Neither any Borrower Party nor any of the ERISA Affiliates has participated in or contributed to any Defined Benefit Plan at any time. Neither any Borrower Party nor any of the ERISA Affiliates has failed to make any Material payments required to be made under any agreement relating to a Multiemployer Plan or any law pertaining thereto. The Borrower Parties and the ERISA Affiliates have not had asserted and do not expect to have asserted against them any Material penalty, interest or excise tax under Sections 4971, 4972, 4975, 4976, 4977, 4979, 4980 or 4980B of the Code or Sections 502(c)(1) or 502(i) of ERISA. Each Plan covering employees of the Borrower Parties or any of the ERISA Affiliates is able to pay benefits thereunder when due. There are no Material claims pending or overtly threatened, involving any Plan, nor is there any reasonable basis to anticipate any claims involving any such Plans.

**5.12.2.** The investment in the Borrower Parties by benefit plan investors is not significant within the meaning of Department of Labor Regulation Section 2510.3-101(f).

**Section 5.13. Title to Property; Liens.**

**5.13.1.** Each of the REIT, the Controlled Consolidated Entities and, to the best knowledge of the Borrower Parties, the other Consolidated Entities or Unconsolidated Joint Ventures has good and marketable title to, or valid and subsisting leasehold interests in, all of its Real Property and other property reflected in its books and records as being owned by it. On and after the Closing Date, each Real Property from time to time designated by the Borrower as an Unencumbered Asset meets the conditions set forth in the definition of "Unencumbered Asset" (other than those set forth in clause (iv) thereof).

**5.13.2.** Neither the REIT, any Controlled Consolidated Entity nor, to the best knowledge of the Borrower Parties, any other Consolidated Entity or Unconsolidated Joint Venture is in default in the performance or observance of any of the covenants or conditions contained in any of its Contractual Obligations, except where such default or defaults, if any, would not have a Material Adverse Effect.

**Section 5.14. Licenses, Trademarks, Etc.** The REIT, the Controlled Consolidated Entities and, to the best knowledge of the Borrower Parties, the other Consolidated Entities or Unconsolidated Joint Ventures own or hold valid licenses in all necessary trademarks, copyrights, patents, patent rights and other similar rights which are Material to the conduct of their respective businesses as heretofore operated and as proposed to be conducted. Neither the REIT, any Controlled Consolidated Entity nor, to the best knowledge of the Borrower Parties, any other Consolidated Entity or Unconsolidated Joint Venture has been charged or, to the best knowledge of the Borrower Parties, threatened to be charged with any infringement of, nor has any of them infringed on, any unexpired trademark, patent, patent registration, copyright, copyright registration or other proprietary right of any Person except where the effect thereof individually or in the aggregate would not have a Material Adverse Effect.

**Section 5.15. Environmental Condition.** Except as set forth on *Schedule 5.15*, hereto:

**5.15.1.** To the best of each Borrower Party's knowledge, all Real Property owned or used by the REIT or any Consolidated Entity is free from contamination from any Hazardous Materials except contamination that would not have a Material Adverse Effect that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof. To the best of each Borrower Party's knowledge, no polychlorinated biphenyls (PCBs) (including any transformers, capacitors, ballasts, or other equipment which contains dielectric fluid containing PCBs) or asbestos is constructed within, stored, disposed of or location on such Real Property except for matters that would not have a Material Adverse Effect or that have not been disclosed in any report filed by the REIT with the SEC prior to date hereof. Neither the REIT nor any Consolidated Entity has caused or suffered, nor to the knowledge of any Borrower Party has any other owner or user of such Real Property caused or suffered any Environmental Damages that has had or which could have a Material Adverse Effect that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof.

**5.15.2.** Neither the REIT nor any Consolidated Entity nor, to the best knowledge of each Borrower Party, any prior owner or occupant of the Real Property owned or used by the REIT or any Consolidated Entity has received notice of any alleged violation of Environmental Requirements, or notice of any alleged liability for Environmental Damages in connection with the Real Property, which could reasonably be expected to have a Material Adverse Effect that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof. There exists no order, judgment or decree outstanding, nor any action, suit, proceeding, citation or investigation, pending or threatened, relating to any alleged liability arising out of the suspected presence of Hazardous Material, any alleged violation of Environmental Requirements or any alleged liability for Environmental Damages in connection with the Real Property or the business or operations of the REIT and the Consolidated Entities that has had or which could have a Material Adverse Effect that has not been disclosed in any report filed by the REIT with the SEC prior to date hereof nor, to the best of each Borrower Party's knowledge, does there exist any basis for such action, suit, proceeding, citation or investigation being instituted or filed.

**Section 5.16. Absence of Certain Restrictions.** Neither any Controlled Consolidated Entity nor, to the best knowledge of the Borrower Parties, any other Consolidated Entity or Unconsolidated Joint Venture is subject to any Contractual Obligation which restricts or limits its ability to (a) pay dividends or make any distributions on its Capital Stock, (b) incur or pay Debt owed the REIT or any other Consolidated Entity, (c) make any loans or advances to the Borrower or (d) transfer any of its property to the Borrower; *provided* that the foregoing restrictions in subclauses (b), (c) and (d) shall not apply to any Bankruptcy Remote Entity to the extent such restrictions are required by any rating agency as a condition to the rating of the Debt of such Bankruptcy Remote Entity.

**Section 5.17. Disclosure.** The information in any document, certificate or written statement furnished to the Lender by or on behalf of the REIT, the Borrower or any other Consolidated Entity with respect to the business, assets, prospects, results of operation or financial condition of the REIT, the Borrower, or any other Consolidated Entity or any Unconsolidated Joint Venture, including operating statements and rent rolls, for use in connection with the transactions contemplated by this Agreement has been true and correct or, in the case of any information relating to any Consolidated Entity that is not a Controlled Consolidated Entity or to any Unconsolidated Joint Venture, true and correct to the best knowledge of the Borrower Parties. There is no fact known to the Borrower Parties (other than matters of a general economic nature) that has a Material Adverse Effect or could reasonably be expected to have a Material Adverse Effect, which has not been disclosed herein or in such other documents, certificates, and statements.

## ARTICLE 6.

### AFFIRMATIVE COVENANTS OF THE BORROWER PARTIES

So long as any portion of the Commitments shall be in effect and until all Obligations are paid in full:

**Section 6.1. Financial Statements and Other Reports.** The Borrower Parties will deliver to the Agent, with sufficient copies for the Lender Parties:

**6.1.1.** within 90 days after the end of each Fiscal Year, the consolidated balance sheet of the REIT and the Consolidated Entities as of the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flow of the REIT and the Consolidated Entities for such Fiscal Year, setting forth in each case in comparative form the consolidated or combined figures, as the case may be, for the previous Fiscal Year, all in reasonable detail and accompanied by a report thereon of PricewaterhouseCoopers or other independent certified public accountants of recognized national standing selected by the Borrower and reasonably satisfactory to the Agent, which report shall be unqualified (except for qualifications that the Required Lenders do not consider Material in their discretion) and shall state that such consolidated financial statements fairly present the financial position of the REIT and the Consolidated Entities as at the date indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP (except as otherwise stated therein) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

**6.1.2.** within 50 days after the end of each Fiscal Quarter, a consolidated balance sheet of the Borrower and the Consolidated Entities as at the end of such quarter and the related combined statements of income and cash flow of the REIT and the Consolidated Entities for such quarter and the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the consolidated or combined figures, as the case may be, for the corresponding periods of the prior Fiscal Year, all in reasonable detail and in conformity with GAAP (except as otherwise stated therein), together with a representation by the REIT's chief financial officer, as of the date of such financial statements, that such financial statements have been prepared in accordance with GAAP (*provided, however*, that such financial statements may not include all of the information and footnotes required by GAAP for complete financial information) and reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the financial information contained therein;

**6.1.3.** together with each delivery of financial statements pursuant to Sections 6.1.1. and 6.1.2. above, a Compliance Certificate and a Pricing Certificate duly completed and setting forth the calculations required to establish whether the Borrower Parties were in compliance with Sections 7.2.2., 7.3., 7.4. and 7.5 on the date of such financial statements and the Applicable LIBO Rate and Facility Fee percentage for the current Fiscal Quarter;

**6.1.4.** promptly after any Borrower Party becomes aware of the occurrence of any Default or Event of Default, a certificate of a Senior Officer of the Borrower Party setting forth the details thereof and the action which the Borrower Party is taking or proposes to take with respect thereto;

6.1.5. not later than five (5) days after their being filed with the SEC, copies of all financial statements, reports, notices and proxy statements sent or made available by the REIT to its security holders, all registration statements (other than the exhibits thereto) and annual, quarterly or monthly reports, if any, filed by the REIT with the SEC (other than reports under Section 16 of the Securities Exchange Act of 1934, as amended) and all press releases by the REIT or any Consolidated Entity concerning material developments in the business of the REIT or any Consolidated Entity;

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6.1.6. not later than ten (10) days after being filed, Tax returns, reports, declarations, statements, information statements or any other document filed by the REIT with respect to the income Taxes of the REIT or the qualification of the REIT as a real estate investment trust under the Code;

6.1.7. promptly after any Borrower Party obtains knowledge thereof, notice of all litigation or proceedings commenced or threatened affecting the REIT or any Consolidated Entity in which there is a reasonable possibility of an adverse decision and (a) which involves alleged liability in excess of \$2,500,000 (in the aggregate) which is not covered by insurance, (b) in which injunctive or similar relief is sought which if obtained could have a Material Adverse Effect or (c) which questions the validity or enforceability of any Loan Document;

6.1.8. within 120 days after the end of each Fiscal Year, a forecast for the next succeeding two Fiscal Years of the consolidated results of operations and cash flows of the REIT, together with (a) an outline of the major assumptions upon which the forecast is based and (b) information regarding the capital expenditures forecast for such period (including leasing commissions, tenant improvements, renovations and other capital expenditures, all broken down by appropriate categories), other than capital expenditures attributable to acquisitions of Real Properties (or to the Real Properties so acquired) that may occur (but have not yet occurred) during the period covered by the forecast;

6.1.9. for each Unencumbered Asset held in the Unencumbered Pool:

6.1.9.1. within 90 days after the end of each Fiscal Year, a property budget with respect to such Unencumbered Asset for the next Fiscal Year; and

6.1.9.2. within 45 days after the end of each Fiscal Quarter, operating statements, rent rolls and lease status reports with respect to such Unencumbered Asset;

6.1.10. for each Retail Property that constitutes Construction-in-Process the value of which is estimated to be \$40,000,000 or greater:

6.1.10.1. within 45 days after the Commencement of Construction, a property budget with respect to such Retail Property; and

6.1.10.2. within 45 days after the Commencement of Construction, a pro forma operating statement respect to such Retail Property;

6.1.11. promptly after the receipt thereof, a copy of any notice, summons, citation or written communication concerning any actual, alleged, suspected or threatened Material violation of Environmental Requirements, or Material liability of any Borrower Party or any Consolidated Entity for Environmental Damages in connection with its Real Property or past or present activities of any Person thereon; and

6.1.12. from time to time such additional information regarding the financial position or business of the REIT and the Consolidated Entities or regarding any of the Real Properties as the Agent may reasonably request on behalf of any Lender.

**Section 6.2. Records and Inspection.** Each Borrower Party shall, and shall cause each Consolidated Entity to, maintain adequate books, records and accounts as may be required or necessary to permit the preparation of consolidated financial statements in accordance with sound business practices and GAAP. Each Borrower Party shall, and shall cause each Consolidated Entity to, permit such persons as any Lender may designate, at reasonable times and as often as may be reasonably requested, to (a) visit and inspect any properties of the Borrower Parties and the Consolidated Entities, (b) inspect and copy their books and records, and (c) discuss with their officers and employees and their independent accountants, their respective businesses, assets, liabilities, prospects, results of operation and financial condition.

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**Section 6.3. Corporate Existence, Etc.** Each Borrower Party shall, and shall cause each Consolidated Entity to, at all times preserve and keep in full force and effect its partnership, corporate or other legal existence, as the case may be, and any licenses, permits, rights and franchises material to its business, *provided, however,* that the partnership, corporate or other legal existence of any Consolidated Entity (other than the Borrower) may be terminated if, in the good faith judgment of the REIT, such termination is in the best interest of the Borrower and is not disadvantageous in any material respect to any Lender Party.

**Section 6.4. Payment of Taxes and Charges.** The Borrower Parties shall, and shall cause each Consolidated Entity to, file all tax returns required to be filed in any jurisdiction and, if applicable, pay and discharge all Taxes imposed upon it or any of its properties or in respect of any of its franchises, business, income or property before any material penalty shall be incurred with respect to such Taxes, *provided, however,* that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have commenced, the Borrower Parties and the Consolidated Entities need not pay or discharge any such Tax so long as the validity or amount thereof is contested in good faith and by appropriate proceedings and so long as any reserves or other appropriate provisions as may be required by GAAP shall have been made therefor.

**Section 6.5. Maintenance of Properties.** Each Borrower Party shall, and shall cause each Consolidated Entity to, maintain or cause to be maintained in good repair, working order and condition (ordinary wear and tear excepted), all Real Properties and all other Material properties useful or necessary to its business, and from time to time the Borrower Parties will make or cause to be made all appropriate repairs, renewals and replacements thereto.

**Section 6.6. Maintenance of Insurance.** Each Borrower Party shall, and shall cause each Consolidated Entity to, maintain with financially sound and reputable insurance companies, insurance in at least such amounts, of such character and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business.

**Section 6.7. Conduct of Business.** No Borrower Party or Consolidated Entity shall engage in any business other than the business of owning and operating Retail Properties or the assets and other properties set forth in Section 7.2.2. or any businesses incident thereto. Each Borrower Party shall, and shall cause each Consolidated Entity to, conduct its business in compliance in all material respects with Applicable Law and all material Contractual Obligations.

**Section 6.8. Exchange Listing; Tax Status of Borrower Parties.** The REIT will do or cause to be done all things necessary to maintain the listing of its Capital Stock on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market System and continue to qualify as a real estate investment trust under the Code, and the Borrower will do or cause to be done all things necessary to cause it to be treated as a partnership for purposes of federal income taxation and the tax laws of any state or locality in which the Borrower is subject to taxation based on its income.

**Section 6.9. Subordination.**

**6.9.1.** The REIT, the Borrower and each Guarantor (each a "*Subordinated Creditor*") hereby absolutely subordinates, both in right of payment and in time of payment, (a) in the case of the REIT, any and all present or future obligations and liabilities of the Borrower or any Guarantor to the REIT, (b) in the case of any Guarantor, any and all present or future obligations and liabilities of the Borrower or any other Guarantor to such Guarantor and (c) in the case of the Borrower, any and all present and future obligations and liabilities of the REIT or any Guarantor to the Borrower (such obligations and liabilities referred to in clause (a) or (b) being "*Subordinated Debt*"), to the prior payment in full in cash of the Obligations or the obligations of such Person under the Guaranty, as applicable. Each Subordinated Creditor agrees to make no claim for, or receive payment with respect to, such Subordinated Debt until all Obligations and such obligations have been fully discharged in

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cash. Notwithstanding the foregoing, the Borrower shall be entitled to declare and pay dividends with respect to its Capital Stock, as long as no Event of Default then exists, but subject to Section 7.8.3.

**6.9.2.** All amounts and other assets that may from time to time be paid or distributed to or otherwise received by any Subordinated Creditor in respect of Subordinated Debt in violation of this Section 6.9. shall be segregated and held in trust by the Subordinated Creditor for the benefit of the Lender Parties and promptly paid over to the Agent.

**6.9.3.** Each Subordinated Creditor further agrees not to assign all or any part of the Subordinated Debt unless the Agent is given prior notice and such assignment is expressly made subject to the terms of this Agreement. If the Agent so requests, (a) all instruments evidencing the Subordinated Debt shall be duly endorsed and delivered to the Agent, (b) all security for the Subordinated Debt shall be duly assigned and delivered to Agent for the benefit of the Lenders, (c) the Subordinated Debt shall be enforced, collected and held by the relevant Subordinated Creditor as trustee for the Lender Parties and shall be paid over to the Agent for the benefit of the Lenders on account of the Advances, and (d) the Subordinated Creditors shall execute, file and record such documents and instruments and take such other action as the Agent deems necessary or appropriate to perfect, preserve and enforce the Lender Parties' rights in and to the Subordinated Debt and any security therefor. If any Subordinated Creditor fails to take any such action, the Lender, as attorney-in-fact for such Subordinated Creditor, is hereby authorized to do so in the name of the Subordinated Creditor. The foregoing power of attorney is coupled with an interest and cannot be revoked.

**6.9.4** In any bankruptcy or other proceeding in which the filing of claims is required by Applicable Law, each Subordinated Creditor shall file all claims relating to the Subordinated Debt that the Subordinated Creditor may have against the obligor thereunder and shall assign to the Agent, for the benefit of the Lenders, all rights of the relating to the Subordinated Debt thereunder. If any Subordinated Creditor does not file any such claim, the Agent, as attorney-in-fact for the Subordinated Creditor, is hereby authorized to do so in the name of the Subordinated Creditor or, in the Agent's discretion, to assign the claim to a nominee and to cause proof of claim to be filed in the name of the Agent or the Agent's nominee. The foregoing power of attorney is coupled with an interest and cannot be revoked. The Agent or its nominee shall have the right, in its reasonable discretion, to accept or reject any plan proposed in such proceeding and to take any other action which a party filing a claim is entitled to do. In all such cases, whether in administration, bankruptcy or otherwise, the Person or Persons authorized to pay such claim shall pay to the Agent for the benefit of the Lenders the amount payable on such claim and, to the full extent necessary for that purpose, each Subordinated Creditor hereby assigns to the Agent for the benefit of the Lenders all of the Subordinated Creditor's rights to any such payments or distributions; *provided, however*, the Subordinated Creditor's obligations hereunder shall not be satisfied except to the extent that the Agent receives cash by reason of any such payment or distribution.

**Section 6.10. Remedial Action Regarding Hazardous Materials.** The Borrower shall promptly take, and shall cause its Subsidiaries promptly to take, any and all necessary remedial action in connection with the presence, storage, use, disposal, transportation or release of any Hazardous Materials on, under or about any Real Property in order to comply with all applicable Environmental Requirements. In the event that the Borrower or any of its Subsidiaries undertakes any remedial action with respect to any Hazardous Materials on, under or about any Real Properties, the Borrower and such Subsidiary shall conduct and complete such remedial action in compliance with all applicable Environmental Requirements and in accordance with the policies, orders and directives of all Governmental Authorities.

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**ARTICLE 7.**

**NEGATIVE COVENANTS OF THE BORROWER PARTIES**

So long as any portion of the Commitments shall be in effect and until all Obligations are paid in full:

**Section 7.1. Unsecured Debt and Claims.**

**7.1.1.** The Borrower Parties shall not, and shall not permit any other Consolidated Entity to, directly or indirectly, create, incur, assume, guarantee, or otherwise become or remain liable with respect to, any Unsecured Debt, except (a) the Obligations, (b) guaranties and deferred purchase obligations related to Acquisitions and deferred Acquisition costs and (c) Permitted Subordinated Debentures.

**7.1.2.** The Borrower Parties shall not, and shall not permit any other Consolidated Entity to, directly or indirectly, create, incur, assume, guarantee, or otherwise become or remain liable with respect to, any liabilities or claims (excluding (a) Unsecured Debt, (b) Permitted Subordinated Debentures and (c) Debt of Wholly-Owned Persons and Unconsolidated Joint Ventures that constitutes Non-Recourse Debt) if, as a result, the sum of (i) the amount of all such liabilities and claims of the REIT and the Consolidated Entities, *plus* the REIT's *pro rata* share of all liabilities and claims of the Unconsolidated Joint Ventures (excluding Non-Recourse Debt), would exceed (ii) the sum of the amount of all tenant and other receivables and cash and cash equivalents of the REIT and the Consolidated Entities *plus* the REIT's *pro rata* share of tenant and other receivables and cash and cash equivalents of the Unconsolidated Joint Ventures, by more than 2.50% of Gross Asset Value. For purposes of this Section, the REIT's *pro rata* share of liabilities, claims, receivables, cash or cash equivalents of any Unconsolidated Joint

Venture shall be deemed equal to the product of (i) the liabilities, claims, receivables, cash or cash equivalents, as applicable, of such Unconsolidated Joint Venture, multiplied by (ii) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

### Section 7.2. Investments; Asset Mix.

7.2.1. The REIT shall not at any time make or own any Investment in any Person, or purchase, lease or own any other asset or property, except in (a) the Borrower, (b) any Capital Stock of the Consolidated Entities (other than the Borrower) listed in *Schedule 5.4.* on the Closing Date, or any Capital Stock of any Consolidated Entity (including a Bankruptcy Remote Entity) formed or acquired after the Closing Date and added to *Schedule 5.4.* in accordance with Section 10.2.2., provided that such Investment in such formed or acquired Consolidated Entity shall not exceed one percent (1%) of the Capital Stock of such Consolidated Entity, and (c) any cash or other property that is being distributed to the shareholders of the REIT substantially contemporaneous with the REIT's receipt of such property from the Borrower.

7.2.2. The Borrower shall not at any time make or own any Investment in any Person, or purchase, lease or own any Real Property or other asset, except that the Borrower may own or lease the following, subject to the limitations set forth below:

Asset Type	Limitation on Value for each Asset Type
1. Wholly-Owned Retail Properties (other than Retail Property Under Construction)	Unlimited
2. Wholly-Owned Raw Land that is not under development and for which no development is planned to commence within 12 months after the date on which it was acquired	5% of Gross Asset Value
3. Wholly-Owned Real Property (other than Retail Properties, Retail Properties Under Construction or Raw Land referred to in clause 2.)	5% of Gross Asset Value
4. Wholly-Owned Capital Stock of any corporation (other than any Person (a "Wholly-Owned Entity") at least 99% of of the the Capital Stock of which is held of record and beneficially by the Borrower and the balance of the Capital Stock of which (if any) is held of record and beneficially by the REIT (or any wholly-owned Subsidiary of the REIT))	5% of Gross Asset Value, provided that the Borrower may hold Capital Stock of corporate Subsidiaries formed to acquire one or more Retail Properties if, together with any other Capital Stock, holdings in such Capital Stock do not exceed 30% of Gross Asset Value
5. Wholly-Owned Mortgage Loans; provided that the mortgage or deed of trust securing any such Mortgage Loan is a first priority mortgage or deed of trust	15% of Gross Asset Value
6. Retail Properties of Joint Ventures (other than corporations or Wholly-Owned Entities (as defined above)) of which the Borrower is a general partner or of which the Borrower owns more than 50% of the Capital Stock	50% of Gross Asset Value
7. Retail Property Under Construction (as measured by Construction-in-Process)	10% of Gross Asset Value
8. Permitted Investments	Unlimited
9. Capital Stock of Management Companies	5% of Gross Asset Value
10. Capital Stock of taxable REIT Subsidiaries	Not more than \$30,000,000 (based on cost)
11. Other GAV Assets	5% of Gross Asset Value

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Notwithstanding the foregoing, Investments and other assets in the foregoing categories 2 through 11 may not exceed, at any time, 50% of Gross Asset Value. Without limitation of Section 1.2.3., all values of Investments and other assets shall be the book values of such Investments and assets, determined in accordance with GAAP, except as otherwise expressly provided.

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### Section 7.3. Financial Covenants.

7.3.1. **Minimum Tangible Net Worth.** As of the last day of any Fiscal Quarter, Tangible Net Worth shall not be less than the sum of (a) \$450,000,000, minus (b) 100% of the cumulative Depreciation and Amortization Expense deducted in determining Net Income for all fiscal quarters ended or ending after December 31, 1999, plus (c) 90% of the cumulative net cash proceeds received from and the value of assets acquired (net of Debt incurred or assumed in

connection therewith) through the issuance of Capital Stock of the REIT or the Borrower after December 31, 1999. For purposes of clause (c), "net" means net of underwriters' discounts, commissions and other reasonable out-of-pocket expenses of issuance actually paid to any Person (other than a Macerich Group Member or any Affiliate of any Borrower Party).

**7.3.2. Maximum Total Liabilities to Gross Asset Value.** The ratio of Total Liabilities to Gross Asset Value (expressed as a percentage) shall not be more than 65.0% at any time.

**7.3.3. Minimum Interest Coverage Ratio.** As of the last day of any fiscal quarter, the Interest Coverage Ratio shall not be less than 1.80.

**7.3.4. Minimum Fixed Charge Coverage Ratio.** As of the last day of any fiscal quarter, the Fixed Charge Coverage Ratio shall not be less than 1.60.

**7.3.5. Minimum Senior Unsecured Interest Expense Coverage Ratio.** As of the last day of any fiscal quarter, the Senior Unsecured Interest Expense Coverage Ratio shall not be less than 1.25.

**7.3.6. Maximum Floating Rate Debt.** The sum of the following shall not exceed \$700,000,000 at any time (without duplication): (a) Floating Rate Debt of the REIT and the Consolidated Entities, plus (b) the REIT's *pro rata* share of all Floating Rate Debt of the Unconsolidated Joint Ventures that does not otherwise constitute Debt of the REIT or any Consolidated Entity. For purposes of the foregoing, (i) "Floating Rate Debt" means any Debt interest on which accrues at a floating rate (including any Fixed Rate), except to the extent there is then in full force and effect an interest rate swap or "cap" agreement that does not expire or terminate prior to the maturity date with respect to such Debt that entitles the obligor under such Debt to payments from the counterparty equal to, and payable at the same time as, the floating rate payable on such Debt (or that portion thereof exceeding the "cap"), in return for payments by the obligor of fixed amounts to such counterparty, and (ii) the REIT's *pro rata* share of Floating Rate Debt of any Unconsolidated Joint Venture shall be deemed equal to the product of (A) the Floating Rate Debt of such Unconsolidated Joint Venture (other than Debt that is a Contingent Obligation of any Borrower Party), multiplied by (B) the percentage of the total outstanding Capital Stock of such Person held by the REIT or any Consolidated Entity, expressed as a decimal.

**Section 7.4. Maximum Unsecured Debt.** At no time shall the aggregate outstanding amount of Unsecured Debt of the REIT and the Consolidated Entities (other than (i) the Permitted Subordinated Debentures and (ii) the aggregate amount, not to exceed \$25,000,000, of Renovation LC Debt outstanding at such time and approved by the Agent, at its discretion, for exclusion from Unsecured Debt for the purposes of this Section 7.4) exceed the lesser of (a) 83.33% of the aggregate Unencumbered Asset Value and (b) an amount equal to the sum of (i) 68.97% of the aggregate Unencumbered Asset Value plus (ii) an amount not to exceed the lesser of (A) \$50,000,000 and (B) 25.0% of the aggregate Residual Value of all Wholly-Owned Retail Properties.

**Section 7.5. Aggregate Leased Area of Real Properties in Unencumbered Pool.** As of the last day of any fiscal quarter, the ratio (expressed as a percentage) of (i) the aggregate M&F Gross Leaseable Area of the Retail Properties included in the Unencumbered Pool that is subject to a bona fide lease pursuant to which the contractually agreed rent is being paid by the tenant thereunder to (ii) the aggregate M&F Gross Leaseable Area of the Retail Properties included in the Unencumbered Pool shall not be less than 85%; provided that the M&F Gross Leaseable Area of any Retail Property

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included in the Unencumbered Pool that constitutes a Retail Property Under Construction shall be excluded from the calculation provided for in clause (i) and (ii).

**Section 7.6. Restriction on Fundamental Changes.** The REIT and the Consolidated Entities shall not enter into any merger, consolidation or reorganization or any sale of all or a substantial portion of the assets of the REIT and the Consolidated Entities, taken as a whole, or liquidate, wind up or dissolve, except that:

**7.6.1.** as long as no Default or Event of Default shall exist after giving effect to such merger or consolidation, any Consolidated Entity (other than the Borrower) may be merged or consolidated with or into the Borrower;

**7.6.2.** any Person may merge or consolidate with and into the Borrower or any other Consolidated Entity and the Borrower or any other Consolidated Entity may merge or consolidate with and into any Person, in each case, with the prior written approval of the Required Lenders.

**Section 7.7. Transactions with Affiliates.** None of the REIT, the Borrower and the other Consolidated Entities shall, directly or indirectly, enter into any transaction (including the purchase, sale, lease, or exchange of any property or the rendering of any service) (i) in the case of a transaction to which the REIT is a party, with the Borrower or any Consolidated Entity or Unconsolidated Joint Venture, and (ii) in the case of any other transaction, with any Affiliate of the Borrower or of any Consolidated Entity (other than a transaction with a Consolidated Entity that is not a Bankruptcy Remote Entity), in each case unless (a) such transaction is not otherwise prohibited by this Agreement, (b) such transaction is in the ordinary course of business and (c) such transaction is on fair and reasonable terms no less favorable to the Borrower, Consolidated Entity or Unconsolidated Joint Venture party thereto, as the case may be, than those terms which might be obtained at the time in a comparable arm's length transaction with a Person who is not the REIT or such an Affiliate or, if such transaction is not one which by its nature could be obtained from such other Person, is on fair and reasonable terms and was negotiated in good faith, provided that this Section 7.7. shall not restrict (a) dividends, distributions and other payments and transfers on account of any shares of Capital Stock of any Consolidated Entity, provided that such dividends, distributions or other payments are not otherwise prohibited by the terms of this Agreement or would result in a Default or an Event of Default, and (b) transactions between any Unconsolidated Joint Venture that is not controlled by the REIT or by any Consolidated Entity and any Affiliate of such Unconsolidated Joint Venture that is not also an Affiliate of the REIT or of any Consolidated Entity.

**Section 7.8. Restricted Payments.** The Borrower shall not, and shall not permit the REIT or any Subsidiary to, directly or indirectly, declare, pay or make, or agree to declare, pay or make, any Restricted Payment, except:

**7.8.1.** dividends, distributions or payments (a) by the Borrower to the REIT (to the extent used by the REIT for the payment of dividends permissible under Section 7.8.2. or 7.8.3.), or (b) by any Subsidiary to the Borrower or to a Guarantor;

**7.8.2.** if no Default or Event of Default shall then exist or result from such Restricted Payment, the REIT, the Borrower and any Subsidiary may pay or make Restricted Payments so long as the aggregate amount of all Restricted Payments pursuant to this Section 7.8.2. paid during the four Fiscal Quarters immediately preceding the Fiscal Quarter in which such Restricted Payment is proposed to be made (treated as a single accounting period), together with the Restricted Payment proposed to be made, does not exceed 95% of the aggregate amount of Funds From Operations for such period of four Fiscal Quarters, provided, however, that notwithstanding the foregoing, the Borrower may acquire Capital Stock of the REIT in an aggregate amount not to exceed \$75,000,000, so long as no Default or Event of Default shall then exist or result from such acquisition;

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7.8.3. if a Default or Event of Default (other than a Default or Event of Default under Section 8.1.1.) shall then exist or result from such Restricted Payment, the REIT may pay or make Restricted Payments only in the amount necessary to enable the REIT to meet the requirements for taxation as a real estate investment trust under the Code, but in any event not in excess of 95% of the aggregate amount of Funds From Operations for the four Fiscal Quarters immediately preceding the Fiscal Quarter in which such Restricted Payment is proposed to be made (treated as a single accounting period)..

**Section 7.9. ERISA.** No Borrower Party shall, and no Borrower Party shall permit any current ERISA Affiliate to:

7.9.1. engage in any Prohibited Transaction or engage in any conduct or commit any act or suffer to exist any condition that could give rise to any Material excise tax, penalty, interest or liability under Sections 4971, 4972, 4975, 4976, 4977, 4979, 4980 or 4980B of the Code or Sections 502(c) or 502(i) of ERISA;

7.9.2. permit the benefit liabilities (whether or not vested) under all Plans (excluding all Plans with assets greater than or equal to liabilities (whether or not vested)) to exceed the current value of the assets of such Plans allocable to such benefits by more than \$500,000;

7.9.3. adopt or contribute to any Plan that is a Defined Benefit Plan;

7.9.4. create or suffer to exist any liability with respect to Plans that are welfare plans within the meaning of Section 3(1) of ERISA if, after immediately giving effect to such liability, the aggregate annualized cost with respect to such Plans for post retirement benefits for any fiscal year would exceed \$500,000; or

7.9.5. Allow any investment in any Borrower Party by benefit plan investors to become significant within the meaning of Department of Labor Regulation Section 2510.3-101(f).

**Section 7.10. Amendments of Charter and Bylaws.** No Borrower Party will make any amendment of its charter, bylaws, partnership agreement or other organizational document, as the case may be, if such amendment could have a Material Adverse Effect or could otherwise be materially disadvantageous to the Lender Parties without the prior written approval of the Required Lenders.

**Section 7.11. Payments with Respect to Permitted Subordinated Debentures.** The REIT will not make any payment of principal (including redemption price) of or premium, if any, or interest on, or additional amounts or purchase price payable with respect to the Permitted Subordinated Debentures (including any amounts payable upon repurchase at the election of the holders of such Permitted Subordinated Debentures upon the occurrence of a Designated Event, as such term is defined in the Offering Circular for such Permitted Subordinated Debentures), unless (i) no Default or Event of Default under Section 8.1.1. or 8.1.7. and (ii) no other Event of Default, then exists or would exist giving effect to such payment on a *pro forma* basis.

**Section 7.12. Acquisitions of Real Properties.** Neither the Borrower nor any Consolidated Entity shall make any Acquisition, the gross purchase price of which exceeds 25% of the Gross Asset Value immediately prior to such Acquisition, without the prior written approval of the Required Lenders.

## ARTICLE 8.

### EVENTS OF DEFAULT

**Section 8.1. Events of Default.** The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default (an "Event of Default"):

8.1.1. **Failure to Make Payments.** The Borrower (i) shall fail to pay when due any principal (whether at stated maturity, upon acceleration, upon required prepayment or otherwise) of any

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Advance or (ii) shall fail to pay interest on any Advance or any other amount payable under the Loan Documents within three Business Days of the date when due; or

8.1.2. **Default in Other Debt.** The REIT or any Consolidated Entity shall (a) default in the payment (whether at stated maturity, upon acceleration, upon required prepayment or otherwise), beyond any period of grace provided therefor, of any principal of or interest on any Non-Recourse Secured Debt with a principal amount in excess of \$40,000,000 or any other Debt with a principal amount in excess of \$1,000,000 or (b) be in default, breach or violation, beyond any period of grace or notice provided therefor, of any other agreement, covenant, representation, warranty or obligation under any Non-Recourse Secured Debt with a principal amount in excess of \$40,000,000 or any other Debt with a principal amount in excess of \$1,000,000 and as a result of such default, breach or violation the holder or holders of such Debt (or a Person on behalf of such holder or holders) shall cause such Debt to become or be declared due and payable prior to its stated maturity, *provided* that the foregoing shall not apply to Non-Recourse Debt of Unconsolidated Joint Ventures; or

8.1.3. **Breach of Certain Nonfinancial Covenants.** The Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under Section 2.3., 6.1.4., 6.3. (insofar as such Section requires the preservation of the corporate existence of any Borrower Party), 6.8., 6.9., 7.6., 7.7., 7.8., 7.10., 7.11. or 7.12.; or

8.1.4. **Breach of Certain Financial Covenants.** The Borrower shall fail to comply with or observe any agreement, covenant or obligation under Section 7.1., 7.2., 7.3., 7.4. or 7.5. and such failure shall not have been remedied within 30 days after written notice thereof from the Agent or any Lender; or

8.1.5. **Breach of Warranty.** Any representation or warranty or certification made or furnished by any Borrower Party under this Agreement or the other Loan Documents or any agreement, instrument or document contemplated hereby and thereby shall prove to have been false or incorrect in any material respect when made (or deemed made); or

8.1.6. **Other Defaults Under Agreement and Other Loan Documents.** Any Borrower Party shall fail to perform, comply with or observe any agreement, covenant or obligation to be performed, observed or complied with by it under this Agreement (other than those provisions referred to in Section 8.1.3. or 8.1.4. above) or under the other Loan Documents (other than a Letter of Credit Agreement) and such failure shall not have been remedied within 60 days after written notice thereof from the Agent or any Lender, or there shall occur any "Event of Default" (as defined in the Letter of Credit Agreement); or

**8.1.7. Involuntary Bankruptcy; Appointment of Receiver, Etc.** There shall be commenced against any Borrower Party or any Consolidated Entity an involuntary case seeking the liquidation or reorganization of any such Borrower Party or Consolidated Entity under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code or any similar proceeding under any other Applicable Law or an involuntary case or proceeding seeking the appointment of a receiver, liquidator, sequestrator, custodian, trustee or other officer having similar powers of any such Borrower Party or Consolidated Entity or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business, and any of the following events occur: (i) any such Borrower Party or Consolidated Entity consents to the institution of the involuntary case or proceeding; (ii) the petition commencing the involuntary case or proceeding is not timely controverted; (iii) the petition commencing the involuntary case or proceeding remains undismissed and unstayed for a period of 60 days (*provided, however*, that, during the pendency of such period, the Lenders shall be relieved of the Commitments); or (iv) an order for relief shall have been issued or entered therein; or

**8.1.8. Voluntary Bankruptcy; Appointment of Receiver, Etc.** Any Borrower Party or any Consolidated Entity shall institute a voluntary case seeking liquidation or reorganization under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code or any similar proceeding under any other

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Applicable Law, or shall consent thereto; or shall consent to the conversion of an involuntary case to a voluntary case; or shall file a petition, answer a complaint or otherwise institute any proceeding seeking, or shall consent or acquiesce to the appointment of, a receiver, liquidator, sequestrator, custodian, trustee or other officer with similar powers of it or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business; or shall make a general assignment for the benefit of creditors; or shall generally not pay its debts as they become due; or the Board of Directors (or respective governing body) of any Borrower Party or Consolidated Entity (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

**8.1.9. Judgments and Attachments.** Any Borrower Party or any Consolidated Entity shall suffer any money judgments, writs or warrants of attachment or similar processes which individually or in the aggregate involve an amount or value in excess of \$1,000,000 and such judgments, writs, warrants or other orders shall continue unsatisfied and unstayed for a period of 10 days unless the amount of such judgments, writs, warrants or attachments are fully covered by insurance (other than deductibles substantially the same as those in effect on the Closing Date and provided that any deductible in excess of \$100,000 is supported by a bond or letter of credit in at least the amount by which such deductible exceeds \$100,000) and the insurer has in writing accepted liability therefor; or a judgment creditor shall obtain possession of any material portion of the assets of the REIT or any Consolidated Entity by any means, including, without limitation, levy, distraint, replevin or self-help; or

**8.1.10. ERISA Liabilities.** Any violation of Section 7.9.3. or 7.9.5. shall occur; or

**8.1.11. Change of Control or Management.** Any of the following events occurs: (i) the Principal Investors no longer control, directly or indirectly, at least 5% of the Capital Stock of the Borrower (which percentage shall be subject to adjustment to give effect to any dilution of such holdings by virtue of the issuance of any Capital Stock of the Borrower or the REIT after the Closing Date) or (ii) Arthur Coppola is no longer a Senior Officer, or both of Edward Coppola and Thomas E. O'Hern are no longer Senior Officers, of the REIT and the Borrower, *provided* that in the event of the death, incapacitation, retirement or dismissal of Arthur Coppola, Edward Coppola or Thomas E. O'Hern, such event shall not constitute an Event of Default under this Section 8.1.11. unless the REIT and the Borrower have not replaced such officer or officers with an officer or officers satisfactory to the Required Lenders within 180 days after such occurrence; or

**8.1.12. General Partner.** The REIT shall cease to be the general partner of the Borrower; or

**8.1.13. Invalidity of Guaranty or Subordination.** The Guaranty or the subordination provisions of Section 6.9. shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Guarantor or Subordinated Creditor shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder; or

**8.1.14. Change of Tax Status.**

**8.1.14.1.** The REIT shall either determine in good faith or receive written notice from the relevant taxing authority that the REIT does not conform or no longer conforms to the requirements for qualification as a real estate investment trust under the Code (except as a result of the enactment of any Applicable Law with which the REIT cannot or has determined in good faith not to comply); or

**8.1.14.2.** The Borrower or any Guarantor shall either determine in good faith or receive written notice from the relevant taxing authority that the Borrower or any Guarantor does not conform or no longer conforms to the requirements for qualification as a partnership under the Code.

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**Section 8.2. Remedies.** Upon the occurrence of an Event of Default:

**8.2.1.** If an Event of Default occurs under Section 8.1.7. or 8.1.8., then the Commitments shall automatically and immediately terminate, and the obligation of the Lenders to make any Advances and of the Agent Bank to issue any Letter of Credit hereunder shall cease, and the unpaid principal amount of and any accrued interest on all Advances shall automatically become immediately due and payable, without presentment, demand, protest, notice or other requirements of any kind, all of which are hereby expressly waived by the Borrower.

**8.2.2.** If an Event of Default occurs under Section 8.1. hereof, other than under Section 8.1.7. or 8.1.8., (a) the Agent shall, at the request of the Required Lenders, by written notice to the Borrower, declare that the Commitments shall be terminated on the date that is 60 days after the date of such notice or on such earlier date as may be determined by the Required Lenders, whereupon the obligation of the Lenders to make any Advance and of the Agent Bank to issue any Letter of Credit hereunder shall cease on such day, and/or (b) the Agent shall, at the request of the Required Lenders, by written notice to the Borrower, declare the unpaid principal amount of all Advances together with any and all accrued interest thereon to be, and the same shall become, due and payable on the date that is 60 days after the date of such notice or on such earlier date as may be determined by the Required Lenders, without presentment, demand, protest, any additional notice whatsoever or other requirements of any kind, all of which are hereby expressly waived by the Borrower.

**Section 8.3. Rescission.** At any time after the Advances shall have been declared due and payable pursuant to Section 8.2.2. or a demand shall have been made pursuant to Section 8.4, the Required Lenders, by written notice by the Agent to the Borrower, may rescind and annul any such declaration or demand and



its consequences, *provided* the Required Lenders hold 66<sup>2</sup>/3% of the outstanding Advances. No rescission and annulment under this Section 8.3. will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

#### **Section 8.4. Actions in Respect of Letters of Credit.**

**8.4.1. Letter of Credit Collateral Account.** If, at any time and from time to time, any Letter of Credit shall have been issued hereunder and an Event of Default shall have occurred and be continuing, then, upon the occurrence and during the continuation thereof, the Agent shall at the request of the Required Lenders, whether in addition to the taking by the Agent of any of the actions described in this Article 8 or otherwise, make a demand upon the Borrower to, and forthwith upon such demand (but in any event within ten days after such demand) the Borrower shall, (i) pay to the Agent, on behalf of the Lender Parties, in same day funds at the Agent's office designated in such demand, for deposit in a special interest-bearing cash collateral account (the "*Letter of Credit Collateral Account*") to be maintained in the name of "The Macerich Partnership, L.P., who executed a Security Agreement Rights to Payment in favor of Wells Fargo Bank, National Association, as Agent for the Lender Parties" and under the Agent's sole dominion and control at such place as shall be designated by the Agent, an amount equal to the amount of the Letter of Credit Liability under the Letters of Credit, and (ii) execute and deliver to the Agent all such documents, instruments and/or certificates as the Agent shall reasonably request in order to perfect, and maintain a perfected security interest in, the Letter of Credit Collateral (including, without limitation, a Security Agreement Rights to Payment, Uniform Commercial Code financing statements and any notice required to perfect the Agent's security interest in the Letter of Credit). The Borrower authorizes and empowers the Agent, as its attorney-in-fact, and as its agent, irrevocably, with full power of substitution for it and in its name, following the occurrence of an Event of Default, to give any authorization, to furnish any information, to make any demands, to execute and/or deliver any documents, instruments and/or certificates (including, without limitation, a Security Agreement Rights to Payment, Uniform Commercial Code financing statements and notices required to perfect the Agent's security interest in the Letter of Credit Collateral) and to take any and all other action on behalf of and in the name of the Borrower which in

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the opinion of the Agent may be necessary or appropriate to be given, furnished, made, exercised or taken to perfect or maintain the perfection of the Agent's security interest in the Letter of Credit Collateral. This power-of-attorney is irrevocable and coupled with an interest, and any similar or dissimilar powers heretofore given by the Borrower in respect of the Letter of Credit Collateral to any other Person are hereby revoked.

**8.4.2. Pledge of Letter of Credit Collateral.** The Borrower hereby pledges, assigns and grants to the Agent, as collateral agent for its benefit and the ratable benefit of the other Lender Parties a lien on and a security interest in, the following collateral (the "*Letter of Credit Collateral*"):

**8.4.2.1.** the Letter of Credit Collateral Account, all cash deposited therein and all certificates and instruments, if any, from time to time representing or evidencing the Letter of Credit Collateral Account;

**8.4.2.1.** all notes, certificates of deposit and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for or on behalf of the Borrower in substitution for or in respect of any or all of the then existing Letter of Credit Collateral;

**8.4.2.1.** all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then Existing Letters of Credit Collateral; and

**8.4.2.1.** to the extent not covered by the above clauses, all proceeds of any or all of the foregoing Letter of Credit Collateral.

The lien and security interest granted hereby secures the payment of all Obligations of the Borrower now or hereafter existing hereunder and under any Loan Documents.

**8.4.3. Application of Funds in Letter of Credit Collateral Account.** The Borrower hereby authorizes the Agent for the ratable benefit of the Lenders to apply, from time to time after funds are deposited in the Letter of Credit Collateral Account, funds then held in the Letter of Credit Collateral Account to the payment of any amounts, in such order as the Agent may elect, as shall have become due and payable by the Borrower to the Lender Parties in respect of the Letters of Credit.

**8.4.4. Limitation on the Borrower's Rights.** Neither the Borrower nor any Person claiming or acting on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Letter of Credit Collateral Account, except as provided in Section 8.4.8 hereof.

**8.4.5. Negative Covenants.** The Borrower agrees that it will not (i) sell or otherwise dispose of any interest in the Letter of Credit Collateral or (ii) create or permit to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Letter of Credit Collateral, except for the security interest created by this Section 8.4.

**8.4.6. Rights of Agent on Event of Default.** If any Event of Default shall have occurred and be continuing:

**8.4.6.1.** The Agent may, in its sole discretion, without notice to the Borrower except as required by law and at any time from time to time, charge, set off or otherwise apply all or any part of *first*, (x) amounts previously drawn on any Letter of Credit that have not been reimbursed by the Borrower and (y) any Letter of Credit Liability that is then due and payable, and *second*, any other unpaid Obligations then due and payable against the Letter of Credit Collateral Account or any part thereof, in accordance with Section 2.10.5. The rights of the Agent under this Section 8.4 are in addition to any rights and remedies which any Lender may have.

**8.4.6.2.** The Agent may also exercise, in its sole discretion, in respect of the Letter of Credit Collateral Account, in addition to the other rights and remedies provided herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of California at that time.

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**8.4.7. Standard of Care.** The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Letter of Credit Collateral if the Letter of Credit Collateral is accorded treatment substantially equal to that which the Agent accords its own property, it being understood that, assuming such treatment, the Agent shall not have any responsibility or liability with respect thereto.

**8.4.8. Cure.** At such time as all Events of Default have been cured or waived in writing, all amounts remaining in the Letter of Credit Collateral Account shall be promptly returned to the Borrower. Absent such cure or written waiver, any surplus of the funds held in the Letter of Credit Collateral Account and remaining after payment in full of all of the Obligations of the Borrower hereunder and under any other Loan Document after the Maturity Date shall be paid to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

## ARTICLE 9.

### THE AGENT AND THE LENDERS

#### Section 9.1. *Authorization and Action.*

**9.1.1.** Each Lender hereby irrevocably appoints and authorizes the Agent Bank to act as its agent hereunder and under the other Loan Documents, to execute and deliver or accept, on its behalf, the other Loan Documents and any other documents, instruments and agreements related thereto or hereto to take such action on its behalf under the provisions hereof and thereof and to exercise such rights, remedies, powers and privileges hereunder and thereunder as are delegated to the Agent by the terms hereof and thereof, together with such rights, remedies, powers and privileges as are reasonably incidental thereto.

**9.1.2.** Except for any matters expressly subject to the consent or approval of the Agent under the Loan Documents, the Agent shall not, without the prior approval of the Required Lenders (or, as provided in Section 10.2., all of the Lenders), waive any default or otherwise amend this Agreement or any other Loan Documents. The Agent will, to the extent practicable under the circumstances, consult with the other Lender Parties prior to taking action on their behalf under the Loan Documents and in acting as their Agent thereunder. The Agent will not take any action contrary to the written direction of Required Lenders, will take any lawful action not contrary to the provisions of the Loan Documents prescribed in written instructions of the Required Lenders (or, as provided in Section 10.2., all the Lenders) and, as to any matters not expressly provided for by the Loan Documents (including enforcement or collection), may decline to take any action, except upon the written instructions of the Required Lenders (or, as provided in Section 10.2., all the Lenders). If such instructions are requested reasonably promptly, the Agent shall be absolutely entitled to refrain from taking any action and shall not have any liability to any Borrower Party or any Lender for refraining from taking any action until it shall have received such instructions; *provided, however*, that the Agent shall in no event be required to take or refrain from taking any action that would, in the Agent's opinion, be inconsistent with the Agent's practice in similar situations when acting solely for its own account or be contrary to the provisions of any Loan Document or Applicable Law.

**9.1.3.** The Agent shall not have any duties or responsibilities except those expressly set forth in the Loan Documents. The Agent shall not be required to exercise any right, power, remedy or privilege granted to it in any Loan Document, to ascertain or inquire whether any Default or Event of Default has occurred and is continuing, or to inspect the property (including the books and records) of any Borrower Party or to take any other affirmative action, except as provided in Sections 8.2. and 8.4, or unless requested or directed to do so in accordance with the provisions of Section 9.1.2.

**9.1.4.** The duties of the Agent shall be mechanical and administrative in nature. The Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any other Lender Party.

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Except for notices, reports and other documents and information expressly required to be furnished by the Agent for the Lender Parties hereunder, the Agent shall not have any duty or responsibility to provide any Lender Party with any credit or other information concerning the affairs, financial condition or business of any Borrower Party that may come into the possession of the Agent or any of its Affiliates.

**Section 9.2. *Exculpation; Agent's Reliance; Etc.*** Neither the Agent nor any of its directors, officers, agents, attorneys or employees shall be liable to any Borrower Party or any other Lender Party for any action taken or omitted to be taken by it or them under or in connection with any Loan Document (a) with the consent or at the request of the Required Lenders (or, as provided in Section 10.2., all the Lenders), or (b) in any other circumstances, except for its or their own gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction. The Agent makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any recitals, statements, warranties or representations made in, or in connection with, any Loan Document or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of any Loan Document or any financial information, opinions of counsel or other documents executed and delivered pursuant thereto, or for the financial condition of any Borrower Party. The Agent shall not be responsible to any Lender for the satisfaction of any condition specified in Article 4., except receipt of items required to be delivered to the Agent. The Agent may treat the payee of any Note as the holder thereof until the Agent receives the related Assignment and Acceptance signed by such holder and the assignee and in form satisfactory to the Agent. The Agent shall be entitled to rely upon any notice, certificate or other writing believed by the Agent to be genuine and correct and to have been signed or sent by the proper Person or Persons. The Agent shall be entitled to consult with legal counsel, independent public accountants and other experts selected by the Agent and to act in reliance upon the advice of such counsel and other experts concerning its actions and duties hereunder.

**Section 9.3. *Agent and Affiliates.*** In its capacity as a Lender and issuer of Letters of Credit, the Agent Bank shall have the same rights, powers and obligations under this Agreement and the other Loan Documents as any other Lender and may exercise or refrain from exercising the same as though it were not the Agent or such issuer, including the right to give or deny consent to any action requiring consent or direction of the Required Lenders or all the Lenders. The Agent Bank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower Party, any Subsidiary of a Borrower Party and any Affiliate of any Borrower Party, all as if the Agent were not the Agent and without any duty to account therefor to the Lenders. The Agent Bank shall be entitled to receive from the Borrower its fees or portions thereof in connection with this transaction without any liability to account therefor to any other Lender, except as the Agent Bank may have expressly agreed.

**Section 9.4. *Lender Credit Decision.*** Each Lender Party acknowledges that it has, independently and without reliance upon the Agent or any other Lender Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender Party also acknowledges that it will, independently and without reliance upon the Agent or any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

**Section 9.5. *Indemnification.*** The Agent shall in no event be required to take any action under the Loan Documents or in relation thereto unless it shall first be indemnified to its satisfaction by the other Lender Parties against any and all liability and expense that it may incur by reason of taking any such action. Each Lender agrees to indemnify and hold the Agent harmless (to the extent not promptly paid or reimbursed by the Borrower), ratably according to their respective Commitments, from and against any and all (a) costs, expenses and other amounts incurred by the Agent otherwise payable by

the Borrower pursuant to Section 10.1. and (b) Indemnified Liabilities that may be imposed on, incurred by, or asserted against the Agent, except to the extent they are finally adjudged by a court of competent jurisdiction to have directly resulted from the gross negligence or willful misconduct of the Agent. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including outside counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Loan Documents, to the extent that the Agent is not promptly reimbursed for such expenses by the Borrower.

**Section 9.6. Successor Agent.** The Agent may resign at any time as Agent under the Loan Documents by giving not less than 30-days' written notice thereof to the Lenders and the Borrower and the Agent may be removed at any time with cause by written action of all Lenders (other than the Agent) delivered to the Agent. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's notice of resignation or the removal of the Agent, then the retiring or removed Agent may, on behalf of the other Lender Parties, appoint a successor Agent, which shall be a financial institution having a combined capital and surplus of at least \$100,000,000, or a branch or agency of such a financial institution, organized or licensed to do business under the laws of the United States of America or any State thereof, and which shall have a minimum rating of "Baa-2" by Moody's and a minimum long-term debt rating of "BBB" by S&P. Upon the acceptance of any appointment as the Agent by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged of its duties and obligations under the Loan Documents. Upon any retiring Agent's resignation or removal, the provisions of this Article 9. (as well as other expense reimbursement, indemnification and exculpatory provisions in the other Loan Documents) shall continue in effect for its benefit as to any actions taken or omitted by it while it was Agent.

**Section 9.7. Excess Payments.** If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of any Obligations in excess of its *pro rata* share of payments and other recoveries on account of such Obligations obtained by all Lenders, such Lender shall purchase from the other Lenders such participations in such Obligations held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of the other Lenders; *provided, however*, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to such Lender to the extent of such recovery, but without interest. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 9.7. may, to the fullest extent permitted by Applicable Law, exercise all of its rights of payment (including setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

**Section 9.8. Lender Parties.** The provisions of this Article 9. are solely for the benefit of the Agent and the other Lender Parties, and the Borrower shall not have any rights to rely on or enforce any of the provisions hereof (except that the provisions of Sections 9.6. are also for the benefit of the Borrower). In performing its functions and duties under the Loan Documents, the Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for the Borrower.

**Section 9.9. Default By The Borrower; Acceleration.** The Agent will send to each Lender copies of any notices of a Default or an Event of Default sent by the Agent to the Borrower under the terms of the Loan Documents concurrently with sending the same to the Borrower. In the event of any Default or Event of Default of which the Agent has actual knowledge, the Agent shall (as soon as is practicable

under the circumstances) consult with the Lenders in an effort to determine a mutually acceptable course of action with respect to the Default or Event of Default. The Agent may deliver to the Lenders a written recommendation of a course of action (the "recommended course of action"), in which case each Lender shall either approve such action in writing or object in writing to such action within thirty (30) days (or such lesser period as specified in the notice from the Agent) following such notice. Failure to deliver a written objection within thirty (30) days (or such lesser period which will not be less than five (5) business days) will be deemed to constitute an approval. The Agent may take the recommended course of action if consented or approved as provided above by the Required Lenders (or, as provided in Section 10.2., all Lenders), *provided* that no rights shall be released without the consent of all Lenders. In furtherance of the foregoing, and notwithstanding anything herein to the contrary, each Lender hereby appoints and constitutes the Agent its agent with full power and authority to exercise in the name of, and on behalf of each Lender, any and all rights and remedies which each Lender may have with respect to, and to the extent necessary under Applicable Law for, the enforcement of the Loan Documents, or which the Agent may have as a matter of law. It is understood and agreed that in the event the Agent determines it is necessary to engage counsel for the Lenders from and after the occurrence of an Event of Default, said counsel shall be selected by the Agent and written notice of the same shall be delivered to the Lenders.

**Section 9.10. Payments; Availability of Funds; Certain Notices.**

**9.10.1.** If the Agent shall fail to deliver to any other Lender Party its share of any payment received from the Borrower as and when required by Section 2.9., the Agent shall pay to such Lender its share of such payment together with interest on such amount at the Federal Funds Rate, for each day from the date such amount was required to be paid to such Lender until the date the Agent pays such amount to such Lender, calculated as set forth in Section 2.4.4.

**9.10.2.** Unless (a) the Agent shall have been notified by a Lender prior to the date upon which an Advance is to be made pursuant to Section 2.1. or (b) the Agent shall have been notified by the Borrower prior to the date on which the Borrower is required to make any payment hereunder, that such Lender or the Borrower, as the case may be (the "*Obligated Party*"), does not intend to make available to the Agent the Obligated Party's portion of such Advance or such payment, the Agent may assume that the Obligated Party will make such amount available to the Agent on such date and the Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower (in the case of an Advance) or the Lenders (in the case of a payment by the Borrower) a corresponding amount. If such corresponding amount is not in fact made available to the Agent by the Obligated Party, the Agent shall be entitled to recover such amount on demand from the Obligated Party (or, in the case of an Advance, if the Lender that is the Obligated Party fails to pay such amount forthwith upon such demand, from the Borrower). Such amount shall be payable together with interest thereon from the day on which such corresponding amount was made available by the Agent to the Lender or the Borrower, as applicable, to the date of payment by the Obligated Party (or the Borrower, as applicable), at a rate of interest equal to (i) in the case of any payment by any other Lender Party, the Federal Funds Rate, and (ii) in the case of any payment by the Borrower, the interest rate applicable to the Advance. In addition, no Lender that fails to make any such payment or otherwise fails to perform any of its obligations hereunder within the time frame specified for payment or performance or, if no time frame is specified, if such failure continues for five Business Days after notice from the Agent (each a "*Defaulting Lender*") shall have the right to vote on, or be considered to be a "Lender" with respect to, any matter for which a vote of the Required Lenders or all or any Lenders is required or may be taken under this Agreement during any period commencing on the date upon which such Lender Party is required to make such payment or render such performance through the date upon which such payment, together with the interest thereon at the Federal Funds

Rate, is made or such performance is rendered. Furthermore, (a) until such time as a Defaulting Lender has funded its *pro rata* share of a Borrowing or a participation in a Letter of Credit, or until all other

Lender Parties have received payment in full (whether by repayment or prepayment) of all their Advances included in such Borrowing or used to fund such participation, and all interest and Fees due in respect thereof (collectively, the "*Senior Obligations*"), (i) all of the Obligations (including principal, interest and Fees) owing to such Defaulting Lender hereunder shall be subordinated in right of payment to the prior payment in full of all Senior Obligations, and (ii) all amounts paid by any Borrower Party or otherwise due to be applied to the Obligations owing to the Defaulting Lender pursuant to the terms hereof if due with respect to Advances, shall be distributed by the Agent to the other Lender Parties in accordance with their respective *pro rata* shares (recalculated for purposes hereof to exclude the Defaulting Lender's Commitment), until all Senior Obligations have been paid in full. This provision governs only the relationship among the Agent, each Defaulting Lender, and the other Lender Parties; nothing hereunder shall limit the obligation of any Borrower Party to repay all Advances and other Obligations in accordance with the terms of this Agreement and the other Loan Documents. The Agent shall be entitled to (1) withhold or set off and to apply to the payment of the defaulted amount and any related interest any amounts to paid to such Defaulting Lender under this Agreement and (2) bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. The provisions of this section shall apply and be effective regardless of whether an Event of Default occurs and is then continuing, and notwithstanding (i) any other provision of this Agreement to the contrary, (ii) any instruction of any Borrower Party as to its desired application of payments or (iii) the suspension of such Defaulting Lender's right to vote on matters which are subject to the consent or approval of Required Lenders or all or any Lenders. In addition, the Defaulting Lender shall indemnify, defend and hold the Agent and each of the other Lender Parties harmless from and against any and all liabilities, cost and expenses, plus interest thereon at the Post-Default Rate, which they may sustain or incur by reason of or as a direct consequence of the Defaulting Lender's failure or refusal to abide by its obligations under this Agreement.

**9.10.3.** The Agent shall promptly notify the Lenders by telex or telecopy (or telephone, in the case of notice contemplated by Section 2.4.) of each interest period chosen by the Borrower, the LIBO Rate for each interest period (and the relevant interest rate), the date of any expected payment and all other material notices transmitted by the Borrower.

**Section 9.11. *Obligations of Lender Parties Several; Enforcement by the Agent.***

**9.11.1.** Each Lender Party's obligations hereunder are several, and not joint or joint and several. The failure of any Lender Party to make any Advance or otherwise to perform its obligations hereunder will not increase the obligations of any other Lender Party. Notwithstanding the foregoing, any Lender may assume, but shall have no obligation to any Person to assume, any non-performing Lender's obligation to make an Advance. Nothing contained in this Agreement and no action taken by the Agent or any other Lender Party pursuant to this Agreement shall be deemed to constitute the Agent and any other Lender Party to be a partnership, an association, a joint venture or any other kind of entity.

**9.11.2.** Each Lender agrees that, except with the prior written consent of the Agent, no Lender Party shall have any right individually to enforce any Loan Document or any provision thereof, or make demand thereunder, it being agreed that such rights and remedies may only be exercised by the Agent for the ratable benefit of the Lenders upon the terms of this Agreement.

**Section 9.12. *Reply of Lenders.*** Each Lender shall promptly reply to any communication from the Agent to the Lenders requesting the Lenders' determination, consent, approval or disapproval under this Agreement, but in any event no later than ten Business Days (or such other period as may be required under this Agreement to respond) after receipt of the request therefor by the Agent for those matters requiring the consent of the Lenders. Except as otherwise provided in this Agreement, including Section 9.9., if any Lender fails to reply within the applicable time periods, such Lender shall

be deemed to have given its consent or approval to the action or actions recommended by the Agent with respect to the matter for which the Agent requested such Lender's determination, consent, approval or disapproval.

**ARTICLE 10.**

**MISCELLANEOUS**

**Section 10.1. *Expenses; Indemnity.*** The Borrower shall pay on demand:

**10.1.1.** any and all reasonable attorneys' fees and disbursements (including allocated costs of in-house counsel) and out-of-pocket cost and expenses incurred by the Agent in connection with the development, drafting and negotiation of this Agreement and the other Loan Documents, the administration hereof and thereof (including any amendments), the closing of the transactions contemplated thereby and the syndication of the credit facilities hereunder; and

**10.1.2.** all costs and expenses (including fees and disbursements of in-house and other attorneys, appraisers and consultants) of the Lender Parties in any workout, restructuring or similar arrangements or, after a Default, in connection with the protection, preservation, exercise or enforcement of any of the terms of the Loan Documents or in connection with any foreclosure, collection or bankruptcy proceedings.

**10.1.3.** The Borrower shall indemnify, defend and hold harmless each Lender Party and the officers, directors, employees, agents, attorneys, affiliates, successors and assigns of each Lender Party (collectively, the "*Indemnitees*") from and against (a) any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Loan Documents or the making of the Advances or the issuance of any Letter of Credit, and (b) any and all liabilities, losses, damages, penalties, judgments, claims, costs and expenses of any kind or nature whatsoever (including reasonable attorneys' fees and disbursements in connection with any actual or threatened investigative, administrative or judicial proceeding, whether or not such Indemnitee shall be designated a party thereto) that may be imposed on, incurred by or asserted against such Indemnitee, in any manner relating to or arising out of the Loan Documents, the Advances, Letters of Credit, the use or intended use of the proceeds of the Advances or Letters of Credit (including the failure of the Agent Bank to honor a drawing as a result of any act or omission, whether rightful or wrongful, of any Governmental Authority) (the "*Indemnified Liabilities*"); provided that (i) no Indemnitee shall have the right to be indemnified or held harmless hereunder for its own gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction, and (ii) Indemnified Liabilities shall include amounts attributable to the passive or active negligence of any Lender Party.

**10.1.4.** To the extent that the undertaking to indemnify and hold harmless set forth in Section 10.1.3. may be unenforceable because it is violative of any Applicable Law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under Applicable Law. All Indemnified Liabilities shall be payable on demand.

## **Section 10.2. Waivers; Modifications in Writing.**

**10.2.1.** No amendment of any provision of this Agreement or any other Loan Document (including a waiver thereof or consent relating thereto) shall be effective unless the same shall be in writing and signed by the Agent and the Required Lenders. Notwithstanding the foregoing,

**10.2.1.1.** no amendment that has the effect of (a) reducing the rate or amount, or extending the stated maturity or due date, of any amount payable by the Borrower to any Lender Party under the Loan Documents, (b) increasing the amount, or extending the stated termination or

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reduction date, of any Lender's Commitment hereunder or subjecting any Lender Party to any additional obligation to extend credit, (c) altering the rights and obligations of the Borrower to prepay the Advances, (d) releasing any Borrower Party under the Guaranty, (e) changing this Section 10.2. or the definition of the term "Required Lenders," (f) amending the definitions of "Gross Asset Value," "Unencumbered Asset Value" or "Unencumbered Asset," or (g) approving the forgiveness of interest, principal or Fees shall be effective unless the same shall be signed by or on behalf of all of the Lenders;

**10.2.1.2.** no amendment that has the effect of (a) increasing the duties or obligations of the Agent, (b) increasing the standard of care or performance required on the part of the Agent, or (c) reducing or eliminating the indemnities or immunities to which the Agent is entitled (including any amendment of this Section 10.2.1.2.), shall be effective unless the same shall be signed by or on behalf of the Agent; and.

**10.2.1.3.** no amendment that has the effect of (a) increasing the duties or obligations of the Agent Bank with respect to Letters of Credit, (b) increasing the standard of care or performance required on the part of the Agent Bank with respect to Letters of Credit, or (c) reducing or eliminating the indemnities or immunities to which the Agent Bank with respect to Letters of Credit is entitled (including any amendment of this Section 10.2.1.3.), shall be effective unless the same shall be signed by or on behalf of the Agent Bank.

**10.2.2.** Notwithstanding anything to the contrary, (a) the Borrower may, by written notice furnished to the Agent, amend *Schedules 1.1C, 5.4. and 10.4.* to the extent the changes to such Schedules are expressly permissible under this Agreement, and (b) a Guarantor may be released hereunder as specified in the definition of "Unencumbered Asset."

**10.2.3.** Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on any Borrower Party in any case shall entitle such Borrower Party to any other or further notice or demand in similar or other circumstances. Any amendment effected in accordance with this Section 10.2. shall be binding upon each present and future Lender Party and the Borrower.

**Section 10.3. Cumulative Remedies; Failure or Delay.** The rights and remedies provided for under this Agreement are cumulative and are not exclusive of any rights and remedies that may be available to the Lender Parties under Applicable Law or otherwise. No failure or delay on the part of any Lender Party in the exercise of any power, right or remedy under the Loan Documents shall impair such power, right or remedy or operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude other or further exercise thereof or of any other power, right or remedy.

**Section 10.4. Notices, Etc.** All notices and other communications under this Agreement shall be in writing and (except for financial statements, other related informational documents and routine communications, which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by prepaid courier, by overnight mail, by overnight, registered or certified mail (postage prepaid), or by prepaid telex, telecopy or telegram, and shall be deemed given when received by the intended recipient thereof. Unless otherwise specified in a notice sent or delivered in accordance with this Section 10.4., all notices and other communications shall be given to the parties hereto at their respective addresses (or to their respective telex or telecopier numbers) indicated on *Schedule 1.1B* (in the case of the Lender Parties) or *10.4.* (in the case of the Borrower Parties).

## **Section 10.5. Successors and Assigns.**

**10.5.1.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Borrower Parties may not assign or transfer any interest hereunder without the prior written consent of each Lender Party.

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**10.5.2.** Each Lender shall have the right at any time to assign (an "Assignment") all or any portion of such Lender's Commitment, Advances or participations in Letters of Credit to one or more banks or other financial institutions each having a combined capital and surplus of at least \$100,000,000, a minimum long-term debt rating of "Baa-2" by Moody's and a minimum long-term debt rating of "BBB" by S&P, at the time of such assignment (or participation, as the case may be), and which have not been involved in material litigation with the Agent regarding an assigned, participated, or syndicated credit (an "Eligible Assignee"); provided, however, that (a) each Assignment of any Commitment shall be of a portion of the Commitments at least equal to \$10,000,000 and, unless otherwise agreed by the Agent, each assignment shall be of a constant, and not a varying, percentage of all of such Lender's rights and obligations under this Agreement and the other Loan Documents; (b) no Assignment (other than an Assignment to a Person that is then a Lender) shall be effective without the consent of the Agent and the Borrower, which consents shall not be unreasonably withheld or delayed, and which consents will not be required if a Default or Event of Default exists; (c) the parties to the Assignment shall execute and deliver to the Agent an Assignment and Acceptance substantially in the form of *Exhibit F* (an "Assignment and Acceptance"); and (d) the assignee shall pay to the Agent a processing and recordation fee of \$3,000. From and after the date on which the conditions in the foregoing clauses and the Assignment and Acceptance have been satisfied, the assignee shall be a "Lender" hereunder and, to the extent that rights and obligations hereunder have been assigned to it, shall have the rights and obligations (including the obligation to participate in Letters of Credit) of the assigning Lender hereunder, and the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment covering all or the remaining portion of the assigning Lender's rights and obligations under this Agreement, cease to be a party hereto). Notwithstanding anything herein to the contrary, for so long as Wells Fargo Bank, National Association is the Agent under this Agreement the Commitment of Wells Fargo Bank, National Association shall not be less than the Commitment of the Lender having the second largest Commitment.

**10.5.3.** Each Lender shall have the right at any time to grant or sell participations (each a "Participation") in all or any portion of such Lender's Commitment, Advances or participations in Letters of Credit to one or more Eligible Assignees, subject to the terms and conditions set forth in this Section 10.5.3. If the Lender sells or grants a Participation, (a) such Lender shall make and receive all payments for the account of its participant, (b) such Lender's obligations under this Agreement shall remain unchanged, (c) such Lender shall continue to be the sole holder of the Note or Notes and other Loan Documents subject to the Participation and shall have the sole right to enforce its rights and remedies under the Loan Documents, (d) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents, and (e) the Participation agreement shall not restrict such Lender's ability to agree to any amendment of the terms of the Loan Documents, or to exercise or refrain from exercising any powers or rights that such Lender may have under or in respect of the Loan Documents, shall be limited to the right to consent to any (A) reduction of the rate or amount, or any extension of the stated maturity or due date, of any principal, interest or Fees payable by the Borrower and subject to the Participation or (B) increase in the amount or extension of the stated termination or reduction date of the affected Commitment. A Participant shall have the rights of the Lenders under Sections 2.11. and 2.12., subject to the obligations imposed by such Sections; *provided* that amounts payable to any Participant shall not exceed the amounts that would have been payable under such Sections to the Lender granting the Participation, had such Participation not been granted, unless the Participation is made with the prior written consent of the Borrower.

**10.5.4.** Anything in this Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Agreement, including Sections 10.5.2. or 10.5.3., any Lender may at any time and from time to time pledge and assign all or any portion of

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its rights under all or any of the Loan Documents to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from its obligations thereunder. To facilitate any such pledge or assignment, Agent shall, at the request of such Lender, enter into a letter agreement with the Federal Reserve Bank in, or substantially in, the form of the exhibit to Appendix C to the Federal Reserve Bank of New York Operating Circular No. 10, as amended from time to time.

**10.5.5.** Subject to the provisions of Section 10.6., each Lender shall have the right at any time to furnish one or more potential assignees or participants with any information concerning the Borrower and the Consolidated Entities that has been supplied by the Borrower to any Lender Party. The Borrower shall supply all reasonably requested information and execute and deliver all such instruments and take all such further action (including, in the case of an Assignment, the execution and delivery of replacement Notes) as the Agent may reasonably request in connection with any Assignment or Participation arrangement.

**Section 10.6. Confidentiality.** Each Lender Party will maintain any confidential information that it may receive from any Borrower Party pursuant to this Agreement confidential and shall not disclose such information to third parties without the prior consent of the Borrower, except for disclosure: (a) to any other Lender Party or an affiliate of any Lender Party or any officer, director, employee, agent, advisor, legal counsel, accountant or other professional advisor to such Lender Party or affiliate; (b) to regulatory officials having jurisdiction over such Lender Party; (c) as required by Applicable Law or in connection with any legal proceeding; (d) to another Person in connection with a potential Assignment or Participation, *provided* such Person shall have agreed in writing to be subject to this Section 10.6.; and (e) of information that has been previously disclosed publicly without breach of this provision.

**Section 10.7. Choice of Forum.**

**10.7.1.** All actions or proceedings arising in connection with this Agreement and the other Loan Documents shall be tried and litigated in state or Federal courts located in Los Angeles, County of Los Angeles, State of California, unless such actions or proceedings are required to be brought in another court to obtain subject matter jurisdiction over the matter in controversy. **EACH OF THE BORROWER PARTIES AND THE LENDER PARTIES WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS, TO ASSERT THAT IT IS NOT SUBJECT TO THE JURISDICTION OF SUCH COURTS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.**

**10.7.2. IN ANY ACTION AGAINST ANY BORROWER PARTY, SERVICE OF PROCESS MAY BE MADE UPON SUCH BORROWER PARTY BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ITS ADDRESS INDICATED IN SCHEDULE 10.4., WHICH SERVICE SHALL BE DEEMED SUFFICIENT FOR PERSONAL JURISDICTION AND SHALL BE DEEMED EFFECTIVE 10 DAYS AFTER MAILING.**

**10.7.3.** Nothing contained in this Section 10.7. shall preclude the Lender Parties from bringing any action or proceeding arising out of or relating to this Agreement and the other Loan Documents in the courts of any place where any Borrower Party or any of its assets may be found or located.

**Section 10.8. Changes in Accounting Principles.** Except as otherwise provided herein (including, without limitation, the definition of "Funds from Operations"), if any changes in generally accepted accounting principles from those used in the preparation of the financial statements referred to in this Agreement hereafter result from by the promulgation of rules, regulations, pronouncements, or opinions of or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions), or there shall occur any change in the Borrower's fiscal or tax years and, as a result of any such changes, there shall result a change in the method of calculating any of the financial covenants, negative covenants,

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standards or other terms or conditions found in this Agreement, then the parties agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such changes as if such changes had not been made.

**Section 10.9. Survival of Agreements, Representations and Warranties.** All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the closing and the extensions of credit hereunder and shall continue until payment and performance of any and all Obligations. Any investigation at any time made by or on behalf of the Lender Parties shall not diminish the right of the Lender Parties to rely thereon.

**Section 10.10. Execution in Counterparts.** This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

**Section 10.11. Complete Agreement.** This Agreement, together with the Exhibits and Schedules hereto, and the other Loan Documents is intended by the parties as the final expression of their agreement regarding the subject matter hereof and as a complete and exclusive statement of the terms and conditions of such agreement.

**Section 10.12. Limitation of Liability.**

**10.12.1.** No claim shall be made by any Borrower Party against any Lender Party or the Affiliates, directors, officers, employees, attorneys or agents of any Lender Party for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or under any other theory of liability arising out of or related to the transactions contemplated by this Agreement or the other Loan Documents, or any act, omission or event occurring in connection therewith; and each Borrower Party hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

**10.12.2.** Except as otherwise provided in Section 10.12.3., neither the REIT nor any officer, employee, servant, controlling person, executive, director, agent or authorized representative thereof (herein referred to as "Operatives") shall be liable personally for the Obligations. The sole recourse of any Lender Party for satisfaction of the Obligations shall be to the Borrower, and each Guarantor of which the REIT is not a general partner, as an entity, and to the Borrower's and each Guarantor's assets, and not to any assets of the REIT or its Operatives. In the event that an Event of Default occurs in connection with the Obligations, no action shall be brought against the REIT or its Operatives.

**10.12.3.** Notwithstanding anything in Section 10.12.2. to the contrary, (a) nothing herein shall limit or otherwise prejudice in any way the right of any Lender Party to proceed against (i) the Borrower, or any Guarantor of which the REIT is not a general partner, with respect to the enforcement of any Obligations or the liability of the Borrower or such Guarantor for such Obligations, or (ii) the assets of any Guarantor with respect to the enforcement of any Obligations, (b) nothing herein shall limit or otherwise prejudice in any way the right of any Lender Party to proceed against the REIT with respect to any breach of its representations, warranties, covenants and obligations in this Agreement or its liability for any violation of such provisions, and (c) Section 10.12.2. shall not apply to, or constitute a waiver of any claim by any Lender Party for fraud, deceit, intentional or willful misrepresentation or bad faith waste. It is expressly agreed that any Lender Party shall have full recourse against the REIT and its Operatives for any matters referred to in clause (c) of this section.

**Section 10.13. Unsecured Advances; No Lien.** The Advances and Letters of Credit contemplated in this Agreement are unsecured loans and extensions of credit and no Lien is intended to be created

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upon the Unencumbered Assets or any other property of the REIT or any Consolidated Entity by any provision in this Agreement or the other Loan Documents.

**Section 10.14. Amendment and Restatement.** On the Closing Date, (a) this Agreement shall supersede the Existing Credit Agreement insofar as the two are inconsistent, (b) all Existing Advances will be considered "Advances" outstanding under this Agreement and (c) all outstanding Existing Letters of Credit will be considered "Advances" and "Letters of Credit" outstanding under this Agreement. However, the execution and delivery of this Agreement shall not excuse, or constitute a waiver of, any defaults under the Existing Credit Agreement, it being understood that this Agreement is not a termination of the Existing Credit Agreement, but is a modification (and, as modified, a continuation) of the Existing Credit Agreement.

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**Section 10.15. Waiver of Trial by Jury.** EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THE LOAN DOCUMENTS, INCLUDING ANY PRESENT OR FUTURE AMENDMENT THEREOF OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES OR ANY OF THEM WITH RESPECT TO THE LOAN DOCUMENTS (AS NOW OR HEREAFTER AMENDED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND REGARDLESS OF WHICH PARTY ASSERTS SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first set forth above.

**Borrower:**

**THE MACERICH PARTNERSHIP, L.P.**, a Delaware limited partnership

By: **THE MACERICH COMPANY**, a Maryland corporation, the Sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

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**Initial Guarantors:**

**MACERICH BRISTOL ASSOCIATES**, a California general partnership

By: **THE MACERICH COMPANY**, a Maryland corporation, a General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

By: **THE MACERICH PARTNERSHIP, L.P.**, a Delaware limited partnership, a General Partner

By: **THE MACERICH COMPANY**, a Maryland corporation, the Sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

**MACERICH GREAT FALLS LIMITED PARTNERSHIP**, a California limited partnership

By: **MACERICH GREAT FALLS GP CORP.**, a Delaware corporation, the sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

**MACERICH OKLAHOMA LIMITED PARTNERSHIP**, a California limited partnership

By: **MACERICH OKLAHOMA GP CORP.**, a Delaware corporation, the sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

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**MACERICH WESTSIDE ADJACENT LIMITED PARTNERSHIP**, a California limited partnership

By: **MACERICH WESTSIDE ADJACENT GP CORP.**, a Delaware corporation, the sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

**MACERICH SASSAFRAS LIMITED PARTNERSHIP**, a California limited partnership

By: **MACERICH SASSAFRAS GP CORP.**, a Delaware corporation, the sole General Partner

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary



**REIT:**

**THE MACERICH COMPANY**, a Maryland corporation

By: \_\_\_\_\_  
Name: Richard A. Bayer  
Title: Executive Vice President, General Counsel and Secretary

**Agent:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Agent

By: \_\_\_\_\_  
Name: Wayne H. Choi  
Title: Vice President

**Lenders:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Wayne H. Choi  
Title: Vice President

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Wayne Brander  
Title: Senior Vice President

**DRESDNER BANK AG, New York and Grand Cayman Branches**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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**THE MACERICH COMPANY**

**2000 INCENTIVE PLAN**

**(effective as of November 9, 2000)**

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**THE MACERICH COMPANY**  
**2000 INCENTIVE PLAN**  
**(effective as of November 9, 2000)**

**I. THE PLAN.**

**1.1 Purpose.** The purpose of this Plan is to promote the success of the Company and the interests of its stockholders by providing an additional means through the grant of Awards to attract, motivate, retain and reward employees and eligible non-employees, including officers and directors, by providing them long-term incentives to improve the financial performance of the Company. "Corporation" means The Macerich Company, a Maryland corporation, and its successors, and "Company" means the Corporation and its Subsidiaries, collectively. These terms and other capitalized terms are defined in Article VII.

**1.2 Administration and Authorization; Power and Procedure.**

(a) **Committee.** This Plan shall be administered by and all Awards to Eligible Persons shall be authorized by the Committee. Action of the Committee with respect to the administration of this Plan shall be taken pursuant to a majority vote or by written consent of its members. When the Committee authorizes the issuance of shares under this Plan, the Committee shall adopt a resolution which sets the minimum consideration for the shares to be issued or a formula for its determination, fairly describes any consideration other than money and states any findings required by the partnership agreement of The Macerich Partnership, L.P.

(b) **Plan Awards; Interpretation; Powers of Committee.** Subject to the express provisions of this Plan, the Committee shall have the authority:

- (i) to determine the particular Eligible Persons who will receive Awards;
- (ii) to grant, directly or indirectly through its Subsidiaries, Awards to Eligible Persons, determine the price at which securities will be offered or awarded and the amount of securities to be offered or awarded to any of such persons, and determine the other specific terms and conditions of such Awards consistent with the express limits of this Plan, and establish the installments (if any) in which such Awards shall become exercisable or shall vest, or determine that no delayed exercisability or vesting is required, and establish the events of termination or reversion of such Awards;
- (iii) to approve the forms of Award Agreements (which need not be identical either as to type of award or among Participants);
- (iv) to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan;
- (v) to cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards held by Eligible Persons, subject to any required consent under Section 6.6;
- (vi) to accelerate the exercisability or the vesting of any Awards under such circumstances as the Committee shall determine, including a Change in Control Event, or to extend the exercisability or extend the term of any or all such outstanding Awards within the term limits on Awards under Section 1.6; and

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(vii) to make all other determinations and take such other action as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes.

(c) **Binding Determinations.** Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. No member of the Board or Committee, or officer of the Corporation or any Subsidiary, shall be liable for any such action or inaction of the entity or body, of another person or, except in circumstances involving bad faith, of himself or herself. Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan.

(d) **Reliance on Experts.** In making any determination or in taking or not taking any action under this Plan, the Committee or the Board, as the case may be, may obtain and may rely upon the advice of experts, including employees of and professional advisors to the Corporation. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

(e) **Delegation.** The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company.

**1.3 Participation.** Awards may be granted by the Committee only to those persons that the Committee determines to be Eligible Persons. An Eligible Person who has been granted an Award may, if otherwise eligible, be granted additional Awards if the Committee shall so determine subject to the limitations otherwise provided in this Plan.

**1.4 Shares Available for Awards; Share Limits.** Subject to the provisions of Section 6.2, the stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock. The shares may be delivered for any lawful consideration, but not for less than the minimum lawful consideration under applicable state law.

- (a) **Number of Shares.** The maximum number of shares of Common Stock that may be delivered pursuant to Awards granted to Eligible Persons under this Plan shall not exceed 3,400,000 shares; provided, however that in no event shall such amount at any time exceed the number of phantom treasury shares available as indicated on the Corporation's records, subject to adjustments contemplated by Section 6.2. \*Phantom treasury shares shall mean outstanding shares of Common Stock listed with the New York Stock Exchange and subsequently reacquired by the Corporation and reserved for purposes of this Plan.
- (b) **Calculation of Available Shares and Replenishment.** Shares subject to outstanding Awards shall be reserved for issuance. If any Option or other right to acquire shares of Common Stock under or receive cash or shares in respect of an Award shall expire or be cancelled or terminated without having been exercised or paid in full, or any Common Stock subject to a Restricted Stock Award or other Award shall not vest or be delivered, the unpurchased, unvested or undelivered shares of Common Stock subject thereto shall again be available for the purposes of this Plan, subject only to any applicable limitations for the preservation of deductibility under Section 162(m) of the Code.
- (c) **Provisions for Certain Stock-Based Cash Awards.** The number of stock-related Awards actually paid in cash shall be determined by reference to the number of shares by which the value or price of the Award is measured and shall not, together with the aggregate number of shares theretofore delivered and shares subject to then outstanding Awards payable in shares (or alternatively payable in cash or shares) under this Plan, exceed the aggregate or applicable individual limits of Section 1.4, subject to adjustments under this Section 1.4 and Section 6.2.

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- (d) **ISO Limit.** Until stockholder approval is obtained, no Incentive Stock Options may be issued under this Plan. If stockholder approval of this Plan is obtained, the maximum number of shares of Common Stock that may be issued under Incentive Stock Options under the Plan shall not exceed 1,950,000 shares.
  - (e) **Individual Limits.** Notwithstanding anything contained herein to the contrary, the aggregate number of shares of Common Stock subject to Options and Stock Appreciation Rights ("SARs") granted during any calendar year to any individual shall be limited to 300,000, and the maximum individual limit on the number of shares in the aggregate subject to all stock-related Awards under this Plan granted during any calendar year shall be 500,000, subject to adjustments under Section 6.2.
  - (f) **Director Limits.** The maximum number of shares that may be issued under Awards under this Plan that are granted to any director who is not as of the applicable date or dates of grant an employee or officer shall be 50,000, subject to adjustments under Section 6.2. Any Award issued to a member of the Committee shall be subject to approval or ratification by the Board.

**1.5 Grant of Awards.** Subject to the express provisions of this Plan, the Committee shall determine those individuals who are Eligible Persons, the number of shares of Common Stock subject to each Award, the price (if any) to be paid for the shares or the Award and the other terms of the Award. Each Award shall be evidenced by an Award Agreement signed by the Corporation and, if required by the Committee, by the Participant. Each Award shall be subject to the terms and conditions set forth in this Plan and such other terms and conditions established by the Committee as are not inconsistent with the specific provisions of this Plan.

**1.6 Award Period.** Any Option, SAR, warrant or similar right shall expire and any other Award shall either vest or be forfeited not more than 10 years after the date of grant; provided, however, that any payment of cash or delivery of stock pursuant to an Award may be delayed until a future date if specifically authorized by the Committee in writing.

**1.7 Limitations on Exercise and Vesting of Awards.**

- (a) **Provisions for Exercise.** Unless the Committee otherwise provides, once exercisable an Award shall remain exercisable until the expiration or earlier termination of the Award. Unless the Committee otherwise provides, Options shall first become exercisable in three equal annual installments, commencing on the first anniversary of the Award Date.
- (b) **Procedure.** Any exercisable Award shall be deemed to be exercised when the Corporation receives written notice of such exercise from the Participant, together with any required payment made in accordance with Section 2.2.
- (c) **Fractional Shares/Minimum Issue.** Fractional share interests shall be disregarded, but may be accumulated. The Committee, however, may determine in the case of Eligible Persons that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests. No fewer than 100 shares may be purchased on exercise of any Award at one time unless the number purchased is the total number at the time available for purchase under the Award.

**1.8 Notes to Finance Exercise or Purchase.** If the Committee, in its sole discretion approves, and subject to Section 6.4, the Corporation may accept one or more notes from any Eligible Person (i) in connection with the exercise, receipt or vesting of any outstanding Award or (ii) in such other circumstances to facilitate the purchase of stock by an eligible employee or officer as the Committee

determines to be reasonably expected to benefit the Corporation; provided that any such note shall be subject to the following terms and conditions:

- (a) The principal of the note shall not exceed the amount required to be paid to the Corporation upon the exercise or receipt of one or more Awards under this Plan and the note shall be delivered directly to the Corporation in consideration of such exercise or receipt.
- (b) The initial term of the note shall be determined by the Committee; provided that the term of the note, including extensions, shall not exceed ten(10) years.
- (c) The note shall provide for full recourse to the Participant and shall bear interest at a rate determined by the Committee but not less than the interest rate necessary to avoid the imputation of interest under the Code.
- (d) The unpaid principal balance of the note shall become due and payable on the 10th business day after Termination of Employment of the Participant; provided, however, that if a sale of the shares financed by the note would cause such Participant to incur liability under Section 16(b) of the Exchange Act, the unpaid balance shall become due and payable on the 10th business day after the first day on which a sale of such shares could have been made without incurring such liability, assuming for these purposes that there are no other transactions (or deemed transactions) in securities of this Corporation by the Participant subsequent to such termination.
- (e) In the case of a note issued other than in connection with the receipt, exercise or vesting of another Award or in any case if required by the Committee or by applicable law, (i) the note shall be secured by a pledge of any shares or rights financed thereby (and such other collateral as may be required by the Committee), and (ii) the maximum principal amount of the note may not exceed \$1,000,000.
- (f) The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with applicable rules and regulations of the Federal Reserve Board as then in effect.

**1.9 No Transferability of Awards; Limited Exceptions.** Awards may be exercised only by, and amounts payable or shares issuable pursuant to an Award shall be paid only to (or registered only in the name of), the Participant or, if the Participant has died, the Participant's Beneficiary or, if the Participant has suffered a Disability, the Participant's Personal Representative, if any, or if there is none, the Participant, or, (except in the case of Incentive Stock Options) to the extent expressly permitted by the Committee and applicable law to such persons and pursuant to such conditions and procedures as the Committee may establish. Other than by will or the laws of descent and distribution or (except in the case of Incentive Stock Options) as the Committee may otherwise expressly permit, no right or benefit under this Plan or any Award (other than shares issued without further restrictions) shall be transferrable by the Participant or shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge (other than to the Corporation) and any such attempted action shall be void. The Corporation shall disregard any attempt at transfer, assignment or other alienation prohibited by the preceding sentences and shall pay or deliver such cash or shares of Common Stock in accordance with the provisions of this Plan. The designation of a Beneficiary for purposes hereof shall not constitute a transfer for these purposes.

## II. EMPLOYEE OPTIONS.

**2.1 Grants.** One or more Options may be granted under this Article to any Eligible Person. Each Option granted shall be designated by the Committee in the applicable Award Agreement as either a Nonqualified Stock Option or an Incentive Stock Option. Notwithstanding anything contained herein to the contrary, and subject to Section 1.4(d), Incentive Stock Options may be granted only to

Eligible Persons who are employed by the Corporation or a corporation which is either an eligible direct subsidiary of the Corporation or an indirect subsidiary through an unbroken chain of corporations, within the meaning of Section 427 of the Code.

### 2.2 Option Price.

- (a) **Pricing Limits.** The purchase price per share of the Common Stock covered by each Option shall be determined by the Committee at the time of the Award, provided that such price shall be no less than 100% (110% in the case of an Incentive Stock Option granted to a Participant described in Section 2.4) of the Fair Market Value of the Common Stock on the date of grant. The base price of each stock appreciation right shall be determined by the Committee at the time of the Award. The base price of an SAR granted after the grant of an Option may be less than the Fair Market Value of Common Stock at the date of grant of the SAR, but if so, may not be less than the Option exercise price.
- (b) **Payment Provisions.** The purchase price of any shares purchased on exercise of an Option granted under this Article shall be paid in full at the time of each purchase in one or a combination of the following methods: (i) in cash or by electronic funds transfer; (ii) by certified or cashier's check payable to the order of the Corporation; (iii) if authorized by the Committee or specified in the applicable Award Agreement, by a promissory note of the Participant consistent with the requirements of Section 1.8; or (iv) by the delivery of shares of Common Stock of the Corporation already owned by the Participant, provided, however, that the Committee may in its absolute discretion limit the Participant's ability to exercise an Award by delivering such shares, and any shares delivered which were initially acquired from the Corporation must have been owned by the Participant at least six months as of the date of delivery. Shares of Common Stock used to satisfy the exercise price of an Option shall be valued at their Fair Market Value on the date of exercise. In addition to the payment methods described above, the Committee may provide that the Option can be exercised and payment made by delivering a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of sale proceeds necessary to pay the exercise price and, unless

otherwise allowed by the Committee, any applicable tax withholding under Section 6.5. The Corporation shall not be obligated to deliver certificates for the shares unless and until it receives full payment of the exercise price therefor and any related withholding obligations have been satisfied.

**2.3 Limitations on Grant and Terms of Incentive Stock Options.** The following provisions of Sections 2.3 and 2.4 will only become effective upon stockholder approval of the Plan. Until such time, Incentive Stock Options may not be granted under this Plan.

- (a) **\$100,000 Limit.** To the extent that the aggregate Fair Market Value of stock with respect to which Incentive Stock Options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to incentive stock options (as defined in Section 422 of the Code) under this Plan and stock subject to incentive stock options under all other plans of the Corporation or its Subsidiaries, if any, such options shall be treated as Nonqualified Stock Options. For this purpose, the Fair Market Value of the stock subject to options shall be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the \$100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the \$100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.
- (b) **Option Period.** Each Option and all rights thereunder shall expire no later than 10 years after the Award Date.

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- (c) **Other Code Limits.** There shall be imposed in any Award Agreement relating to Incentive Stock Options such terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

**2.4 Limits on 10% Holders.** No Incentive Stock Option may be granted to any person who, at the time the Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or a Subsidiary, unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

**2.5 Award Changes/Limits on Repricing.** Subject to Section 1.4, Section 6.2 and Section 6.6 and the specific limitations on Awards contained in this Plan, the Committee from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person any adjustment in the vesting schedule, the number of shares subject to, the restrictions upon or the term of, an Award granted under this Article, by amendment, by substitution, by waiver or by other legally valid means. Subject to Section 1.4, Section 6.2 and Section 6.6 and the specific limitations on Awards contained in this Plan, such amendment or other action may, among other changes, provide for a greater or lesser number of shares subject to the Award, or provide for a longer or shorter vesting or exercise period. Subject to Section 6.2 and Section 6.3 and the specific limitations on Awards contained in this Plan, the Committee also may reduce the exercise or purchase price of any or all outstanding Awards as deemed appropriate by the Committee, provided that the Committee does not reduce the exercise price of any Option or related SAR to a price below the Fair Market Value of the original Option on the date of its grant.

**2.6 Limitation on Exercise of Option Award.** No Participant may receive Common Stock upon exercise of an Option to the extent that it will cause such person to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit.

In the event that a Participant exercises any portion of an Option (by tendering the exercise price to the Corporation) which upon delivery of the Common Stock would cause the holder of the Option to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit, the Corporation shall have the right to deliver to the Participant, in lieu of Common Stock, a check or cash in the amount equal to the Fair Market Value of the Common Stock otherwise deliverable on the date of exercise (minus any amounts withheld pursuant to Section 6.5).

### III. STOCK APPRECIATION RIGHTS.

**3.1 Grants.** In its discretion, the Committee may grant to any Eligible Person SARs concurrently with the grant of Options or thereafter, including in the circumstances of a Change in Control Event, on such terms as set forth by the Committee in the Award Agreement for such Option or such SARs. Unless the Committee with the consent of the Participant otherwise determines, any SAR granted in connection with an Incentive Stock Option shall contain such terms as may be required to comply with the provisions of Section 422 of the Code and the regulations promulgated thereunder.

#### 3.2 Exercise of Stock Appreciation Rights.

- (a) **Exercisability.** Unless the Award Agreement or the Committee otherwise provides, a SAR shall be exercisable at such time or times, and to the extent, that the related Option shall be exercisable and only when the Fair Market Value of the stock subject to the related Option exceeds the Option price of the related Option.
- (b) **Effect on Available Shares.** To the extent that a SAR is exercised, the number of shares of Common Stock subject to the related Option shall be charged against the maximum amount of Common Stock that may be delivered pursuant to Awards under this Plan. The number of

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shares subject to the SAR and the related Option of the Participant shall also be reduced by such number of shares.

- (c) **Non-Proportionate Reduction.** If a SAR extends to less than all the shares covered by the related Option and if a portion of the related Option is thereafter exercised, the number of shares subject to the unexercised SAR shall be reduced only if and to the extent that the remaining number of shares covered by such related Option is less than the remaining number of shares subject to such SAR, unless the Committee otherwise provides.

### 3.3 Payment.

- (a) **Amount.** Unless the Committee otherwise provides, upon exercise of a SAR and surrender of an exercisable portion of any related Option to the extent required by Section 3.2, the Participant shall be entitled to receive, subject to Section 6.5, payment of an amount determined by multiplying
- (i) the difference obtained by subtracting the exercise price per share of Common Stock under the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of the SAR, by
- (ii) the number of shares with respect to which the SAR shall have been exercised.

If an SAR is granted as a Performance Based Award under Section 5.2 without reference to any performance criterion other than stock price appreciation, the base price shall be not less than the Fair Market Value at date of grant.

- (b) **Form of Payment.** The Committee, in its sole discretion, shall determine the form in which payment shall be made of the amount determined under paragraph (a) above, either solely in cash, solely in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR), or partly in such shares and partly in cash, *provided* that the Committee shall have determined that such exercise and payment are consistent with applicable law. If the Committee permits the Participant to elect to receive cash or shares (or a combination thereof) on such exercise, any such election shall be subject to such conditions as the Committee may impose. Notwithstanding anything contained herein to the contrary, no Participant may receive Common Stock upon the exercise of a SAR to the extent it will cause such person to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit. In the event that a Participant exercises any portion of a SAR which upon delivery of Common Stock would cause such Participant to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit, the Corporation shall have the right, notwithstanding any election granted to the Participant by the Committee, to deliver a check or cash to the Participant.

## IV. RESTRICTED STOCK AWARDS.

**4.1 Grants.** Subject to the Restricted Stock limits set forth in Section 4.2(e), the Committee may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Person based upon such factors (which in the case of any Award to a Section 16 Person shall include but not be limited to the contributions, responsibilities and other compensation of the person) as the Committee shall deem relevant in light of the specific terms of the Award. Each Restricted Stock Award Agreement shall specify the number of shares of Common Stock to be issued to the Participant, the date of such issuance, the consideration for such shares (but not less than the minimum lawful consideration under applicable state law) by the Participant, the restrictions imposed on such shares and the conditions of release or lapse of such restrictions, which may include performance criteria, continued employment for a specified period of time and/or other factors. Such restrictions shall not lapse earlier than one year after the Award Date, except as set forth in Section 6.2 and Section 6.3 and to the extent the

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Committee may otherwise provide. Shares of Restricted Stock may be issued in the form of book entries or stock certificates, each registered in the name of the Participant ("Restricted Shares") and representing outstanding Restricted Shares or may be issued as Restricted Stock Units payable in Shares pursuant to Article V. Stock certificates or book entry records evidencing shares of Restricted Stock pending the lapse of the restrictions shall bear an appropriate reference to the restrictions imposed hereunder. Restricted Shares shall be held (if in certificate form) and restricted as to transfer until the restrictions have lapsed and such shares have vested in accordance with the provisions of the Award Agreement and this Plan. Upon issuance of the Restricted Stock Award, the Participant may be required to provide such further assurance and documents as the Committee may require to enforce the restrictions.

### 4.2 Restrictions.

- (a) **Performance Vesting.** The vesting of shares pursuant to a Restricted Stock Award may be based solely upon the continued employment for a specific period of time or the degree of attainment, over a specified period as may be established by the Committee, of such measure(s) of the performance of the Company (or any part thereof) or the Participant's performance, or upon any combination thereof, as may be established by the Committee. Performance-based or accelerating Restricted Stock Awards may also be granted under Section 5.2.
- (b) **Pre-Vesting Restraints.** Except as provided in and subject to the provisions of Sections 4.1 and 1.9, Restricted Shares comprising any Restricted Stock Award may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until such shares have vested.
- (c) **Dividend and Voting Rights.** Unless otherwise provided in the applicable Award Agreement, a Participant receiving a Restricted Stock Award shall be entitled to cash dividend and voting rights for all shares issued even though they are not vested, provided that all such rights shall terminate immediately as to any Restricted Shares which cease to be eligible for vesting. Stock Units carry only dividend equivalent rights, payable in cash on additional shares and subject to such vesting conditions as the Committee may establish.
- (d) **Cash Payments.** If the Participant shall have paid cash in connection with the Restricted Stock Award, the Award Agreement shall specify whether and to what extent such cash shall be returned (with or without an earnings factor) as to any restricted shares which cease to be eligible for vesting.

**4.3 Return to the Corporation.** Unless the Committee otherwise expressly provides, Restricted Shares that are subject to restrictions at the time of Termination of Employment or are subject to other conditions to vesting that have not been satisfied by the time specified in the applicable Award Agreement shall not vest and shall be returned to the Corporation in such manner and on such terms as the Committee shall therein provide.

## V. STOCK BONUSES, OTHER CASH OR STOCK PERFORMANCE-BASED AWARDS, STOCK UNITS AND DIVIDEND EQUIVALENT RIGHTS.



**5.1 Grants of Stock Bonuses.** The Committee may grant a Stock Bonus to any Eligible Person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Committee. The number of shares so awarded shall be determined by the Committee; provided, however, in no case may a Stock Bonus be granted to the extent that it will cause an Eligible Person to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit. The Award may be granted independently or in lieu of a cash bonus.

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**5.2 Other Performance-Based Awards.** The following provisions of Section 5.2 with respect to "performance-based" awards within the meaning of Section 162(m) of the Code will only become effective upon stockholder approval of the Plan.

- (a) **General Provisions.** Without limiting the generality of the foregoing, and in addition to qualifying awards that are granted upon stockholder approval of this Plan under other provisions of this Plan (i.e. Options or SARs granted with an exercise price not less than Fair Market Value at the applicable date of grant for Section 162(m) purposes to Eligible Persons who are either salaried employees or officers ("*Eligible Employees*") ("*Presumptively Qualifying Awards*")), the Committee may authorize and grant to any Eligible Employee, other cash or stock-related performance-based awards, including "performance-based" awards within the meaning of Section 162(m) of the Code ("*Performance-Based Awards*"), whether in the form of restricted stock, stock appreciation rights, performance stock, phantom stock, stock units, Dividend Equivalent Rights ("*DERs*"), or other rights, whether or not related to stock values or appreciation, and whether payable in cash, Common Stock or a combination thereof. If the Award (other than a Presumptively Qualifying Award) is intended as performance-based compensation under Section 162(m) of the Code, the vesting or payment thereof will depend on the performance of the Company on a consolidated, Subsidiary, segment, or division basis with reference to performance goals relative to one or more of the following business criteria (the "criterion"): funds from operations, EBITDA, stock appreciation, total stockholder return, occupancy gains, and overall square footage growth, each as defined in Exhibit A. These terms otherwise are used as applied under generally accepted accounting principles and in the Company's financial reporting. To qualify Performance-Based Awards as performance-based under Section 162(m), the material terms of the performance goals under which the compensation is to be paid must be subject to stockholder approval prior to the payment thereof and the applicable business criteria and specific performance goal or goals ("*targets*") must be established and approved by the Committee during the first 90 days of the year (or before one-quarter of the performance measurement period has elapsed) and while the performance relating to such targets remains substantially uncertain within the meaning thereof. The applicable performance measurement period may be not less than one nor (except as provided in Section 1.6) more than 10 years.
- (b) **Maximum Award.** Grants or awards under this Section 5.2 may be paid in cash or stock or any combination thereof. In no event shall grants of stock-related Awards made in any calendar year to any Eligible Employee under this Plan relate to more than 500,000 shares. In no event shall grants to any Eligible Employee under this Plan of Awards payable only in cash and not related to stock provide for payment of more than (x) the lesser of 200% of base salary as of the beginning of the applicable performance period or \$600,000, times (y) the applicable number of years (not more than 10) to which the Awards relate in the performance periods.
- (c) **Committee Certification.** Except as otherwise permitted to qualify as performance-based compensation under Section 162(m), before any Performance-Based Award under this Section 5.2 is paid, the Committee must certify that the performance standard, target(s), and the other material terms of the Performance-Based Award were in fact satisfied.
- (d) **Terms and Conditions of Awards.** The Committee will have discretion to determine the restrictions or other limitations of the individual Awards under this Section 5.2, including the authority to reduce Awards, to determine payout schedules and the extent of vesting or to pay no Awards, in its sole discretion, if the Committee preserves such authority at the time of grant by language to this effect in its authorizing resolutions or otherwise. The Committee may provide that in the event a Participant terminates employment or service for any one or more reason during a Plan Year, the Participant shall forfeit all rights to any Award for the Plan Year.

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- (e) **Adjustments for Material Changes.** Performance goals or other features of an Award may provide that they (a) shall be adjusted to reflect a change in corporate capitalization, a corporate transaction (such as a reorganization, combination, separation, or merger) or a complete or partial corporate liquidation, or (b) shall be calculated either without regard for or to reflect any change in accounting policies or practices affecting the Company and/or the business criteria or performance goals or targets, or (c) shall be adjusted for any other circumstance or event, but only to the extent in each case that such adjustment or determination in respect of Performance-Based Awards would be consistent with the requirements of Section 162(m) to qualify as performance-based compensation.
- (f) **Section 162(m) Considerations.** Options or SARs granted under this Plan at an exercise price not less than Fair Market Value at the applicable date of grant, and (except to the extent an Award becomes vested or payable as a result of a Change in Control Event) other Qualified Performance-Based Awards granted under this Section 5.2, shall be interpreted in a manner consistent with the requirements of Section 162(m) to qualify as performance-based compensation.

### 5.3 Stock Units.

- (a) **Grants.** Subject to Section 5.3(d) and such rules and procedures as the Committee may establish from time to time, the Committee may, in its discretion, authorize Stock Unit Awards and permit an Eligible Person to elect to defer or receive in Stock Units all or a portion of the compensation the Eligible Person could otherwise elect to defer under any other Company plan, or in respect of any Award hereunder, or may grant Awards in the form of Stock Units in lieu of or in addition to any other Award under this Plan. The specific terms, conditions and provisions relating to each Stock Unit Award or election, including the form of payment to be made at or following the vesting thereof, shall be set forth in or

pursuant to the Participant's Award Agreement in respect thereof.

- (b) **Other Provisions.** The Committee shall determine, among other terms of a Stock Unit Award, the form of payment of Stock Units, whether in cash, Common Stock, or other consideration (including any other Award) or any combination thereof, and the applicable vesting and payout provisions of the Award. The Committee in the Award Agreement may permit the Participant to elect the form and time of payout of vested Stock Units on such conditions or subject to such procedures as the Committee may impose.
- (c) **Stock Units.** Each Award Agreement for an Award of Stock Units shall include the applicable benefit distribution and termination provisions, which may include elective features, for such Award and shall specify the form of payment.
- (d) **Limit on Certain Stock Unit Awards.** Notwithstanding anything contained herein to the contrary, any Stock Unit Award or Stock Unit Awards which individually or in the aggregate would constitute an "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974 ("ERISA")) shall be made only to Eligible Persons who are members of "a select group of management or highly compensated employees" (as provided in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA) of the Company.

**5.4 Dividend Equivalent Rights.** In its discretion, the Committee may grant to any Eligible Person DERs concurrently with the grant of any Option, Restricted Stock, Stock Unit or other stock-based Award, on such terms as set forth by the Committee in the Award Agreement. DERs shall be based on all or part of the amount of dividends declared on shares of Common Stock and shall be credited as of dividend payment dates, during the period between the date of grant (or such later date as the Committee may set) and the date the stock-based Award is exercised or expires (or such earlier date as the Committee may set), as determined by the Committee. DERs shall be payable in cash or shares, or (to the extent permitted by law) may be subject to such conditions, not inconsistent with

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Section 162(m) (in the case of Options or SARs, or other Awards intended to satisfy its conditions with respect to deductibility), as may be determined by the Committee.

## VI. OTHER PROVISIONS.

### 6.1 Rights of Eligible Persons, Participants and Beneficiaries.

- (a) **Employment Status.** Status as an Eligible Person shall not be construed as a commitment that any Award will be made under this Plan to an Eligible Person or to Eligible Persons generally.
- (b) **No Employment Contract.** Nothing contained in this Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Eligible Person or other Participant any right to continue in the employ or other service of the Company or constitute any contract or agreement of employment or other service, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person, with or without cause, or for no reason, nor change his or her status as an "at will" employee but nothing contained in this Plan or any document related hereto, however, shall adversely affect any other independent contractual right of such person.
- (c) **Plan Not Funded.** Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and (except as provided in Section 1.4(b)) no special or separate reserve, fund or deposit shall be made to assure payment of such Awards. No Participant, Beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

### 6.2 Adjustments; Early Termination.

- (a) **Adjustments.** If the outstanding shares of Common Stock are changed into or exchanged for cash, other property or a different number or kind of shares or securities of the Corporation, or if additional shares or new or different securities are distributed with respect to the outstanding shares of Common Stock, through a reorganization or merger in which the Corporation is the surviving entity, or through a combination, consolidation, recapitalization, reclassification, stock split, stock dividend, reverse stock split, stock consolidation, dividend or distribution of cash or property to the stockholders of the Corporation, or if there shall occur any other extraordinary corporate transaction or event in respect of the Common Stock or a sale of substantially all the assets of the Corporation as an entirety which in the judgment of the Committee materially affects the Common Stock, then the Committee shall, in such manner and to such extent (if any) as it deems appropriate and equitable, (i) proportionately adjust any or all of (1) the number and kind of shares or other consideration that is subject to or may be delivered under this Plan and pursuant to outstanding Awards, (2) any performance standards appropriate to any outstanding Awards, and/or (3) the consideration payable with respect to Awards granted prior to any such change and the price, if any, paid in connection with Restricted Stock Awards; or (ii) in the case of an extraordinary dividend or other distribution, merger, reorganization, consolidation, combination, sale of assets, split up, exchange or spin off, make provision for a cash payment or for the substitution or exchange of (1) any or all outstanding Awards or the cash, securities or property deliverable to the holder of any or all outstanding Awards, for (2) cash, property and/or other securities, based upon the distribution or consideration payable to holders of the Common Stock of the Corporation

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upon or in respect of such event; provided, however, in each case, that with respect to awards of Incentive Stock Options, no such adjustment shall be made without the consent of the holder which would cause this Plan to violate Section 422 or 424(a) of the Code or any successor provisions thereto. Corresponding adjustments shall be made with respect to SARs based upon the adjustment made to the Options to which they relate.

- (b) **Possible Early Termination of Awards.** If any Award or other right to acquire Common Stock has not been exercised or has not become vested or exercisable prior to (i) a dissolution of the Corporation or (ii) a reorganization event described in Section 6.2(a) that the Corporation does not survive and no provision has been made for the substitution, exchange or other settlement of such Award, such Award shall thereupon terminate.
- (c) **Limitation on Award Adjustments.** To the extent required in the case of an Award intended as a Performance-Based Award for purposes of Section 162(m), the Committee shall have no discretion (i) to increase the amount of compensation or the number of shares that would otherwise be due upon the attainment of the applicable performance goal or the exercise of the option or SAR or (ii) to waive the achievement of any applicable performance goal as a condition to receiving a benefit or right under an Award.

**6.3 Termination of Employment; Termination of Subsidiary Status.** Any Award to the extent not exercised shall terminate and become null and void upon a Termination of Employment of the Participant, except as set forth in subsections (a) through (e) below or as otherwise expressly provided by the Committee. Notwithstanding anything contained in this Section to the contrary, all Awards shall be subject to earlier termination pursuant to or as contemplated by Section 1.6 and Section 6.2 of this Plan. Unless the Committee otherwise provides, any and all rights to an Award, to the extent not exercised or vested, shall expire immediately upon a Termination of Employment of the Participant for cause, of which the Committee (in the case of any dispute about cause) shall be the sole judge.

- (a) **Nonqualified Stock Options.** Unless the Committee otherwise expressly provides in the Award Agreement:
- (i) If the Participant's employment by the Company terminates by reason other than death, Disability or cause, or by reason of a Subsidiary ceasing to be a Subsidiary, then the Participant shall have three months after the date of Termination of Employment to exercise any Nonqualified Stock Option to the extent that it was exercisable on such date;
- (ii) If the Participant's employment by the Company terminates by reason of a Disability, or if Participant suffers a Disability within three months of a Termination of Employment under subsection (i) above, then the Participant or Participant's Personal Representative, as the case may be, shall have twelve months after the date of Disability (or, if earlier, Termination of Employment) to exercise any Nonqualified Stock Option to the extent that it was exercisable on such date; and
- (iii) If the Participant dies while in the employ of the Company, or within three months after a Termination of Employment under subsection (i) or (ii) above, then the Participant's Beneficiary may exercise, at any time within twelve months after the Participant's Termination of Employment, any Nonqualified Stock Option to the extent that it was exercisable on the date of the Participant's Termination of Employment); *provided, however*, that in no event shall the Option be exercised after the expiration of its term or its earlier termination under any other provisions of the Plan.
- (b) **Incentive Stock Options.** The following provision will only become effective upon obtaining stockholder approval of the Plan. Unless the Committee otherwise expressly provides in the Award Agreement:
- (i) If the Participant's employment by the Company terminates by reason other than death, Disability or cause, or by reason of a Subsidiary ceasing to be a Subsidiary, then the

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Participant shall have three months after the date of Termination of Employment to exercise any Incentive Stock Option to the extent that it was exercisable on such date;

- (ii) If the Participant's employment by the Company terminates by reason of a Disability, or if Participant suffers a Disability within three months of a Termination of Employment under subsection (i) above, then the Participant or Participant's Personal Representative, as the case may be, shall have twelve months after the date of Disability (or, if earlier, Termination of Employment) to exercise any Incentive Stock Option to the extent that it was exercisable on such date; and
- (iii) If the Participant dies while in the employ of the Company, or within three months after a Termination of Employment under subsection (i) or (ii) above, then the Participant's Beneficiary may exercise, at any time within twelve months after the Participant's Termination of Employment, any Incentive Stock Option to the extent that it was exercisable on the date of the Participant's Termination of Employment); *provided, however*, that in no event shall the Option be exercised after the expiration of its term or its earlier termination under other provision of this Plan.
- (c) **Stock Appreciation Rights.** Each SAR shall have the same termination provisions and exercisability periods as the Option to which it relates. The exercisability period of a SAR shall not exceed that provided in the related Award Agreement, and the SAR shall expire at the end of such exercisability period.

- (d) **Other Awards.** The Committee shall establish in respect of each other Award granted hereunder the Participant's rights and benefits (if any) in the event of a Termination of Employment and in so doing may make distinctions based upon, among other factors, the cause of termination and the nature of the Award.
- (e) **Extension of Exercise.** Notwithstanding the foregoing provisions but subject to Section 6.2, in the event of, or in anticipation of, a Termination of Employment with the Company, the Committee may, in its discretion, increase the portion of the Award available to the Participant (or Participant's Beneficiary or Personal Representative, as the case may be) or extend the exercisability period upon such terms as the Committee shall determine.

**6.4 Compliance With Laws.** This Plan, the granting and vesting of Awards under this Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment of money under this Plan or under Awards granted hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, agency or any regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Corporation, provide such assurances and representations to the Corporation as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

**6.5 Tax Withholding.** Upon any exercise, vesting, or payment of any Award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company shall have the right at its option to (i) require the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Company may be required to withhold with respect to such transaction or (ii) deduct from any amount payable the amount of any taxes which the Company may be required to withhold with respect to such cash amount. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Committee may permit the Participant to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation

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reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their then Fair Market Value, to satisfy such withholding obligation.

#### **6.6 Plan Amendment, Termination and Suspension.**

- (a) **Board or Committee Authorization.** The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any suspension of this Plan or after termination of this Plan, but the Committee shall retain jurisdiction as to Awards then outstanding in accordance with the terms of this Plan.
- (b) **Amendments to Awards.** Without limiting any other express authority of the Committee under but subject to the express limits of this Plan (including Section 6.2(c)), the Board or the Committee, by agreement or resolution, may waive conditions of or limitations on Awards to Eligible Persons that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and may make other changes to the terms and conditions of Awards that do not affect, in any manner materially adverse to the Employee Participant, his or her rights and benefits under an Award.
- (c) **Limitations on Amendments to Plan and Awards.** No amendment, suspension or termination of this Plan or change of or affecting any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Corporation under any Award granted under this Plan prior to the effective date of such change. Changes contemplated by Section 6.2 shall not be deemed to constitute changes or amendments for purposes of this Section 6.6.

**6.7 Privileges of Stock Ownership.** Except as otherwise expressly authorized by the Committee or this Plan, a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by him or her. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

**6.8 Effective Date of This Plan.** The effective date of this Plan is November 9, 2000.

**6.9 Term of This Plan.** No Award shall be granted after November 8, 2010 (the "Termination Date"). Unless otherwise expressly provided in this Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and all authority of the Committee with respect to Awards hereunder, including its authority to amend an Award, shall continue during any suspension of this Plan and in respect of outstanding Awards on such Termination Date.

#### **6.10 Governing Law/Construction/Severability.**

- (a) **Choice of Law.** This Plan, the Awards, all documents evidencing Awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Maryland.
- (b) **Severability.** If any non-essential provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.
- (c) **Plan Construction; Bifurcation.** Notwithstanding anything to the contrary in this Plan, the provisions of this Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of any Award Agreement (or this Plan) intended (or required in order) to

satisfy the applicable requirements of Rule 16b-3 or to qualify for exemption from the limit on deductibility under Section 162(m) (to the extent permitted thereby) are applicable only to persons subject to those provisions and to those Awards to those persons intended to satisfy the requirements of the applicable rule or rules thereunder.

**6.11 Captions.** Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

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**6.12 Non-Exclusivity of Plan.** Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

## VII. DEFINITIONS.

### 7.1 Definitions.

- (a) "Award" shall mean an award of any Option, SAR, Stock Unit, Restricted Stock, Stock Bonus, DER, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.
- (b) "Award Agreement" shall mean any writing setting forth the terms of an Award that has been authorized by the Committee and until changed by the Committee shall be substantially in the form of the most recent Award Agreements for the specific type of Award authorized by the Committee under the Corporation's Amended and Restated 1994 Incentive Plan.
- (c) "Award Date" shall mean the date upon which the Committee took the action granting an Award or such later date as the Committee designates as the Award Date at the time of the Award.
- (d) "Award Period" shall mean the period beginning on an Award Date and ending on the expiration date of such Award.
- (e) "Beneficial Ownership" shall mean ownership of Equity Shares by a person who would be treated as an owner of such shares either directly or indirectly through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have correlative meanings.
- (f) "Beneficiary" shall mean the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive the benefits specified in the Award Agreement and under this Plan in the event of a Participant's death, and shall mean the Participant's executor or administrator if no other Beneficiary is identified and able to act under the circumstances.
- (g) "Board" shall mean the Board of Directors of the Corporation.
- (h) "Change in Control Event" shall mean any of the following:
  - (1) Approval by the stockholders of the Corporation of the dissolution or liquidation of the Corporation;
  - (2) Approval by the stockholders of the Corporation of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not Subsidiaries or other affiliates, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned, directly or indirectly, by stockholders or other affiliates of the Corporation immediately before such reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Corporation's securities from the record date for such approval until such reorganization but including in such determination any securities of the other parties to such reorganization held by affiliates of the Corporation);
  - (3) Approval by the stockholders of the Corporation of the sale of substantially all of the Corporation's business and/or assets to a person or entity which is not a Subsidiary or other affiliate; or

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- (4) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing more than 20% of the combined voting power of the Corporation's then outstanding securities entitled to then vote generally in the election of directors of the Corporation.
- (i) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

- (j) "Commission" shall mean the Securities and Exchange Commission.
- (k) "Committee" shall mean a committee appointed by the Board to administer this Plan, which committee shall be comprised of at least two Board members or such greater number of directors as may be required under applicable law, each of whom, during such time as one or more Participants may be subject to Section 16 of the Exchange Act, shall be a Disinterested Director.
- (l) "Common Stock" shall mean the Common Stock of the Corporation and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 6.2 of this Plan.
- (m) "Company" shall mean, collectively, The Macerich Company and its Subsidiaries, and shall mean, individually, any one of them, as the context requires.
- (n) "Constructive Ownership" shall mean ownership of Equity Shares by a person who would be treated as an owner of such shares either directly or indirectly through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructive Owns" and "Constructively Owned" shall have correlative meanings.
- (o) "Corporation" shall mean The Macerich Company, a Maryland corporation, and its successors.
- (p) "Deferred Stock Award" shall mean a deferred payment award payable in Common Stock or cash or other consideration, as determined by the Committee, based on Stock Units credited to a Participant's Stock Unit Account.
- (q) "Disability" shall mean, in the case of an Incentive Stock Option, a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code and, in the case of all other Awards, such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include.
- (r) "Disinterested Director" shall mean (unless the Board otherwise determines) a member of the Board who is a Non-Employee Director as defined in Rule 16b-3 and an "outside director" as defined in regulations under Section 162(m) of the Code, as each may be amended from time to time.
- (s) "Dividend Equivalent Right" shall mean a right authorized under Section 5.4 of this Plan.
- (t) "Eligible Person" shall mean an officer (whether or not an employee), an employee of the Company, a director of the Company or any advisor or consultant who performs bona fide substantial services for the Company, all as determined by the Committee in its discretion, except as otherwise limited for purposes of Sections 5.2(a) and 5.3(d). An advisor or consultant may not be selected as an Eligible Person if such person's participation in this Plan, in light of the services performed or for other reasons, would adversely affect (1) the Corporation's eligibility to use Form S-8 to register under the Securities Act of 1933, as amended, the offering of Shares issuable under this Plan by the Corporation or (2) the Corporation's compliance with any other applicable laws.
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- (u) "Equity Shares" shall mean shares that are either Common Stock or Preferred Stock.
- (v) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.
- (w) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.
- (x) "Fair Market Value" on any date shall mean the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal securities exchange or market on which the stock is so listed, admitted to trade, or quoted on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares; *provided, however*, if the stock is not so listed, admitted or quoted, the Committee may designate such other exchange, market or source of data as it deems appropriate for determining such value for purposes of this Plan.
- (y) "Incentive Stock Option" shall mean an Option which is designated as an incentive stock option within the meaning of Section 422 of the Code and which contains such provisions as are necessary to comply with that section; provided however that no Incentive Stock Option may be granted unless stockholder approval of this Plan is obtained.
- (z) "Nonqualified Stock Option" shall mean an Option that is designated as a Nonqualified Option and shall include any Option intended as an Incentive Option that fails to meet the applicable legal requirements thereof. Any Option granted hereunder that is not designated as an Incentive Stock Option shall be deemed to be designated a Nonqualified Stock Option under this Plan and not an Incentive Share Option under the Code.

- (aa) "Option" shall mean an option to purchase Common Stock under this Plan. The Committee shall designate any Option granted to an Eligible Person as a Nonqualified Stock Option or an Incentive Stock Option.
- (bb) "Ownership Limit" shall mean 9.8% of the value of the outstanding Equity Shares of the Corporation.
- (cc) "Participant" shall mean an Eligible Person who has been granted an Award under this Plan.
- (dd) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan by virtue of having become the legal representative of the Participant.
- (ee) "Plan" shall mean The Macerich Company 2000 Stock Incentive Plan, as amended from time to time.
- (ff) "Preferred Stock" shall mean the Preferred Stock of the Corporation.
- (gg) "Qualified Performance-Based Award" shall mean a performance-based award under this Plan that is intended to satisfy the requirements of Section 162(m) of the Code in respect of performance-based compensation, the payment of which is contingent upon attainment of performance objectives specified by the Committee in respect of the business criteria specified in Section 5.2, and the issuance or vesting of which may be subject to other restrictions or conditions.
- (hh) "Restricted Stock" shall mean shares of Common Stock awarded to a Participant pursuant to Article IV.

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- (ii) "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Commission pursuant to the Exchange Act as in effect on November 1, 1996, or any successor provision, as amended from time to time.
- (jj) "Section 16 Person" shall mean a person subject to Section 16(a) of the Exchange Act.
- (kk) "Section 162(m)" shall mean Section 162(m) of the Code and the regulations and interpretations of the Internal Revenue Service thereunder, as amended from time to time.
- (ll) "Securities Act" shall mean the Securities Act of 1933, as amended from time to time.
- (mm) "Stock Appreciation Right" shall mean a right authorized under Article III of this Plan.
- (nn) "Stock Bonus" shall mean an Award of shares of Common Stock for no consideration other than past services (subject to Section 6.4) that includes such restrictions (if any) as the Committee may deem advisable to assure compliance with law or satisfaction of other conditions it may impose.
- (oo) "Stock Unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock of the Company (subject to adjustment) solely for purposes of this Plan.
- (pp) "Stock Unit Account" shall mean the bookkeeping account maintained by the Company on behalf of each Participant which is credited with Stock Units in accordance with Section 5.3(c) and which is payable in cash, stock and/or other consideration as the Committee may determine.
- (qq) "Subsidiary" shall mean The Macerich Partnership, L.P., a Delaware limited partnership, The Macerich Management Company, The Macerich Property Management Company, both California corporations, or any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.
- (rr) "Termination of Employment" shall mean any termination of the Participant's employment with the Company; if an entity ceases to be a Subsidiary, a Termination of Employment shall be deemed to have occurred with respect to each employee of such Subsidiary who does not continue as an employee of another entity owned, controlled by or under common control with the Company. The Committee may provide generally or on a case-by-case basis on such conditions as it deems appropriate that a Termination of Employment does not occur if a person's status as an employee terminates but his or her services continue as an officer or other person who would be eligible to participate in the Plan as an Other Eligible Person.

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**PERFORMANCE-BASED BUSINESS CRITERIA**

*Funds From Operations* means Funds from Operations, as defined by The National Association of Real Estate Investment Trusts at the time of the grant of an Award, for the applicable period, as reflected in the Corporation's periodic financial reports for the period.

*Stock Appreciation* means an increase in the price or value of the Common Stock of the Corporation after the date of grant of an Award and during the applicable period.

*Total Stockholder Return* means the aggregate Common Stock price appreciation and dividends paid (assuming full reinvestment of dividends) during the applicable period.

*Occupancy Gains* means increases in the occupancy level (leased and occupied areas) of malls and freestanding store area (excluding Anchors) (owned at both the beginning and end of the applicable period) during the period, measured as a percentage of the gross leasable/occupiable area of such properties, as reported to the Committee for inclusion in the Corporation's reports to the SEC for the applicable period.

*EBITDA* means earnings before interest, taxes, depreciation and amortization for the applicable period, as reflected in the Corporation's financial reports for the applicable period.

*Overall Square Footage Growth* means the increase, between the beginning and end of the applicable period, in the total square feet of gross leasable mall and free standing stores area (excluding Anchors), as reported to the Committee for inclusion in the Corporation's reports to the SEC for the applicable period.

Except as otherwise expressly provided, all financial terms are used as defined under Generally Accepted Accounting Principles (GAAP) and all determinations shall be made in accordance with GAAP, as applied by the Corporation in the preparation of its periodic reports to stockholders.

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**THE MACERICH COMPANY**  
**2000 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT**  
**PROGRAM**  
**Under the 2000 Incentive Plan**

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**THE MACERICH COMPANY**  
**2000 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM**  
**UNDER THE 2000 INCENTIVE PLAN**

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**2000 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM  
UNDER THE 2000 INCENTIVE PLAN**

**ARTICLE I  
TITLE, PURPOSE AND AUTHORIZED SHARES**

**1.1 TITLE**

This Program shall be known as The Macerich Company 2000 Cash Bonus/Restricted Stock and Stock Unit Award Program under the 2000 Incentive Plan.

**1.2 PURPOSE**

The purpose of this Program is to promote the success of the Company and the interest of its stockholders by providing an additional means to attract, motivate, retain and reward key employees, including officers, by providing an opportunity to convert cash bonus opportunities into Restricted Stock and/or Stock Unit Awards, enhancing compensation deferral opportunities and offering additional incentives to increase stock ownership in the Company.

**1.3 SHARES**

The aggregate number of shares of Common Stock issuable under this Program shall be charged against and subject to the limits on the available shares under the Plan.

**ARTICLE II  
DEFINITIONS**

Whenever the following terms are used in this Program they shall have the meaning specified below unless the context clearly indicates to the contrary. Capitalized terms not otherwise defined shall have the meaning assigned to such terms in the Plan.

**2.1 BONUS PAYMENT DATE** means the date designated by the Committee (upon or after its decisions as to awards) on which the Cash Bonus is or would otherwise be received by the Participant.

**2.2 CASH BONUS** means an incentive award granted by the Committee, whether or not under the terms of the Plan, that but for elections under this Program would be paid solely in cash.

**2.3 CONVERSION AMOUNT** means the dollar equivalent of the Cash Bonus elected by the Participant to be converted to a Restricted Stock and/or Stock Unit Award under this Program.

**2.4 DIVIDEND EQUIVALENT RIGHT** means the amount of cash dividends or other cash distributions paid by the Company on that number of shares of Common Stock equal to the number of Stock Units credited to a Participant's Stock Unit Account as of the applicable record date for the dividend or other distribution, which amount shall, at the discretion of the Committee, either be paid on the applicable dividend payment date directly to the Participant in cash or credited in the form of additional Stock Units to the Stock Unit Account of the Participant, as provided in the applicable Stock Unit Award Agreement.

**2.5 EFFECTIVE DATE** means November 9, 2000.

**2.6 ELIGIBLE EMPLOYEE** means any officer or key employee of the Company or a Subsidiary who earns an annual base salary of at least \$100,000 and who otherwise qualifies as a member of a select group of management or highly compensated employees, as described in Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended, who has been designated by the Committee as potentially eligible to receive a Restricted Stock and/or Stock Unit Award under this Program.

**2.7 PARTICIPANT** means any Eligible Employee who has delivered to the Company an election agreement electing to participate in the Program.

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**2.8 PLAN** means The Macerich Company 2000 Incentive Plan.

**2.9 PROGRAM** means this The Macerich Company 2000 Cash Bonus/Restricted Stock and Stock Unit Award Program under the 2000 Incentive Plan, as from time to time amended.

**2.10 RESTRICTED STOCK** means shares of Common Stock awarded to a Participant pursuant to Article IV of the Plan.

**2.11 RESTRICTED STOCK AWARD** means an award of Restricted Stock granted by the Committee under the Plan based on the Conversion Amount.

**2.12 RESTRICTED STOCK AWARD AGREEMENT** means an agreement substantially in the form of Exhibit B (as from time to time revised by the Committee).

**2.13 STOCK UNIT** means a non-voting unit of measurement which is deemed solely for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment) awarded to a Participant pursuant to Article IV of the Plan.

**2.14 STOCK UNIT AWARD** means an award of Stock Units granted by the Committee under the Plan based on the Conversion Amount.

**2.15 STOCK UNIT AWARD AGREEMENT** means an agreement substantially in the form of Exhibit C (as from time to time revised by the Committee).

**2.16 STOCK UNIT ACCOUNT** means the bookkeeping account maintained by the Company on behalf of each Participant which is credited with Stock Units calculated in accordance with Section 4.4.

**2.17 YEAR** means the applicable calendar year.

**ARTICLE III  
PARTICIPATION**

Each Eligible Employee designated by the Committee for any Year may elect in advance to receive all or part (in increments and on forms authorized by the Committee) of any Cash Bonus that may be granted in the future in the form of Restricted Stock and/or Stock Units to the extent provided in Article IV.

**ARTICLE IV  
RESTRICTED STOCK, STOCK UNIT OR CASH ELECTIONS**

**4.1 TIME AND TYPES OF ELECTIONS**

On or before September 30 of each Year, each Eligible Employee may make an irrevocable election to receive a percentage of Cash Bonus that may be granted to the Eligible Employee during the following Year in shares of Restricted Stock and/or Stock Units; provided, that any timely election made under the Company's 1999 Cash Bonus/Restricted Stock and Stock Unit Award Program with respect to any Cash Bonus to be paid in 2001 shall be deemed to be the irrevocable election required to be made under this Program for such Cash Bonus. This election shall become effective only if the Committee, in authorizing the Cash Bonus, expressly recognizes such alternative payment opportunity in Restricted Stock and/or Stock Units and grants the Restricted Stock and/or Stock Units at that time. The Committee will have the sole discretion to determine whether Restricted Stock or Stock Units will be issuable. A person who first becomes an Eligible Employee after the applicable deadline may, within 30 days of becoming and being designated as an Eligible Employee, make an irrevocable election to receive any Cash Bonuses granted for the applicable Year (or remaining portion thereof, as the case may be) in Restricted Stock and/or Stock Units.

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**4.2 ELECTION PROCEDURES**

The elections shall be made in writing on forms provided by the Company and authorized by the Committee. These forms shall take the form of the Election Agreement attached hereto as Exhibit A, as from time to time amended by the Committee. Neither the distribution nor completion of election agreements shall convey any right to receive a bonus, in cash, Restricted Stock or Stock Units. Failure to timely elect Restricted Stock and/or Stock Units, however, will result in the payment in cash if any cash bonus is awarded.

**4.3 DISTRIBUTION OF BENEFITS**

(a) **TIME AND MANNER OF DISTRIBUTION.** A Participant shall be entitled to receive a number of unrestricted shares of Restricted Stock, or to receive a number of shares of Common Stock equal to the number of Stock Units allocated to his or her Stock Unit Account, in accordance with the vesting schedule set forth in the applicable Restricted Stock Award Agreement or Stock Unit Award Agreement. Alternatively, the Committee may permit a Participant to elect to receive a distribution of shares of Common Stock in an amount equal to the number of Stock Units, if any, allocated to his or her Stock Unit Account at such time and in such manner as set forth in the form of agreement approved by the Committee. If the Committee so provides, a Participant may elect any of the distribution commencement dates and methods of distribution (lump sum or annual installments) set forth in the form of agreement approved by the Committee.

(b) **CHANGE IN TIME OR MANNER OF DISTRIBUTION OF STOCK UNITS.**

(1) To the extent permitted by the Committee and set forth in any applicable Distribution Election Agreement, a Participant may change the manner of any distribution election from a lump sum to annual installments (or vice versa) made with respect to Stock Units credited under any Stock Unit Account by filing a written election with the Committee on a form provided by the Committee; *provided, however*, that no such election shall be effective until 12 months after such election is filed with the Committee, and no such election shall be effective if it is made with respect to any Stock Unit Account after benefits with respect to such Stock Unit Account have commenced. An election made pursuant to this Section 4.3(b) shall not affect the date of the commencement of benefits.

(2) To the extent permitted by the Committee and set forth in any applicable Distribution Election Agreement, a Participant may elect to further defer the commencement of any distribution to be made with respect to Stock Units credited under any Stock Unit Account by filing a new written election with the Committee on a form approved by the Committee; *provided, however*, that (A) no such election shall be effective until 12 months after such election is filed with the Committee, (B) no such new election shall be effective with respect to any Stock Unit Account after benefits with respect to such Stock Unit Account shall have commenced, and (C) no more than three new elections shall be valid as to any Stock Unit Account. An election made pursuant to this Section 4.3(b)(2) shall not affect the manner of distribution (*i.e.*, lump sum versus installments), the terms of which shall be subject to Section 4.3(b)(1) above.

**4.4 NUMBER OF SHARES/STOCK UNITS**

The number of shares of Restricted Stock to be granted and/or the number of Stock Units to be credited under this Program shall equal a multiple of the Conversion Amount divided by the Fair Market Value of a share of Common Stock (without regard to any restriction) on the applicable Bonus Payment Date. The multiple shall not be changed as to any election after it is duly made under the terms of this Program without the consent of the Participant.

The multiple for bonuses paid in 2002 and until changed by the Committee shall be 1.5. For example, assume that prior to September 30, 2001, a Participant elects to receive 40% of any cash

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bonus in Restricted Stock or Stock Units and, on March 31, 2002, the Company grants him a \$40,000 cash bonus. The market value of a share of Common Stock on the Bonus Payment Date is \$20. The Participant will receive \$24,000 in cash and, at the election of the Committee, 1,200 shares of Restricted Stock or 1,200 Stock Units.

**4.5 NO FRACTIONAL SHARE INTERESTS**

If an election would result in the issuance of a fractional share, the amount of Restricted Stock and/or Stock Units granted shall be rounded down to the next whole share and the cash alternative amount in lieu of the fractional interest shall be paid in cash.

## **ARTICLE V RESTRICTED STOCK AWARDS**

The grant of Restricted Stock Awards, including, but not limited to, the terms of grant, conditions and restrictions, the consideration (other than services) to be paid, dividend rights, vesting terms, provisions for redelivery to the Company, and adjustments in case of changes in the Common Stock, shall be governed by the terms of the Plan, the Program and of the Restricted Stock Award Agreement, substantially in the form of Exhibit B (as from time to time revised by the Committee), to be executed and delivered by the Company and the Participant. After an election is made, the form of the Restricted Stock Award Agreement (if applicable) may not be changed in any manner materially adverse to the Participant without his or her consent. All Restricted Stock Awards are subject to express prior authorization by the Committee of the terms of the Restricted Stock Award and the specific number of shares of Restricted Stock thereunder.

## **ARTICLE VI STOCK UNIT AWARDS**

The grant of Stock Unit Awards, including, but not limited to, the terms of grant, conditions and restrictions, the consideration (other than services) to be paid, the form and content of Dividend Equivalent rights, vesting terms, and adjustments in case of changes in the Common Stock, shall be governed by the terms of the Plan, the Program and of the Stock Unit Award Agreement, substantially in the form of Exhibit C (as from time to time revised by the Committee), to be executed and delivered by the Company and the Participant. After an election is made, the form of the Stock Unit Award Agreement (if applicable) may not be changed in any manner materially adverse to the Participant without his or her consent. All Stock Unit Awards are subject to express prior authorization by the Committee of the terms of the Stock Unit Award and the specific number of shares of Common Stock referenced in the Participant's Stock Unit Account thereunder.

## **ARTICLE VII ADMINISTRATION**

### **7.1 RIGHTS AND DUTIES.**

This Program shall be administered by and all Restricted Stock and Stock Unit Awards to Eligible Employees shall be authorized by the Committee. The Committee shall have all powers necessary to accomplish those purposes, including, but not by way of limitation, the following:

(a) to determine the particular Eligible Employees who will receive Cash Bonuses, the extent to which and price at which a Cash Bonus may be settled in shares of Common Stock, Restricted Stock or Stock Units, and the other specific terms and conditions of Restricted Stock and Stock Unit Awards consistent with the express limits of this Program and the Plan;

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(b) to approve from time to time the election agreement and other forms of Restricted Stock and Stock Unit Award Agreements (which need not be identical either as to type of award or among Participants or from year to year); and

(c) to resolve any questions concerning benefits payable to a Participant and make all other determinations and take such other action as contemplated by this Program or the Plan or as may be necessary or advisable for the administration or interpretation of this Program.

### **7.2 CLAIMS PROCEDURES.**

To the extent the Committee permits deferral elections extending to the termination of employment or beyond, the following claims procedures shall apply:

(a) The Committee shall notify Participants and, where appropriate, the Beneficiary(ies) of their right to claim benefits under these claims procedures, shall make forms available for filing of such claims, and shall provide the name of the person or persons with whom such claims should be filed.

(b) The Committee shall act upon claims as required and communicate a decision to the claimant promptly and, in any event, not later than 90 days after the claim is received by the Committee, unless special circumstances require an extension of time for processing the claim. If an extension is required, notice of the extension shall be furnished to the claimant prior to the end of the initial 90-day period, which notice shall indicate the reasons for the extension and the expected decision date. The extension shall not exceed 90 days. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within the period described in the preceding three sentences. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of this Program on which denial is based, (iii) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (iv) an explanation of the procedure for further review of the denial of the claim under this Program.

(c) The claimant or his or her duly authorized representative shall have 60 days after receipt of denial of his or her claim to request a review of such denial, the right to review all pertinent documents and the right to submit issues and comments in writing. Upon receipt of a request for a review of the denial of a benefit claim, the Committee shall undertake a full and fair review of the denial.

(d) The Committee shall issue a decision not later than 60 days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than 120 days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Program on which the decision is based.

## **ARTICLE VIII**

**8.1 INCORPORATION BY REFERENCE**

Except where in conflict with the express terms of this Program, the terms of the Plan govern the Program and are incorporated by reference, including, without limitation, the following: the administrative powers and authority of the Committee and the effect of its decisions; the unfunded status of benefits; provisions for non-transferability of rights; rights (or absence of rights) of eligible persons, participants, and beneficiaries; compliance with laws; tax withholding obligation of Participants; privileges of stock ownership; and governing law/construction/severability.

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**8.2 AMENDMENT, TERMINATION AND SUSPENSION**

The Committee or the Board may, at any time, terminate or, from time to time, amend, modify or suspend this Program, in whole or in part. No Restricted Stock or Stock Unit Awards may be granted under this Program during any suspension of this Program or after termination of this Program. Termination or amendment of this Program shall have no effect on any then outstanding Restricted Stock or Stock Unit Awards.

**8.3 TERM OF THIS PROGRAM**

The term of this Program is indefinite, subject to the term of the Plan and Section 8.2. All authority of the Committee with respect to Restricted Stock and Stock Unit Awards hereunder, including its authority to amend a Restricted Stock or Stock Unit Award, shall continue during any suspension of this Program or the Plan, in respect of outstanding Restricted Stock and Stock Unit Awards on such Termination Date.

**8.4 NON-EXCLUSIVITY OF PROGRAM**

Nothing in this Program shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under the Plan or any other plan or authority.

**8.5 RELATIONSHIP TO EMPLOYMENT AGREEMENTS**

In the case of any Participant who has an employment agreement with the Company, the Conversion Amount reflected by a Restricted Stock or Stock Unit Award shall not be, but any remaining amount paid as a Cash Bonus shall be, considered a bonus paid in the applicable Year in which it is paid. The consequences of a termination of service, whether before or after a Change in Control, in respect of any rights or benefits related to the Conversion Amount shall be governed solely by the terms of the Restricted Stock or Stock Unit Award.

**THE MACERICH COMPANY  
IRREVOCABLE ELECTION AGREEMENT**

**2000 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM UNDER  
THE MACERICH COMPANY 2000 INCENTIVE PLAN**

**IF DURING THE YEAR     , THE COMPENSATION COMMITTEE GRANTS A CASH BONUS TO ME UNDER THE PROGRAM AND IF THE COMPENSATION COMMITTEE THEN EXPRESSLY AUTHORIZES ME TO RECEIVE ALL OR PART OF THE CASH BONUS IN THE FORM OF A RESTRICTED STOCK OR STOCK UNIT AWARD (A "STOCK-BASED AWARD"):**

**I IRREVOCABLY ELECT TO TAKE     % OF MY CASH BONUS IN THE FORM OF A STOCK-BASED AWARD. I UNDERSTAND THE COMMITTEE HAS THE SOLE DISCRETION TO DETERMINE IF THE STOCK-BASED AWARD IS IN THE FORM OF RESTRICTED STOCK OR STOCK UNITS.**

**I UNDERSTAND THAT:**

- **THE CONVERSION RATE, OR "MULTIPLE", FOR PURPOSES OF OR IN RESPECT OF DETERMINING THE NUMBER OF SHARES UNDERLYING THE AWARD WILL BE 1.5**
- **THE VESTING SCHEDULE FOR THE STOCK-BASED AWARD WILL BE NOT LESS THAN AT A RATE OF 20% PER YEAR.**
- **THIS ELECTION IS IRREVOCABLE AND MUST BE FILED BY SEPTEMBER 30,     WITH:**

**RICHARD A. BAYER, GENERAL COUNSEL  
401 WILSHIRE BOULEVARD, SUITE 700  
SANTA MONICA, CALIFORNIA 90401**

- **IF THIS ELECTION IS NOT TIMELY FILED, I WILL NOT HAVE AN OPPORTUNITY TO PARTICIPATE IN THE PROGRAM FOR THE YEAR 2000.**

THIS ELECTION IS SUBJECT TO THE TERMS OF THE PROGRAM, THE PLAN (INCLUDING THE INDIVIDUAL SHARE AWARD LIMITS) AND THE APPLICABLE STOCK-BASED AWARD AGREEMENT.

THIS ELECTION DOES NOT CONSTITUTE A GUARANTEE THAT I WILL RECEIVE ANY BONUS FROM THE COMPANY.

**ACKNOWLEDGMENT AND AGREEMENT**

I acknowledge and agree to the foregoing terms of this Election Agreement.

\_\_\_\_\_  
(Participant's Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date)

**EXHIBIT B  
[RESTRICTED STOCK AWARD AGREEMENT]**

**THE MACERICH COMPANY  
RESTRICTED STOCK AWARD AGREEMENT  
2000 INCENTIVE PLAN**

Participant Name: \_\_\_\_\_  
Soc. Sec. No.: \_\_\_\_\_  
No. of Shares: \_\_\_\_\_  
Vesting Schedule: 25%\* on each anniversary of the Award Date, beginning \_\_\_\_\_, and  
ending \_\_\_\_\_,  
Award Date: \_\_\_\_\_, 200\_\_\_\_\_  
\_\_\_\_\_

\*  
The Committee has the authority to change the vesting schedule.

**THIS AGREEMENT** is among **THE MACERICH COMPANY**, a Maryland corporation (the "Corporation"), **THE MACERICH PARTNERSHIP L.P.**, a Delaware limited partnership (the "Operating Partnership"), and the employee named above, an employee [of the Operating Partnership] (the "Participant") and is delivered under The Macerich Company 2000 Incentive Plan (the "Plan").

**WITNESSETH**

**WHEREAS**, pursuant to the 2000 Cash Bonus/Restricted Stock and Stock Unit Program (the "Program") under the Plan, the Corporation has granted to the Participant with reference to services rendered and to be rendered to the Company, effective as of the Award Date, a restricted stock award (the "Restricted Stock Award" or "Award"), upon the terms and conditions set forth herein and in the Plan and the Program.

**NOW THEREFORE**, in consideration of services rendered by the Participant and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

**2. Grant.** Subject to the terms of this Agreement, the Program and the Plan, the Corporation grants to the Participant a Restricted Stock Award with respect to an aggregate number of shares of Common Stock, par value \$.01 per share (the "Restricted Stock") set forth above. The Corporation acknowledges, pursuant to Section 4.1 of the Plan, receipt of consideration for the shares on the terms set forth in this Agreement in the form of services rendered to the Company by the Participant prior to the Award Date with a value at least equal to the Cash Bonus that would otherwise have been payable to the Participant but for the Participant's election to receive Restricted Stock under the Program, which amount is not less than the minimum lawful consideration under Maryland law.

**3. Vesting.** The Award shall vest, and restrictions (other than those set forth in Section 6.4 of the Plan) shall lapse, with respect to the portion of the total number of shares (subject to adjustment under Section 6.2 of the Plan) on each of the anniversaries of the Award Date until the Award is fully vested, as reflected in the Vesting Schedule above, subject to earlier termination or acceleration as provided herein or in the Plan.

**4. Continuance of Employment Required.** Except as otherwise provided in Section 8 or pursuant to the Plan, the Vesting Schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment and rights and benefits under this Agreement. Partial service, even if substantial, during any vesting period will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or service as provided in Section 8 below or under the Plan.

**5. Dividend and Voting Rights.** After the Award Date, the Participant shall be entitled to cash dividends and voting rights with respect to the shares of Restricted Stock subject to the Award even though such shares are not vested, provided that such rights shall terminate immediately as to any shares of Restricted Stock that cease to be eligible for vesting.

**6. Restrictions on Transfer.** Prior to the time they become vested, neither the shares of Restricted Stock comprising the Award, nor any other rights of the Participant under this Agreement or the Plan may be transferred, except as expressly provided in Sections 1.9 and 4.1 of the Plan. No other exceptions have been

## 7. Stock Certificates.

- (a) **Book Entry Form; Information Statement Power of Attorney.** The Corporation shall issue the shares of Restricted Stock subject to the Award in book entry form, registered in the name of the Participant with notations regarding applicable restrictions on transfer. Concurrent with the execution and delivery of this Agreement, the Corporation shall deliver to the Participant a written information statement with respect to such shares, and the Participant shall deliver to the Corporation an executed stock power, in blank, with respect to such shares. The Participant, by acceptance of the Award, shall be deemed to appoint the Corporation and each of its authorized representatives as the Participant's attorney(s)-in-fact to effect any transfer of unvested forfeited shares (or shares otherwise reacquired by the Corporation hereunder) to the Corporation as may be required pursuant to the Plan or this Agreement and to execute such documents as the Corporation or such representatives deem necessary or advisable in connection with any such transfer.
- (b) **Certificates to be Held by Corporation; Legend.** Any certificates representing Restricted Stock that the Participant may be entitled to receive from the Corporation prior to vesting shall be redelivered to the Corporation to be held by the Corporation until the restrictions on such shares shall have lapsed and the shares shall thereby have become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear the following legend:
- "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions contained in an Agreement entered into between the registered owner, The Macerich Partnership L.P. and The Macerich Company. A copy of such Agreement is on file in the office of the Secretary of The Macerich Company, 401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401."
- (c) **Delivery of Certificates Upon Vesting.** Promptly after the lapse or other release of restrictions, a certificate or certificates evidencing the number of shares of Common Stock as to which the restrictions have lapsed or been released or such lesser number as may be permitted pursuant to Section 6.5 of the Plan shall be delivered to the Participant or other person entitled under the Plan to receive the shares. The Participant or such other person shall deliver to the Corporation any representations or other documents or assurances required pursuant to Section 6.4 of the Plan. The shares so delivered shall no longer be restricted shares hereunder.

## 8. Effect of Termination of Employment.

- (a) **Forfeiture after Certain Events.** Except as provided in Sections 8(c) and 9 hereof, the Participant's shares of Restricted Stock shall be forfeited to the extent such shares have not become vested upon the date the Participant is no longer employed by the Company for any reason, whether with or without cause, voluntarily or involuntarily. If an entity ceases to be a Subsidiary, such action shall be deemed to be a termination of employment of all employees of that entity, but the Committee, in its sole and absolute discretion, may make provision in such circumstances for accelerated vesting of some or all of the remaining restricted shares under any Awards held by such employees, effective immediately prior to such event.
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- (b) **Return of Shares.** Upon the occurrence of any forfeiture of shares of Restricted Stock hereunder, such unvested, forfeited shares shall, without payment of any consideration by the Corporation for such transfer, be automatically transferred to the Corporation, without any other action by the Participant, or the Participant's Beneficiary or Personal Representative, as the case may be. The Corporation may exercise its powers under Section 7(a) hereof and take any other action necessary or advisable to evidence such transfer. The Participant, or the Participant's Beneficiary or Personal Representative, as the case may be, and the Operating Partnership shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer of such unvested, forfeited shares to the Corporation.
- (c) **Termination Without Cause Following Change in Control Event.** If the Participant's employment is terminated by the Company other than because of Participant's death or Disability or for Cause, or if the Participant after a Change in Control Event terminates his or her employment for Good Reason, then any portion of the Award that has not previously vested shall thereupon vest, subject to the provisions of Sections 6.4 and 6.5 of the Plan and Section 12 hereof; provided, however, that in no event shall restrictions on the shares lapse or the shares vest earlier than six months after the date hereof. As used in this Agreement, "Disability" shall mean (1) a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code, (2) the absence of Participant from his or her duties with the Company on a full-time basis for a period of nine months as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not to be withheld unreasonably), or (3) such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include. "Incapacity" as used in this Agreement shall be limited only to a condition that substantially prevents the Participant from performing his or her duties. "Cause" as used in this Agreement shall mean that the Company, acting in good faith based upon the information then known to the Company, determines that the Participant has: (1) failed to perform required job duties in a material respect without proper cause, (2) been convicted of a felony, or (3) committed an act of fraud, dishonesty or gross misconduct which is injurious to the Company. "Good Reason" as used in this Agreement shall mean (1) a materially adverse and significant change in the Participant's position, duties, responsibilities, or status with the Company, (2) a change in the Participant's office location to a point more than 50 miles from the Participant's office immediately prior to a Change in Control, (3) the taking of any action following a Change in Control by the Company to eliminate benefit plans without providing reasonable substitutes therefor, to materially reduce benefits thereunder or to substantially diminish the aggregate value of incentive awards or other fringe benefits, (4) any reduction in the Participant's base salary, or (5) any material breach by the Company of the written employment contract with Participant, if any.

**9. Effect of Disability, Death or Retirement.** If the Participant incurs a Disability or dies while employed by the Company, then any portion of his or her Award that has not previously vested shall thereupon vest, subject to the provisions of Sections 6.4 and 6.5 of the Plan. If the Participant retires from employment by the Company, the Committee may, on a case-by-case basis and in its sole discretion, provide for partial or complete vesting prior to retirement of that portion of his or her Award that has not previously vested.

**10. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 6.2 of the Plan, the Committee shall make adjustments if appropriate in the number and kind of securities that may become vested under an Award. If any adjustment shall be made under Section 6.2 of the Plan or a Change in Control Event shall occur and the shares of Restricted Stock are not fully vested upon such Event or prior thereto, the restrictions applicable to such shares of Restricted Stock shall continue in effect with respect to any consideration or other securities (the "*Restricted Property*" and, for the purposes of this Agreement, "Restricted Stock" shall include "Restricted Property", unless the context otherwise requires) received in respect of

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such Restricted Stock. Such Restricted Property shall vest at such times and in such proportion as the shares of Restricted Stock to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such shares of Restricted Stock had remained outstanding. Notwithstanding the foregoing, to the extent that the Restricted Property includes any cash, the commitment hereunder shall become an unsecured promise to pay an amount equal to such cash (with earnings attributable thereto as if such amount had been invested, pursuant to policies established by the Committee, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Committee) at such times and in such proportions as the Restricted Stock would have vested.

**11. Possible Early Termination of Award.** As permitted by Section 6.2(b) of the Plan, the Committee retains the right to terminate the Award to the extent not vested upon an event or transaction which the Corporation does not survive. This Section 11 is not intended to prevent vesting of the Award as a result of termination without Cause following a Change in Control Event as provided in Section 8(c) hereof.

**12. Limitations on Acceleration and Reduction in Benefits in Event of Tax Limitations.**

- (a) **Limitation on Acceleration.** Notwithstanding anything contained herein or in the Plan or any other agreement to the contrary, in no event shall the vesting of any share of Restricted Stock be accelerated pursuant to Section 6.3 of the Plan or Section 8(c) hereof to the extent that the Company would be denied a federal income tax deduction for such vesting because of Section 280G of the Code and, in such circumstances, the restricted shares not subject to acceleration will continue to vest in accordance with and subject to the other provisions hereof.
- (b) **Reduction in Benefits.** If the Participant would be entitled to benefits, payments or coverage hereunder and under any other plan, program or agreement which would constitute "parachute payments," then notwithstanding any other provision hereof or of any other existing agreement to the contrary, the Participant may by written notice to the Secretary of the Corporation designate the order in which such "parachute payments" shall be reduced or modified so that the Company is not denied federal income tax deductions for any "parachute payments" because of Section 280G of the Code.
- (c) **Determination of Limitations.** The term "parachute payments" shall have the meaning set forth in and be determined in accordance with Section 280G of the Code and regulations issued thereunder. All determinations required by this Section 12, including without limitation the determination of whether any benefit, payment or coverage would constitute a parachute payment, the calculation of the value of any parachute payment and the determination of the extent to which any parachute payment would be nondeductible for federal income tax purposes because of Section 280G of the Code, shall be made by an independent accounting firm (other than the Corporation's outside auditing firm) having nationally recognized expertise in such matters selected by the Committee. Any such determination by such accounting firm shall be binding on the Corporation, its Subsidiaries and the Participant.

**13. Tax Withholding.** The entity within the Company last employing the Participant shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the payment of dividends in respect of and with respect to the vesting of any Restricted Stock, but, in the alternative the Participant or other person in whom the Restricted Stock vests may irrevocably elect, in such manner and at such time or times prior to any applicable tax date as may be permitted or required under Section 6.5 of the Plan and rules established by the Committee, to have the entity last employing the Participant withhold and reacquire shares of Restricted Stock at their Fair Market Value at the time of vesting to satisfy any withholding obligations of the Company with respect to such vesting. Any election to have shares so held back and reacquired shall be subject to such rules and procedures, which may include prior approval of the Committee, as the Committee

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may impose, and shall not be available if the Participant makes or has made an election pursuant to Section 83(b) of the Code with respect to such Award.

**14. Notices.** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office located at 401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401, to the attention of the Corporate Secretary and to the Participant at the address given beneath the Participant's signature hereto, or at such other address as either party may hereafter designate in writing to the other.

**15. Plan.** The Award and all rights of the Participant with respect thereto are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the provisions of the Plan and the Program, incorporated herein by reference, to the extent such provisions are applicable to Awards granted to Eligible Employees. The Participant acknowledges receipt of a copy of the Plan and the Program, which is made a part hereof by this reference, and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other Sections of this Agreement, provisions of the Plan and the Program that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan or the Program after the date hereof.

**16. No Service Commitment by Company.** Nothing contained in this Agreement, the Program or the Plan constitutes an employment or other commitment by the Company as to the Participant's service, confers upon the Participant any right to remain employed by or in service of the Company or any subsidiary, interferes in any way with the right of the Company or any subsidiary at any time to terminate such employment or service, or affects the right of the Company or any subsidiary to increase or decrease his or her other compensation.

**17. Limitation on Participant's Rights.** Participation in the Program confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust.

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**IN WITNESS WHEREOF,** the parties have executed this Agreement as of the date first above written. By the Participant's execution of this Agreement, the Participant agrees to the terms and conditions hereof and of the Plan.

**THE MACERICH COMPANY**  
(a Maryland corporation)

By \_\_\_\_\_  
Richard A. Bayer  
General Counsel & Secretary

**THE MACERICH PARTNERSHIP, L.P.**  
(a Delaware limited partnership)

By: The Macerich Company  
(its general partner)

By \_\_\_\_\_  
Richard A. Bayer  
General Counsel & Secretary

**PARTICIPANT**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip Code)

**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Restricted Stock Award Agreement by The Macerich Company and The Macerich Partnership L.P., I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_.

\_\_\_\_\_  
Signature of Spouse

**EXHIBIT C**  
**[STOCK UNIT AWARD AGREEMENT]**

**THE MACERICH COMPANY**

**STOCK UNIT AWARD AGREEMENT**  
**2000 INCENTIVE PLAN**

**Participant Name:** \_\_\_\_\_

**Soc. Sec. No.:** \_\_\_\_\_

**No. Stock Units:** \_\_\_\_\_

**Vesting Schedule:** 25%\* on each anniversary of the Award Date, beginning \_\_\_\_\_, and ending \_\_\_\_\_,

**Award Date:** \_\_\_\_\_, 200

\*  
The Committee has the authority to change the vesting schedule.

**THIS AGREEMENT** is among **THE MACERICH COMPANY**, a Maryland corporation (the "Corporation"), **THE MACERICH PARTNERSHIP L.P.**, a Delaware limited partnership (the "Operating Partnership"), and the employee named above, an employee [of the Operating Partnership] (the "Participant") and is delivered under The Macerich Company 2000 Incentive Plan (the "Plan").

**WITNESSETH**

**WHEREAS**, pursuant to the 2000 Cash Bonus/Restricted Stock and Stock Unit Program (the "Program") under the Plan, the Corporation has granted to the Participant with reference to services rendered and to be rendered to the Company, effective as of the Award Date, a stock unit award (the "Stock Unit Award" or "Award"), upon the terms and conditions set forth herein and in the Plan and the Program.



**NOW THEREFORE**, in consideration of services rendered by the Participant and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

**2. Grant.** Subject to the terms of this Agreement, the Program and the Plan the Corporation grants to the Participant a Stock Unit Award with respect to an aggregate number of Stock Units (the "Stock Units") set forth above. The Corporation acknowledges receipt of consideration for the shares payable with respect to the Stock Units on the terms set forth in this Agreement in the form of services rendered to the Company by the Participant prior to the Award Date with a value at least equal to the Cash Bonus that would otherwise have been payable to the Participant but for the Participant's election to receive Stock Units under the Program, which amount is not less than the minimum lawful consideration under Maryland law.

**3. Vesting.** The Award shall vest and become nonforfeitable (except as set forth in Section 6.4 of the Plan), with respect to the portion of the total number of Stock Units comprising the Award (subject to adjustment under Section 6.2 of the Plan) on each of the anniversaries of the Award Date until the Award is fully vested, as reflected in the Vesting Schedule above, subject to earlier termination or acceleration as provided herein or in the Plan.

**4. Continuance of Employment Required.** Except as otherwise provided in Section 9 or pursuant to the Plan, the Vesting Schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment and rights and benefits under this Agreement. Partial service, even if substantial, during any vesting period will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or service as provided in Section 9 below or under the Plan.

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**5. Dividend and Voting Rights.**

- (a) **Limitations on Rights Associated with Units.** The Participant shall have no rights as a stockholder of the Company, no dividend rights (except as expressly provided in Section 5(b) with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate.
- (b) **Dividend Equivalent Rights Distributions.** As of any applicable dividend or distribution payment date, the Participant shall receive a cash payment in an amount equal to the amount of the Dividend Equivalent Rights multiplied by the number of Units in the Account as of the applicable dividend payment date.

**6. Restrictions on Transfer.** Prior to the time they vest, neither the Stock Units comprising the Award nor any other rights of the Participant under this Agreement or the Plan may be transferred, except as expressly provided in Section 1.9 of the Plan. No other exceptions have been authorized by the Committee.

**7. Timing and Manner of Distribution with Respect to Stock Units.** Any Stock Unit credited to a Participant's Stock Unit Account will be distributed in shares of Common Stock as it vests. The Participant or other person entitled under the Plan to receive the shares shall deliver to the Company any representations or other documents or assurances required pursuant to Section 6.4 of the Plan.

**8. Effect of Termination of Employment.**

- (a) **Forfeiture after Certain Events.** Except as provided in Sections 8(c) and 9 hereof, the Participant's Stock Units shall be extinguished to the extent such Stock Units have not become vested upon the date the Participant is no longer employed by the Company for any reason, whether with or without cause, voluntarily or involuntarily. If an entity ceases to be a Subsidiary, such action shall be deemed to be a termination of employment of all employees of that entity, but the Committee, in its sole and absolute discretion, may make provision in such circumstances for accelerated vesting of some or all of the remaining Stock Units held by such employees, effective immediately prior to such event.
- (b) **Termination of Stock Units.** If any Stock Units are extinguished hereunder, such unvested, extinguished Stock Units, without payment of any consideration by the Company, shall automatically terminate and the related Stock Unit Account shall be cancelled, without any other action by the Participant, or the Participant's Beneficiary or Personal Representative, as the case may be.
- (c) **Termination Without Cause Following Change in Control Event.** If the Participant's employment is terminated by the Company other than because of the Participant's death or Disability or for Cause, or if the Participant after a Change in Control Event terminates his or her employment for Good Reason, then any portion of the Award that has not previously vested shall thereupon vest, subject to the provisions of Sections 6.4 and 6.5 of the Plan and Section 12 hereof; provided, however, that in no event shall restrictions on the Stock Units lapse or the Stock Units vest earlier than six months after the date hereof. As used in this Agreement, "Disability" shall mean (1) a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code, (2) the absence of Participant from his or her duties with the Company on a full-time basis for a period of nine months as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not to be withheld unreasonably), or (3) such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include. "Incapacity" as used in this Agreement shall be limited only to a condition that substantially prevents the Participant from performing his or her duties. "Cause" as used in

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this Agreement shall mean that the Company, acting in good faith based upon the information then known to the Company, determines that the Participant has: (1) failed to perform required job duties in a material respect without proper cause, (2) been convicted of a felony, or (3) committed an act of fraud, dishonesty or gross misconduct which is injurious to the Company. "Good Reason" as used in this Agreement shall mean (1) a materially adverse and significant change in the Participant's position, duties, responsibilities, or status with the Company, (2) a change in the Participant's office location to a point more than 50 miles from the Participant's office immediately prior to a Change in Control, (3) the taking of any action following a Change in Control by the Company to eliminate benefit plans without providing reasonable substitutes therefor, to

materially reduce benefits thereunder or to substantially diminish the aggregate value of incentive awards or other fringe benefits, (4) any reduction in the Participant's base salary, or (5) any material breach by the Company of the written employment contract with Participant, if any.

**9. Effect of Disability, Death or Retirement.** If the Participant incurs a Disability or dies while employed by the Company, then any portion of his or her Award that has not previously vested shall thereupon vest, subject to the provisions of Sections 6.4 and 6.5 of the Plan. If the Participant retires from employment by the Company, the Committee may, on a case-by-case basis and in its sole discretion, provide for partial or complete vesting prior to retirement of that portion of his or her Award that has not previously vested.

**10. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 6.2 of the Plan, the Committee shall make adjustments as it deems appropriate in the number and kind of securities or other consideration that may become payable with respect to the Award. If any adjustment shall be made under Section 6.2 of the Plan or a Change in Control Event shall occur and the Stock Unit Award is not fully vested upon such Event or prior thereto, the Stock Unit Award may be payable in the securities or other consideration (the "Restricted Property") payable in respect of the Common Stock otherwise payable in respect of the Stock Unit Award. Such Restricted Property shall become payable at such times and in such proportion as the Stock Unit Award vests. Notwithstanding the foregoing, to the extent that the Restricted Property includes any cash, the commitment hereunder shall become an unsecured promise to pay an amount equal to such cash (with earnings attributable thereto as if such amount had been invested, pursuant to policies established by the Committee, in interest bearing, FDIC insured (subject to applicable insurance limits) deposits of a depository institution selected by the Committee) at such times and in such proportions as the Stock Unit Award vests. Notwithstanding the foregoing, the Stock Unit Award and Common Stock payable in respect of the Stock Unit Award shall continue to be subject to such proportionate and equitable adjustments (if any) under Section 6.2 of the Plan consistent with the effect of such event on stockholders generally, as the Committee determines to be necessary or appropriate, in the number, kind and/or character of shares of Common Stock or other securities, property and/or rights payable in respect of Stock Units and Stock Unit Accounts credited under the Plan. All rights of the Participant hereunder are subject to those adjustments.

**11. Possible Early Termination of Award.** As permitted by Section 6.2(b) of the Plan, the Committee retains the right to terminate the Award to the extent not vested upon an event or transaction which the Corporation does not survive. This Section 11 is not intended to prevent vesting of the Award as a result of termination without Cause following a Change in Control Event as provided in Section 8(c) hereof.

**12. Limitations on Acceleration and Reduction in Benefits in Event of Tax Limitations.**

(a)

**Limitation on Acceleration.** Notwithstanding anything contained herein or in the Plan or any other agreement to the contrary, in no event shall the vesting of any Stock Unit be accelerated pursuant to Section 6.3 of the Plan or Section 8(c) hereof to the extent that the Company would be denied a federal income tax deduction for such vesting or the distribution of shares of Common Stock in respect of the Award because of Section 280G of the Code

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and, in such circumstances, the Stock Units not subject to acceleration will continue to vest in accordance with and subject to the other provisions hereof.

(b)

**Reduction in Benefits.** If the Participant would be entitled to benefits, payments or coverage hereunder and under any other plan, program or agreement which would constitute "parachute payments," then notwithstanding any other provision hereof or of any other existing agreement to the contrary, the Participant may by written notice to the Secretary of the Corporation designate the order in which such "parachute payments" shall be reduced or modified so that the Company is not denied federal income tax deductions for any "parachute payments" because of Section 280G of the Code.

(c)

**Determination of Limitations.** The term "parachute payments" shall have the meaning set forth in and be determined in accordance with Section 280G of the Code and regulations issued thereunder. All determinations required by this Section 12, including without limitation the determination of whether any benefit, payment or coverage would constitute a parachute payment, the calculation of the value of any parachute payment and the determination of the extent to which any parachute payment would be nondeductible for federal income tax purposes because of Section 280G of the Code, shall be made by an independent accounting firm (other than the Corporation's outside auditing firm) having nationally recognized expertise in such matters selected by the Committee. Any such determination by such accounting firm shall be binding on the Corporation, its Subsidiaries and the Participant.

**13. Tax Withholding.** Upon payment of Dividend Equivalent Rights and/or the distribution of shares of Common Stock in respect of a Participant's Stock Unit Account, the entity within the Company last employing the Participant shall have the right at its option to (i) require the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) to pay or provide for payment in cash of the amount of any taxes which the Company may be required to withhold with respect to such payment or distribution or (ii) deduct from any amount payable to the Participant the amount of any taxes which the Company may be required to withhold with respect to such payment or distribution. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Agreement, the Committee may permit the Participant to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Company reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their then Fair Market Value, to satisfy such withholding obligation.

**14. Notices.** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office located at 401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401, to the attention of the Corporate Secretary and to the Participant at the address given beneath the Participant's signature hereto, or at such other address as either party may hereafter designate in writing to the other.

**15. Plan.** The Award and all rights of the Participant with respect thereto are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the provisions of the Plan and the Program, incorporated herein by reference, to the extent such provisions are applicable to Awards granted to Eligible Employees. The Participant acknowledges receipt of a copy of the Plan and the Program, which is made a part hereof by this reference, and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other Sections of this Agreement, provisions of the Plan and the Program that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan or the Program after the date hereof.

**16. No Service Commitment by Company.** Nothing contained in this Agreement, the Program or the Plan constitutes an employment or other commitment by the Company as to the Participant's service, confers upon the Participant any right to remain employed by or in service of the Company or any subsidiary,

interferes in any way with the right of the Company or any subsidiary at any time to

terminate such employment or service, or affects the right of the Company or any subsidiary to increase or decrease his or her other compensation.

**17. Limitation on Participant's Rights.** Participation in the Program confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor the Program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company (or applicable Subsidiary) with respect to amounts credited and benefits payable, if any, on Stock Unit Account(s), and rights no greater than the right to receive the Common Stock (or equivalent value) as a general unsecured creditor with respect to Stock Units, as and when payable thereunder.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first above written. By the Participant's execution of this Agreement, the Participant agrees to the terms and conditions hereof and of the Plan.

**THE MACERICH COMPANY**  
(a Maryland corporation)

By \_\_\_\_\_  
Richard A. Bayer  
General Counsel & Secretary

**THE MACERICH PARTNERSHIP, L.P.**  
(a Delaware limited partnership)

By: The Macerich Company  
(its general partner)

By \_\_\_\_\_  
Richard A. Bayer  
General Counsel & Secretary

**PARTICIPANT**

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
\_\_\_\_\_  
(Address)  
\_\_\_\_\_  
(City, State, Zip Code)

**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Stock Unit Award Agreement by The Macerich Company and The Macerich Partnership L.P., I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Stock Unit Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Signature of Spouse

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[THE MACERICH COMPANY IRREVOCABLE ELECTION AGREEMENT 2000 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD](#)

[PROGRAM UNDER THE MACERICH COMPANY 2000 INCENTIVE PLAN](#)

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**FORM OF  
THE MACERICH COMPANY  
NON-QUALIFIED STOCK OPTION AGREEMENT**

THIS AGREEMENT dated as of \_\_\_\_\_, between The Macerich Company, a Maryland corporation (the "**Corporation**"), and \_\_\_\_\_ (the "**Director**").

**WITNESSETH**

WHEREAS, the Corporation has adopted The Macerich Company 2000 Incentive Plan (the "**Plan**").

WHEREAS, pursuant to Section 2.1 of the Plan, the Corporation has granted an option (the "**Option**") to the Director upon the terms and conditions evidenced hereby, as required by the Plan, which Option is not intended as and shall not be deemed to be an incentive stock option within the meaning of Section 422 of the Code.

NOW, THEREFORE, in consideration of the services rendered and to be rendered by the Director, the Corporation and the Director hereby agree as follows:

1. *Option Grant.* This Agreement evidences the grant to the Director, as of \_\_\_\_\_ (the "**Option Date**"), of an Option to purchase an aggregate of \_\_\_\_\_ shares of Common Stock, par value \$0.01 per share, under Section 2.1 of the Plan, subject to the terms and conditions of and to adjustments provided in or pursuant to the Plan.
2. *Exercise Price.* The Option entitles the Director to purchase all of any part of the Option shares at a price per share of \$ \_\_\_\_\_, which represents the Fair Market Value of the shares on the Option Date.
3. *Option Exercisability and Term.* The Option shall terminate \_\_\_\_\_, unless earlier terminated in accordance with the terms of the Plan.
4. *Service.* The Director agrees to serve as a director in accordance with the provisions of the Corporation's Articles of Incorporation, bylaws and applicable law.
5. *General Terms.* The Option and this Agreement are subject to, and the Corporation and the Director agree to be bound by, the provisions of the Plan that apply to the Option. Such provisions are incorporated herein by this reference. The Director acknowledges receiving a copy of the Plan and reading its applicable provisions. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

**THE CORPORATION:**

**THE MACERICH COMPANY**  
a Maryland corporation

By: \_\_\_\_\_

Richard A. Bayer  
Executive Vice President, General Counsel &  
Secretary

**DIRECTOR:**

\_\_\_\_\_

**FORM OF  
EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT**

THIS AGREEMENT dated as of \_\_\_\_\_ between The Macerich Company, a Maryland corporation (the "**Corporation**") and \_\_\_\_\_ (the "**Employee**").

**WITNESSETH**

WHEREAS, as of this date, the Employee is an employee of The Macerich Partnership, L.P. (the "**Operating Partnership**" or the "**Employer**"); and

WHEREAS, pursuant to The Macerich Company 2000 Incentive Plan (the "**Plan**"), the Corporation has granted to the Employee effective as of this date (the "**Award Date**") an option to purchase all or any part of \_\_\_\_\_ authorized but unissued shares of Common Stock, \$.01 par value, of the Corporation upon the terms and conditions set forth herein and in the Plan.

NOW, THEREFORE, in consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties agree as follows:

1. *Defined Terms.* Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. *Grant of Option.* This Agreement evidences the Corporation's grant to the Employee of the right and option to purchase, on the terms and conditions set forth herein and in the Plan, all or any part of an aggregate of shares of the Common Stock at the price of \$ per share (the "Option"), exercisable from time to time, subject to the provisions of this Agreement and the Plan, prior to the close of business on the day before the tenth anniversary of the Award Date (the "Expiration Date"). Such price equals the Fair Market Value of the Corporation's Common Stock as of the Award Date.

3. *Exercisability of Option.* Except as earlier permitted by or pursuant to the Plan or by resolution of the Committee adopted *after* the date hereof, no shares may be purchased by exercise of the Option until the expiration of six months after the Award Date. The Option may be exercised in installments as to one-third of the aggregate number of shares set forth in Section 2 hereof (subject to adjustment) on and after the first anniversary of the Award Date and as to an additional one-third of such aggregate number of such shares (subject to adjustment) on each of the second and third anniversaries of the Award Date.

To the extent the Employee does not in any year purchase all or any part of the shares to which the Employee is entitled, the Employee has the right cumulatively thereafter to purchase any shares not so purchased and such right shall continue until the option terminates or expires. Fractional share interests shall be disregarded, but may be cumulated. No fewer than 100 shares may be purchased at any one time, unless the number purchased is the total number at the time available for purchase under the Option.

4. *Method of Exercise of Option.* The Option shall be exercisable by the delivery to the Corporation of a written notice stating the number of shares to be purchased pursuant to the Option and accompanied by payment made in accordance with and in a form permitted in Section 2.2(b) of the Plan for the full purchase price of the shares to be purchased, subject to such further limitations and rules or procedures as the Committee may from time to time establish as to any non-cash payment and as to the tax withholding requirements of Section 6.5 of the Plan. Shares delivered in payment of the exercise price must have been owned by Employee for at least six months prior to the exercise. In addition, the Employee (or the Employee's Beneficiary or Personal Representative) shall furnish any written statements required pursuant to Section 6.4 of the Plan.

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5. *Effect of Termination of Employment or Death; Change in Subsidiary Status.* The Option and all other rights hereunder, to the extent not exercised, shall terminate and become null and void at such time as the Employee ceases to be employed by either the Corporation or any Subsidiary, except that

- (a) if employment terminates by reason other than by death, Disability or Cause, or employment terminates because a Subsidiary ceases to be a Subsidiary, or if, following a Change in Control Event, the Employee terminates his employment for Good Reason, then the Employee may at any time within a period of three months after the date of termination of employment exercise the Option to the extent the Option was exercisable at such date;
- (b) if employment terminates by reason of a Disability, or if the Employee suffers a Disability within three months after a termination of employment under subsection (a) above, then the Employee or the Employee's Personal Representative, as the case may be, shall have twelve months after the date of Disability (or, if earlier, the termination of employment) to exercise the Option to the extent that it was exercisable on the date of termination;
- (c) if employment terminates because of the Employee's death or the Employee dies within three months after a termination of employment under subsection (a) or (b) above, then the Employee's Beneficiary may exercise, at any time within twelve months after the Employee's termination of employment, the Option to the extent that it was exercisable on the date of the Employee's termination of employment;

provided, however, that in no event may the Option be exercised by anyone under this Section or otherwise after the Expiration Date. Following the expiration of the exercise periods set forth in Section 5(a), (b) and (c), as the case may be, or the Expiration Date, whichever first occurs, the Option shall terminate. As used in this Agreement, "Disability" shall mean (1) a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code, (2) the absence of Employee from his or her duties with the Company on a full-time basis for a period of nine months as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative (such agreement as to acceptability not to be withheld unreasonably), or (3) such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include. "Incapacity" as used in this Agreement shall be limited only to a condition that substantially prevents the Employee from performing his or her duties. "Cause" as used in this Agreement shall mean that the Company, acting in good faith based upon the information then known to the Company, determines that the Employee has: (1) failed to perform required job duties in a material respect without proper cause, (2) been convicted of a felony, or (3) committed an act of fraud, dishonesty or gross misconduct which is injurious to the Company. "Good Reason" as used in this Agreement shall mean (1) a materially adverse and significant change in the Employee's position, duties, responsibilities, or status with the Company, (2) a change in the Employee's office location to a point more than 50 miles from the Employee's office immediately prior to a Change in Control, (3) the taking of any action following a Change in Control by the Company and the Operating Partnership to eliminate benefit plans without providing reasonable substitutes therefor, to reduce benefits thereunder or to substantially diminish the aggregate value of incentive awards or other fringe benefits, (4) any reduction in the Employee's base salary, or (5) any material breach by the Company and the Operating Partnership of the written employment contract with Employee, if any.

6. *Termination of Option Under Certain Events.* Notwithstanding the foregoing provisions of this Agreement, the Committee retains the right to terminate the Option under Section 6.2(b) of the Plan to the extent the Option has not been exercised or deemed exercised prior to an event or transaction which the Corporation does not survive.

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7. *Limitation on Exercise of Option.* The Employee will not be entitled to receive Common Stock upon exercise of the Option to the extent that it will cause the Employee to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit. If the Employee exercises any portion of this Option which upon delivery of the Common Stock would cause the Employee to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit, the Corporation has the right to deliver to the Employee, in lieu of Common Stock, a check or cash in the amount equal to the Fair Market Value of the Common Stock otherwise deliverable on the date of exercise (minus any amounts withheld pursuant to Section 6.5 of the Plan).

8. *Non-Transferability of Option.* The Option and any other rights of the Employee under this Agreement or the Plan are nontransferable as provided in Section 1.9 of the Plan.

9. *Notices.* Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office located at 401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401, to the attention of the Corporate Secretary and to the Employee at the address given beneath the Employee's signature hereto, or at such other address as either party may hereafter designate in writing to the other.

10. *Plan.* The Option and all rights of the Employee thereunder are subject to, and the Employee agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by this reference, to the extent such provisions are applicable to options granted to Eligible Employees. The Employee acknowledges receipt of a copy of the Plan, which is made a part hereof by this reference, and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other Sections of this Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Employee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan after the date hereof.

11. *Notice of Disposition.* The Employee agrees to notify the Corporation of any sale or other disposition of any shares of Common Stock received upon exercise of the option, if such sale or disposition occurs within two years after the Award Date or within one year after the date of such exercise.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Employee has hereunto set his or her hand.

**THE CORPORATION**

The Macerich Company  
a Maryland corporation

By \_\_\_\_\_

**EMPLOYEE**

\_\_\_\_\_

ACKNOWLEDGED:

THE MACERICH PARTNERSHIP, L.P.

By: The Macerich Company  
General Partner

By: \_\_\_\_\_

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QuickLinks

[Exhibit 10.34](#)  
[FORM OF THE MACERICH COMPANY NON-QUALIFIED STOCK OPTION AGREEMENT](#)  
[FORM OF EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT](#)

**LIST OF SUBSIDIARIES**

THE MACERICH PARTNERSHIP, L.P., a Delaware limited partnership

KITSAPARTY, a Washington non-profit organization

LAKWOOD MALL BUSINESS COMPANY, a Delaware business trust

LAKWOOD MALL FINANCE COMPANY, a Delaware corporation

MACERICH BRISTOL ASSOCIATES, a California general partnership

MACERICH BUENAVENTURA LIMITED PARTNERSHIP, a California limited partnership

MACERICH BUENAVENTURA GP CORP., a Delaware corporation

MACERICH CARMEL GP CORP, a Delaware corporation

MACERICH CARMEL LIMITED PARTNERSHIP, a California limited partnership

MACERICH CERRITOS, LLC, a Delaware limited liability company

MACERICH CERRITOS MALL CORP., a Delaware corporation

MACERICH CITADEL LIMITED PARTNERSHIP, a California limited partnership

MACERICH CITADEL GP CORP., a Delaware corporation

MACERICH CM VILLAGE GP CORP, a Delaware corporation

MACERICH CM VILLAGE LIMITED PARTNERSHIP, a California limited partnership

MACERICH EQ LIMITED PARTNERSHIP, a California limited partnership

MACERICH EQ GP CORP., a Delaware corporation

MACERICH FARGO ASSOCIATES, a California general partnership

MACERICH FAYETTEVILLE GP CORP, a Delaware corporation

MACERICH FAYETTEVILLE LIMITED PARTNERSHIP, a California limited partnership

MACERICH FRESNO LIMITED PARTNERSHIP, a California limited partnership

MACERICH FRESNO GP CORP., a Delaware corporation

MACERICH GREAT FALLS LIMITED PARTNERSHIP, a California limited partnership

MACERICH GREAT FALLS GP CORP., a Delaware corporation

MACERICH GREELEY ASSOCIATES, a California general partnership

MACERICH HUNTINGTON LIMITED PARTNERSHIP, a California limited partnership

MACERICH HUNTINGTON GP CORP., a Delaware corporation

MACERICH LAKEWOOD, LLC, a Delaware limited liability company

MACERICH LUBBOCK GP CORP, a Delaware corporation

MACERICH LUBBOCK LIMITED PARTNERSHIP, a California limited partnership

MACERICH MANAGEMENT COMPANY, a California corporation

MACERICH MANHATTAN LIMITED PARTNERSHIP, a California limited partnership

MACERICH MANHATTAN GP CORP., a Delaware corporation

MACERICH MANHATTAN MANAGEMENT COMPANY, a California corporation

MACERICH MARINA LIMITED PARTNERSHIP, a California limited partnership



MACERICH MARINA GP CORP., a Delaware corporation

MACERICH MERCHANTWIRED LLC, a Delaware limited liability company

MACERICH NORTHWESTERN ASSOCIATES, a California general partnership

MACERICH OKLAHOMA LIMITED PARTNERSHIP, a California limited partnership

MACERICH OKLAHOMA GP CORP., a Delaware corporation

MACERICH OXNARD, LLC, a Delaware limited liability company

MACERICH PPR CORP, a Maryland corporation

MACERICH PROPERTY EQ GP CORP., a Delaware corporation

MACERICH PROPERTY MANAGEMENT COMPANY, a California corporation

MACERICH QUEENS ADJACENT GP CORP., a Delaware corporation

MACERICH QUEENS ADJACENT GUARANTOR GP CORP., a Delaware corporation

MACERICH QUEENS ADJACENT LIMITED PARTNERSHIP, a California limited partnership

MACERICH QUEENS LIMITED PARTNERSHIP, a California limited partnership

MACERICH QUEENS EXPANSION, LLC, a Delaware limited liability company

MACERICH QUEENS GP CORP., a Delaware corporation

MACERICH RIMROCK GP CORP., a Delaware corporation

MACERICH RIMROCK LIMITED PARTNERSHIP, a California limited partnership

MACERICH SCG FUNDING GP CORP., a Delaware corporation

MACERICH SCG FUNDING LIMITED PARTNERSHIP, a California limited partnership

MACERICH SCG GP CORP., a Delaware corporation

MACERICH SCG HOLDINGS LIMITED PARTNERSHIP, a California limited partnership

MACERICH SCG LIMITED PARTNERSHIP, a Maryland limited partnership

MACERICH SANTA MONICA LLC, a Delaware limited liability company

MACERICH SANTA MONICA PLACE CORP., a Delaware corporation

MACERICH SASSAFRAS GP CORP., a Delaware corporation

MACERICH SASSAFRAS LIMITED PARTNERSHIP, a California limited partnership

MACERICH SOUTH TOWNE GP CORP., a Delaware corporation

MACERICH SOUTH TOWNE LIMITED PARTNERSHIP, a California limited partnership

MACERICH ST MARKETPLACE GP CORP., a Delaware corporation

MACERICH ST MARKETPLACE LIMITED PARTNERSHIP, a California limited partnership

MACERICH STONEWOOD CORP., a Delaware corporation

MACERICH STONEWOOD GP CORP., a Delaware corporation

MACERICH STONEWOOD LIMITED PARTNERSHIP, a California limited partnership

MACERICH STONEWOOD LLC, a Delaware limited liability company

MACERICH VALLEY VIEW ADJACENT GP CORP., a Delaware corporation

MACERICH VALLEY VIEW ADJACENT LIMITED PARTNERSHIP, a California limited partnership

MACERICH VALLEY VIEW GP CORP., a Delaware corporation

MACERICH VALLEY VIEW LIMITED PARTNERSHIP, a California limited partnership

MACERICH VINTAGE FAIRE GP CORP., a Delaware corporation

MACERICH VINTAGE FAIRE LIMITED PARTNERSHIP, a California limited partnership

MACERICH WESTSIDE ADJACENT GP CORP., a Delaware corporation

MACERICH WESTSIDE ADJACENT LIMITED PARTNERSHIP, a California limited partnership

MACERICH WESTSIDE GP CORP, a Delaware corporation

MACERICH WESTSIDE LIMITED PARTNERSHIP, a California limited partnership

MANHATTAN VILLAGE, LLC, a California limited liability company

NORTHGATE MALL ASSOCIATES, a California general partnership

NORTH VALLEY PLAZA ASSOCIATES, a California general partnership

PACIFIC PREMIER RETAIL TRUST, a Maryland real estate investment trust

PANORAMA CITY ASSOCIATES, a California general partnership

PPR ALBANY PLAZA LLC, a Delaware limited liability company

PPR CASCADE LLC, a Delaware limited liability company

PPR CREEKSIDE CROSSING LLC, a Delaware limited liability company

PPR CROSS COURT LLC, a Delaware limited liability company

PPR EASTLAND PLAZA LLC, a Delaware limited liability company

PPR KITSAP MALL LLC, a Delaware limited liability company

PPR KITSAP PLACE LLC, a Delaware limited liability company

PPR LAKEWOOD ADJACENT, LLC, a Delaware limited liability company

PPR NORTH POINT LLC, a Delaware limited liability company

PPR REDMOND DEVELOPMENT LLC, a Delaware limited liability company

PPR REDMOND OFFICE LLC, a Delaware limited liability company

PPR REDMOND RETAIL LLC, a Delaware limited liability company

PPR SQUARE TOO LLC, a Delaware limited liability company

PPR WASHINGTON SQUARE LLC, a Delaware limited liability company

PPRT LAKEWOOD MALL CORP., a Delaware corporation

SOUTHRIDGE ADJACENT LLC, a Delaware limited liability company

SDG MACERICH PROPERTIES, L.P., a Delaware limited partnership

SM PORTFOLIO LIMITED PARTNERSHIP, a Delaware limited partnership

WEST ACRES DEVELOPMENT, a North Dakota general partnership

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We consent to the incorporation by reference in the registration statements of The Macerich Company on Form S-3 (File No. 333-21157), Form S-3 (File No. 333-38721), Form S-3 (File No. 333-80129) and Form S-8 of our reports dated February 13, 2001, on our audits of the consolidated financial statements and financial statement schedule of The Macerich Company as of December 31, 2000 and 1999 and for the three years ended December 31, 2000 and of Pacific Premier Retail Trust as of December 31, 2000 and 1999 and for the year ended December 31, 2000 and for the the period from February 18, 1999 (Inception) to December 31, 1999, which appear in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP  
Los Angeles, California  
March 26, 2001

**CONSENT OF INDEPENDENT AUDITORS**

The Partners  
SDG Macerich Properties, L.P.  
and  
The Board of Directors  
The Macerich Company

We consent to the incorporation by reference in the registration statements of The Macerich Company on Form S-3 (File No. 333-21157), Form S-3 (File No. 333-38721) Form S-3 (File No. 333-80129) and Form S-8 of our report dated February 9, 2001, relating to the balance sheets of SDG Macerich Properties, L.P. as of December 31, 2000 and 1999, and the related consolidated statements of operations, cash flows, and partners' equity for each of the years in the three year period ended December 31, 2000, and the related schedule, which report appears in the December 31, 2000 Annual Report on Form 10-K of The Macerich Company. Our report refers to a change in the method of accounting for overage rent in 2000.

KPMG LLP  
Indianapolis, Indiana  
March 26, 2001