

THE MACERICH COMPANY (The Company)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR QUARTER ENDED JUNE 30, 2003

COMMISSION FILE NO. 1-12504

THE MACERICH COMPANY

(Exact Name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation
or organization)

95-4448705

(I.R.S. Employer Identification Number)

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

(Address of principal executive office, including zip code)

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

N/A

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

Number of shares outstanding of the registrant's common stock, as of August 7, 2003

Common Stock, par value \$.01 per share: 52,595,790 shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or such shorter period that the Registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety (90) days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

YES NO

THE MACERICH COMPANY (The Company)

Form 10-Q

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THE MACERICH COMPANY (The Company)

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

	June 30, 2003	December 31, 2002
ASSETS		
Property, net	\$ 3,035,130	\$ 2,842,177
Cash and cash equivalents	79,713	53,559
Tenant receivables, including accrued overage rents of \$347 in 2003 and \$4,846 in 2002	53,704	47,741
Deferred charges and other assets, net	66,283	71,547
Loans to unconsolidated joint ventures	33,546	28,533
Due from affiliates	—	1,318
Investments in unconsolidated joint ventures and the management companies	561,715	617,205
Total assets	<u>3,830,091</u>	<u>3,662,080</u>
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY:		
Mortgage notes payable:		
Related parties	\$ 105,779	\$ 80,214
Others	1,819,267	1,662,894
Total	<u>1,925,046</u>	<u>1,743,108</u>
Bank notes payable	523,800	548,800
Accounts payable and accrued expenses	31,511	30,555
Due to affiliates	15,833	—
Other accrued liabilities	77,775	67,791
Preferred stock dividend payable	5,195	5,195
Total liabilities	<u>2,579,160</u>	<u>2,395,449</u>
Minority interest	<u>211,532</u>	<u>221,497</u>
Commitments and contingencies (Note 9)		
Series A cumulative convertible redeemable preferred stock, \$.01 par value, 3,627,131 shares authorized, issued and outstanding at June 30, 2003 and December 31, 2002	98,934	98,934
Series B cumulative convertible redeemable preferred stock, \$.01 par value, 5,487,471 shares authorized, issued and outstanding at June 30, 2003 and December 31, 2002	148,402	148,402
	<u>247,336</u>	<u>247,336</u>
Common stockholders' equity:		
Common stock, \$.01 par value, 145,000,000 shares authorized 51,931,259 and 51,490,929 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	518	514
Additional paid-in capital	848,820	835,900
Accumulated deficit	(36,245)	(23,870)
Accumulated other comprehensive loss	(3,742)	(4,811)
Unamortized restricted stock	(17,288)	(9,935)
Total common stockholders' equity	<u>792,063</u>	<u>797,798</u>
Total liabilities, preferred stock and common stockholders' equity	<u>\$ 3,830,091</u>	<u>\$ 3,662,080</u>

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)

	Six Months Ended June 30,	
	2003	2002
REVENUES:		
Minimum rents	\$ 145,167	\$ 97,723
Percentage rents	2,971	2,288
Tenant recoveries	76,655	51,380
Other	7,877	4,667
Total revenues	<u>232,670</u>	<u>156,058</u>
EXPENSES:		
Shopping center and operating expenses	81,243	53,353
REIT general and administrative expenses	6,020	3,544
	<u>87,263</u>	<u>56,897</u>
Interest expense:		
Related parties	2,831	2,899
Others	64,158	47,260
Total interest expense	<u>66,989</u>	<u>50,159</u>
Depreciation and amortization	48,489	33,635
Equity in income of unconsolidated joint ventures and the management companies	29,607	5,406
Gain (loss) on sale of assets	8,794	(3,701)
Income of the Operating Partnership from continuing operations before minority interest	<u>68,330</u>	<u>17,072</u>
Discontinued operations:		
Gain on sale of asset	2,759	13,916
Income from discontinued operations	—	292
Income before minority interest	<u>71,089</u>	<u>31,280</u>
Less: Minority interest	12,699	5,180
Net income	<u>58,390</u>	<u>26,100</u>
Less: Preferred dividends	10,391	10,026
Net income available to common stockholders	<u>\$ 47,999</u>	<u>\$ 16,074</u>
Earnings per common share - basic:		
Income from continuing operations	\$ 0.89	\$ 0.15
Discontinued operations	0.04	0.30
Net income per share available to common stockholders	<u>\$ 0.93</u>	<u>\$ 0.45</u>
Weighted average number of common shares outstanding - basic	<u>51,733,000</u>	<u>35,498,000</u>
Earnings per common share - diluted:		
Income from continuing operations	\$ 0.88	\$ 0.15
Discontinued operations	0.04	0.30
Net income per share available to common stockholders	<u>\$ 0.92</u>	<u>\$ 0.45</u>
Weighted average number of common shares outstanding - diluted	<u>65,915,000</u>	<u>46,651,000</u>

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

THE MACERICH COMPANY (The Company)

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

	Three Months Ended June 30,	
	2003	2002
REVENUES:		
Minimum rents	\$ 73,029	\$ 49,587
Percentage rents	1,261	991
Tenant recoveries	39,638	26,313
Other	3,784	2,217
Total revenues	<u>117,712</u>	<u>79,108</u>
EXPENSES:		
Shopping center and operating expenses	41,881	27,654
REIT general and administrative expenses	3,684	2,012
	<u>45,565</u>	<u>29,666</u>
Interest expense:		
Related parties	1,416	1,454
Others	31,565	23,582
Total interest expense	<u>32,981</u>	<u>25,036</u>
Depreciation and amortization	24,575	17,126
Equity in income (loss) of unconsolidated joint ventures and the management companies	15,141	(900)
Gain (loss) on sale of assets	8,794	(2,533)
Income of the Operating Partnership from continuing operations before minority interest	<u>38,526</u>	<u>3,847</u>
Discontinued operations:		

Gain (loss) on sale of asset	2,797	(508)
Income from discontinued operations	—	4
Income before minority interest	41,323	3,343
Less: Minority interest	7,554	(393)
Net income	33,769	3,736
Less: Preferred dividends	5,195	5,013
Net income (loss) available to common stockholders	\$ 28,574	(\$1,277)
Earnings per common share - basic:		
Income (loss) from continuing operations	\$ 0.51	(\$0.03)
Discontinued operations	0.04	(0.01)
Net income (loss) per share available to common stockholders	\$ 0.55	(\$0.04)
Weighted average number of common shares outstanding - basic	51,874,000	36,241,000
Earnings per common share - diluted:		
Income (loss) from continuing operations	\$ 0.50	(\$0.03)
Discontinued operations	0.05	(0.01)
Net income (loss) per share available to common stockholders	\$ 0.55	(\$0.04)
Weighted average number of common shares outstanding - diluted	66,088,000	47,393,000

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

THE MACERICH COMPANY (The Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the six months ended June 30,	
	2003	2002
Cash flows from operating activities		
Net income-available to common stockholders	\$ 47,999	\$ 16,074
Preferred dividends	10,391	10,026
Net income	58,390	26,100
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on sale of assets	(8,794)	3,701
Discontinued operations gain on sale of assets	(2,759)	(13,916)
Depreciation and amortization	48,489	33,750
Amortization of net (premium) discount on trust deed note payable	(1,121)	17
Minority interest	12,699	5,180
Changes in assets and liabilities, net of acquisitions/dispositions:		
Tenant receivables, net	(5,706)	7,975
Other assets	5,213	(691)
Accounts payable and accrued expenses	(3,011)	(4,711)
Due to affiliates	17,153	10,159
Other liabilities	3,873	(2,234)
Total adjustments	66,036	39,230
Net cash provided by operating activities	124,426	65,330
Cash flows from investing activities		
Acquisitions of property and property improvements	(2,381)	(159,649)
Development, redevelopment and expansion of centers	(64,469)	(13,058)
Renovations of centers	(4,757)	(1,066)
Tenant allowances	(2,437)	(4,705)
Deferred leasing charges	(7,375)	(6,254)
Equity in income of unconsolidated joint ventures and the management companies	(29,607)	(5,406)
Distributions from joint ventures	44,864	29,232
Contributions to joint ventures	(33,890)	(6,285)
Acquisitions of joint ventures	(68,320)	-
Loans to unconsolidated joint ventures	(5,010)	—
Proceeds from sale of assets	82,765	23,817
Net cash used in investing activities	(90,617)	(143,374)
Cash flows from financing activities		
Proceeds from mortgages and notes payable	351,876	124,000
Payments on mortgages and notes payable	(296,123)	(6,762)
Deferred financing costs	(2,623)	(1,809)
Net proceeds from equity offerings	—	51,963
Dividends and distributions	(50,394)	(46,187)
Dividends to preferred stockholders	(10,391)	(10,026)
Net cash (used in) provided by financing activities	(7,655)	111,179
Net increase in cash	26,154	33,135
Cash and cash equivalents, beginning of period	53,559	26,470
Cash and cash equivalents, end of period	\$ 79,713	\$ 59,605
Supplemental cash flow information:		
Cash payment for interest, net of amounts capitalized	\$ 69,330	\$ 50,625
Non-cash transactions:		

Acquisition of property by assumption of joint venture debt	\$ 180,000	—
Reclassification from investments in joint ventures to property	\$ 65,115	—
Reclassification from property to investments in joint ventures	\$ 113,603	—
Reclassification from debt to investments in joint ventures	\$ 69,557	—

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

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THE MACERICH COMPANY (The Company)

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

1. Interim Financial Statements and Basis of Presentation:

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

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2002. In the opinion of management, all adjustments, (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results for interim periods are not necessarily indicative of the results to be expected for a full year. The accompanying consolidated balance sheet as of December 31, 2002 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the 2003 financial statement presentation.

Accounting Pronouncements:

As a result of the adoption of Statement of Financial Accounting Standard (“SFAS”) 133 on January 1, 2001, the Company recorded a transition adjustment of \$7,148 to accumulated other comprehensive income related to treasury rate lock transactions settled in prior years. The entire transition adjustment was reflected in the quarter ended March 31, 2001. The Company reclassified \$659 and \$659 for the six months ending June 30, 2003 and 2002, respectively, and expects to reclassify \$1,328 from accumulated other comprehensive income to earnings for the year ended December 31, 2003. Additionally, the Company recorded other comprehensive income of \$410 related to the mark to market of an interest rate swap agreement for the six months ended June 30, 2003.

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On July 1, 2001, the Company adopted SFAS No. 141, “Business Combinations” (“SFAS 141”). SFAS 141 requires that the purchase method of accounting be used for all business combinations for which the date of acquisition is after June 30, 2001. SFAS 141 also establishes specific criteria for the recognition of intangible assets such as acquired in-place leases. The Company has determined that the impact of SFAS 141 on acquisitions that occurred during 2002 was to recognize for the six and three months ending June 30, 2003 an additional \$2,386 and \$1,311 of minimum rents, including \$732 and \$308 from the joint ventures at pro rata, respectively. A deferred credit of \$14,509 is recorded in “Other Accrued Liabilities” of the Company. An additional \$3,972 of deferred credits is recorded in the financial statements of the Company’s unconsolidated joint ventures. Accordingly, these deferred credits will be amortized into rental revenues at approximately \$3,448 and \$1,037 per year respectively, for each of the next five years.

In October 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of” (“SFAS 121”). SFAS 144 establishes a single accounting model, based on the framework established in SFAS 121, for long-lived assets to be disposed of by sale. The Company adopted SFAS 144 on January 1, 2002. The Company sold Boulder Plaza on March 19, 2002 and in accordance with SFAS 144, the results of Boulder Plaza for the periods from January 1, 2002 to March 19, 2002 have been reclassified into “discontinued operations” on the consolidated statements of operations. Total revenues associated with Boulder Plaza were \$470 for the period January 1, 2002 to March 19, 2002. The Company sold Paradise Village Gateway, which was acquired on July 26, 2002, on January 2, 2003 and has recorded a loss on sale of \$166 in “discontinued operations” for the three months ending March 31, 2003. Additionally, a gain of \$2,788 from the sale of the Shops at Gainey Village on June 6, 2003, which was acquired on July 26, 2002, has been reclassified to discontinued operations for the six months ending June 30, 2003.

In May 2002, the FASB issued SFAS No. 145, “Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections” (“SFAS 145”), which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS 4, SFAS 44 and SFAS 64 and amends SFAS 13 to modify the accounting for sales-leaseback transactions. SFAS 4 required the classification of gains and losses resulting from extinguishment of debt to be classified as extraordinary items. The Company reclassified a loss of \$3,605, which was incurred in the third and fourth quarters of 2002, from extraordinary items to continuing operations pursuant to the Company’s adoption of SFAS 145 on January 1, 2003.

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In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have any impact on the Company’s consolidated financial statements for the six months ending June 30, 2003.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, and amendment of FASB Statement No. 123" ("SFAS No. 148"). SFAS No. 148 amended SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for employee stock-based compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in annual and interim financial statements about the method of accounting for stock-based compensation and its effect on reported results. The disclosure provisions of SFAS No. 148 are included in the accompanying Notes to Consolidated Financial Statements. Prior to the issuance of SFAS No. 148, the Company adopted the provisions of SFAS No. 123 and will prospectively expense all stock options issued subsequent to January 1, 2002. The Company did not issue any stock options to employees for the six months ending June 30, 2003 and 2002 and accordingly, no compensation expense has been recorded in either period.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and clarifies the need for a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has reviewed the provisions of this Interpretation relating to initial recognition and measurement of guarantor liabilities, which are effective for qualifying guarantees entered into or modified after December 31, 2002. The Company has not modified or entered into any new qualifying guarantees during the six months ending June 30, 2003.

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In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51." FIN 46 addresses consolidation by business enterprises of variable interest entities, which have one or both of the following characteristics: 1) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity, and 2) the equity investors lack an essential characteristic of a controlling financial interest. The Company is in the process of evaluating the effects of FIN 46 which may require the Company to consolidate Macerich Management Company ("MMC") effective July 1, 2003. The Company does not believe there will be any significant impact as a result of consolidating MMC, since MMC is currently accounted for under the equity method in the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company does not expect the adoption of this pronouncement to have a material impact on its financial position or results of operations.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. Financial instruments within the scope of the pronouncement include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003. The Company does not expect the adoption of the pronouncement to have a material impact on its financial position or results of operations.

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 six months ending June 30, 2003 and 2002. The computation of diluted earnings per share does not include the effect of outstanding restricted stock issued under the employee and director stock incentive plans as they are antidilutive using the treasury method. The Operating Partnership units ("OP units") not held by the Company have been included in the diluted EPS calculation since they are redeemable on a one-for-one basis for shares of common stock. The following table reconciles the basic and diluted earnings per share calculation:

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	For the six months ended June 30,					
	2003			2002		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
	(In thousands, except per share data)			(In thousands, except per share data)		
Net income	\$ 58,390			\$ 26,100		
Less: Preferred stock dividends	10,391			10,026		
Basic EPS:						
Net income available to common stockholders	\$ 47,999	51,733	\$ 0.93	\$ 16,074	35,498	\$ 0.45
Diluted EPS:						
Conversion of OP units	12,699	13,713		5,180	11,153	
Employee stock options	—	469		n/a - antidilutive for EPS		
Restricted stock	n/a - antidilutive for EPS			n/a - antidilutive for EPS		
Convertible preferred stock	n/a - antidilutive for EPS			n/a - antidilutive for EPS		
Convertible debentures	n/a - antidilutive for EPS			n/a - antidilutive for EPS		
Net income available to common stockholders	\$ 60,698	65,915	\$ 0.92	\$ 21,254	46,651	\$ 0.45
	For the three months ended June 30,					
	2003			2002		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
	(In thousands, except per share data)			(In thousands, except per share data)		
Net income	\$ 33,769			\$ 3,736		
Less: Preferred stock dividends	5,195			5,013		

Basic EPS:

Net income available to common stockholders	\$	28,574	51,874	\$	0.55	(\$1,277)	36,241	(\$0.04)
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Diluted EPS:

Conversion of OP units	7,554	13,712	(393)	11,152
Employee stock options	—	502	n/a - antidilutive for EPS	
Restricted stock	n/a - antidilutive for EPS		n/a - antidilutive for EPS	
Convertible preferred stock	n/a - antidilutive for EPS		n/a - antidilutive for EPS	
Convertible debentures	n/a - antidilutive for EPS		n/a - antidilutive for EPS	

Net income available to common stockholders	\$	36,128	66,088	\$	0.55	(\$1,670)	47,393	(\$0.04)
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The minority interest for the six and three months ending June 30, 2003 of \$12,699 and \$7,554, respectively, has been allocated to income from continuing operations of \$12,122 and \$6,969 and \$577 and \$585, respectively to discontinued operations. The minority interest for the six and three months ending June 30, 2002 of \$5,180 and (\$393), respectively has been allocated to income from continuing operations of \$3,279 and (\$234), respectively and \$1,901 and (\$159) respectively, to discontinued operations.

2. Organization:

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owned or had a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). As of June 30, 2003, The Operating Partnership owns or has an ownership interest in 56 regional shopping centers, 19 community shopping centers and two development projects aggregating approximately 57 million square feet of gross leasable area ("GLA"). These 77 regional and community shopping centers and development projects are referred to hereinafter as the "Centers", unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Company's management companies, Macerich Property Management Company, LLC, ("MPMC, LLC") a single-member Delaware limited liability company, Macerich Management Company, a California corporation, Westcor Partners, LLC, a single member Arizona limited liability company, Macerich Westcor Management, LLC, a single member Delaware limited liability company and Westcor Partners of Colorado, LLC, a Colorado limited liability company (collectively, the "Westcor Management Companies"). The term "Macerich Management Companies" includes Macerich Management Company and Macerich Manhattan Management Company, a California corporation which has been dissolved and was a wholly-owned subsidiary of Macerich Management Company.

The Company was organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended. As of June 30, 2003, the 18% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these financial statements as minority interest.

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

The following are the Company's investments in various joint ventures. The Operating Partnership's interest in each joint venture as of June 30, 2003 is as follows:

<u>Joint Venture</u>	<u>The Operating Partnership's Ownership %</u>
Macerich Northwestern Associates	50%
Pacific Premier Retail Trust	51%
SDG Macerich Properties, L.P.	50%
Corte Madera Village, LLC	50.1%
West Acres Development	19%
<u>Westcor Portfolio:</u>	
Regional Malls:	
Arrowhead Towne Center	33.3%
Desert Sky Mall	50%
Scottsdale Fashion Square	50%
Superstition Springs Center	33.3%
Other Properties/Affiliated Companies:	
Arrowhead Festival	5%
Camelback Colonnade	75%
Chandler Festival	50%
Chandler Gateway	50%
Chandler Village Center	50%
East Mesa Land	50%
Hilton Village	50%
Jaren Associates 4	25%
Lee West	50%
Lee West II	50%
Paradise Village Investment Co.	50%
Promenade	50%
Propcor Associates	25%

Propcor II – Boulevard Shops	50%
RLR/WV1	50%
Scottsdale/101 Associates	46%
Westcor/Gilbert	50%
Westcor/Goodyear	50%

The Operating Partnership also owns all of the non-voting preferred stock of Macerich Management Company, which is generally entitled to dividends equal to 95% of the net cash flow of the Company. Macerich Manhattan Management Company, which has been dissolved, was a wholly owned subsidiary of Macerich Management Company. MPMC, LLC is a single-member Delaware limited liability company and is 100% owned by the Operating Partnership.

The Company accounts for the Macerich Management Companies and joint ventures using the equity method of accounting. The Company consolidates the accounts for MPMC, LLC.

Although the Company has a majority ownership interest in Pacific Premier Retail Trust, Camelback Colonnade and Corte Madera Village, LLC, the Company shares management control with its joint venture partner and accounts for these joint ventures using the equity method of accounting.

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

MerchantWired LLC was formed by six major mall companies, including the 9.6% interest owned by the Operating Partnership, to provide a private, high-speed IP network to malls across the United States. The members of MerchantWired LLC agreed to sell all their collective membership interests in MerchantWired LLC under the terms of a definitive agreement with Transaction Network Services, Inc. (“TNSI”). The transaction was expected to close in the second quarter of 2002, but TNSI unexpectedly informed the members of MerchantWired LLC that it would not complete the transaction. As a result, MerchantWired LLC shut down its operations and transitioned its customers to alternate service providers. The Company does not anticipate making further cash contributions to MerchantWired LLC and wrote-off its remaining investment of \$8,947 in the three months ended June 30, 2002, which is reflected in the equity in income of unconsolidated joint ventures.

On July 26, 2002, the Operating Partnership acquired Westcor Realty Limited Partnership and its affiliated companies (“Westcor”), which included the joint ventures noted in the above schedule. Westcor is the dominant owner, operator and developer of regional malls and specialty retail assets in the greater Phoenix area. The total purchase price was approximately \$1,475,000 including the assumption of \$733,000 in existing debt and the issuance of

approximately \$72,000 of convertible preferred operating partnership units at a price of \$36.55 per unit. Additionally, \$18,910 of partnership units of Westcor Realty Limited Partnership were issued to limited partners of Westcor which, subject to certain conditions, can be converted on a one for one basis into operating partnership units of the Operating Partnership. The balance of the purchase price was paid in cash which was provided primarily from a \$380,000 interim loan, which was subsequently paid in full in 2002, and a \$250,000 term loan with a maturity of up to three years with two one-year extension options and with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company’s overall leverage level. The results of Westcor are included for the period subsequent to its date of acquisition on July 26, 2002.

On November 8, 2002, the Company purchased its joint venture partner’s interest in Panorama City Associates for \$23,700. Accordingly, the Company now owns 100% of Panorama City Associates which owns Panorama Mall in Panorama, California. The results of Panorama Mall prior to November 8, 2002 were accounted for using the equity method of accounting.

On January 31, 2003, the Company purchased its joint venture partner’s 50% interest in FlatIron Crossing. Accordingly, the Company now owns 100% of FlatIron Crossing. The purchase price consisted of approximately \$68,300 in cash plus the assumption of the joint venture partners share of debt. The results of FlatIron Crossing prior to January 31, 2003 were accounted for using the equity method of accounting.

On May 15, 2003, the Company sold 49.9% of its partnership interest in the Village at Corte Madera for \$65,868, plus the assumption of a proportionate amount of the partnership debt in the amount of \$34,709. The Company is retaining a 50.1% partnership interest and will continue leasing and managing the asset. Effective May 16, 2003, the Company is accounting for this property under the equity method of accounting.

On June 6, 2003, the Shops at Gainey Village, a 138,000 square foot Phoenix area specialty center, was sold for \$55,724. The Company which owned 50% of this property, received total proceeds of \$15,816 and recorded a gain on sale of \$2,788.

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

**COMBINED AND CONDENSED BALANCE SHEETS OF UNCONSOLIDATED JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES**

	June 30, 2003	December 31, 2002
Assets:		
Properties, net	\$ 3,330,387	\$ 3,577,093
Other assets	101,710	95,085
Total assets	<u>\$ 3,432,097</u>	<u>\$ 3,672,178</u>

Liabilities and partners' capital:			
Mortgage notes payable	\$	2,086,800	\$ 2,216,797
Other liabilities		101,785	118,331
The Company's capital(1)		570,725	617,205
Outside partners' capital		672,787	719,845
Total liabilities and partners' capital	\$	3,432,097	\$ 3,672,178

(1) The Company's investment in joint ventures is \$9,010 less than the underlying equity as reflected in the joint ventures financial statements. The difference results from a step-up in basis at the joint venture level. The Company will amortize this difference into income on a straight line basis over 39 years.

**COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES**

	Six Months Ended June 30, 2003					Total
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Westcor Joint Ventures	Other Joint Ventures	Macerich Management Companies	
Revenues:						
Minimum rents	\$ 45,644	\$ 52,764	\$ 51,843	\$ 11,064	—	\$ 161,315
Percentage rents	1,949	1,806	395	568	—	4,718
Tenant recoveries	22,862	20,624	20,248	4,139	—	67,873
Management fee	—	—	—	—	\$ 5,526	5,526
Other	1,435	1,032	1,552	436	370	4,825
Total revenues	71,890	76,226	74,038	16,207	5,896	244,257
Expenses:						
Management Company expense	—	—	—	—	2,966	2,966
Shopping center and operating expenses	27,818	22,217	24,072	4,543	—	78,650
Interest expense	14,062	23,724	15,323	4,638	—	57,747
Depreciation and amortization	13,309	12,249	17,038	1,939	1,300	45,835
Total operating expenses	55,189	58,190	56,433	11,120	4,266	185,198
(Loss) gain on sale or write-down of assets	(463)	73	3,470	—	—	3,080
Net income	\$ 16,238	\$ 18,109	\$ 21,075	\$ 5,087	\$ 1,630	\$ 62,139
Company's pro rata share of net income	\$ 8,119	\$ 9,236	\$ 8,895	\$ 1,809	\$ 1,548	\$ 29,607

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**COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES**

	Six Months Ended June 30, 2002				Total
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Macerich Management Companies	
Revenues:					
Minimum rents	\$ 45,987	\$ 50,906	\$ 11,573	—	\$ 108,466
Percentage rents	1,634	1,471	545	—	3,650
Tenant recoveries	20,896	18,621	4,004	—	43,521
Management fee	—	—	—	\$ 4,421	4,421
Other	613	844	6,241	—	7,698
Total revenues	69,130	71,842	22,363	4,421	167,756
Expenses:					
Management Company expense	—	—	—	3,934	3,934
Shopping center and operating expenses	26,314	21,119	10,967	—	58,400
Interest expense	15,052	24,206	5,785	—	45,043
Depreciation and amortization	12,765	11,880	7,356	734	32,735
Total operating expenses	54,131	57,205	24,108	4,668	140,112
Gain (loss) on sale or write-down of assets (1)	12	—	(106,868)	(33)	(106,889)
Net income (loss)	\$ 15,011	\$ 14,637	\$ (108,613)	\$ (280)	\$ (79,245)
Company's pro rata share of net income (loss)	\$ 7,506	\$ 7,443	\$ (9,277)	\$ (266)	\$ 5,406

(1) In 2002, \$106.2 million of the loss in Other Joint Ventures relates to MerchantWired, LLC.

**COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES**

	Three Months Ended June 30, 2003				Total
	SDG Macerich	Pacific Premier	Westcor Joint Ventures	Other Joint Ventures	

	Properties, L.P.	Retail Trust			Companies	
Revenues:						
Minimum rents	\$ 23,091	\$ 26,314	\$ 24,155	\$ 6,189	—	\$ 79,749
Percentage rents	584	752	153	372	—	1,861
Tenant recoveries	11,735	10,993	9,535	2,266	—	34,529
Management fee	—	—	—	—	\$ 2,806	2,806
Other	744	565	1,264	247	(7)	2,813
Total revenues	36,154	38,624	35,107	9,074	2,799	121,758
Expenses:						
Management Company expense	—	—	—	—	872	872
Shopping center and operating expenses	13,638	11,467	11,646	2,506	—	39,257
Interest expense	6,707	11,838	7,400	2,666	—	28,611
Depreciation and amortization	6,668	6,192	7,872	1,094	658	22,484
Total operating expenses	27,013	29,497	26,918	6,266	1,530	91,224
(Loss) gain on sale or write-down of assets	(564)	73	2,677	—	—	2,186
Net income	\$ 8,577	\$ 9,200	\$ 10,866	\$ 2,808	\$ 1,269	\$ 32,720
Company's pro rata share of net income	\$ 4,288	\$ 4,704	\$ 3,905	\$ 1,040	\$ 1,204	\$ 15,141

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**COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MACERICH MANAGEMENT COMPANIES**

	Three Months Ended June 30, 2002				
	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Other Joint Ventures	Macerich Management Companies	Total
Revenues:					
Minimum rents	\$ 23,270	\$ 25,632	\$ 5,866	—	\$ 54,768
Percentage rents	419	557	321	—	1,297
Tenant recoveries	10,566	9,242	2,098	—	21,906
Management fee	—	—	—	\$ 2,249	2,249
Other	317	410	1,995	—	2,722
Total revenues	34,572	35,841	10,280	2,249	82,942
Expenses:					
Management Company expense	—	—	—	2,041	2,041
Shopping center and operating expenses	13,453	10,588	2,530	—	26,571
Interest expense	7,505	12,102	2,023	—	21,630
Depreciation and amortization	6,363	6,044	1,007	429	13,843
Total operating expenses	27,321	28,734	5,560	2,470	64,085
Gain (loss) on sale or write-down of assets (1)	12	—	(92,807)	(33)	(92,828)
Net income (loss)	\$ 7,263	\$ 7,107	\$ (88,087)	\$ (254)	\$ (73,971)
Company's pro rata share of net income (loss)	\$ 3,632	\$ 3,612	\$ (7,903)	\$ (241)	\$ (900)

(1) In 2002, \$92.8 million of the loss in Other Joint Ventures relates to MerchantWired, LLC.

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

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of \$150,809 and \$153,147 as of June 30, 2003 and December 31, 2002, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to \$5,059 and \$5,217 for the six months ended June 30, 2003 and 2002, respectively; and \$2,529 and \$2,614 for the three months ended June 30, 2003 and 2002, respectively.

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4. Property:

Property is summarized as follows:

	June 30, 2003	December 31, 2002
Land	\$ 523,455	\$ 531,099
Building improvements	2,635,116	2,489,041
Tenant improvements	77,491	75,103
Equipment and furnishings	23,825	22,895

Construction in progress	202,886	133,536
	3,462,773	3,251,674
Less, accumulated depreciation	(427,643)	(409,497)
	<u>\$ 3,035,130</u>	<u>\$ 2,842,177</u>

On January 2, 2003, the Company sold its 67% interest in Paradise Village Gateway for approximately \$29,400 and recorded a loss on sale of \$0.2 million. On January 31, 2003, the Company purchased its joint venture partner's 50% interest in FlatIron Crossing. Accordingly, the Company now owns 100% of FlatIron Crossing. The purchase price consisted of approximately \$68,320 in cash plus the assumption of the joint venture partner's share of debt of \$90,000. On May 15, 2003, the Company sold 49.9% of its partnership interest in the Village at Corte Madera for \$65,868 and the assumption of a proportionate share of debt in the amount of \$34,709. This sale resulted in the Company recording a gain on sale of \$8,794. Additionally, the Company has recorded a gain of \$0.1 million on the sale of peripheral land for the six months ending June 30, 2003.

A gain on sale of assets of \$13,916 for the six months ending June 30, 2002 is primarily a result of the Company selling Boulder Plaza on March 19, 2002.

5. Mortgage Notes Payable:

Mortgage notes payable at June 30, 2003 and December 31, 2002 consist of the following:

Debt premiums represent the excess of the fair value of debt over the principal value of debt assumed in various acquisitions subsequent to March, 1994 (with interest rates ranging from 3.81% to 6.26%). The debt premiums are being amortized into interest expense over the term of the related debt on a straight-lined basis, which approximates the effective interest method. The balances shown below include the unamortized premiums as of June 30, 2003 and December 31, 2002.

Property Pledged as Collateral	Carrying Amount of Notes				Interest Rate	Payment Terms	Maturity Date
	2003		2002				
	Other	Related Party	Other	Related Party			
Consolidated Centers:							
Borgata(b)	\$ 16,685	—	\$ 16,926	—	5.39%	115(a)	2007
Capitola Mall	—	\$ 46,045	—	\$ 46,674	7.13%	380(a)	2011
Carmel Plaza	27,913	—	28,069	—	8.18%	202(a)	2009
Chandler Fashion Center (c)	182,352	—	183,594	—	5.48%	1,043(a)	2012
Chesterfield Towne Center	61,322	—	61,817	—	9.07%	548(d)	2024
Citadel	68,439	—	69,222	—	7.20%	554(a)	2008
Corte Madera, Village at	—	—	69,884	—	7.75%	516(a)	2009
Crossroads Mall - Boulder (e)	—	33,279	—	33,540	7.08%	244(a)	2010
Flagstaff Mall(f)	14,651	—	14,974	—	5.39%	121(a)	2006
FlatIron Crossing (g)	145,000	—	—	—	2.02%	interest only	2004
FlatIron Crossing - Mezzanine (h)	35,000	—	—	—	4.40%	interest only	2004
Fresno Fashion Fair	67,615	—	68,001	—	6.52%	437(a)	2008
Greeley Mall (i)	12,713	—	13,281	—	8.50%	187(a)	2003
Green Tree Mall/Crossroads - OK/Salisbury (j)	117,714	—	117,714	—	7.23%	interest only	2004
La Encantada (k)	12,330	—	2,715	—	3.06%	interest only	2005
Northwest Arkansas Mall	58,001	—	58,644	—	7.33%	434(a)	2009
Pacific View (l)	94,252	—	87,739	—	7.16%	602(a)	2011
Panorama Mall (m)	32,250	—	—	—	3.21%	interest only	2005
Paradise Valley Mall(n)	81,393	—	82,256	—	5.39%	506(a)	2007
Paradise Valley Mall(o)	25,012	—	25,393	—	5.89%	183(a)	2009
Paradise Village Gateway (p)	—	—	19,524	—	5.39%	137(a)	(p)
Prescott Gateway (q)	40,753	—	40,651	—	3.54%	interest only	2004
Queens Center	96,604	—	97,186	—	6.88%	633(a)	2009
Queens Center (r)	26,455	26,455	—	—	3.82%	interest only	2013
Rimrock Mall	45,307	—	45,535	—	7.45%	320(a)	2011
Santa Monica Place	83,166	—	83,556	—	7.70%	606(a)	2010
South Plains Mall	62,472	—	62,823	—	8.22%	454(a)	2009
South Towne Center	64,000	—	64,000	—	6.61%	interest only	2008
The Oaks (s)	108,000	—	108,000	—	2.56%	interest only	2004
Valley View Center	51,000	—	51,000	—	7.89%	interest only	2006
Village Plaza(t)	5,723	—	5,857	—	5.39%	47(a)	2006
Village Square I & II (u)	5,006	—	5,116	—	5.39%	41(a)	2006
Vintage Faire Mall	68,236	—	68,586	—	7.89%	508(a)	2010
Westbar (v)	4,333	—	4,454	—	4.22%	35(a)	2005
Westbar(w)	7,616	—	7,852	—	4.22%	66(a)	2004
Westside Pavilion	97,954	—	98,525	—	6.67%	628(a)	2008
Grand Total - Consolidated Centers	\$ 1,819,267	\$ 105,779	\$ 1,662,894	\$ 80,214			

Property Pledged as Collateral	Carrying Amount of Notes				Interest Rate	Payment Terms	Maturity Date
	2003		2002				
	Other	Related Party	Other	Related Party			
Joint Venture Centers (at pro rata share):							

Arizona Lifestyle Galleries (50%)(x)(y)	\$ 880	—	\$ 925	—	3.81%	10(a)	2004
Arrowhead Towne Center (33.33%)(x)(z)	28,720	—	28,931	—	6.38%	187(a)	2011
Boulevard Shops (50%)(x)(aa)	5,127	—	4,824	—	3.46%	interest only	2004
Broadway Plaza (50%)(x)	—	\$ 34,178	—	\$ 34,576	6.68%	257(a)	2008
Camelback Colonnade (75%)(x)(ab)	26,166	—	26,818	—	4.81%	211(a)	2006
Chandler Festival (50%)(x)(ac)	16,273	—	16,101	—	2.92%	interest only	2004
Chandler Gateway (50%)(x)(ad)	7,491	—	7,376	—	3.28%	interest only	2004
Corte Madera, Village at (50.1%)(x)	34,815	—	—	—	7.75%	259(a)	2009
Desert Sky Mall (50%)(x)(ae)	13,836	—	13,969	—	5.42%	85(a)	2005
East Mesa Land (50%)(x)(af)	2,129	—	2,139	—	2.28%	10(a)	2004
East Mesa Land (50%)(x)(af)	636	—	640	—	5.39%	3(a)	2006
FlatIron Crossing (50%)(x)(g)	—	—	72,500	—	2.30%	interest only	2004
FlatIron Crossing - Mezzanine (50%)(x)(h)	—	—	17,500	—	4.68%	interest only	2004
Hilton Village (50%)(x)(ag)	4,631	—	4,719	—	5.39%	35(a)	2007
Pacific Premier Retail Trust (51%)(x):							
Cascade Mall	11,637	—	11,983	—	6.50%	122(a)	2014
Kitsap Mall/Kitsap Place	30,716	—	30,831	—	8.06%	230(a)	2010
Lakewood Mall (ah)	64,770	—	64,770	—	7.20%	interest only	2005
Lakewood Mall (ai)	8,224	—	8,224	—	3.57%	interest only	2003
Los Cerritos Center	58,091	—	58,537	—	7.13%	421(a)	2006
North Point Plaza	1,628	—	1,669	—	6.50%	16(a)	2015
Redmond Town Center - Retail	30,564	—	30,910	—	6.50%	224(a)	2011
Redmond Town Center - Office	—	42,051	—	42,837	6.77%	370(a)	2009
Stonewood Mall	39,486	—	39,653	—	7.41%	275(a)	2010
Washington Square	56,542	—	57,161	—	6.70%	421(a)	2009
Washington Square Too	5,713	—	5,843	—	6.50%	53(a)	2016
Promenade (50%)(x)(aj)	2,565	—	2,617	—	5.39%	20(a)	2006
PVIC Ground Leases (50%)(x)(ak)	3,929	—	3,991	—	5.39%	28(a)	2006
PVOP II (50%)(x)(al)	1,557	—	1,583	—	5.85%	12(a)	2009
Scottsdale Fashion Square - Series I (50%)(x)(am)	83,364	—	84,024	—	5.39%	interest only	2007
Scottsdale Fashion Square - Series II (50%)(x)(an)	36,902	—	37,346	—	5.39%	interest only	2007
Scottsdale/101 Associates (46%)(x)(ao)	6,488	—	—	—	3.38%	interest only	2006
SDG Macerich Properties L.P. (50%)(x)(ap)	183,197	—	183,922	—	6.54%	1,120(a)	2006
SDG Macerich Properties L.P. (50%)(x)(ap)	93,250	—	92,250	—	1.59%	interest only	2006
SDG Macerich Properties L.P. (50%)(x)(ap)	40,700	—	40,700	—	1.55%	interest only	2006
Shops at Gainey Village (50%)(x)(aq)	—	—	11,342	—	3.29%	interest only	(aq)
Superstition Springs (33.33%)(x)(ar)	16,322	—	16,401	—	2.28%	75(a)	2004
Superstition Springs (33.33%)(x)(ar)	4,875	—	4,908	—	5.39%	23(a)	2006
Village Center (50%)(x)(as)	3,886	—	3,971	—	5.39%	31(a)	2006
Village Crossroads (50%)(x)(at)	2,510	—	2,559	—	4.81%	19(a)	2005
Village Fair North (50%)(x)(au)	6,125	—	6,193	—	5.89%	41(a)	2008
West Acres Center (19%)(x)	7,116	—	7,222	—	6.52%	57(a)	2009
West Acres Center (19%)(x)	1,832	—	1,853	—	9.17%	18(a)	2009
Grand Total - Joint Venture Centers	\$ 942,693	\$ 76,229	\$ 1,006,905	\$ 77,413			
Grand Total - All Centers	\$ 2,761,960	\$ 182,008	\$ 2,669,799	\$ 157,627			
Less unamortized debt premiums	20,600	—	35,847	—			
Grand Total - excluding unamortized debt premiums	\$ 2,741,360	\$ 182,008	\$ 2,633,952	\$ 157,627			

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

(b) At June 30, 2003 and December 31, 2002, the unamortized premium was \$1,273 and \$1,417, respectively.

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

(d) This amount represents the monthly payment of principal and interest. In addition, contingent interest, as defined in the loan agreement, may be due to the extent that 35% of the amount by which the property's gross receipts (as defined in the loan agreement) exceeds a base amount specified therein. Contingent interest expense recognized by the Company was \$205 and \$65 for the six and three months ended June 30, 2003, respectively and \$324 and \$165 for the six and three months ended June 30, 2002, respectively.

(e) This note was issued at a discount. The discount is being amortized over the life of the loan using the effective interest method. At June 30, 2003 and December 31, 2002, the unamortized discount was \$248 and \$264, respectively.

(f) At June 30, 2003 and December 31, 2002, the unamortized premium was \$736 and \$878, respectively.

(g) The property has a permanent interest only loan bearing interest at LIBOR plus 0.92%. At June 30, 2003 and December 31, 2002, the total interest rate was 2.02% and 2.30%, respectively. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 8%. In April 2003, the Company negotiated a new \$200,000 ten year loan at a fixed interest rate of 5.23%. The current \$145,000 floating loan will be paid off upon closing of the transaction which is anticipated to be in October, 2003.

(h) This loan is interest only bearing interest at LIBOR plus 3.30%. At June 30, 2003 and December 31, 2002, the total interest rate was 4.40% and 4.68%, respectively. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 8%. The loan is collateralized by the Company's interest in the FlatIron Crossing Shopping Center. The current \$35,000 floating rate loan will be paid off upon closing of the new \$200,000 loan described in Note (g) above.

(i) On August 7, 2003, the Company paid off the \$12,713 loan and placed a new \$30,000 ten-year fixed rate loan at an interest rate of 6.18%.

- (j) This loan is cross-collateralized by Green Tree Mall, Crossroads Mall-Oklahoma and the Centre at Salisbury.
- (k) This represents a construction loan which shall not exceed \$51,000 bearing interest at LIBOR plus 2.0%. At June 30, 2003 and December 31, 2002, the total interest rate was 3.06% and 3.40%, respectively.
- (l) This loan was issued on July 10, 2001 for \$89,000, and may be increased up to \$96,000 subject to certain conditions. In April 2003, the additional \$7,000 was funded at a fixed rate of 7.0% until maturity.
- (m) In January, 2003, the Company placed a \$32,250 floating rate note on the property bearing interest at LIBOR plus 1.65% and maturing December 31, 2005. The total interest rate at June 30, 2003 was 3.21%.
- (n) At June 30, 2003 and December 31, 2002, the unamortized premium was \$2,756 and \$3,150, respectively.
- (o) At June 30, 2003 and December 31, 2002, the unamortized premium was \$1,708 and \$1,857, respectively.
- (p) On January 2, 2003, the Company sold its 67% interest in Paradise Village Gateway.
- (q) This represents a construction loan which shall not exceed \$46,300 bearing interest at LIBOR plus 2.25%. At June 30, 2003 and December 31, 2002, the total interest rate was 3.54% and 3.50%, respectively.
- (r) This represents a \$225,000 construction loan bearing interest at LIBOR plus 2.50%. The loan converts to a permanent fixed rate loan at 7%, subject to certain conditions including completion of the expansion and redevelopment project.
- (s) Concurrent with the acquisition of the mall, the Company placed a \$108,000 loan bearing interest at LIBOR plus 1.15% and maturing July 1, 2004 with three consecutive one year options. \$92,000 of the loan is at LIBOR plus 0.7% and \$16,000 is at LIBOR plus 3.75%. This variable rate debt is covered by an interest rate cap agreement over two years which effectively prevents the LIBOR interest rate from exceeding 7.10%. At June 30, 2003 and December 31, 2002, the total weighted average interest rate was 2.56% and 2.58%, respectively.

- (t) At June 30, 2003 and December 31, 2002, the unamortized premium was \$515 and \$592, respectively.
- (u) At June 30, 2003 and December 31, 2002, the unamortized premium was \$241 and \$287, respectively.
- (v) At June 30, 2003 and December 31, 2002, the unamortized premium was \$224 and \$302, respectively.
- (w) At June 30, 2003 and December 31, 2002, the unamortized premium was \$137 and \$245, respectively.
- (x) Reflects the Company's pro rata share of debt.
- (y) At June 30, 2003 and December 31, 2002, the unamortized premium was \$11 and \$35, respectively.
- (z) At June 30, 2003 and December 31, 2002, the unamortized premium was \$914 and \$968, respectively.
- (aa) This represents a construction loan which shall not exceed \$13,300 bearing interest at LIBOR plus 2.25%. At June 30, 2003 and December 31, 2002, the weighted average interest rate was 3.46% and 3.57%, respectively.
- (ab) At June 30, 2003 and December 31, 2002, the unamortized premium was \$1,575 and \$1,893, respectively.
- (ac) This represents a construction loan which shall not exceed \$35,000 bearing interest at LIBOR plus 1.60%. At June 30, 2003 and December 31, 2002, the total interest rate was 2.92% and 3.04%, respectively. In August 2003, the Company negotiated a refinancing of this loan which is anticipated to close in September, 2003.
- (ad) This represents a construction loan which shall not exceed \$17,000 bearing interest at LIBOR plus 2.0%. At June 30, 2003 and December 31, 2002, the total interest rate was 3.28% and 3.55%, respectively.
- (ae) This note originally matured on October 1, 2002. The Company has extended this note to January 1, 2005 at a fixed interest rate of 5.42%.

- (af) This note was assumed at acquisition. The loan consists of 14 tranches, with a range of maturities from 36 months (with two 18-month extension options) to 60 months. The variable rate debt ranges from LIBOR plus 60 basis points to LIBOR plus 250 basis points, and fixed rate debt ranges from 5.01% to 6.18%. An interest rate swap was entered into to convert \$1,482 of floating rate debt with a weighted average interest rate of 3.97% to a fixed rate of 5.39%. The interest rate swap has been designated as a hedge in accordance with SFAS 133. Additionally, interest rate caps were entered into on a portion of the debt and reverse interest rate caps were simultaneously sold to offset the effect of the interest rate cap agreements. These interest rate caps do not qualify for hedge accounting in accordance with SFAS 133.
- (ag) At June 30, 2003 and December 31, 2002, the unamortized premium was \$414 and \$474, respectively.

- (ah) 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 June 30, 2003 and December 31, 2002.
- (ai) On July 28, 2000, the joint venture placed a \$16,125 floating rate note on the property bearing interest at LIBOR plus 2.25% and maturing July 2003. The Company is currently negotiating a two-year loan extension with the lender. At June 30, 2003 and December 31, 2002, the total interest rate was 3.57%.
- (aj) At June 30, 2003 and December 31, 2002, the unamortized premium was \$226 and \$262, respectively.
- (ak) At June 30, 2003 and December 31, 2002, the unamortized premium was \$170 and \$200, respectively.
- (al) At June 30, 2003 and December 31, 2002, the unamortized premium was \$105 and \$117, respectively.

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- (am) At June 30, 2003 and December 31, 2002, the unamortized premium was \$5,364 and \$6,024, respectively.
- (an) At June 30, 2003 and December 31, 2002, the unamortized premium was \$3,649 and \$4,093, respectively.
- (ao) This represents a construction loan which shall not exceed \$54,000 bearing interest at LIBOR plus 2.25%. At June 30, 2003, the total interest rate was 3.38%.
- (ap) In connection with the acquisition of these Centers, the joint venture assumed \$485,000 of mortgage notes payable which are collateralized by the properties. At acquisition, the \$300,000 fixed rate portion of this debt reflected a fair value of \$322,700, which included an unamortized premium of \$22,700. This premium is being amortized as interest expense over the life of the loan using the effective interest method. At June 30, 2003 and December 31, 2002, the unamortized balance of the debt premium was \$9,294 and \$10,744, respectively. This debt is due in May 2006 and requires monthly payments of \$1,852. \$184,500 of this debt was refinanced in May 2003 with a new note for \$186,500 that requires monthly interest payments at a variable rate (based on LIBOR) of 1.59% at June 30, 2003. This variable rate debt is covered by interest rate cap agreements, which effectively prevents the interest rate from exceeding 10.63%.
- On April 12, 2000, the joint venture issued \$138,500 of additional mortgage notes, which are collateralized by the properties and are due in May 2006. \$57,100 of this debt requires fixed monthly interest payments of \$387 at a weighted average rate of 8.13% while the floating rate notes of \$81,400 require monthly interest payments at a variable weighted average rate (based on LIBOR) of 1.55% and 1.79% at June 30, 2003 and December 31, 2002, respectively. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 11.83%.
- (aq) This represented a construction loan which was not to exceed \$23,300 bearing interest at LIBOR plus 2.0%. At December 31, 2002, the total interest rate was 3.44%. On June 6, 2003, the property was sold.

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- (ar) This note was assumed at acquisition. The loan consists of 14 tranches, with a range of maturities from 36 months (with two 18-month extension options) to 60 months. The variable rate debt ranges from LIBOR plus 60 basis points to LIBOR plus 250 basis points, and fixed rate debt ranges from 5.01% to 6.18%. An interest rate swap was entered into to convert \$11,363 of floating rate debt with a weighted average interest rate of 3.97% to a fixed rate of 5.39%. The interest rate swap has been designated as a hedge in accordance with SFAS 133. Additionally, interest rate caps were entered into on a portion of the debt and reverse interest rate caps were simultaneously sold to offset the effect of the interest rate cap agreements. These interest rate caps do not qualify for hedge accounting in accordance with SFAS 133.
- (as) At June 30, 2003 and December 31, 2002, the unamortized premium was \$191 and \$227, respectively.
- (at) At June 30, 2003 and December 31, 2002, the unamortized premium was \$146 and \$176, respectively.
- (au) At June 30, 2003 and December 31, 2002, the unamortized premium was \$244 and \$268, respectively.

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

Total interest expense capitalized (including the pro rata share of joint ventures of \$856 and \$500) during the six and three months ended June 30, 2003, was \$5,768 and \$2,889, respectively. Total interest expense capitalized (including the pro rata share of joint ventures of \$237 and \$104) during the six and three months ended June 30, 2002, was \$3,470 and \$1,773, respectively.

The fair value of mortgage notes payable, (including the pro rata share of joint ventures of \$1,084,864 and \$1,083,313 at June 30, 2003 and December 31, 2002 respectively), is estimated to be approximately \$3,134,892 and \$2,826,539, at June 30, 2003 and December 31, 2002, respectively, based on current interest rates for comparable loans.

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The Company had a credit facility of \$200,000 with a maturity of July 26, 2002, with a right to extend the facility to May 26, 2003 subject to certain conditions. On July 26, 2002, the Company replaced the \$200,000 credit facility with a new \$425,000 revolving line of credit. This increased revolving line of credit has a three-year term plus a one-year extension. The interest rate fluctuates from LIBOR plus 1.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. As of June 30, 2003 and December 31, 2002, \$77,000 and \$344,000 of borrowings were outstanding under this credit facility at an average interest rate of 3.84% and 4.72%, respectively. The Company, through its acquisition of Westcor, has an interest rate swap with a \$50,000 notional amount. The swap matures December 1, 2003, and was designated as a cash flow hedge. This swap will serve to reduce exposure to interest rate risk effectively converting the LIBOR rate on \$50,000 of the Company's variable interest rate borrowings to a rate of 3.215%. The swap is reported at fair value, with changes in fair value recorded as a component of other comprehensive income. Net receipts or payments under the agreement will be recorded as an adjustment to interest expense.

Concurrent with the acquisition of Westcor (See Note 3), the Company placed a \$380,000 interim loan with a term of up to six months plus two six-month extension options bearing interest at an average rate of LIBOR plus 3.25% and a \$250,000 term loan with a maturity of up to three years with two one-year extension options and an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. On November 27, 2002, the entire interim loan was paid off. At June 30, 2003 and December 31, 2002, \$196,800 and \$204,800 of the term loan was outstanding at an interest rate of 4.09% and 4.78%, respectively.

On May 13, 2003, the Company issued \$250,000 in unsecured notes maturing in May 2007 with a one-year extension option bearing interest at LIBOR plus 2.50%. The proceeds were used to pay down and create more availability under the Company's line of credit. At June 30, 2003, \$250,000 was outstanding at an interest rate of 3.81%.

Additionally, as of June 30, 2003, the Company has obligations under \$7,378 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

7. Convertible Debentures:

During 1997, the Company issued and sold \$161,400 of its convertible subordinated debentures (the "Debentures"). The Debentures, which were sold at par, with an interest rate of 7.25% annually (payable semi-annually) and were 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

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Debentures. In December 2001, the Company purchased and retired an additional \$25,700 of the Debentures. The Debentures matured on December 15, 2002 and were repaid in full on December 13, 2002 with the Company's revolving credit facility.

8. Related-Party Transactions:

The Company engaged the Macerich Management Companies to manage the operations of certain properties and unconsolidated joint ventures. For the six and three months ending June 30, 2003, management fees of \$3,950 and \$2,038 respectively, were paid to the Macerich Management Company by the joint ventures. For the six and three months ending June 30, 2003, management fees of \$2,985 and \$1,700, respectively, for the unconsolidated entities, were paid to the Westcor Management Companies by the joint ventures. For the six and three months ending June 30, 2002, management fees of \$3,767 and \$1,894, respectively, were paid to the Macerich Management Company by the joint ventures.

Certain mortgage notes are held by one of the Company's joint venture partners, NML. Interest expense in connection with these notes was \$2,831 and \$1,416 for the six and three months ended June 30, 2003; and \$2,889 and \$1,444 for the six and three months ended June 30, 2002, respectively. Included in accounts payable and accrued expenses is interest payable to NML of \$232 and \$257 at June 30, 2003 and December 31, 2002, respectively.

As of June 30, 2003 and December 31, 2002, the Company has loans to unconsolidated joint ventures of \$33,546 and \$28,533, respectively. These loans represent initial funds advanced to development stage projects prior to construction loan fundings. Correspondingly, loans payable from unconsolidated joint ventures in this same amount have been accrued as an obligation of various joint ventures.

Certain executive officers have outstanding loans from the Company totaling \$3,000 as of June 30, 2003. These loans are full recourse to the executives and were issued under the terms of the employee stock incentive plan, bear interest at 7%, are due in 2007 and 2009 and are collateralized by Company common stock owned by the executives. In July 2003, \$1,000 of these loans was paid off in full by one of the officers. These loans receivable are included in other assets at June 30, 2003 and December 31, 2002.

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.

9. Commitments and Contingencies:

The Company has certain properties subject to noncancellable operating ground leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined. Ground rent expenses, net of amounts capitalized, were \$752 and \$443 for the six and three months ended June 30, 2003, respectively; and were \$633

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and \$310 for the six and three months ended June 30, 2002, respectively. No contingent rent was incurred in either period.

The Company is currently redeveloping Queens Center. Total costs are expected to be between \$250,000 and \$275,000, of which the Company has already incurred \$108,433 and \$59,561 for the six months ended June 30, 2003 and for the year ended December 31, 2002, respectively.

The Company has a 3.3% interest in Constellation Real Technologies, LLC, a joint venture investing in real estate technology initiatives and opportunities. The Company funded \$43 in 2003 and \$959 in 2001 and has committed, subject to certain conditions, to fund up to an additional \$287 in 2003 and \$330 in 2004 to this joint venture.

Perchloroethylene ("PCE") has been detected in soil and groundwater in the vicinity of a dry cleaning establishment at North Valley Plaza, formerly owned by a joint venture of which the Company was a 50% member. The property was sold on December 18, 1997. The California Department of Toxic Substances Control ("DTSC") advised the Company in 1995 that very low levels of Dichloroethylene ("1,2 DCE"), a degradation byproduct of PCE, had been detected in a municipal water well located 1/4 mile west of the dry cleaners, and that the dry cleaning facility may have contributed to the introduction of 1,2 DCE into the water well. According to DTSC, the maximum contaminant level ("MCL") for 1,2 DCE which is permitted in drinking water is 6 parts per billion ("ppb"). The 1,2 DCE was detected in the water well at a concentration of 1.2 ppb, which is below the MCL. The Company has retained an environmental consultant and has initiated extensive testing of the site. The joint venture agreed (between itself and the buyer) that it would be responsible for continuing to pursue the investigation and remediation of impacted soil and groundwater resulting from releases of PCE from the former dry cleaner. Approximately \$67 and \$22 have already been incurred by the joint venture for remediation, professional and legal fees for the six months ending June 30, 2003 and 2002, respectively. The joint venture has been sharing costs with former owners of the property.

The Company acquired Fresno Fashion Fair in December 1996. Asbestos has been detected in structural fireproofing throughout much of the Center. Testing data conducted by professional environmental consulting firms indicates that the fireproofing is largely inaccessible to building occupants and is well adhered to the structural members. Additionally, airborne concentrations of asbestos were well within OSHA's permissible exposure limit ("PEL") of .1 fcc. The accounting for this acquisition included a reserve of \$3,300 to cover future removal of this asbestos, as necessary. The Company incurred \$1,183 and \$49 in remediation costs for the six months ending June 30, 2003 and 2002, respectively. An additional \$1,179 remains reserved at June 30, 2003.

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10. Cumulative Convertible Redeemable Preferred Stock:

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

On June 16, 1998, the Company issued 5,487,471 shares of Series B cumulative convertible redeemable preferred stock ("Series B Preferred Stock") for proceeds totaling \$150,000 in a private placement. The preferred stock can be converted on a one for one basis into common stock and will pay a quarterly dividend equal to the greater of \$0.46 per share, or the dividend then payable on a share of common stock.

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

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

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11. Common Stock Offerings:

On February 28, 2002, the Company issued 1,968,957 common shares with total net proceeds of \$51,963. The proceeds from the sale of the common shares were used principally to finance a portion of the Queens Center expansion and redevelopment project and for general corporate purposes.

On November 27, 2002, the Company issued 15,200,000 common shares with total net proceeds of \$420,300. The proceeds of the offering were used to pay off a \$380,000 interim loan incurred concurrent with the Westcor acquisition and a portion of other acquisition debt.

12. Westcor Acquisition:

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

On an unaudited pro forma basis, reflecting the acquisition of Westcor as if it had occurred on January 1, 2002, the Company would have reflected net income available to common stockholders of \$16,311 for the six months ended June 30, 2002. Net income available to common stockholders on a diluted per share basis would be \$0.44 for the six months ended June 30, 2002. Total consolidated revenues of the Company would have been \$211,345 for the six months ended June 30, 2002.

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

Property, net	\$	769,362
Investments in unconsolidated joint ventures		363,600
Other assets		37,155
Total assets	\$	<u>1,170,117</u>

Mortgage notes payable	\$ 373,453
Other liabilities	33,924
Total liabilities	<u>407,377</u>
Total partners' capital	<u>762,740</u>
Total liabilities and partners' capital	<u>\$ 1,170,117</u>

The purchase price allocation adjustments included in the Company's balance sheet as of June 30, 2003 are based on information available at this time. Subsequent adjustments to the allocation may be made based on additional information.

13. Subsequent Events:

On July 31, 2003, a dividend/distribution of \$0.57 per share was declared for common stockholders and OP unit holders of record on August 20, 2003. In addition, the Company declared a dividend of \$0.57 on the Company's Series A Preferred Stock and a dividend of \$0.57 on the Company's Series B Preferred Stock. All dividends/distributions will be payable on September 10, 2003.

On August 4, 2003, the Company sold Bristol Center, a 161,000 square foot community center in Southern California. The sale price was approximately \$30,000. The Company anticipates recording a gain on sale of approximately \$24,000 in the third quarter of 2003.

On August 7, 2003, the Company paid off the \$12,713 loan at Greeley Mall and placed a new \$30,000 ten-year fixed rate loan at an interest rate of 6.18%.

Item 2

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

General Background and Performance Measurement

The Company uses Funds from Operations ("FFO") in addition to net income to report its operating and financial results and considers FFO a supplemental measure for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles (GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. FFO is useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP and is not indicative of cash available to fund all cash flow needs. FFO, as presented, may not be comparable to similarly titled measures reported by other real estate investment trusts. For the reconciliation of FFO to net income available to common stockholders, see "Funds from Operations."

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

The following discussion is based primarily on the consolidated balance sheet of the Company as of June 30, 2003 and also compares the activities for the six and three months ended June 30, 2003 to the activities for the six and three months ended June 30, 2002. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto. These financial statements include all adjustments, which are, in the opinion of management, necessary to reflect the fair representation of the results for the interim periods presented and all such adjustments are of a normal recurring nature.

Forward-Looking Statements

This quarterly report on Form 10-Q contains or incorporates statements that constitute forward-looking statements. Those statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters, the Company's growth, acquisition, redevelopment and development opportunities, the Company's acquisition and other strategies, regulatory matters pertaining to compliance with governmental regulations and other factors affecting the Company's financial condition or results of operations. Words such as "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," and "should" and variations of these words and similar expressions, are used in many cases to identify these forward-looking statements. Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or industry to vary materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include the matters described herein and the following factors among others: general industry, economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, tenant bankruptcies, lease rates and terms, availability and cost of financing, interest rate fluctuations and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technologies, risks of real estate redevelopment, development, acquisitions and dispositions; governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities that could adversely affect all of the above factors. The Company will not update any forward-looking information to reflect actual results or changes in the factors affecting the forward-looking information.

Statement on Critical Accounting Policies

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

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

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectable accounts and estimates for environmental matters. The Company's significant accounting policies are described in more detail in Note 2 of the audited consolidated financial statements included in the Company's Annual Report on Form 10K for the year ended December 31, 2002. However, the following policies could be deemed to be critical within the SEC definition.

Revenue Recognition:

Minimum rental revenues are recognized on a straight-line basis over the terms of the related lease. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight-lining of rent adjustment." Currently, 22% of the mall and freestanding leases contain provisions for CPI rent increases, periodically throughout the term of the lease, 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. Percentage rents are recognized on an accrual basis in accordance with Statement of Accounting Bulletin 101. Recoveries from tenants for real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred.

Property:

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

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

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

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

The Company accounts for all acquisitions entered into subsequent to June 30, 2001 in accordance with SFAS 141. The Company will determine a fair value for assets and liabilities acquired, which generally consist of land, buildings, acquired in-place leases and debt. Acquired in-place leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term. The fair value of debt is determined based on the present value of the difference between prevailing market rates for similar debt and the face value of the debt over the remaining term of the debt.

When the Company acquires real estate properties, the Company allocates the components of these acquisitions using relative fair values computed using its estimates and assumptions. These estimates and assumptions impact the amount of costs allocated between land and different categories of land improvements as well as the amount of costs assigned to individual properties in multiple property acquisitions. These allocations also impact depreciation expense and gains or losses recorded on future sales of properties.

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

Deferred Charges:

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the agreement using the straight-line method. Cost relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. The range of the terms of agreements are as follows:

Deferred lease costs	1 – 20 years
Deferred financing costs	1 – 15 years

Off-Balance Sheet Arrangements:

Debt guarantees:

The Company has an ownership interest in a number of joint ventures as detailed in Note 3 to the Company's Consolidated Financial Statements included herein. The Company accounts for those investments using the equity method of accounting and those investments are reflected on the Consolidated Balance Sheets of the Company as "Investments in Unconsolidated Joint Ventures and the Management Companies." A pro rata share of the mortgage debt on these properties is shown

in Note 5 to the Company's Consolidated Financial Statements included herein. In addition, the following joint ventures also have debt that could become recourse debt to the Company or its subsidiaries, in excess of its pro rata share, should the partnership be unable to discharge the obligations of the related debt:

<u>Asset/Property</u>	<u>Maximum amount of debt principal that could be recourse to the Company</u>	<u>Maturity Date</u>
Boulevard Shops	\$ 10,253	1/1/2004
Chandler Festival	8,137	4/27/2004
Chandler Gateway	7,491	9/20/2004
Scottsdale 101	14,104	5/1/2006
Total	\$ 39,985	

Additionally, as of June 30, 2003, the Company has obligations under \$7.4 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

Recent Transactions

The following table reflects the Company's acquisitions in 2002.

<u>Property/Entity</u>	<u>Date Acquired</u>	<u>Location</u>
The Oaks	June 10, 2002	Thousand Oaks, California
Westcor Realty Limited Partnership	July 26, 2002	Nine regional and super-regional malls in Phoenix and Colorado and 18 urban villages or community centers. The aggregate gross leasable area was approximately 14.1 million square feet. Additionally, the portfolio included two retail properties under development, as well as rights to over 1,000 acres of undeveloped land.

On March 19, 2002, the Company sold Boulder Plaza, a 159,238 square foot community center in Boulder, Colorado for \$24.7 million. The proceeds from the sale were used for general corporate purposes.

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

On July 26, 2002, the Operating Partnership acquired Westcor Realty Limited Partnership and its affiliated companies ("Westcor"). The total purchase price was approximately \$1.475 billion including the assumption of \$733 million in existing debt and the issuance of approximately \$72 million of convertible preferred operating partnership units at a price of \$36.55 per unit. Additionally, \$18.9 million of partnership units of Westcor Realty Limited Partnership were issued to limited partners of Westcor which, subject to certain conditions, can be converted on a one for one basis into operating partnership units of the Operating Partnership. The balance of the purchase price was paid in cash which was provided primarily from a \$380 million Interim Credit Facility, which was subsequently paid in full in 2002, and a \$250 million Term Loan with a maturity of up to three years with two one-year extension options and with an interest rate ranging from LIBOR plus 2.75% to LIBOR plus 3.00% depending on the Company's overall leverage level.

On November 8, 2002, the Company purchased its joint venture partner's interest in Panorama City Associates, which owns Panorama Mall in Panorama, California. The purchase price was approximately \$23.7 million.

On December 24, 2002, the former Montgomery Ward site at Pacific View Mall in Ventura, California was sold for approximately \$15.4 million. The proceeds from the sale were used to repay a portion of the Term Loan.

On January 2, 2003, the Company sold its 67% interest in Paradise Village Gateway, a 296,153 square foot Phoenix area urban village, for approximately \$29.4 million. The proceeds from the sale were used to repay a portion of the Term Loan.

On January 31, 2003, the Company purchased its joint venture partner's 50% interest in FlatIron Crossing. The purchase price consisted of approximately \$68.3 million in cash plus the assumption of the joint venture partner's share of debt.

On May 15, 2003, the Company sold 49.9% of its partnership interest in the Village at Corte Madera for a total purchase price of approximately \$65.9 million, plus the assumption of a proportionate amount of the partnership debt in the amount of approximately \$34.7 million. The Company is retaining a 50.1% partnership interest and will continue leasing and managing the asset. The sale resulted in a gain on sale of asset of \$8.8 million.

On June 6, 2003, the Shops at Gainey Village, a 138,000 square foot Phoenix area specialty center, was sold for \$55.7 million. The Company, which owned 50% of this property, received total proceeds of \$15.8 million and recorded a gain on sale of asset of \$2.8 million.

A portion of the Westcor portfolio is joint ventures and the properties 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 acquisition of The Oaks and the Westcor portfolio during 2002. Many factors impact the Company's ability to acquire additional properties, including the availability and cost of capital, the Company's overall debt to market capitalization level, interest rates and the availability of potential acquisition targets that meet the Company's criteria. Crossroads Mall-Boulder, Parklane Mall and Queens Center are currently under redevelopment and are referred to herein as the "Redevelopment Centers." All other Centers, excluding the Redevelopment Centers, the Acquisition Center and the Westcor portfolio (which includes the two development properties) are referred to herein as the "Same Centers," unless the context otherwise requires.

Revenues include rents attributable to the accounting practice of straight-lining of rents which requires rent to be recognized each year in an amount equal to the average rent over the term of the lease, including fixed rent increases over that period. The amount of straight-lined rents, included in consolidated revenues, recognized for the six and three months ended June 30, 2003 was \$1.3 million and \$0.7 million, respectively, compared to (\$0.3) million and (\$0.1) million for the six and three months ended June 30, 2002. Additionally, the Company recognized through equity in income of unconsolidated joint ventures, \$1.1 million and \$0.5 million as its pro rata share of straight-lined rents from joint ventures for the six and three months ended June 30, 2003, respectively, compared to \$0.4 million and \$0.2 million for the six and three months ended June 30, 2002. As a result of the Company structuring the majority of its new leases using annual

Consumer Price Index ("CPI") increases, which generally do not require straight-lining treatment, straight-line rent would have decreased, but are offset by increases of \$2.7 million and \$1.4 million relating to the acquisitions of The Oaks and Westcor portfolio during 2002 for the six and three months ended June 30, 2003, respectively. Currently, 22% of the mall and freestanding leases contain provisions for CPI rent increases periodically throughout the term of the lease. The Company believes that using CPI increases, rather than fixed contractual rent increases, results in revenue recognition that more closely matches the cash revenue from each lease and will provide more consistent rent growth throughout the term of the leases.

Risk Factors

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

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

applicable laws and regulations, including tax, environmental, safety and zoning laws, interest rate levels and the availability and cost of financing.

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

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

Comparison of Six Months Ended June 30, 2003 and 2002

Revenues

Minimum and percentage rents increased by 48.1% to \$148.1 million in 2003 from \$100.0 million in 2002. Approximately \$40.6 million relates to the Westcor portfolio, \$6.3 million relates to the Acquisition Center and \$2.3 million relates to the Company acquiring 50% of its joint venture partner's interest in Panorama Mall. This is offset by a \$0.6 million decrease relating to the Same Centers due to the fact lease termination payments received in 2002 were \$1.6 million higher compared to 2003. This decrease in Same Centers revenues is offset by revenue increases due to releasing space at higher rents in 2003. Additionally, the Redevelopment Centers offset the increase in minimum and percentage rent by a \$0.8 million decrease in revenue in 2003 compared to 2002.

assets such as acquired in-place leases. The Company has determined that the impact of SFAS 141 on acquisitions that occurred during 2002 was to recognize an additional \$1.7 million of consolidated revenue which is included in minimum rents for the six months ended June 30, 2003.

Tenant recoveries increased to \$76.7 million in 2003 from \$51.4 million in 2002. Approximately \$17.3 million relates to the Westcor portfolio, \$3.4 million relates to the Acquisition Center, \$4.2 million relates to the Same Centers and \$1.0 million relates to Panorama Mall. This is offset by a \$0.4 million decrease relating to the Redevelopment Centers and a \$0.2 million decrease relating to the sale of 49.9% partnership interest in the Village at Corte Madera.

Expenses

Shopping center and operating expenses increased to \$81.2 million in 2003 compared to \$53.4 million in 2002. The increase is a result of \$20.4 million related to the Westcor portfolio, the Acquisition Center accounted for \$3.0 million of the increase in expenses, \$1.6 million relates to increased property taxes, recoverable expenses and bad debt expense at the Redevelopment Centers, \$1.2 million represents increased property taxes, insurance and other recoverable and non-recoverable expenses at the Same Centers and \$0.8 million relates to Panorama Mall.

REIT General and Administrative Expenses

REIT general and administrative expenses increased to \$6.0 million in 2003 from \$3.5 million in 2002, primarily due to increases in professional services, travel expenses and stock-based compensation expense.

Interest Expense

Interest expense increased to \$67.0 million in 2003 from \$50.2 million in 2002. Approximately \$16.0 million of the increase is related to the debt from the Westcor portfolio, \$1.4 million from the Acquisition Center, \$0.5 million relates to the new \$32.3 million loan placed on Panorama Mall in January 2003, \$3.7 million represents increased interest expense compared to 2002 as a result of increased borrowings under the Company's new line of credit and \$1.3 million is related to the \$250.0 million of unsecured notes issued on May 13, 2003. In addition, the interest expense relating to the debentures paid off in December 2002 reduced interest expense by \$4.5 million in 2003 compared to 2002 and the sale of 49.9% of the Company's partnership interest in Corte Madera resulted in a decrease of \$0.7 million compared to 2002. Capitalized interest was \$4.9 million in 2003, up from \$3.2 million in 2002.

Depreciation and Amortization

Depreciation and amortization increased to \$48.5 million in 2003 from \$33.6 million in 2002. Approximately \$1.2 million relates to additional capital costs at the Same Centers, \$1.9 million relates to the Acquisition Center, \$0.3 million relates to Panorama Mall and \$11.6 million relates to the Westcor portfolio.

Income from Unconsolidated Joint Ventures and Macerich Management Companies

The income from unconsolidated joint ventures and the Macerich Management Companies was \$29.6 million for 2003, compared to income of \$5.4 million in 2002. Pacific Premier Retail Trust's income increased by \$1.8 million primarily due to increases in minimum and percentage rents and income of SDG Macerich Properties, L.P. increased by \$0.6 million primarily due to reduced interest expense on floating rate debt. Additionally, \$8.9 million was attributed to the acquisition of certain joint ventures in the Westcor portfolio which included \$0.7 million of revenue relating to SFAS 141.

Additionally in 2002, a loss of \$10.2 million was included in unconsolidated joint ventures relating to the Company's investment in MerchantWired, LLC.

Gain on Sale of Assets

A gain of \$8.8 million in 2003 represents the Company's sale of 49.9% of its partnership interest in the Village at Corte Madera on May 15, 2003 compared to a loss of \$3.7 million in 2002 representing the write down of assets from the Company's various technology investments.

Discontinued Operations

A gain of \$2.8 million in 2003 relates to the Company's sale of Gainey Village on June 6, 2003 and the Company's sale of its 67% interest in Paradise Village Gateway on January 2, 2003, compared to a gain of \$13.9 million in 2002 as a result of the Company selling Boulder Plaza on March 19, 2002.

Net Income Available to Common Stockholders

Primarily as a result of the purchase of the Acquisition Center, the Westcor portfolio, the Corte Madera and Gainey Village sales, the issuance of \$420.3 million of equity in November 2002 which was used to pay off debt, and the foregoing results, net income available to common stockholders increased to \$48.0 million in 2003 from \$16.1 million in 2002. In 2002, the sale of Boulder Plaza resulting in a gain of \$13.9 million significantly increased net income available to common stockholders for the six months ending June 30, 2002.

Operating Activities

Cash flow from operations was \$124.4 million in 2003 compared to \$65.3 million in 2002. The increase is primarily due to the Westcor portfolio, the Acquisition Center and increased net operating income at the Centers as mentioned above.

Investing Activities

Cash used in investing activities was \$90.6 million in 2003 compared to cash used in investing activities of \$143.4 million in 2002. The change resulted primarily from the Company's purchase of its joint venture partner's 50% interest in FlatIron Crossing, the Company's sale of 49.9% of its partnership interest in the Village at Corte Madera, an increase in equity of income of unconsolidated joint ventures due to the Westcor portfolio, the loss of \$10.2 million in 2002 from the Company's investment in Merchant Wired, LLC and a \$55.1 million increase in development, redevelopment and expansion of centers primarily due to the Queens

Center expansion. This is offset by \$82.8 million of proceeds received from the sale of Paradise Village Gateway, the Shops at Gainey Village, 49.9% interest in the Village at Corte Madera and increased distributions from joint ventures primarily as a result of the Westcor portfolio.

Financing Activities

Cash flow used in financing activities was \$7.6 million in 2003 compared to cash flow provided by financing activities of \$111.2 million in 2002. The change resulted primarily from the construction loan at Queens Center of \$52.9 million, the new loan of \$32.2 million at Panorama Mall and the \$250.0 million of unsecured notes issued on May 13, 2003. This is offset by \$52.0 million of net proceeds from equity offerings in the first quarter of 2002, a \$108.0 million loan placed with the Acquisition Center in 2002 and \$275.0 million of borrowings from the Company's line of credit which were paid off in 2003.

Funds From Operations

Primarily as a result of the acquisitions of the Westcor portfolio, the purchase of the Acquisition Center and the other factors mentioned above, Funds from Operations – Diluted increased 55.5% to \$127.0 million in 2003 from \$81.7 million in 2002. For the reconciliation of FFO to net income available to common stockholders, see "Funds from Operations."

Comparison of Three Months Ended June 30, 2003 and 2002

Revenues

Minimum and percentage rents increased by 46.8 % to \$74.3 million in 2003 from \$50.6 million in 2002. Approximately \$21.6 million relates to the Westcor portfolio, \$2.8 million relates to the Acquisition Center and \$1.2 million relates to the Company acquiring 50% of its joint venture partner's interest in Panorama Mall. This is offset by a \$0.8 million decrease relating to the Same

Centers due to the fact lease termination payments received in 2002 were \$0.9 million higher compared to 2003. Additionally, the Redevelopment Centers offset the increase in minimum and percentage rent by a \$0.6 million decrease in revenues in 2003 compared to 2002.

On July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires that the purchase method of accounting be used for all business combinations for which the date of acquisition is after June 30, 2001. SFAS 141 also establishes specific criteria for the recognition of intangible assets such as acquired in-place leases. The Company has determined that the impact of SFAS 141 on acquisitions that occurred during 2002 was to recognize an additional \$1.0 million of consolidated revenue which is included in minimum rents for the three months ended June 30, 2003.

Tenant recoveries increased to \$39.6 million in 2003 from \$26.3 million in 2002. Approximately \$9.0 million relates to the Westcor portfolio, \$1.8 million relates to the Acquisition Center, \$2.6 million relates to the Same Centers, \$0.5 million relates to Panorama Mall and \$0.1 million relates to the Same Centers. This is offset by a \$0.3 million decrease relating to the sale of 49.9% partnership interest in the Village at Corte Madera.

Expenses

Shopping center and operating expenses increased to \$41.9 million in 2003 compared to \$27.6 million in 2002. The increase is a result of \$10.9 million related to the Westcor portfolio, the Acquisition Center accounted for \$1.5 million of the increase in expenses, \$0.5 million relates to increased property taxes, recoverable expenses and bad debt expense at the Redevelopment Centers, \$0.6 million represents increased property taxes, insurance and other recoverable and non-recoverable expenses at the Same Centers and \$0.4 million relates to Panorama Mall.

REIT General and Administrative Expenses

REIT general and administrative expenses increased to \$3.7 million in 2003 from \$2.0 million in 2002, primarily due to increases in professional services, travel expenses and stock-based compensation expense.

Interest Expense

Interest expense increased to \$33.0 million in 2003 from \$25.0 million in 2002. Approximately \$8.1 million of the increase is related to the debt from the Westcor portfolio, \$0.5 million from the Acquisition Center, \$0.3 million relates to the new \$32.3 million loan placed on Panorama Mall in January 2003, \$1.0 million represents increased interest expense compared to 2002 as a result of increased borrowings under the Company's new line of credit and \$1.3 million is related to the \$250.0 million of unsecured notes issued on May 13, 2003. In addition, the interest

expense relating to the debentures paid off in December 2002 reduced interest expense by \$2.2 million in 2003 compared to 2002 and the sale of 49.9% of the Company's partnership interest in Corte Madera resulted in a decrease of \$0.7 million compared to 2002. Capitalized interest was \$2.4 million in 2003, up from \$1.7 million in 2002.

Depreciation and Amortization

Depreciation and amortization increased to \$24.6 million in 2003 from \$17.1 million in 2002. Approximately \$0.6 million relates to additional capital costs at the Same Centers, \$0.7 million relates to the Acquisition Center and \$6.2 million relates to the Westcor portfolio.

Income from Unconsolidated Joint Ventures and Macerich Management Companies

The income from unconsolidated joint ventures and the Macerich Management Companies was \$15.1 million for 2003, compared to a loss of \$0.9 million in 2002. Pacific Premier Retail Trust's income increased by \$1.1 million primarily due to increases in minimum and percentage rents and income of SDG Macerich Properties, L.P. increased by \$0.6 million primarily due to reduced interest expense on floating rate debt. Additionally, \$3.9 million was attributed to the acquisition

of certain joint ventures in the Westcor portfolio which included \$0.3 million of revenue relating to SFAS 141. Additionally in 2002, a loss of \$10.2 million was included in unconsolidated joint ventures relating to the Company's investment in MerchantWired, LLC.

Gain on Sale of Assets

A gain of \$8.8 million in 2003 represents the Company's sale of 49.9% of its partnership interest in the Village at Corte Madera on May 15, 2003 compared to a loss of \$2.5 million in 2002 representing the write down of assets from the Company's various technology investments.

Discontinued Operations

A gain of \$2.8 million in 2003 relates to the Company's sale of Gainey Village on June 6, 2003, compared to a loss of \$0.5 million in 2002 as a result of the Company selling Boulder Plaza on March 19, 2002.

Net Income Available to Common Stockholders

Primarily as a result of the purchase of the Acquisition Center, the Westcor portfolio, the Corte Madera and Gainey Village sales, the issuance of \$420.3 million of equity in November 2002 which was used to pay off debt, and the foregoing results, net income available to common stockholders increased to \$28.6 million in 2003 from a loss of \$1.3 million in 2002.

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Funds From Operations

Primarily as a result of the acquisitions of the Westcor portfolio, the purchase of the Acquisition Center and the other factors mentioned above, Funds from Operations – Diluted increased 57.5% to \$63.8 million in 2003 from \$40.5 million in 2002. For the reconciliation of FFO to net income available to common stockholders, see "Funds from Operations."

Liquidity and Capital Resources

The Company intends to meet its short term liquidity requirements through cash generated from operations, working capital reserves, property secured borrowings and borrowing under the new revolving line of credit. The Company anticipates that revenues will continue to provide necessary funds for its operating expenses and debt service requirements, and to pay dividends to stockholders in accordance with REIT requirements. The Company anticipates that cash generated from operations, together with cash on hand, will be adequate to fund capital expenditures which will not be reimbursed by tenants, other than non-recurring capital expenditures. The following table summarizes capital expenditures incurred at the Centers, including the pro rata share of joint ventures, for the six months ending June 30,

	2003	2002
	(Dollars in Millions)	
Acquisitions of property and equipment	\$ 9.3	\$ 160.2
Development, redevelopment and expansion of Centers	73.1	13.5
Renovations of Centers	5.5	1.5
Tenant allowances	3.9	5.8
Deferred leasing charges	9.0	7.1
Total	<u>\$ 100.8</u>	<u>\$ 188.1</u>

Management expects similar levels to be incurred in future years for tenant allowances and deferred leasing charges and to incur between \$200 million to \$300 million in 2003 for development, redevelopment, expansions and renovations, excluding Queens Center expansion and the developments of La Encantada and Scottsdale 101 which will be separately financed as described below. Capital for major expenditures or major developments and redevelopments has been, and is expected to continue to be, obtained from equity or debt financings which include borrowings under the Company's line of credit and construction loans. However, many factors impact the Company's ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions.

On February 28, 2002, the Company issued 1,968,957 common shares with total net proceeds of \$52.3 million. The proceeds from the sale of the common shares were used principally to finance a portion of the Queens Center expansion and redevelopment project and for general corporate purposes. The Queens Center expansion and redevelopment is anticipated to cost between \$250 million and \$275 million. The Company has a \$225 million construction loan which converts to a permanent loan at completion and stabilization, which is collateralized by the Queens Center property, to finance the remaining projects costs. Construction began in the second quarter of

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2002 with completion estimated to be, in phases, through late 2004 and stabilization expected in 2005.

The Company has obtained construction loans for \$51.0 million and \$54.0 million for the developments of La Encantada and Scottsdale 101, respectively. The loans will be funded as construction costs are incurred.

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

The Company's total outstanding loan indebtedness at June 30, 2003 was \$3.5 billion (including its pro rata share of joint venture debt of \$1.0 billion). This equated to a debt to Total Market Capitalization (defined as total debt of the Company, including its pro rata share of joint venture debt, plus aggregate market value of outstanding shares of common stock, assuming full conversion of OP Units and preferred stock into common stock) ratio of approximately 56.9% at June 30, 2003. The majority of the Company's debt consists of fixed-rate conventional mortgages payable collateralized by individual properties.

The Company has filed a shelf registration statement, effective June 6, 2002, to sell securities. The shelf registration is for a total of \$1.0 billion of common stock, common stock warrants or common stock rights. The Company sold a total of 15.2 million shares of common stock under this shelf registration on November 27,

2002. The aggregate offering price of this transaction was approximately \$440.2 million, leaving approximately \$559.8 million available under the shelf registration statement.

The Company had a credit facility of \$200.0 million with a maturity of July 26, 2002 with a right to extend the facility subject to certain conditions. On July 26, 2002, concurrent with the closing of Westcor, the Company replaced this \$200.0 million credit facility with a new \$425.0 million revolving line of credit. This increased revolving line of credit has a three-year term plus a one-year extension. The interest rate fluctuates from LIBOR plus 1.75% to LIBOR plus 3.00% depending on the Company's overall leverage level. As of June 30, 2003, \$77.0 million was outstanding at an average interest rate of 3.84%.

On May 13, 2003, the Company issued \$250.0 million in unsecured notes maturing in May 2007 with a one-year extension option bearing interest at LIBOR plus 2.50%. The proceeds were used to pay down and create more availability under the Company's line of credit. At June 30, 2003, the entire \$250.0 million of notes were outstanding at an interest rate of 3.81%.

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The Company had \$125.1 million of convertible subordinated debentures (the "Debentures"), which matured December 15, 2002. On December 13, 2002, the Debentures were repaid in full, using the Company's revolving credit facility.

The Company has a 3.3% interest in Constellation Real Technologies, LLC, a joint venture investing in real estate technology initiatives and opportunities. The Company funded \$43,000 in 2003 and \$959,000 in 2001 and has committed, subject to certain conditions, to fund up to an additional \$287,000 in 2003 and \$330,000 in 2004 to this joint venture.

At June 30, 2003, the Company had cash and cash equivalents available of \$79.7 million.

Funds From Operations:

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO a supplemental measure for the real estate industry and a supplement to GAAP measures. NAREIT defines FFO as net income (loss) (computed in accordance with GAAP, excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. FFO is useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP and is not indicative of cash available to fund all cash flow needs. FFO, as presented, may not be comparable to similarly titled measures reported by other real estate investment trusts.

In compliance with the Securities and Exchange Commission's Regulation G and Amended Item 10 of Regulation S-K relating to non-GAAP financial measures, the Company has revised its FFO definition as of January 1, 2003 and for all prior periods presented, to include gain or loss on sales of peripheral land and the effect of SFAS No. 141. The Company's revised definition is in accordance with the definition provided by NAREIT. The gain on sales of land included in FFO for the six and three months ended June 30, 2003 resulted in an increase to FFO of \$0.6 million and \$0.1 million, respectively, and the inclusion of SFAS No 141 increased FFO by \$2.4 million and \$1.3 million, respectively, including the pro rata share of joint ventures of \$0.7 million and \$0.3 million, respectively. During the six and three months ended June 30, 2002, there were no peripheral land sales and no impact of SFAS 141. The following reconciles net income available to common stockholders to FFO:

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	Six Months Ended June 30,	
	2003	2002
	Amount	Amount
Net income available to common stockholders	\$ 47,999	\$ 16,074
Adjustments to reconcile net income to FFO - basic:		
Minority interest	12,699	5,180
(Gain) loss on sale or write-down of wholly-owned assets	(11,398)	(10,215)
(Gain) loss on sale or write-down of assets from unconsolidated entities (pro rata)	231	10,419
Depreciation and amortization on wholly owned centers	48,489	33,750
Depreciation and amortization on joint ventures and from the management companies (pro rata)	22,940	14,465
Less: depreciation on personal property and amortization of loan costs and interest rate caps	(4,303)	(2,826)
FFO - basic (1)	116,657	66,847
Additional adjustments to arrive at FFO - diluted:		
Impact of convertible preferred stock	10,391	10,026
Impact of stock options using the treasury method	—	(n/a antidilutive)
Impact of restricted stock using the treasury method	(n/a antidilutive)	(n/a antidilutive)
Impact of convertible debentures	—	4,807
FFO - diluted (2)	\$ 127,048	\$ 81,680

	Three Months Ended June 30,	
	2003	2002
	Amount	Amount
Net income (loss) available to common stockholders	\$ 28,574	\$ (1,277)
Adjustments to reconcile net income to FFO - basic:		
Minority interest	7,554	(393)
(Gain) loss on sale or write-down of wholly-owned assets	(11,564)	3,041
(Gain) loss on sale or write-down of assets from unconsolidated entities (pro rata)	282	9,000
Depreciation and amortization on wholly owned centers	24,575	17,126
Depreciation and amortization on joint ventures and from the management companies (pro rata)	11,282	7,090
Less: depreciation on personal property and amortization of loan costs and interest rate caps	(2,137)	(1,415)

FFO - basic (1)	58,566	33,172
Additional adjustments to arrive at FFO - diluted:		
Impact of convertible preferred stock	5,195	5,013
Impact of stock options using the treasury method	—	(n/a antidilutive)
Impact of restricted stock using the treasury method	(n/a antidilutive)	(n/a antidilutive)
Impact of convertible debentures	—	2,362
FFO - diluted (2)	\$ 63,761	\$ 40,547

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- (1) Calculated based upon basic net income as adjusted to reach basic FFO. As of June 30, 2003 and 2002, 13.7 million and 11.2 million of OP Units and Westcor partnership units were outstanding, respectively.
- (2) The computation of FFO – diluted includes the effect of outstanding common stock options and restricted stock using the treasury method. The convertible debentures were dilutive for the six and three months ended June 30, 2002, and were included in the FFO calculation. The convertible debentures were paid off in full on December 13, 2002. On February 25, 1998, the Company sold \$100 million of its Series A Preferred Stock. On June 16, 1998, the Company sold \$150 million of its Series B Preferred Stock. The preferred stock can be converted on a one-for-one basis for common stock. The preferred shares are assumed converted for purposes of FFO-diluted as they are dilutive to that calculation

Included in minimum rents were rents attributable to the accounting practice of straight lining of rents. The amount of straight lining of rents, including the Company's pro rata share from joint ventures, that impacted minimum rents was \$2.3 million and \$1.2 million for the six and three months ended June 30, 2003, respectively; and \$0.1 million and \$0.1 million for the six and three months ended June 30, 2002, respectively. The increase in straight-lining of rents in 2003 compared to 2002 is related to the acquisition of The Oaks and the Westcor portfolio in 2002. These are offset by decreases due to the Company structuring its new leases using rent increased tied to the change in CPI rather than using contractually fixed rent increases.

Inflation

In the last three years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically through the lease term. These rent increases are either in fixed increments or based on increases in the CPI. In addition, about 7%-12% of the leases expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. Additionally, the majority of the leases require the tenants to pay their pro rata share of operating expenses.

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Seasonality

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season and the majority of percentage rent is recognized in the fourth quarter. As a result of the above, and the implementation of Staff Accounting Bulletin 101, earnings are generally higher in the fourth quarter of each year.

New Pronouncements Issued

On July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires that the purchase method of accounting be used for all business combinations for which the date of acquisition is after June 30, 2001. SFAS 141 also establishes specific criteria for the recognition of intangible assets such as acquired in-place leases. The Company has determined that the impact of SFAS 141 on acquisitions that occurred during 2002 was to recognize an additional \$2.4 million and \$1.3 million of minimum rents, including \$0.7 million and \$0.3 million from the joint ventures at pro rata for the six and three months ending June 30, 2003, respectively. A deferred credit of \$14.5 million is recorded in "Other Accrued Liabilities of the Company." An additional \$4.0 million of deferred credits is recorded in the financial statements of the Company's unconsolidated joint ventures. Accordingly, these deferred credits will be amortized into rental revenues at approximately \$3.4 million and \$1.0 million per year, respectively for each of the next five years.

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In October 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"). SFAS 144 establishes a single accounting model, based on the framework established in SFAS 121, for long-lived assets to be disposed of by sale. The Company adopted SFAS 144 on January 1, 2002. The Company sold Boulder Plaza on March 19, 2002 and in accordance with SFAS 144 the results of Boulder Plaza for the periods from January 1, 2002 to March 19, 2002 have been reclassified into "discontinued operations" on the consolidated statements of operations. Total revenues associated with Boulder Plaza was approximately \$0.5 for the period January 1, 2002 to March 19, 2002. The Company sold Paradise Village Gateway, which was acquired on July 26, 2002, on January 2, 2003 and has recorded a loss on sale of \$0.2 million for the three months ending March 31, 2003. Additionally, a gain of \$2.8 million from the sale of the Shops at Gainey Village on June 6, 2003, which was acquired on July 26, 2002, has been reclassified to discontinued operations for the six months ending June 30, 2003.

In May 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections" ("SFAS 145"), which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS 4, SFAS 44 and SFAS 64 and amends SFAS 13 to modify the accounting for sales-leaseback transactions. SFAS 4 required the classification of gains and losses resulting from extinguishments of debt to be classified as extraordinary items. The Company reclassified a loss of approximately \$3.6 million which was incurred in the third and fourth quarters of 2002, from extraordinary items to continuing operations pursuant to the Company's adoption of SFAS 145 on January 1, 2003.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The adoption of SFAS No. 146 did not have any material impact on the Company's consolidated financial statements for the six months ending June 30, 2003.

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In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, and amendment of FASB Statement No. 123" ("SFAS No. 148"). SFAS No. 148 amended SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for employee stock-based compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in annual and interim financial statements about the method of accounting for stock-based compensation and its effect on reported results. The disclosure provisions of SFAS No. 148 are included in the accompanying Notes to Consolidated Financial Statements. Prior to the issuance of SFAS No. 148, the Company adopted the provisions of SFAS No. 123 and will prospectively expense all stock options issued subsequent to January 1, 2002. The Company did not issue any stock options to employees for the six and three months ending June 30, 2003 and 2002 and accordingly, no compensation expense has been recorded in either period.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and clarifies the need for a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has reviewed the provisions of this Interpretation relating to initial recognition and measurement of guarantor liabilities, which are effective for qualifying guarantees entered into or modified after December 31, 2002. The Company has not modified or entered into any qualifying guarantees during the six months ending June 30, 2003.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51." FIN 46 addresses consolidation by business enterprises of variable interest entities, which have one or both of the following characteristics: 1) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity, and 2) the equity investors lack an essential characteristic of a controlling financial interest. The Company is in the process of evaluating the effects of FIN 46 which may require the Company to consolidate Macerich Management Company ("MMC") effective July 1, 2003. The Company does not believe there will be any significant impact as a result of consolidating MMC, since MMC is currently accounted for under the equity method in the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is effective for contracts entered into or modified after

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June 30, 2003. The Company does not expect the adoption of this pronouncement to have a material impact on its financial position or results of operations.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. Financial instruments within the scope of the pronouncement include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003. The Company does not expect the adoption of the pronouncement to have a material impact on its financial position or results of operations.

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Item 3

Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a ratio of fixed rate, long-term debt to total debt such that 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 June 30, 2003 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,					Thereafter	Total	FV
	2003	2004	2005	2006	2007			
Consolidated Centers:								
Long term debt:								
Fixed rate	\$ 29,834	\$ 145,902	\$ 25,978	\$ 95,414	\$ 110,864	\$ 1,090,812	\$ 1,498,804	\$ 1,623,786
Average interest rate	6.92%	6.91%	6.90%	6.91%	6.90%	7.02%	6.92%	—
Variable rate	—	328,752	318,380	—	250,000	52,910	950,042	950,042
Average interest rate	—	2.64%	3.90%	—	3.81%	3.84%	3.44%	—
Total debt-Consolidated Centers	\$ 29,834	\$ 474,654	\$ 344,358	\$ 95,414	\$ 360,864	\$ 1,143,722	\$ 2,448,846	\$ 2,573,828
Joint Venture Centers: (at Company's pro rata share:)								
Fixed rate	\$ 9,261	\$ 15,730	\$ 95,738	\$ 277,863	\$ 126,049	\$ 292,766	\$ 817,407	\$ 883,349
Average interest rate	6.52%	6.52%	6.55%	6.50%	6.53%	6.96%	6.52%	—
Variable rate	8,350	38,227	187	154,751	—	—	201,515	201,515
Average interest rate	3.57%	2.91%	1.72%	1.72%	—	—	2.01%	—

Total debt - Joint Ventures	\$ 17,611	\$ 53,957	\$ 95,925	\$ 432,614	\$ 126,049	\$ 292,766	\$ 1,018,922	\$ 1,084,864
Total debt - All Centers	\$ 47,445	\$ 528,611	\$ 440,283	\$ 528,028	\$ 486,913	\$ 1,436,488	\$ 3,467,768	\$ 3,658,692

In 2003, \$12.7 million of the fixed rate debt maturing was refinanced in August 2003 and the \$8.2 million of the floating rate debt maturing will be extended for two years.

In addition, the Company has assessed the market risk for its variable rate debt as of June 30, 2003 and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately \$11.0 million per year based on \$1.1 billion outstanding at June 30, 2003.

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

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Item 4

Controls and Procedures

The chief executive officer and chief financial officer of the Company (collectively, the "certifying officers") have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the quarterly period covered by this report. The certifying officers concluded, based on their evaluation, that the Company's disclosure controls and procedures were effective as of the end of the quarterly period covered by this report. There has been no significant change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

Other Information

Item 1 Legal Proceedings

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

Item 2 Changes in Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

The following matters were voted upon at the Annual Meeting of Stockholders held on May 28, 2003:

- A. The following three persons were elected as directors of the Company to serve until the annual meeting of stockholders in 2006 and until their respective successors are duly elected and qualify:

	For	Authority Withheld
Arthur M. Coppola	40,902,436	3,137,186
James S. Cownie	40,622,471	3,417,151
Mace Siegel	41,183,897	2,855,725

- B. The approval of the Company's 2003 Equity Incentive Plan

Votes	
For:	36,082,568
Against:	4,944,590
Abstain:	54,170
Broker Non-Votes:	2,958,294

- C. The approval of the Company's Employee Stock Purchase Plan

Votes	
For:	34,592,677
Against:	6,439,723
Abstain:	48,928
Broker Non-Votes:	2,958,294

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D. The ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2003.

<u>Votes</u>	
For:	40,528,583
Against:	3,191,118
Abstain:	319,921

Item 5 Other Information

None

Item 6 Exhibits and Reports on Form 8-K

a. Exhibits

- 10.1 2003 Equity Incentive Plan
- 10.2 Employee Stock Purchase Plan
- 10.3 2003 Cash Bonus/Restricted Stock and Stock Unit Award Program Under the 2003 Equity Incentive Plan
- 31.1 Section 302 Certification of Arthur Coppola, Chief Executive Officer
- 31.2 Section 302 Certification of Thomas O'Hern, Chief Financial Officer
- 32.1 Section 906 Certification of Arthur Coppola, Chief Executive Officer and Thomas O'Hern, Chief Financial Officer

b. Current Reports on Form 8-K

Current Report on Form 8-K event date May 13, 2003 (reporting announcement of results of operations for the Company for the quarter ended March 31, 2003).

Current Report on Form 8-K event date July 14, 2003 (reporting the Company's adoption of SFAS 145 on January 1, 2003) and including the financial statements and selected financial data of the Company filed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 modified solely to reflect the adoption of SFAS 145.

Signatures

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

The Macerich Company

By: /s/ Thomas E. O'Hern
Thomas E. O'Hern
Executive Vice President and
Chief Financial Officer

Date: August 14, 2003

Exhibit Index

Exhibit No.

(a) Exhibits

<u>Number</u>	<u>Description</u>
10.1	2003 Equity Incentive Plan
10.2	Employee Stock Purchase Plan
10.3	2003 Cash Bonus/Restricted Stock and Stock Unit Award Program Under the 2003 Equity Incentive Plan
31.1	Section 302 Certification of Arthur Coppola, Chief Executive Officer
31.2	Section 302 Certification of Thomas O'Hern, Chief Financial Officer

**THE MACERICH COMPANY
2003 EQUITY INCENTIVE PLAN**

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THE MACERICH COMPANY 2003 EQUITY INCENTIVE PLAN

1. THE PLAN

1.1 *Purpose*

The purpose of this Plan is to promote the success of the Company by providing an additional means through the grant of Awards to attract, motivate, retain and reward key employees (including employees who are officers) and directors of, and certain consultants and advisors to, the Company with awards and incentives for individual service or performance, financial performance of the Company and market performance of the Corporation's

Common Stock. "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 7.

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 unanimous written consent of its members. Where 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 this Plan or 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 resolutions of the Board approving this Plan, and compliance with Section 2-203 of the Maryland General Corporation Law, the Committee shall have the authority:

- (i) to determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive an Award;
- (ii) to grant or approve Awards, including Awards issued by its Subsidiaries, 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, including any performance criteria, 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 Employees, subject to any required consent under Section 6.6 and subject to Section 2.5;
- (vi) to accelerate or extend the exercisability or extend the term of any or all such outstanding Awards within the maximum term of Awards under Section 1.6; and
- (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.

The provisions of Article 8 relating to Non-Employee Director Options shall be formulaic and, to the maximum extent possible, self-effectuating. Although the discretion of the Committee extends to those Awards, Board approval or ratification shall be required for any material amendments to any such Award.

(c) *Binding Determinations/Liability Limitation.* Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan and

within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Committee, nor any member thereof or person acting at the direction thereof shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any Award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

(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 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.

1.4 Shares Available for Awards; Share Limits.

(a) *Shares Available.* Subject to the provisions of Section 6.2, the capital 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.

(b) *Share Limits.*

(i) 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 6,000,000 shares (the "*Share Limit*"); provided that the maximum number of shares of Common Stock that may be delivered pursuant to Awards other than Options and SARs granted under this Plan shall not exceed 3,000,000 shares.

(ii) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as Incentive Stock Options granted under this Plan is 1,950,000 shares.

(iii) The maximum number of shares of Common Stock in the aggregate that may be issued under Awards under this Plan (other than Awards granted under Section 8 or shares issued in lieu of cash compensation otherwise payable) granted to Non-Employee Directors shall be 350,000.

(iv) The maximum number of shares subject to those Options and Stock Appreciation Rights that are granted during any calendar year to any individual under this Plan shall be limited to 500,000 and the maximum limit on the number of shares in the aggregate subject to all stock-related Awards that during any calendar year are granted to any individual under this Plan shall be 750,000.

(v) Each of the foregoing numerical limits shall be subject to adjustment as contemplated by this Section 1.4 and Section 6.2.

(c) *Calculation of Available Shares and Replenishment.* Shares subject to outstanding Awards of derivative securities (as defined in Rule 16a-1(c) under the Exchange Act) shall be reserved for issuance. If any option or other right to acquire shares of Common Stock under an Award shall expire or be cancelled or terminated without having been exercised 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 subject thereto shall again be available for the purposes of the Plan, subject to any applicable limitations under Section 162(m) of the Code. If a

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Stock Appreciation Right or similar right is exercised or a Performance Share Award based on the increased market value of a specified number of shares of Common Stock is paid in shares, only the number of shares actually issued shall be charged against the maximum amount of Common Stock that may be delivered pursuant to Awards under this Plan and, if applicable, such Award. If the Corporation withholds shares of Common Stock pursuant to Section 6.5, the number of shares that would have been deliverable with respect to an Award but that are withheld pursuant to the provisions of Section 6.5 may in effect not be issued, but the aggregate number of shares issuable with respect to the applicable Award and under the Plan shall be reduced by the number of shares withheld and such shares shall not be available for additional Awards under this Plan. To the extent a performance share award or dividend equivalent is paid in shares of Common Stock, the number of shares of Common Stock (if any) subject to such Performance Share Award or dividend equivalent shall be charged (but in the case of tandem or substituted Awards or dividend equivalents, without duplication) against the maximum number of shares of Common Stock that may be delivered pursuant to Awards under this Plan. Notwithstanding the foregoing provisions, but subject to Section 6.10(c), Awards payable solely in cash shall not reduce the number of shares available for Awards under this Plan and any imputed charges to the maximum number of shares deliverable under this Plan pursuant to Awards payable in shares or cash shall be reversed to the extent the Awards are actually paid in cash. To the extent any shares were previously reserved in respect of such Awards payable in cash or shares, the number of shares not issued shall (except as above expressly provided with respect to withholding under Section 6.5) again be available for purposes of this Plan.

1.5 *Grant of Awards.*

Subject to the express provisions of this Plan, the Committee shall determine 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, in the case of Performance Share Awards, in addition to matters addressed in Section 1.2(b), the specific objectives, goals and performance criteria (such as an increase in sales, market value, earnings or book value over a base period, the years of service before vesting, the relevant job classification or level of responsibility or other factors) that further define the terms of the Performance Share Award. Each Award shall be evidenced by an Award Agreement signed by the Corporation and, if required by the Committee, by the Participant. The Award Agreement shall set forth the material terms and conditions of the Award established by the Committee consistent with the specific provisions of this Plan.

1.6 *Award Period.*

Each Award and all executory rights or obligations under the related Award Agreement shall expire on such date (if any) as shall be determined by the Committee, but, subject to Section 4.1(c), in the case of Options or other rights to acquire Common Stock not later than ten (10) years after the Award Date.

1.7 *Limitations on Exercise and Vesting of Awards.*

(a) *Provisions for Exercise.* Unless the Committee otherwise expressly provides or as provided in or pursuant to Section 6.2, no Award shall be exercisable or shall vest until at least six months after the initial Award Date, and once exercisable an Award shall remain exercisable until the expiration or earlier termination of the Award.

(b) *Procedure.* Any exercisable Award shall be deemed to be exercised when the Secretary of the Corporation or its designee approves a notice of such exercise in the form required by the Company from the Participant, together with any required payment made in accordance with Section 2.2 or 8.3, as the case may be.

(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.

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1.8 *No Transferability; Limited Exception to Transfer Restrictions.*

(a) *Limit On Exercise and Transfer.* Unless otherwise expressly provided in (or pursuant to) this Section 1.8, by applicable law and by the Award Agreement, as the same may be amended, (i) Awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (ii) Awards shall be exercised only by the Participant; and (iii) amounts payable or shares issuable pursuant to any Award shall be delivered only to (or for the account of) the Participant.

(b) *Exceptions.* The Committee may permit Awards to be exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's immediate family, or charitable institutions, trusts or other entities controlled by or whose

beneficiaries or beneficial owners are the Participant and/or members of the Participant's immediate family or to such other related persons or entities as may be approved by the Committee, pursuant to such conditions and procedures, including limitations on subsequent transfers, as the Committee may establish. Consistent with Section 6.4, any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer (i) is being made for essentially donative, estate and/or tax planning purposes on a gratuitous or donative basis and without consideration (other than nominal consideration or in exchange for an interest in a qualified transferee), and (ii) will not compromise the Corporation's ability to register shares issuable under this Plan on SEC Form S-8 under the Securities Act or a Subsidiary's ability to rely on SEC Rule 701 thereunder with respect to Subsidiary interests or securities. Notwithstanding the foregoing, ISOs and Restricted Stock Awards shall be subject to any and all additional transfer restrictions under the Code.

(c) *Further Exceptions to Limits On Transfer.* The exercise and transfer restrictions in Section 1.8(a) shall not apply to:

- (i) transfers to the Corporation,
- (ii) the designation of a beneficiary to receive benefits in the event of the Participant's death or, if the Participant has died, transfers to or exercise by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,
- (iii) subject to any applicable ISO limitations, transfers to a family member (or former family member) pursuant to a domestic relations order if approved or ratified by the Committee,
- (iv) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by his or her legal representative, or
- (v) the authorization by the Committee of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of Awards consistent with applicable laws and the express authorization of the Committee.

2. OPTIONS.

2.1 *Grants.*

One or more Options may be granted under this Article to any Eligible Person. Each Option granted shall be designated in the applicable Award Agreement, by the Committee as either an Incentive Stock Option, subject to Section 2.3, or a Nonqualified Stock Option.

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 and in all cases shall not be less than the par value thereof, payable in any form of lawful consideration specified by the Committee.

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(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 check payable to the order of the Corporation; or (iii) 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 provided further that any shares delivered which were initially acquired upon exercise of a stock option 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 and to the extent permitted by applicable law, 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 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.*

(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 under this Plan and stock subject to incentive stock options under all other plans of the Company, 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.

(c) *Other Code Limits.* Incentive Stock Options may only be granted to Eligible Employees of the Corporation or a Subsidiary that qualifies as a "subsidiary corporation" pursuant to Section 424(f) of the Code. For this purpose, a "subsidiary corporation" means any Subsidiary that is a corporation in an unbroken chain of corporations beginning with the Corporation if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain of corporations owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. There shall be imposed in any Award Agreement relating to Incentive Stock Options such other 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,

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 *Option Repricing/Cancellation and Regrant.*

Except as provided in or pursuant to Section 6.2, the Committee may not authorize, generally or in specific cases only, for the benefit of any Eligible Person any adjustment in the exercise or purchase price or the number of shares subject to an Award granted under Article 2 or 8 by

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cancellation of an outstanding Award and a subsequent regranting of an Award, by amendment or by substitution of an outstanding Award without prior approval of the Corporation's stockholders.

2.6 *Effects of Termination of Employment or Service.*

(a) *Options.* Unless otherwise provided in, or by authorized amendment to, the Award Agreement or provided in another applicable agreement with the Participant:

(i) *Options—Resignation or Dismissal.* If the Participant's employment by (or other service specified in the Award Agreement to) the Company terminates for any reason (the date of such termination being referred to as the "Severance Date") (other than Total Disability or death, Retirement, or for Cause (as determined in the discretion of the Committee)), the Participant shall have three months after the Severance Date to exercise any Option to the extent it shall have become exercisable on the Severance Date. In the case of a termination for Cause, the Option shall terminate on the Severance Date. In other cases, the Option, to the extent not exercisable on the Severance Date, shall terminate.

(ii) *Options—Death or Disability.* If the Participant's employment by (or specified service to) the Company terminates as a result of Total Disability or death, the Participant, Participant's Personal Representative or his or her Beneficiary, as the case may be, shall have until 12 months after the Severance Date to exercise any Option to the extent it shall have become exercisable by the Severance Date. Any Option to the extent not exercisable on the Severance Date shall terminate.

(iii) *Options—Retirement.* If the Participant's employment by (or specified service to) the Company terminates as a result of Retirement, the Participant, Participant's Personal Representative or his or her Beneficiary, as the case may be, shall have until 12 months after the Severance Date to exercise any Nonqualified Stock Option (three months after the Severance Date in the case of an Incentive Stock Option) to the extent it shall have become exercisable by the Severance Date. The Option, to the extent not exercisable on the Severance Date, shall terminate.

(b) *Certain SARs.* Any SAR granted concurrently or in tandem with an Option shall have the same post-termination provisions and exercisability periods as the Option to which it relates, unless the Committee otherwise provides.

(c) *Committee Discretion.* Notwithstanding and without limiting the foregoing provisions of this Section 2.6, in the event of, or in anticipation of, a termination of employment or service with the Company for any reason the Committee may, in its discretion, increase the portion of the Participant's Award available to the Participant, or Participant's Beneficiary or Personal Representative, as the case may be, or, subject to the provisions of Section 1.6, extend the exercisability period, upon such terms as the Committee shall determine and expressly set forth in or by amendment to the Award Agreement.

(e) *Limitations on Incentive Stock Options.* Notwithstanding the foregoing, to the extent that the post-termination exercise period of an Incentive Stock Option exceeds the limitations under Section 422 the Code, such Option will cease to be treated as Incentive Stock Option and shall be treated as a Nonqualified Stock Option at such time that the applicable time limit is exceeded.

2.7 *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. If 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).

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3. STOCK APPRECIATION RIGHTS (INCLUDING LIMITED STOCK APPRECIATION RIGHTS).

3.1 *Grants.*

In its discretion, the Committee may grant to any Eligible Person Stock Appreciation Rights either concurrently with the grant of another Award or in respect of an outstanding Award, in whole or in part, or independently of any other Award. Any Stock Appreciation Right 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, unless the holder otherwise agrees.

3.2 *Exercise of Stock Appreciation Rights.*

(a) *Exercisability.* Unless the Award Agreement or the Committee otherwise provides, a Stock Appreciation Right related to another Award shall be exercisable at such time or times, and to the extent, that the related Award shall be exercisable. The base price of any SAR related to an Option may be less than the Fair Market Value of the Common Stock on the grant date, provided that such price shall be no less than the exercise price of the related Option.

(b) *Effect on Available Shares.* To the extent that a Stock Appreciation Right is exercised, only the actual number of delivered shares shall be charged against the maximum number of shares of Common Stock that may be delivered pursuant to Awards under this Plan. The number of shares

subject to the Stock Appreciation Right and the related Option of the Participant shall, however, be reduced by the referenced number of underlying shares as to which the exercise related, unless the Award Agreement otherwise provides.

(c) *Stand-Alone SARs.* Subject to Sections 1.6 and 1.7, a Stock Appreciation Right granted independently of any other Award shall be exercisable pursuant to the terms of the Award Agreement. The base price of each stand-alone SAR shall be determined by the Committee at the time of the Award, provided that such price shall be no less than 100% of the Fair Market Value of the Common Stock on the date of grant.

3.3 *Payment.*

(a) *Amount.* Unless the Committee otherwise provides, upon exercise of a Stock Appreciation Right and the attendant surrender of an exercisable portion of any related Award, the Participant shall be entitled to receive payment of an amount determined by multiplying:

(i) the difference obtained by subtracting the exercise price per share of Common Stock under the related Award (if applicable) or the initial share value specified in the Award from the Fair Market Value of a share of Common Stock on the date of exercise of the Stock Appreciation Right, by

(ii) the number of shares with respect to which the Stock Appreciation Right shall have been exercised.

(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 Stock Appreciation Right), 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 Stock Appreciation Right to the extent it will cause such person to Beneficially or Constructively Own Equity Shares in excess of the Ownership Limit. In

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the event that a Participant exercises any portion of a Stock Appreciation Right 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.

3.4 *Limited Stock Appreciation Rights.*

The Committee may grant to any Eligible Person Stock Appreciation Rights exercisable only upon or in respect of a change in control or any other specified event ("Limited SARs") and such Limited SARs may relate to or operate in tandem or combination with or substitution for Options, other SARs or other Awards (or any combination thereof), and may be payable in cash or shares based on the spread between the base price of the SAR and a price based upon the Fair Market Value of the Shares during a specified period or at a specified time within a specified period before, after or including the date of such event.

4. RESTRICTED STOCK AND STOCK UNIT AWARDS.

Subject to any applicable limitations under applicable law, resolutions of the Board, other generally applicable terms and conditions of this Plan, and such rules and procedures as the Committee may establish from time to time:

4.1 *Grants.*

(a) *Restricted Stock.* The Committee may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Person. 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 law) by the Participant, the extent (if any) to which and the time (if ever) at which the Participant shall be entitled to dividends, voting and other rights in respect of the shares prior to vesting, and the restrictions (which may be based on performance criteria, passage of time or other factors or any combination thereof) imposed on such shares and the conditions of release or lapse of such restrictions. Such restrictions shall not lapse earlier than six months after the Award Date, except to the extent the Committee may otherwise provide, such as in the case of Awards principally for services already rendered, or to the extent provided in an applicable agreement with the Participant. Stock certificates or book entries evidencing shares of Restricted Stock pending the lapse of the restrictions ("Restricted Shares") shall bear a legend or notation making appropriate reference to the restrictions imposed hereunder and (if in certificate form) shall be held by the Corporation or by a third party designated by the Committee until the restrictions on such shares shall have lapsed and the shares shall have vested in accordance with the provisions of the Award and Section 1.7. 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.

(b) *Stock Units.* The Committee may, in its discretion, authorize and grant to any Eligible Person a Stock Unit Award or the crediting of Stock Units for services rendered or to be rendered or in lieu of other compensation, consistent with other applicable terms of this Plan, may permit an Eligible Person to irrevocably elect to defer by means of Stock Units or receive in Stock Units all or a portion of any Award hereunder, or may grant Stock Units in lieu of, in exchange for, in respect of, or in addition to any other compensation or Award under this Plan. The specific terms, conditions, and provisions relating to each Stock Unit grant or election, including the applicable vesting and payout provisions of the Stock Units and the form of payment to be made at or following the vesting thereof, shall be set forth in or pursuant to the applicable agreement or Award and any relevant Company bonus, performance or other service or deferred compensation plan, in form substantially as approved by the Committee.

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(c) *Payouts.* The Committee in the applicable Award Agreement or the relevant Company deferred compensation plan 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, and may permit Restricted Stock or Stock Unit offsets or other provision for payment of any applicable taxes that may be due on the crediting, vesting or payment in respect of the Stock Units.

4.2 *Restrictions.*

(a) *Pre-Vesting Restraints.* Except as provided in Section 4.1 and 1.8, Restricted Shares comprising any Restricted Stock Award and rights in respect of Stock Unit Awards may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until the restrictions on Restricted Shares have lapsed and the shares issuable pursuant to the Stock Unit Award have been issued.

(b) *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 such rights shall terminate immediately as to any Restricted Shares that cease to be eligible for vesting. Restricted Stock Awards (to the extent not also entitled to receive cash dividends) and Stock Unit Awards may include Dividend Equivalent Rights to the extent authorized by the Committee, as provided in Section 5.6.

(c) *Cash Payments.* If the Participant shall have paid or received cash (including any payments in respect of dividends) in connection with the Restricted Stock Award or Stock Unit Award, the Award Agreement shall specify the extent (if any) to which such amounts shall be returned (with or without an earnings factor) as to any Restricted Shares or Stock Unit Awards which cease to be eligible for vesting.

4.3 *Return to the Corporation.*

Unless the Committee otherwise expressly provides, Restricted Shares or Stock Units that remain subject to conditions to vesting upon restrictions at the time of termination of employment or service 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 or cancelled, as the case may be, unless the Committee otherwise provides in or by amendment to the applicable terms of the Award.

5. PERFORMANCE SHARE AWARDS, OTHER STOCK AWARDS AND DIVIDEND EQUIVALENT RIGHTS.

5.1 *Grants of Performance Share Awards.*

Subject to Section 6.4, the Committee may, in its discretion, grant Performance Share Awards to Eligible Persons based upon such factors as the Committee shall deem relevant in light of the specific type and terms of the award. An Award Agreement shall specify the maximum number of shares of Common Stock (if any) subject to the Performance Share Award, the consideration (but not less than the minimum lawful consideration and subject to any limitations under applicable law, resolutions of the Board, other generally applicable terms and conditions of this Plan) to be paid for any such shares as may be issuable to the Participant, the duration of the Award and the conditions upon which delivery of any shares, cash or other property to the Participant shall be based. The amount of cash or shares or other property that may be deliverable pursuant to such Award shall be based upon the degree of attainment over a specified period of not more than 10 years (a "performance cycle") as may be established by the Committee of such measure(s) of the performance of the Company (or any part thereof) or the Participant as may be established by the Committee. The Committee may provide for full or partial credit, prior to completion of such

performance cycle or the attainment of the performance achievement specified in the Award, in the event of the Participant's death, Retirement, or Total Disability, a Change in Control Event or in such other circumstances as the Committee may determine.

5.2 *Special Performance-Based Share Awards.*

(a) *General Provisions.* Without limiting the generality of the foregoing, and in addition to qualifying awards granted 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 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, division, region or property 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, total revenue growth, net income, occupancy gains, square footage growth, and sales per square foot growth, each as defined in Exhibit B. These terms otherwise are used as applied under generally accepted accounting principles or in the Company's financial reporting. To qualify Awards as performance-based under Section 162(m), 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, if such period exceeds one year) and while the performance relating to such targets remains substantially uncertain within the meaning thereof. Performance targets shall be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Committee provides otherwise at the time of establishing the targets. 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 750,000 shares, subject to adjustment pursuant to Section 6.2. In no event shall grants made 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 \$800,000, times (y) the applicable number of years (not more than 10) to which the Awards relate in the performance periods. If an Award pursuant to this Section 5.2 is payable in cash or restricted shares, the lesser of the share limit or the dollar limit of this Section 5.2(b) shall apply and, for purposes of such limits, the restricted shares shall be deemed to have a value not less than two-thirds of the Fair Market Value of the Common Stock on the applicable measurement date.

(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.

(e) *Stock Payout Features.* In lieu of cash payment of an Award, the Committee may require or allow a portion of the Award to be paid in the form of stock, Restricted Shares or an Option.

5.3 *Grants of Stock Bonuses and Other Awards.*

Subject to Section 6.4, the Committee may grant a Stock Bonus to any Eligible Person to reward services, contributions or achievements, or in connection with the deferral of compensation, the value of which shall be determined by the Committee, in the manner and on such terms and conditions (including restrictions on such shares, if any) as determined from time to time by the Committee. The number of shares so awarded shall be determined by the Committee. The Award may be granted independently or in lieu of a cash bonus.

5.4 *Deferred Payments.*

The Committee may authorize for the benefit of any Eligible Person the deferral of any payment of cash or shares or other property that may become due or of cash otherwise payable under this Plan, and provide for accretions to benefits thereon based upon such deferment (including, but not limited to a greater nominal value in shares than in cash or an allowance for interest, dividend equivalents or appreciation rights) at the election or at the request of such Participant or as a mandatory basis as a condition of the Award, subject to the other terms of this Plan. Such deferral shall be subject to such further conditions, restrictions or requirements as the Committee may impose, subject to any then vested rights of Participants.

5.5 *Limitations on Awards.*

Notwithstanding the provisions of this Article 5, in no case may any Award of shares 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.

5.6 *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 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.

5.7 *Operating Partnership Units or other Convertible Units.* The Committee may authorize for the benefit of any Eligible Person the issuance of Common Stock or the payment of cash in connection with, or upon exercise, conversion or exchange of, phantom units or other interests in Subsidiaries that are issued by the Subsidiary with the Committee's approval and any required Board approval and that are convertible or exchangeable into Common Stock, units or cash.

5.8 *Alternative Payments*

The Committee may require or allow all or a portion of an Award under this Article 5 to be paid or credited in the form of shares of Common Stock, Restricted Shares, Stock Units, an Option or other Award.

6. 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/Service Agreement.* Nothing contained in this Plan (or in any other documents under this Plan or in any Award) shall confer upon any Eligible Employee or other Participant any right to continue in the employ or other service of the Company, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company to change a person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section, however, is intended to adversely affect any express independent right of such person under a separate employment or other agreement other than an Award Agreement.

(c) *Plan Not Funded.* Awards payable under this Plan shall be payable in shares or from the general assets of the Company, and (except as provided in Section 1.4(c)) 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; Acceleration.*

(a) *Adjustments.* Upon or in contemplation of: any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split (“stock split”); any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of all or substantially all the assets of the Corporation as an entirety; then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(1) proportionately adjust any or all of (a) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (b) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Awards, (c) the grant, purchase, or exercise price (which term includes the base price in the case of SARs or similar rights) of any or all outstanding Awards, (d) the securities, cash or other property deliverable upon exercise of any or all

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outstanding Awards, or (e) (subject to limitations under Section 6.10(c)) the performance standards appropriate to any or all outstanding Awards, or

(2) make provision for a cash payment or for the assumption, substitution or exchange of any or all outstanding share-based Awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based Awards, based upon the distribution or consideration payable to holders of the outstanding Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash or property settlement and, in the case of Options, SARs or similar rights, but without limitation on other methodologies, may base such settlement *solely* upon the excess if any of the per share amount payable upon or in respect of such event over the exercise price of the Award, unless otherwise provided in, or by authorized amendment to, the Award Agreement or provided in another applicable agreement with the Participant.

With respect to any Award of an Incentive Stock Option, in the discretion of the Committee, the adjustment may be made in a manner that would cause the Option to cease to qualify as an Incentive Stock Option.

In any of such events, the Committee may take such action prior to such event to the extent that the Committee deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally. In the case of any stock split, if no action is taken by the Committee, the proportionate adjustments contemplated by clause (a)(1) above shall nevertheless be made.

(b) *Automatic Termination upon Settlement.* Without limiting the authority of the Company under Section 6.2(a) or (c), if provision has been made by the Committee for the assumption, substitution, exchange or other settlement (each of the foregoing, a “settlement”) or continuation of at least the vested portion of an outstanding Award pursuant to Section 6.2(a) upon or in anticipation of either (i) a Change in Control Event approved by the Board, or (ii) a reorganization event which the Company does not survive (or does not survive as a public company in respect of its outstanding common stock) then (subject, however, to the terms of such settlement or continuation and any specific terms of the Award or another applicable written agreement to the contrary) the prior outstanding Award shall terminate upon consummation of the event to the extent so provided.

(c) *Acceleration of Awards Upon Change in Control.* Subject to Sections 8.6, and unless otherwise expressly provided in the Award or another applicable written agreement with the Participant: unless prior to a Change in Control Event the Committee determines that, upon its occurrence, the benefits under any or all Awards shall not be subject to acceleration as provided below or determines that only certain or limited benefits under any or all Awards shall be so accelerated and the extent to which they shall be accelerated, and/or establishes a different time or circumstance in respect of such Event for such acceleration, by the Award Agreement or otherwise, then as to the Awards (or replacement awards) held by any Participant immediately prior to the occurrence of a Qualified Termination upon or not later than 12 months following a Change in Control Event:

- (i) each Option and Stock Appreciation Right shall become immediately exercisable,
- (ii) Restricted Stock shall immediately vest free of restrictions, and
- (iii) each Performance Share Award shall become payable to the Participant.

A “Qualified Termination” for these purposes (i) includes any termination of employment by the Company (other than for Cause or because of the Participant’s death or Total Disability), subject to the

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actual occurrence of the Change in Control Event, (ii) may include a constructive termination by the Company (such as a termination by the Participant for specified reasons), and (iii) may be deemed (subject to actual occurrence of the Change in Control Event before expiration or other termination of the Award) to include any such termination by the Company in express contemplation of a publicly announced Change in Control Event.

The Committee may override the provisions regarding acceleration in this Section 6.2(c) by express provision in the Award Agreement or otherwise and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Committee may approve. Any acceleration of Awards shall comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances require, may be deemed by the Committee to occur (subject to Section 6.2(d)), immediately prior to the event.

(d) *Limitation on Award Adjustments.* To the extent limited by Section 162(m) in the case of an Award intended as a performance-based award for purposes of Section 162(m) and necessary to assure deductibility of the compensation payable under the Award, the Committee shall have no discretion under this Plan (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.

(e) *No Extension Beyond Expiration.* Notwithstanding the foregoing, in no event shall an Award be reinstated or extended beyond its final expiration date.

(f) *Possible Rescission of Acceleration.* If the vesting of an Award has been accelerated expressly in anticipation of an event or upon stockholder approval of an event and the Committee or the Board later determines that the event will not occur, the Committee may rescind the effect of the acceleration as to any then outstanding and unexercised or otherwise unvested Awards.

(g) *Terminology.* As used in this Section 6.2 and without limiting the authority of the Board in other contexts, the term “Committee” includes alternatively, the Board.

6.3 *Effect of Termination of Service on Awards.*

(a) *General.* Subject to Section 2.6, the Committee shall establish the effect of a termination of employment or service on the rights and benefits under each Award under this Plan and in so doing may make distinctions based upon, inter alia, the cause of termination and type of Award. Unless otherwise provided in the Award or other provision of this Plan or another written agreement with the Participant, the Severance Date shall be the later of (1) the date of termination (for any reason whatsoever) of the Participant’s employment by the Company, in the case of an Award granted to an employee; (2) the date of termination of directorship in the case of an Award granted to or held by a director (or former employee continuing in service as a director); or (3) the date of termination of services to the Company, as determined by the Committee, in the case of an Other Eligible Person. Notwithstanding the foregoing, the Committee may authorize by express provision in or amendment to an Award an extension of the date of termination of the Award if a person’s status after grant changes from one eligible category to another, or in other circumstances that the Committee deems appropriate.

(b) *Termination of Consulting or Affiliate Services.* If the Participant is not an Eligible Employee or Non-Employee Director and provides services as an Other Eligible Person, the Committee shall be the sole judge of whether the Participant continues to render services to the Company, unless a written agreement with the Participant or the Award otherwise provides. If in these circumstances the Company notifies the Participant in writing that a termination of services of the Participant for purposes of this Plan has occurred, then (unless the written agreement or Award otherwise expressly provides), the Participant’s termination of services for purposes of

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Section 2.6, 3, 4.3 or 5 shall be the date which is 10 days after the Company’s mailing of the notice or, in the case of a termination for Cause, the date of the mailing of the notice.

(c) *Effect on Unvested Awards.* Unless otherwise provided in the applicable Award Agreement and subject to the other provisions of this Plan, a Restricted Stock Award, Stock Appreciation Right, Performance Share Award, or Stock Unit Award, to the extent such Award has not become exercisable, or vested, as the case may be, as of the applicable Severance Date, shall terminate on the Severance Date without further payment or benefit of any kind; and any Option theretofore outstanding and not exercisable shall terminate. Vested Options and any related SARs are further subject to the provisions of Section 2.6.

(d) *Events Not Deemed Terminations of Service.* Unless Company policy or the Committee otherwise provides, the employment relationship shall not be considered terminated in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence authorized by the Company or the Committee; provided that unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than 90 days. In the case of any Eligible Employee on an approved leave of absence, continued vesting of the Award while on leave from the employ of the Company may be suspended until the employee returns to service, unless the Committee otherwise provides or applicable law otherwise requires. In no event shall an Award be exercised after the expiration of the term set forth in the Award Agreement.

(e) *Effect of Change of Subsidiary Status.* For purposes of this Plan and any Award, if an entity ceases to be a Subsidiary an involuntary termination of employment or service shall be deemed to have occurred with respect to each Eligible Person in respect of the Subsidiary who does not continue as an Eligible Person in respect of another entity within the Company after giving effect to the Subsidiary’s change of status.

6.4 *Compliance with Laws.*

This Plan, the granting and vesting of Awards under this Plan, the offer, issuance and delivery of shares of Common Stock, and/or the payment of money under this Plan or under Awards 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 to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Company, provide such assurances and representations to the Company as the Committee may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

6.5 *Tax Matters.*

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 Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Company may be required to withhold with respect to such Award event or payment or (ii) deduct from any amount payable in cash the minimum amount of any taxes which the Company may be required to withhold with respect to such cash payment. 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 in its sole discretion (subject to Section 6.4) grant (either at the time of the Award or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their Fair Market Value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. Shares in no event shall be withheld in excess of the minimum number required for tax withholding under applicable law.

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(a) *Board 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) *Stockholder Approval.* To the extent then required under Section 2.5 of the Plan, Sections 162, 422 or 424 of the Code or any other applicable law or listing agency, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to stockholder approval.

(c) *Amendments to Awards.* Without limiting any other express authority of the Committee under (but subject to) the express limits of this Plan, the Committee by agreement or resolution may waive conditions of or limitations on Awards to Participants that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and (subject to the requirements of Sections 1.2(b), 1.6, 2.5 and 6.6(d) and subject to the resolutions of the Board approving the Plan) may make other changes to the terms and conditions of Awards, including without limitation, providing for shorter vesting periods or longer exercise periods for Awards.

(d) *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 Company 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.

(e) *ISO Acceleration.* The portion of any Incentive Stock Option accelerated in connection with a Change in Control Event or any other action permitted hereunder shall remain exercisable as an Incentive Stock Option only to the extent the applicable \$100,000 limitation is not exceeded. To the extent exceeded, the accelerated portion of the Option shall be exercisable as a Nonqualified Stock Option under the Code.

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 the Participant. 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 the Plan.*

This Plan is effective as of April 1, 2003 the date of approval by the Board. The Plan shall be submitted for and subject to stockholder approval.

6.9 *Term of the Plan.*

No Award will be granted under this Plan after March 31, 2013 (the "termination date"). Unless otherwise expressly provided in this Plan or in an applicable Award Agreement, any Award granted prior to the termination date may extend beyond such date, and all authority of the Committee with respect to Awards hereunder, including the authority to amend an Award, shall continue during any suspension of this Plan and in respect of Awards outstanding on the 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 a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(c) *Plan Construction.*

(1) *Rule 16b-3.* It is the intent of the Corporation that the Awards and transactions permitted by Awards be interpreted in a manner that, in the case of Participants who are or may be subject to Section 16 of the Exchange Act, qualify, to the maximum extent compatible with the express terms of the Award, for exemption from matching liability under Rule 16b-3. Notwithstanding the foregoing, the Corporation shall have no liability to any Participant for Section 16 consequences of Awards or events under Awards or if a particular Award or event does not so qualify.

(2) *Section 162(m).* It is the further intent of the Company that (to the extent the Company or Awards under this Plan may be or become subject to limitations on deductibility under Section 162(m) of the Code), Options or SARs granted with an exercise or base price not less than Fair Market Value on the date of grant and performance-based awards under Section 5.2 of this Plan that are granted to or held by a person subject to Section 162(m) of the Code will qualify as performance-based compensation or otherwise be exempt from deductibility limitations under Section 162(m) of the Code, to the extent that the authorization of the Award (or the payment thereof, as the case may be) satisfies any applicable administrative requirements thereof.

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.

6.12 *Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation.*

Awards may be granted under this Plan in substitution for or in connection with an assumption of employee stock options, SARs, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Company, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Company, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The Awards so granted need not comply with other specific terms of this Plan, provided the Awards reflect only adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Common Stock in the transaction and any change in the issuer of the security.

Any such shares that are issued and any awards that are granted by, or become obligations of, the Company, as a result of the assumption by the Company or an affiliate of, or in substitution for, outstanding awards previously granted by an acquired company (or previously granted by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Company (or a subsidiary or affiliate) in connection with a business or asset acquisition or similar transaction) shall not be counted against the maximum number of shares and awards available for issuance under the Plan.

6.13 *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.

6.14 *No Corporate Action Restriction.*

The existence of the Plan, the Award Agreements and the Awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the stockholders of the Corporation to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the Corporation's or any Subsidiary's capital structure or its business, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the Corporation's or any Subsidiary's capital stock or the rights thereof, (d) any dissolution or liquidation of the Corporation or any Subsidiary, (e) any sale or transfer of all or any part of the Corporation or any Subsidiary's assets or business, or (f) any other corporate act or proceeding by the Corporation or any Subsidiary. No participant, beneficiary or any other person shall have any claim under any Award or Award Agreement against any member of the Board or the Committee, or the Corporation or any employees, officers or agents of the Corporation or any Subsidiary, as a result of any such action.

6.15 *Other Company Benefit and Compensation Program.*

Payments and other benefits received by a Participant under an Award made pursuant to this Plan shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Committee or the Board expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Company or the Subsidiaries.

7. DEFINITIONS.

7.1 *Definitions.*

(a) "*Award*" means an award of any Option, Stock Appreciation Right, Restricted Stock, Stock Bonus, Stock Unit, Performance Share Award, Dividend Equivalent Right or deferred payment right, convertible security pursuant to Section 5.7, or other right or security that would constitute a "derivative security" under Rule 16a-1(c) of the Exchange Act, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

(b) "*Award Agreement*" means any writing setting forth the terms of an Award that has been authorized by the Committee.

(c) "*Award Date*" means 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 or, in the case of Awards under Article 8, the applicable dates set forth therein.

(d) "*Award Period*" means 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*" means the person, persons, trust or trusts designated by a Participant or, in the absence of a designation, 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 designated and able to act under the circumstances.

(g) "*Board*" means the Board of Directors of the Corporation.

(h) "*Cause*" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement or another applicable agreement with the Participant) a termination of service based upon a finding by the Company, acting in good faith based on its reasonable belief at the time, that the Participant:

(1) has failed to perform job duties in a material respect without proper cause; or

(2) has materially breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Company in a manner injurious to the Company; or has been convicted of a felony; or

(3) has materially breached any of the provisions of any agreement with the Company.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Company first delivers written notice to the Participant of a finding of termination for Cause.

(i) “*Change in Control Event*” means any of the following:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Corporation (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this definition, the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Corporation, (ii) any acquisition by the Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any affiliate of the Corporation or successor or (iv) any acquisition by any entity pursuant to a transaction that complies with Sections (3)(A), (3)(B) and (3)(C) below;

(2) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation’s stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (including for these purposes, the new members whose election or nomination was so approved, without counting the member and his predecessor twice) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a

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“Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets directly or through one or more subsidiaries (“Parent”)) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Corporation or such entity resulting from such Business Combination or Parent) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of 20% existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(j) “*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

(k) “*Commission*” means the Securities and Exchange Commission.

(l) “*Committee*” means the Board or one or more committees appointed by the Board to administer all or certain aspects of this Plan, each committee to be comprised solely of one or more directors or such number as may be required under applicable law or the Corporation’s Articles of Amendment and Restatement or By-Laws. Each member of a Committee in respect of his or her participation in any decision with respect to an Award intended to satisfy the requirements of Section 162(m) of the Code must satisfy the requirements of “outside director” status within the meaning of Section 162(m) of the Code; *provided*, however, that the failure to satisfy such requirement shall not affect the validity of the action of any committee otherwise duly authorized and acting in the matter.

(l) “*Common Stock*” means 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*” means, collectively, the Corporation and its Subsidiaries.

(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*” means The Macerich Company, a Maryland corporation, and its successors.

(p) “*Dividend Equivalent Right*” means a right authorized under Section 5.6 of this Plan.

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(q) “*Eligible Employee*” means an officer (whether or not a director) or key employee of the Company.

(r) “*Eligible Person*” means an Eligible Employee, a Non-Employee Director or any Other Eligible Person, as designated by the Committee in its discretion.

(s) “*Equity Shares*” means shares that are either Common Stock or Preferred Stock.

(t) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

(u) “*Fair Market Value*” on any date means (1) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date (or if the market has not closed at the applicable time), 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; (2) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. (“NASD”) through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information; (3) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization; or (4) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

(v) “*Incentive Stock Option*” means an Option which is intended, as evidenced by its designation, as an incentive stock option within the meaning of Section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of stockholder approval of this Plan, if the Award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

(w) “*Nonqualified Stock Option*” means an Option that is designated as a Nonqualified Stock Option and shall include any Option intended as an Incentive Stock 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 stock option under the Code.

(x) “*Non-Employee Director*” means a member of the Board of Directors of the Corporation who is not an officer or employee of the Company.

(y) “*Option*” means an option to purchase Common Stock granted under this Plan. The Committee shall designate any Option granted to an Eligible Person as a Nonqualified Stock Option or an Incentive Stock Option.

(z) “*Other Eligible Person*” means any individual consultant or advisor who renders or has rendered *bona fide* services (other than services in connection with the offering or sale of securities of the Company in a capital raising transaction or as a market maker or promoter of the Company’s securities) to the Company, and who is selected to participate in this Plan by the Committee. An advisor or consultant may be selected as an Other Eligible Person only if such person’s participation in this Plan would not 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 Company or (2) the Corporation’s or any Subsidiary’s compliance with any other laws applicable to transactions or determinations under this Plan.

(aa) “*Ownership Limit*” means 9.8% of the lesser of the number or value of the outstanding Equity Shares of the Corporation, except as otherwise permitted under the charter of the Corporation.

(bb) “*Participant*” means an Eligible Person who has been granted an Award under this Plan.

(cc) “*Performance Share Award*” means an Award of a right to receive shares of Common Stock under Section 5.1, or to receive shares of Common Stock or other compensation (including cash) under Section 5.2, the issuance or payment of which is contingent upon, among other conditions, the attainment of performance objectives specified by the Committee.

(dd) “*Personal Representative*” means 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 and who shall have become the legal representative of the Participant.

(ee) “*Plan*” means this 2003 Equity Incentive Plan, as it may be amended from time to time.

(ff) “*Preferred Stock*” means the Preferred Stock of the Corporation.

(gg) “*Qualified Termination*” is defined in Section 6.2(c).

(hh) “*Restricted Shares*” or “*Restricted Stock*” means shares of Common Stock awarded to a Participant under this Plan, subject to payment of such consideration, if any, and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to this Plan and the related Award Agreement, for so long as such shares remain unvested under the terms of the applicable Award Agreement.

(ii) “*Retirement*” means retirement with the consent of the Company, from active service as an employee or officer of the Company or, in the case of a Non-Employee Director, a retirement or resignation as a director, in each case only on or after attaining age 55 with 10 or more years of service or after attaining age 65.

(jj) “*Rule 16b-3*” means Rule 16b-3 as promulgated by the Commission pursuant to the Exchange Act, as amended from time to time.

(kk) “*Section 16 Person*” means a person subject to Section 16(a) of the Exchange Act.

(ll) “*Securities Act*” means the Securities Act of 1933, as amended from time to time.

(mm) “*Severance Date*” means the date of termination of employment or service as further defined in Section 6.3.

(nn)“*Stock Appreciation Right*” means a right authorized under this Plan to receive a number of shares of Common Stock or an amount of cash, or a combination of shares and cash, the aggregate amount or value of which is determined by reference to a change in the Fair Market Value of the Common Stock.

(oo)“*Stock Bonus*” means an Award of shares of Common Stock granted under this Plan for no consideration other than past services and without restriction other than such transfer or other restrictions as the Committee may deem advisable to assure compliance with law.

(pp)“*Stock Unit*” means a bookkeeping entry which serves as a unit of measurement relative to a share of Common Stock for purposes of determining the payment, in Common Stock or cash, of an Award, including a deferred benefit or right under this Plan. Stock Units are not outstanding

shares and do not entitle a Participant to any dividend, voting or other rights in respect of any Common Stock represented thereby or acquirable thereunder. Stock Units, may, however, by express provision in the applicable Award Agreement, entitle a Participant to dividend equivalent rights, as defined by the Committee.

(qq)“*Subsidiary*” means The Macerich Partnership, L.P., Macerich Management Company, Macerich Property Management Company, LLC, Westcor Partners, LLC, Westcor Partners Properties, LLC, Macerich Westcor Management, LLC and Westcor Partners of Colorado, LLC, Macerich Queens Limited Partnership, Macerich Queens Expansion, LLC, or any corporation or other entity controlled (by stock ownership or otherwise), directly or indirectly by, or under common control with, the Corporation.

(rr)“*Total Disability*” means a “permanent and total disability” within the meaning of Section 22(e)(3) of the Code and such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include.

8. NON-EMPLOYEE DIRECTOR FORMULA OPTIONS

8.1 *Participation.*

Awards under this Article 8 shall be made only to Non-Employee Directors and shall be evidenced by Award Agreements approved by the Board or the Committee.

8.2 *Annual Option Grants.*

(a) *Time of Initial Award.* After approval of this Plan by the stockholders of the Corporation, if any person who is not then an officer or employee of the Company shall become a director of the Corporation, there shall be granted automatically to such person (without any action by the Board or Committee) a Nonqualified Stock Option (the Award Date of which shall be the date such person takes office) to purchase 2,500 shares of Common Stock.

(b) *Subsequent Annual Awards.* On December 31 in each year during the term of the Plan commencing 2003, there shall be granted automatically (without any action by the Committee or the Board) a Nonqualified Stock Option (the Award Date of which shall be such date) to each Non-Employee Director then continuing in office to purchase 5,000 shares of Common Stock.

(c) *Maximum Number of Shares.* Annual grants that would otherwise exceed the maximum number of shares under Section 1.4(a) shall be prorated within such limitation. A Non-Employee Director shall not receive more than one Nonqualified Stock Option under this Section 8.2 in any calendar year.

8.3 *Option Price.*

The purchase price per share of the Common Stock covered by each Option granted pursuant to Section 8.2 hereof shall be 100 percent of the Fair Market Value of the Common Stock on the Award Date. The exercise price of any Option granted under this Article shall be paid in full at the time of each purchase in cash or by check or in shares of Common Stock valued at their Fair Market Value on the date of exercise of the Option, or partly in such shares and partly in cash, *provided that* any such shares used in payment shall have been owned by the Participant at least six months prior to the date of exercise. In addition to the payment methods described above and to the extent permitted by applicable law, the Option may 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. The Corporation shall not be obligated to deliver the shares unless and until it receives full payment of the exercise price therefor.

8.4 *Option Period and Exercisability.*

Each Option granted under this Article 8 and all rights or obligations thereunder shall expire ten years after the Award Date and shall be subject to earlier termination as provided below. Each Option granted under Section 8.2 shall become exercisable upon the date which is six months after the Award Date.

8.5 *Termination of Directorship.*

(a) If a Non-Employee Director’s services as a member of the Board of Directors terminate due to death or Total Disability, any Option granted pursuant to this Article 8 held by such Participant shall immediately become and shall remain exercisable for one year after the date of such termination and no longer, or until the expiration of the stated term of such Option, whichever first occurs.

(b) If a Non-Employee Director’s services as a member of the Board of Directors terminate for any reason other than due to death, Total Disability or for cause, then any Option granted pursuant to this Article 8 which is not then exercisable shall terminate and any Option which is then exercisable shall remain exercisable for one year after the date of such termination and no longer, or until the expiration of the stated term of such Option, whichever first occurs.

(c) If a Non-Employee Director's services as a member of the Board of Directors terminate for cause (as determined under applicable law), the Option shall terminate on the date of such termination.

8.6 *Adjustments; Acceleration.*

Options granted under this Article 8 shall be subject to adjustment as provided in Section 6.2, but only to the extent that such adjustment is generally consistent with adjustments to Options held by persons other than executive officers or directors of the Corporation. Upon the occurrence of a Change in Control Event, each Option granted under Section 8.2 hereof shall become immediately exercisable in full. To the extent that any Option granted under this Article 8 is not exercised prior to (a) a dissolution of the Corporation or (b) a merger or other corporate event that the Corporation does not survive, and no provision is (or consistent with the provisions of Section 6.2 can be) made for the assumption, conversion, substitution or exchange of the Option, the Option shall terminate upon the occurrence of such event.

EXHIBIT A

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, on an aggregate, diluted and/or per share basis.

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.

Total Revenue Growth means the increase in total revenues after the date of grant of an Award and during the applicable period, as reflected in the Corporation's financial reports for the applicable period.

Net Income means net income as reflected in the Corporation's financial reports for the applicable period, on an aggregate, diluted and/or per share basis.

Square Footage Growth means the increase, between the beginning and end of the applicable period, in the 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.

Sales Per Square Foot Growth means the increase in the average sales per square foot of leased space by retailers leasing mall and freestanding stores with 10,000 square feet or less (excluding theaters) that occupied their space during the entire year or other applicable period over the average sales per square foot of leased space by such retailers that occupied their space for the entire preceding year or other preceding applicable period, as reported to the Committee for inclusion in the Corporation's reports to the SEC for the applicable periods.

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.

**THE MACERICH COMPANY
EMPLOYEE STOCK PURCHASE PLAN**

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**THE MACERICH COMPANY
EMPLOYEE STOCK PURCHASE PLAN**

The following constitute the provisions of The Macerich Company Employee Stock Purchase Plan.

1. PURPOSE

The purpose of this Plan is to assist Eligible Employees in acquiring a stock ownership interest in the Corporation at a favorable price and upon favorable terms. This Plan is also intended to encourage Eligible Employees to remain in the employ of the Corporation or a Participating Subsidiary and to provide

them with an additional incentive to advance the best interests of the Corporation. This plan is not intended to qualify as an “employee stock purchase plan” under Section 423 of the Code because most Eligible Employees are employed by Participating Subsidiaries that are ineligible to participate in such a plan.

2. DEFINITIONS

Capitalized terms used herein which are not otherwise defined shall have the following meanings.

“**Account**” means the bookkeeping account maintained by the Corporation, or by a recordkeeper on behalf of the Corporation, for a Participant pursuant to Section 7(a).

“**Beneficially Own**” means to own, directly or indirectly, Equity Shares through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code.

“**Board**” means the Board of Directors of the Corporation.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

“**Committee**” means the committee appointed by the Board to administer this Plan pursuant to Section 12.

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Common Stock**” means the Common Stock of the Corporation and such other securities or property as may become the subject of Options pursuant to an adjustment made under Section 17.

“**Compensation**” means (1) if the Eligible Employee is a salaried employee, the Eligible Employee’s regular salary from the Corporation (or the Participating Subsidiary that employs the Eligible Employee, as applicable) for the relevant period of time, or (2) if the Eligible Employee is not a salaried employee, the Eligible Employee’s regular gross pay from the Corporation (or the Participating Subsidiary that employs the Eligible Employee, as applicable) for his or her regularly-scheduled work week(s) during the relevant period of time. Compensation includes any amounts contributed as salary reduction contributions to a plan qualifying under Section 401(k), 125 or 129 of the Code and, for purposes of the 10% limit in Section 6(b), amounts deferred under nonqualified deferred compensation plans. Any other form of remuneration is excluded from Compensation, including (but not limited to) the following: overtime payments, commissions, prizes, awards, relocation or housing allowances, stock option exercises, stock appreciation right payments, the vesting or grant of restricted stock, performance awards, auto allowances, tuition reimbursement and other forms of imputed income, bonuses, incentive compensation, special payments, fees, and allowances.

“**Constructively Own**” means to own, directly or indirectly, Equity Shares through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code.

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“**Contributions**” means the bookkeeping amounts credited to the Account of a Participant pursuant to this Plan, equal in amount to the amount of Compensation that the Participant elected to contribute for the purchase of Common Stock under and in accordance with this Plan.

“**Corporation**” means The Macerich Company, a Maryland corporation, and its successors.

“**Effective Date**” means April 1, 2003, the date this Plan was adopted by the Board.

“**Eligible Employee**” means any employee of the Corporation, or of any Subsidiary which has been designated in writing by the Committee as a “Participating Subsidiary.” Notwithstanding the foregoing, “Eligible Employee” shall not include any employee:

- (a) who has been employed by the Corporation or a Subsidiary for less than one year; or
- (b) whose customary employment is for 19.23 hours or less per week (which is the equivalent of 1,000 hours or less on an annualized basis).

For purposes of the one year of employment requirement in (a), employment by a corporation, partnership or other entity prior to the acquisition of such entity by the Corporation or a Subsidiary shall be considered as employment with the Corporation or Subsidiary, as the case may be, and employment in the management of any shopping mall or other property immediately prior to the Corporation’s or a Subsidiary’s acquisition of a direct or indirect interest in, or becoming the manager of, such property of any individual who becomes an employee of the Corporation or Subsidiary in connection with such event shall be counted as employment with the Corporation or Subsidiary, as the case may be.

“**Equity Shares**” means shares that are either Common Stock or Preferred Stock.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended from time to time.

“**Exercise Date**” means, with respect to an Offering Period, the last day of that Offering Period.

“**Exercise Price**” means the per share exercise price of an Option as determined in accordance with Section 8(b).

“**Fair Market Value**” on any date means:

- (a) if the Common Stock is listed or admitted to trade on a national securities exchange, the closing price of a share of Common Stock on the Composite Tape, as published in The Wall Street Journal or reported by such other source as the Committee deems reliable, of the principal national securities exchange on which such stock is so listed or admitted to trade, on such date, or, if there is no trading of the Common Stock on such date, then the closing price of a share of Common Stock as quoted on such Composite Tape and as published in the Wall Street Journal or reported by such other source as the Committee deems reliable on the next preceding date on which there was trading in the shares of Common Stock;

- (b) if the Common Stock is not listed or admitted to trade on a national securities exchange but is traded on the Nasdaq National Market or the Nasdaq SmallCap Market or through a similar market, the closing sales price for a share of Common Stock (or the closing bid for a share of Common Stock if no sales of Common Stock were reported on the relevant date) as quoted on such exchange or market (or, in the event of more than one such quote, as quoted on the exchange or market with the greatest volume of trading in the Common Stock on the relevant date) on such date or, if such date is not a market trading date, on the last market trading day prior to such date, as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

- (c) in the absence of market or exchange data required to determine Fair Market Value pursuant to the foregoing, the value as established by the Committee at such time for purposes of this Plan.

“**Grant Date**” means, with respect to an Offering Period, the first day of that Offering Period.

“**Individual Limit**” has the meaning given to such term in Section 4(b).

“**Offering Period**” means each six-month period commencing January 1 or July 1 and ending the immediately following June 30 or December 31, respectively.

“**Option**” means the stock option to acquire shares of Common Stock granted to a Participant pursuant to Section 8.

“**Participant**” means an Eligible Employee who has elected to participate in this Plan and who has filed a valid and effective Participation Agreement to make Contributions pursuant to Section 6.

“**Participating Subsidiary**” shall have the meaning given to such term in Section 19(e).

“**Participation Agreement**” means the written agreement filed by an Eligible Employee with the Corporation pursuant to Section 6 to participate in this Plan.

“**Plan**” means this The Macerich Company Employee Stock Purchase Plan, as it may be amended from time to time.

“**Preferred Stock**” means the Preferred Stock of the Corporation.

“**Subsidiary**” means The Macerich Partnership, L.P., Macerich Management Company, Macerich Property Management Company, LLC, Westcor Partners, LLC, Westcor Partners Properties, LLC, Macerich Westcor Management, LLC, Westcor Partners of Colorado, LLC, Macerich Queens Limited Partnership and Macerich Queens Expansion, LLC or any corporation or other entity controlled (by stock ownership or otherwise) directly or indirectly by, or under common control with, the Corporation.

3. ELIGIBILITY

Any person employed as an Eligible Employee as of a Grant Date shall be eligible to participate in this Plan during the Offering Period in which such Grant Date occurs, subject to the Eligible Employee satisfying the requirements of Section 6.

4. STOCK SUBJECT TO THIS PLAN; SHARE LIMITATIONS

- (a) *Aggregate Share Limit.* Subject to the provisions of Section 17, the capital stock that may be delivered under this Plan will be shares of the Corporation’s authorized but unissued Common Stock, any of its shares of Common Stock held as “phantom” treasury shares, and any of its shares of Common Stock purchased on the open market for re-delivery under this Plan. The maximum number of shares of Common Stock that may be delivered pursuant to Options granted under this Plan is 750,000 shares, subject to adjustments pursuant to Section 17.
- (b) *Individual Share Limit.* The maximum number of shares of Common Stock that any one individual may acquire upon exercise of his or her Option with respect to any one Offering Period is 1,000, subject to adjustments pursuant to Section 17 (the “**Individual Limit**”). The Committee may amend the Individual Limit, effective no earlier than the first Offering Period commencing after the adoption of such amendment, without stockholder approval, except to the extent required by law or applicable stock exchange rules. The Individual Limit shall, unless otherwise provided by the Committee, be proportionately increased for any Offering Period of less than or greater than six months.

- (c) *Shares Not Actually Delivered.* Shares that are subject to or underlie Options which for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall again, except to the extent prohibited by law, be available for subsequent Options under the Plan.

5. OFFERING PERIODS

During the term of this Plan, the Corporation will grant Options to purchase shares of Common Stock in each Offering Period to all Participants in that Offering Period. Each Option shall become effective on the Grant Date of the Offering Period with respect to which the Option is granted. The term of each Option shall be the duration of the related Offering Period and shall end on the Exercise Date of that Offering Period. The first Offering Period shall commence as of the date determined by the Committee, which date shall be no earlier than the Effective Date. Offering Periods shall continue until this Plan is terminated in accordance with Section 18 or 19.

6. PARTICIPATION

- (a) *Enrollment.* An Eligible Employee may become a participant in this Plan by completing a Participation Agreement on a form approved

by and in a manner prescribed by the Committee (or its delegate). To become effective, a Participation Agreement must be signed by the Eligible Person and be filed with the Corporation at the time specified by the Committee, but in all cases prior to the start of the Offering Period with respect to which it is to become effective, and must set forth a whole percentage (or, if the Committee so provides, a stated amount) of the Eligible Employee's Compensation to be credited to the Participant's Account as Contributions each pay period.

- (b) *Contribution Limits.* Notwithstanding the foregoing, a Participant may not elect to contribute more than ten percent (10%) (or such other limit as the Committee may establish prior to the start of the applicable Offering Period) of his or her Compensation during any one pay period as Plan Contributions. The Committee also may prescribe other limits, rules, or procedures for Contributions.
- (c) *Content and Duration of Participation Agreements.* Participation Agreements shall contain the Eligible Employee's authorization and consent to the Corporation's withholding from his or her Compensation the amount of his or her Contributions. An Eligible Employee's Participation Agreement, and his or her participation election and withholding consent thereon, shall remain valid for all Offering Periods until (1) the Eligible Employee's participation terminates pursuant to the terms hereof, (2) the Eligible Employee files a new Participation Agreement that becomes effective, or (3) the Committee requires that a new Participation Agreement be executed and filed with the Corporation.

7. METHOD OF PAYMENT OF CONTRIBUTIONS

- (a) *Participant Accounts.* The Corporation shall maintain on its books, or cause to be maintained by a recordkeeper, an Account in the name of each Participant. The amount of Compensation elected to be applied as Contributions by a Participant shall be deducted from such Participant's Compensation on each payday during the period for payroll deductions set forth below and such payroll deductions shall be credited to that Participant's Account as soon as administratively practicable after such date. A Participant may not make any additional payments to his or her Account. A Participant's Account shall be reduced by any amounts used to pay the Exercise Price of shares acquired, by any other amounts distributed pursuant to Sections 7(e), 9(b) or 11 or by any amounts used to satisfy withholding obligations pursuant to Section 25.

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- (b) *Payroll Deductions.* Subject to such other rules as the Committee may adopt, payroll deductions with respect to an Offering Period shall commence as of the first pay date which coincides with or immediately follows the applicable Grant Date and shall end on the last pay date which coincides with or immediately precedes the applicable Exercise Date, unless sooner terminated by the Participant as provided in Section 7(d) or 7(e) or until his or her participation terminates pursuant to Section 11.
- (c) *Changes in Contribution Elections.* A Participant may discontinue, increase, or decrease the level of his or her Contributions (within Plan limits) by completing and filing with the Corporation, on such terms as the Committee (or its delegate) may prescribe, a new Participation Agreement which indicates such election. Subject to any other timing requirements that the Committee may impose, an election pursuant to this Section 7(c) shall be effective with the first Offering Period that commences after the Corporation's receipt of such election. Except as contemplated by Sections 7(d) and 7(e), changes in Contribution levels may not take effect during an Offering Period. Other modifications or suspensions of Participation Agreements are not permitted.
- (d) *Discontinuance of Plan Contributions (Other Than a Withdrawal).* A Participant may discontinue (but not increase or otherwise decrease) the level of his or her Contributions, by filing with the Corporation, on such terms as the Committee (or its delegate) may prescribe, a new Participation Agreement that indicates such election. Unless otherwise provided by the Committee, an election pursuant to this Section 7(d) shall be effective no earlier than the first payroll period that starts after the Corporation's receipt of such election.
- (e) *Withdrawal During an Offering Period.* A Participant may terminate his or her Contributions during an Offering Period (and receive a distribution of the balance of his or her Account in accordance with Section 11) by completing and filing with the Corporation, in such form and on such terms as the Committee (or its delegate) may prescribe, a written withdrawal form which shall be signed by the Participant. Such termination shall be effective as soon as administratively practicable after its receipt by the Corporation. A withdrawal election pursuant to this Section 7(e) with respect to an Offering Period shall only be effective, however, if it is received by the Corporation prior to the Exercise Date of that Offering Period (or such earlier deadline that the Committee may reasonably require to process the withdrawal prior to the applicable Exercise Date). Partial withdrawals of Accounts are not permitted.
- (f) *Leaves of Absence.* During leaves of absence approved by the Corporation or a Participating Subsidiary, a Participant may continue participation in this Plan by cash payments to the Corporation on his normal paydays equal to the reduction in his Plan Contributions caused by his leave.

8. GRANT OF OPTION

- (a) *Grant Date; Number of Shares.* On each Grant Date, each Eligible Employee who is a participant during that Offering Period shall be granted an Option to purchase a number of shares of Common Stock. The Option shall be exercised on the Exercise Date. The number of shares of Common Stock subject to the Option shall be determined by dividing the Participant's Account balance as of the applicable Exercise Date by the Exercise Price, subject to the limits of Section 8(c).
- (b) *Exercise Price.* The Exercise Price per share of the shares subject to an Option for an Offering Period shall be the lesser of: (1) 90% of the Fair Market Value of a share of Common Stock on the applicable Grant Date; or (2) 90% of the Fair Market Value of a share of Common Stock on the applicable Exercise Date. The Committee may, however, provide

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prior to the start of an Offering Period that the Exercise Price per share of Common Stock for that Offering Period shall be determined (1) based on a different discount amount (as opposed to a full 10% discount as contemplated by the preceding sentence) provided that in no event shall the applicable discount amount be greater than 10%, and/or (2) based on the applicable discount amount applied to the Fair Market Value of a share of Common Stock on the applicable Grant Date or Exercise Date (as opposed to the lesser of the Fair Market

Value of a share on the Grant Date or the Fair Market Value of a share on the Exercise date as contemplated by the preceding sentence). Notwithstanding anything to the contrary in the preceding provisions of this Section 8(b), in no event shall the Exercise Price per share be less than the par value of a share of Common Stock.

- (c) *Limits on Share Purchases.* Notwithstanding anything else contained herein, the maximum number of shares subject to an Option for an Offering Period shall be subject to the Individual Limit in effect on the Grant Date of that Offering Period (subject to adjustment pursuant to Section 17) and any person who is otherwise an Eligible Employee shall not be granted any Option (or any Option granted shall be subject to compliance with the following limitations) or other right to purchase shares under this Plan to the extent:
- (1) it would, if exercised, cause the person to own stock (within the meaning of Section 423 of the Code) possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation, or of any Subsidiary; or
 - (2) such Option causes such individual to have rights to purchase stock under this Plan and any other plan of the Corporation, or any Subsidiary that accrue at a rate that exceeds \$26,000 of the fair market value of the stock of the Corporation, or of any Subsidiary (determined at the time the right to purchase such Stock is granted, before giving effect to any discounted purchase price under any such plan) for each calendar year in which such right is outstanding at any time; or
 - (3) it would, if exercised, cause the person to Beneficially Own or Constructively Own Equity Shares in excess of 9.8% of the lesser of the number or value of the then-outstanding Equity Shares, except as otherwise permitted in accordance with the Corporation's charter.

For purposes of the foregoing, a right to purchase stock accrues when it first become exercisable during the calendar year. In determining whether the stock ownership of an Eligible Employee equals or exceeds the 5% limit set forth above, the rules of Section 424(d) of the Code (relating to attribution of stock ownership) shall apply, and stock that the Eligible Employee may purchase under outstanding options shall be treated as stock owned by the Eligible Employee.

9. EXERCISE OF OPTION

- (a) *Purchase of Shares.* Unless a Participant withdraws pursuant to Section 7(e) or the Participant's Plan participation is terminated as provided in Section 11, his or her Option for the purchase of shares shall be exercised automatically on the Exercise Date for that Offering Period, without any further action on the Participant's part, and the maximum number of whole shares of Common Stock subject to such Option (subject to the limits of Section 8(c)) shall be purchased at the Exercise Price with the balance of such Participant's Account.
- (b) *Account Balance Remaining After Purchase.* If any amount which is not sufficient to purchase a whole share remains in a Participant's Account after the exercise of his or her Option on the Exercise Date: (1) such amount shall be credited to such Participant's Account for the next Offering Period, if he or she is then a Participant; or (2) if such Participant is not a

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Participant in the next Offering Period, or if the Committee so elects, such amount shall be refunded to such Participant as soon as administratively practicable after such date. If the share limit of Section 4(a) is reached, any amount that remains in a Participant's Account after the exercise of his or her Option on the Exercise Date to purchase the number of shares that he or she is allocated shall be refunded to the Participant as soon as administratively practicable after such date. If any amount which exceeds one of the limits of Section 8(c) remains in a Participant's Account after the exercise of his or her Option on the Exercise Date, such amount shall be refunded to the Participant as soon as administratively practicable after such date.

10. DELIVERY OF SHARES

As soon as administratively practicable after the Exercise Date, the Corporation shall, in its discretion, deliver to each Participant a certificate representing the shares of Common Stock purchased upon exercise of his or her Option, provide for the crediting of such shares in book entry form in the name of the Participant, or provide for an alternative arrangement for the delivery of such shares to a broker or recordkeeping service for the benefit of the Participant. In the event the Corporation is required to obtain from any commission or agency authority to issue any such certificate or otherwise deliver such shares, the Corporation will seek to obtain such authority. If the Corporation is unable to obtain from any such commission or agency authority which counsel for the Corporation deems necessary for the lawful issuance of any such certificate or other delivery of such shares, or if for any other reason the Corporation can not issue or deliver shares of Common Stock and satisfy Section 21, the Corporation shall be relieved from liability to any Participant except that the Corporation shall return to each Participant to whom such shares can not be issued or delivered the amount of the balance credited to his or her Account that would have otherwise been used for the purchase of such shares.

11. TERMINATION OF EMPLOYMENT; CHANGE IN ELIGIBLE STATUS

- (a) *General.* Except as provided in Section 11(b) below, if a Participant ceases to be an Eligible Employee for any reason (including, without limitation, due to the Participant's death, disability, quit, resignation or retirement, or due to a layoff or other termination of employment with or without cause), or if the Participant elects to withdraw from the Plan pursuant to Section 7(e), at any time prior to the last day of an Offering Period in which he or she participates, such Participant's Account shall be paid to him or her (or, in the event of the Participant's death, to the person or persons entitled thereto under Section 13) in cash, and such Participant's Option and participation in the Plan shall automatically terminate as of the time that the Participant ceased to be an Eligible Employee.
- (b) *Change in Eligible Status; Leave.* If a Participant (1) ceases to be an Eligible Employee during an Offering Period but remains an employee of the Corporation or a Subsidiary through the Exercise Date (for example, and without limitation, due to a change in the Participant's employer from the Corporation or a Participating Subsidiary to a non-Participating Subsidiary, if the Participant's employer ceases to maintain the Plan as a Participating Subsidiary but otherwise continues as a Subsidiary, or if the Participant's customary level of employment no longer satisfies the requirements set forth in the definition of Eligible Employee), or (2) during an Offering Period commences a sick leave, military leave, or other leave of absence approved by the Corporation or a Participating Subsidiary, and the Participant is an employee of the Corporation or a Subsidiary or on such leave as of the applicable Exercise Date, such Participant's Contributions shall cease (subject to Section 7(f)), and the Contributions previously credited to the Participant's Account for that Offering Period shall be used to exercise the Participant's Option as of the applicable Exercise

Date in accordance with Section 9 (unless the Participant makes a timely withdrawal election in accordance with Section 7(e), in which case such Participant's Account shall be paid to him or her in cash in accordance with the first paragraph of this Section 11(a)).

- (c) *Re-Enrollment.* A Participant's termination from Plan participation precludes the Participant from again participating in this Plan during that Offering Period. However, such termination shall not have any effect upon his or her ability to participate in any succeeding Offering Period, provided that the applicable eligibility and participation requirements are again then met. A Participant's termination from Plan participation shall be deemed to be a revocation of that Participant's Participation Agreement and such Participant must file a new Participation Agreement to resume Plan participation in any succeeding Offering Period.
- (d) *Change in Subsidiary Status.* For purposes of this Plan, if a Subsidiary ceases to be a Subsidiary, each person employed by that Subsidiary will be deemed to have terminated employment for purposes of this Plan, unless the person continues as an employee of the Corporation or another Subsidiary.

12. ADMINISTRATION

- (a) *The Committee.* The Board shall appoint the Committee, which shall be composed of not less than two members of the Board. The Board may, at any time, increase or decrease the number of members of the Committee, may remove from membership on the Committee all or any portion of its members, and may appoint such person or persons as it desires to fill any vacancy existing on the Committee, whether caused by removal, resignation, or otherwise. The Board may also, at any time, assume the administration of all or a part of this Plan, in which case references (or relevant references in the event the Board assumes the administration of only certain aspects of this Plan) to the "Committee" shall be deemed to be references to the Board. Action of the Committee with respect to this Plan shall be taken pursuant to a majority vote or by the unanimous written consent of its members. No member of the Committee shall be entitled to act on or decide any matter relating solely to himself or herself or solely to any of his or her rights or benefits under this Plan.
- (b) *Powers and Duties of the Committee.* Subject to the express provisions of this Plan, the Committee shall supervise and administer this Plan and shall have the full authority and discretion: (1) to construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, any Subsidiary, and Participants under this Plan; (2) to further define the terms used in this Plan; (3) to prescribe, amend and rescind rules and regulations relating to the administration of this Plan; and (4) 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 or the effectuation of its purposes.

- (c) *Decisions of the Committee are Binding.* Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons.
- (d) *Indemnification.* Neither the Board nor any Committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan, and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.
- (e) *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 professional advisors to the Corporation. No director, officer or agent of the Corporation or any Participating Subsidiary shall be liable for any such action or determination taken or made or omitted in good faith.
- (f) *Delegation.* The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or a Subsidiary.

13. DESIGNATION OF BENEFICIARY

If the Committee permits beneficiary designations with respect to this Plan, then each Participant may file, on a form and in a manner prescribed by the Committee (or its delegate), a written designation of a beneficiary who is to receive any shares or cash from or with respect to such Participant's Account under this Plan in the event of such Participant's death. If a Participant is married and the designated beneficiary is not solely his or her spouse, spousal consent shall be required for such designation to be effective unless it is established (to the satisfaction of the Committee or its delegate) that there is no spouse or that the spouse cannot be located. The Committee may rely on the last designation of a beneficiary filed by a Participant in accordance with this Plan. Beneficiary designations may be changed by the Participant (and his or her spouse, if required) at any time on forms provided and in the manner prescribed by the Committee (or its delegate).

If a Participant dies with no validly designated beneficiary under this Plan who is living at the time of such Participant's death (or in the event the Committee does not permit beneficiary designations under this Plan), the Corporation shall deliver all shares and/or cash payable pursuant to the terms hereof to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed, the Corporation, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Corporation, then to such other person as the Corporation may designate.

If a Participant's death occurs before the end of an Offering Period or subsequent to the end of an Offering Period but prior to the delivery to him or her or for his or her benefit of any shares deliverable under the terms of this Plan, and the Corporation has notice of the Participant's death, then any shares purchased for that Offering Period and any remaining balance of such Participant's Account shall be paid to such beneficiary (or such other person entitled

14. TRANSFERABILITY

Neither Contributions credited to a Participant's Account nor any Options or rights with respect to the exercise of Options or right to receive shares under this Plan may be anticipated, alienated, encumbered, assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 13) by the Participant. Any such attempt at anticipation, alienation, encumbrance, assignment, transfer, pledge or other disposition shall be without effect and all amounts shall be paid and all shares shall be delivered in accordance with the provisions of this Plan. Amounts payable or shares deliverable pursuant to this Plan shall be paid or delivered only to (or credited in the name of, as the case may be) the Participant or, in the event of the Participant's death, the Participant's beneficiary pursuant to Section 13.

15. USE OF FUNDS; INTEREST

All Contributions received or held by the Corporation under this Plan will be included in the general assets of the Corporation and may be used for any corporate purpose. Notwithstanding anything else contained herein to the contrary, no interest will be paid to any Participant or credited to his or her Account under this Plan (in respect of Account balances, refunds of Account balances, or otherwise). Amounts payable under this Plan shall be payable in shares of Common Stock or from the general assets of the Corporation and, except for any shares that may be reserved on the books of the Corporation for issuance with respect to this Plan, no special or separate reserve, fund or deposit shall be made to assure payment of amounts that may be due with respect to this Plan.

16. REPORTS

Statements shall be provided to Participants as soon as administratively practicable following each Exercise Date. Each Participant's statement shall set forth, as of such Exercise Date, that Participant's Account balance immediately prior to the exercise of his or her Option, the Exercise Price, the number of whole shares purchased and his or her remaining Account balance, if any.

17. ADJUSTMENTS OF AND CHANGES IN THE STOCK

Upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend), or reverse stock split; any merger, combination, consolidation, or other reorganization; split-up, spin-off, or any similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Corporation as an entirety occurs; then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

- (a) proportionately adjust any or all of (1) the number and type of shares or the number and type of other securities that thereafter may be made the subject of Options (including the specific maximum numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares (or other securities or property) subject to any or all outstanding Options, (3) the Exercise Price of any or all outstanding Options, or (4) the securities, cash or other property deliverable upon exercise of any outstanding Options; or
- (b) make provision for a cash payment or for the substitution or exchange of any or all outstanding Options for cash, securities or property to be delivered to the holders of any or all outstanding Options based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding Options as it deems reasonable in the event of a cash or property settlement and, without limitation on other methodologies, may base such settlement solely upon the excess (if any) of the amount payable upon or in respect of such event over the Exercise Price of the Option.

In any of such events, the Committee may take such action sufficiently prior to such event to the extent that the Committee deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally.

18. POSSIBLE EARLY TERMINATION OF PLAN AND OPTIONS

Upon a dissolution of the Corporation, or any other event described in Section 17 that the Corporation does not survive or does not survive as a publicly-traded company in respect of its Common Stock, as the case may be, the Plan and, if prior to the last day of an Offering Period, any outstanding Option granted with respect to that Offering Period shall terminate, subject to any provision that has been expressly made by the Board for the survival, substitution, assumption, exchange or other settlement of the Plan and Options. In the event a Participant's Option is terminated pursuant to this Section 18 without a provision having been made by the Board for a substitution, exchange or other settlement of the Option, such Participant's Account shall be paid to him or her in cash without interest.

19. TERM OF PLAN; AMENDMENT OR TERMINATION

- (a) *Effective Date.* Subject to Section 19(b), this Plan shall become effective as of the Effective Date.
- (b) *Stockholder Approval.* Notwithstanding anything else contained herein to the contrary, the effectiveness of this Plan is subject to the approval of this Plan by the stockholders of the Corporation within twelve months after the Effective Date. Notwithstanding anything else contained herein to the contrary, no shares of Common Stock shall be issued or delivered under this Plan until such stockholder approval is obtained and, if such stockholder approval is not obtained within such twelve-month period of time, all Contributions credited to a Participant's Account hereunder shall be refunded to such Participant (without interest) as soon as practicable after the end of such twelve-month period.

- (c) *Termination.* No new Offering Periods shall commence on or after the day before the tenth anniversary of the Effective Date and this Plan shall terminate as of the Exercise Date on or immediately following such date unless sooner terminated pursuant to Section 18 or this Section 19. In the event that all of the shares of Common Stock made available under this Plan are subscribed prior to the expiration of this Plan, this Plan shall terminate at the end of that Offering Period and the shares available shall be allocated for purchase by Participants in that Offering Period on a pro-rata basis determined with respect to Participants' Account balances.
- (d) *Board Amendment Authority.* The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part and without notice. Stockholder approval for any amendment or modification shall not be required, except to the extent required by applicable law or listing agency, or deemed necessary or advisable by the Board. No Options may be granted during any suspension of this Plan or after the termination of this Plan, but the Committee will retain jurisdiction as to Options then outstanding in accordance with the terms of this Plan. No amendment, modification, or termination pursuant to this Section 19(b) shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of such Participant or obligations of the

Corporation under any Option granted under this Plan prior to the effective date of such change. Changes contemplated by Section 17 or Section 18 shall not be deemed to constitute changes or amendments requiring Participant consent.

- (e) *Certain Additional Committee Authority.* Notwithstanding the amendment provisions of Section 19(b) and without limiting the Board's authority thereunder and without limiting the Committee's authority pursuant to any other provision of this Plan, the Committee shall have the right to designate from time to time the Subsidiaries whose employees may be eligible to participate in this Plan (including, without limitation, any Subsidiary that may first become such after the date stockholders first approve this Plan) (each a "**Participating Subsidiary**"). Any such change shall not take effect earlier than the first Offering Period that starts on or after the effective date of such change. Any such change shall not require stockholder approval, except to the extent required by law or applicable stock exchange rules or as deemed necessary or advisable by the Board.

20. NOTICES

All notices or other communications by a Participant to the Corporation contemplated by this Plan shall be deemed to have been duly given when received in the form and manner specified by the Committee (or its delegate) at the location, or by the person, designated by the Committee (or its delegate) for that purpose.

21. CONDITIONS UPON ISSUANCE OF SHARES

This Plan, the granting of Options under this Plan and the offer, issuance and delivery of shares of Common Stock are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation and as a condition precedent to the exercise of his or her Option, provide such assurances and representations to the Corporation as the Committee may deem necessary or desirable to assure compliance with all applicable legal requirements.

22. PLAN CONSTRUCTION

- (a) *Section 16.* It is the intent of the Corporation that transactions involving Options under this Plan (other than "Discretionary Transactions" as that term is defined in Rule 16b-3(b)(1) promulgated by the Commission under Section 16 of the Exchange Act, to the extent there are any Discretionary Transactions under this Plan), in the case of Participants who are or may be subject to the prohibitions of Section 16 of the Exchange Act, satisfy the requirements for exemption under Rule 16b-3(c) promulgated by the Commission under Section 16 of the Exchange Act to the maximum extent possible. Notwithstanding the foregoing, the Corporation shall have no liability to any Participant for Section 16 consequences of Options or other events with respect to this Plan.
- (b) *Section 423.* This Plan and Options are not intended to qualify under Section 423 of the Code. Nevertheless, all Participants are to have the same rights and privileges (within the meaning of Section 423(b)(5) of the Code) under this Plan, subject to differences in Compensation among Participants and subject to the Contribution and share limits of this Plan.
- (c) *Interpretation.* If any provision of this Plan or of any Option would otherwise frustrate or conflict with the intents expressed above, that provision to the extent possible shall be

interpreted so as to avoid such conflict. If the conflict remains irreconcilable, the Committee may disregard the provision if it concludes that to do so furthers the interest of the Corporation and is consistent with the purposes of this Plan as to such persons in the circumstances.

23. EMPLOYEES' RIGHTS

- (a) *No Employment Rights.* Nothing in this Plan (or in any Participation Agreement or other document related to this Plan) will confer upon any Eligible Employee or Participant any right to continue in the employ or other service of the Corporation or any Subsidiary, constitute any contract or agreement of employment or other service or effect an employee's status as an employee at will, nor shall interfere in any way with the right of the Corporation or any Subsidiary to change such person's compensation or other benefits or to terminate his or her employment or other service, with or without cause. Nothing contained in this Section 23(a), however, is intended to adversely affect any express independent right of any such person under a separate employment or service contract other than a Participation Agreement.
- (b) *No Rights to Assets of the Company.* No Participant or other person will have any right, title or interest in any fund or in any specific asset (including shares of Common Stock) of the Corporation or any Subsidiary by reason of any Option hereunder. Neither the

provisions of this Plan (or of any Participation Agreement or other document related to this Plan), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or any Subsidiary 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 this Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation.

- (c) *No Stockholder Rights.* A Participant will 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 the Participant. 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.

24. MISCELLANEOUS

- (a) *Governing Law.* This Plan, the Options, Participation Agreements and other documents related to this Plan shall be governed by, and construed in accordance with, the laws of the State of Maryland.
- (b) *Severability.* If any 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) *Captions and Headings.* Captions and headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such captions and headings shall not be deemed in any way material or relevant to the construction of interpretation of this Plan or any provision hereof.
- (d) *No Affect on Other Plans or Corporate Authority.* The adoption of this Plan shall not affect any other Corporation or Subsidiary compensation or incentive plans in effect. Nothing in this Plan will limit or be deemed to limit the authority of the Board or Committee (1) to establish any other forms of incentives or compensation for employees of the Corporation or any Subsidiary (with or without reference to the Common Stock), or (2) to grant or assume options (outside the scope of and in addition to those contemplated by this Plan) in connection with any proper corporate purpose; to the extent consistent with any other plan or

authority. Benefits received by a Participant under an Option granted pursuant to this Plan shall not be deemed a part of the Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Committee or the Board (or the Board of Directors of the Subsidiary that sponsors such plan or arrangement, as applicable) expressly otherwise provides or authorizes in writing.

25. TAX WITHHOLDING

Notwithstanding anything else contained in this Plan herein to the contrary, the Corporation may deduct from a Participant's Account balance as of an Exercise Date, before the exercise of the Participant's Option is given effect on such date, the amount of taxes (if any) which the Corporation reasonably determines it or any Subsidiary may be required to withhold with respect to such exercise. In such event, the maximum number of whole shares subject to such Option (subject to the other limits set forth in this Plan) shall be purchased at the Exercise Price with the balance of the Participant's Account (after reduction for the tax withholding amount).

Should the Corporation for any reason be unable, or elect not to, satisfy its or any Subsidiary's tax withholding obligations in the manner described in the preceding paragraph with respect to a Participant's exercise of an Option, the Corporation or Subsidiary, as the case may be, shall have the right at its option to (1) require the Participant to pay or provide for payment of the amount of any taxes which the Corporation or Subsidiary reasonably determines that it or any affiliate is required to withhold with respect to such event or (2) deduct from any amount otherwise payable to or for the account of the Participant the amount of any taxes which the Corporation or Subsidiary reasonably determines that it or any affiliate is required to withhold with respect to such event.

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Plan on this day of , 2003.

THE MACERICH COMPANY

By: _____

Its: _____

THE MACERICH COMPANY
2003 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT
AWARD PROGRAM
Under the 2003 Equity Incentive Plan

THE MACERICH COMPANY
2003 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM
UNDER THE 2003 EQUITY INCENTIVE PLAN

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THE MACERICH COMPANY
2003 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM
UNDER THE 2003 EQUITY INCENTIVE PLAN

ARTICLE I
TITLE, PURPOSE AND AUTHORIZED SHARES

1.1 TITLE

This Program shall be known as The Macerich Company 2003 Cash Bonus/Restricted Stock and Stock Unit Award Program under the 2003 Equity 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 August 1, 2003.

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.

2.8 PLAN means The Macerich Company 2003 Equity Incentive Plan.

2.9 PROGRAM means this The Macerich Company 2003 Cash Bonus/Restricted Stock and Stock Unit Award Program under the 2003 Equity 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 evidencing a Restricted Stock Award approved by the Committee as it may be revised from time to time.

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 evidencing a Stock Unit Award approved by the Committee as it may be revised from time to time.

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. 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.

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

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 2004 and until changed by the Committee shall be 1.5. For example, assume that prior to September 30, 2003, a Participant elects to receive 40% of any cash bonus in Restricted Stock or Stock Units and, on March 31, 2004, the Company grants him a \$40,000 cash bonus. The market value of a share of Common Stock on the Bonus Payment Date is \$30. The Participant will receive \$24,000 in cash and, at the election of the Committee, 800 shares of Restricted Stock or 800 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 the Restricted Stock Award Agreement. 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 the Stock Unit Award Agreement. 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

**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;
- (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
MISCELLANEOUS**

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.

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.

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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, except as otherwise provided in any management continuity or other agreement. The consequences of a termination of service, whether before or after a Change in Control Event, 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.

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Exhibit A
Election Form

THE MACERICH COMPANY
IRREVOCABLE ELECTION AGREEMENT

2003 CASH BONUS/RESTRICTED STOCK AND STOCK UNIT AWARD PROGRAM UNDER
THE MACERICH COMPANY 2003 EQUITY 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 _____ % 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 _____.
- 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.

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ACKNOWLEDGMENT AND AGREEMENT

I acknowledge and agree to the foregoing terms of this Election Agreement.

(Participant's Signature)

(Print Name)

(Date)

THE MACERICH COMPANY (The Company)

SECTION 302 CERTIFICATION

I, Arthur M. Coppola, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended June 30, 2003 of The Macerich Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Arthur M. Coppola

[Signature]

President and Chief Executive Officer

[Title]

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THE MACERICH COMPANY (The Company)

SECTION 302 CERTIFICATION

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

1. I have reviewed this report on Form 10-Q for the quarter ended June 30, 2003 of The Macerich Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

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

Executive Vice President and Chief Financial Officer
[Title]

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WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned, Arthur M. Coppola and Thomas E. O'Hern, the Chief Executive Officer and Chief Financial Officer, respectively, of The Macerich Company (the "Company"), pursuant to 18 U.S.C. §1350, hereby certify that:

- (i) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 of the Company (the "Report") fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

/s/ Arthur Coppola
[Signature]

President and Chief Executive Officer
[Title]

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

Executive Vice President and Chief Financial Officer
[Title]