MACERICH CO
Form 10-K/A
June 03, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

MARYLAND	**95-4448705**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401
(Address of principal executive office, including zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act

YES ý NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act

YES o NO ý

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

YES ý NO o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý　　Accelerated filer o

Non-accelerated filer o　　Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o　　NO ý

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $3.8 billion as of the last business day of the registrant's most recent completed second fiscal quarter based upon the price at which the common shares were last sold on that day.

Number of shares outstanding of the registrant's common stock, as of February 13, 2008: **72,336,763 shares**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual stockholders meeting to be held in 2008 are incorporated by reference into Part III of this Form 10-K/A

EXPLANATORY NOTE
(All dollars in thousands)

This Amendment No. 1 on Form 10-K/A (the "Amended Filing") of The Macerich Company (the "Company") for the fiscal year ended December 31, 2007 is being filed to restate the consolidated balance sheets as of December 31, 2007 and 2006 and the consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years during the period ended December 31, 2007.

Subsequent to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K"), management determined that the consolidated financial statements as of December 31, 2007 and December 31, 2006, and for each of the three years during the period ended December 31, 2007 required restatement to correctly account for the convertible preferred units ("CPUs") issued to prior owners in connection with the acquisition of the Wilmorite portfolio. (See Note 12 Acquisitions to the accompanying consolidated financial statements contained in this Amended Filing). The Company improperly applied purchase accounting to 100% of the Wilmorite acquisition and therefore minority interests in the Wilmorite portfolio were improperly recorded at fair value at the time of acquisition and presented outside of permanent equity as Class A participating and non-participating convertible preferred securities in the consolidated balance sheets with the periodic distributions reflected as preferred dividends as a reduction of net income available to common stockholders within the consolidated statements of operations. Upon further consideration, the Company determined that these interests represent a minority interest in MACWH, LP, a subsidiary of The Macerich Partnership, L.P. and successor in interest to Wilmorite Holdings, L.P., which in turn holds the Wilmorite portfolio. Accordingly, the Company should only have applied purchase accounting to the extent of its proportionate interest in MACWH, LP. The Company has corrected the accounting for these interests by recording a reduction in these interests of $195,905 from fair value to predecessor basis in the consolidated balance sheets with the earnings and dividends paid attributable to these interests reported as minority interests in consolidated joint ventures in the consolidated statements of operations. The adjustment also includes a reduction in depreciation expense from the 100% stepped up property basis previously reported.

In addition, because the participating CPUs were redeemable at the option of the CPU holders for the portion of the Wilmorite portfolio that consisted of Eastview Commons, Eastview Mall, Greece Ridge Center, Marketplace Mall and Pittsford Plaza, collectively referred to as the "Rochester Properties" (assets of MACWH, LP), they are subject to EITF Topic D-98, "Classification and Measurement of Redeemable Securities" and accounted for as redeemable minority interest at the greater of their redemption value or amount that would result from applying Accounting Research Bulletin No. 51 "Consolidated Financial Statements" consolidation accounting. The Company recognized the redeemable minority interest at historical cost within purchase accounting and subsequently adjusted the carrying value of the redeemable minority interest or redemption value changes at the end of each reporting period as a reduction of net income available to common stockholders within the consolidated statements of operations.

The restatement resulted in a decrease in property, net of $134,018 and $137,404, a decrease in investments in unconsolidated joint ventures of $50,019 and $51,083, an increase in minority interest of $208,993 and $209,973, decreases in Class A participating and non-participating CPUs of $230,245 and $235,287, additional paid-in capital of $210,736 and $207,035, and accumulated deficit of $47,951 and $43,862 at December 31, 2007 and 2006, respectively, an increase in net income available to common stockholders of $2,043 for the year ended December 31, 2007, and a decrease in net income available to common stockholders of $10,618 and $146,202 for the years ended December 31, 2006 and 2005, respectively.

The Company also identified other errors related to classification of preferred dividends and classification of the impact for the adoption of Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109" ("FIN 48"), within the consolidated statements of common stockholders' equity. During the years the Company was in an accumulated

deficit position, the preferred dividends should have been classified as a reduction in additional paid-in capital as opposed to increasing the accumulated deficit. As a result of this error, additional paid-in capital and accumulated deficit were overstated for the years ended December 31, 2007, 2006 and 2005 by $10,058, $10,083, and $9,649, respectively, and the cumulative effect of the classification error attributable to the years prior to January 1, 2005 was $47,681. The impact of the adoption of FIN 48 should have been classified as an increase to the accumulated deficit as opposed to a decrease to the additional paid-in capital for the year ended December 31, 2007 by $1,574.

For a more detailed description of the restatement, see Note 25 to the accompanying consolidated financial statements contained in this Amended Filing.

This Amended Filing reflects a retrospective adjustment of the consolidated financial statements for the discontinued operations of the "Rochester Properties" from the Wilmorite portfolio to conform to the new discontinued operations presentation initially presented in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 19, 2008.

For the convenience of the reader, this Amended Filing sets forth the Annual Report on Form 10-K in its entirety. The Company has updated the disclosures presented in its 2007 Form 10-K to reflect the effects of the restatement and discontinued operations. Other than amending the disclosures relating to the restatement and conforming the presentation of discontinued operations in the items discussed below, no attempt has generally been made in this Amended Filing to amend or update other disclosures presented in the 2007 Form 10-K. Among other things, forward-looking statements made in the 2007 Form 10-K have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the 2007 Form 10-K, and such forward-looking statements should be read in their historical context. Accordingly, this Amended Filing should be read in conjunction with the Company's filings with the United States Securities and Exchange Commission ("SEC") subsequent to the filing of the 2007 Form 10-K.

The following items have been amended as a result of the restatement and to conform the presentation of discontinued operations:

Part II Item 6 Selected Financial Data

Part II Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II Item 8 Financial Statements and Supplementary Data

Part II Item 9A Controls and Procedures

Part IV Item 15 Exhibits and Financial Statement Schedules

Pursuant to the rules of the SEC, Item 15, Part IV has also been amended to contain the currently dated certifications from the Company's principal executive officer and principal financial officer as required by Section 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's principal executive officer and principal financial officer are attached to this Amended Filing as Exhibits 31.1, 31.2, and 32.1. On May 19, 2008, the Company filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and prospectively corrected the quarterly consolidated financial statements with respect to the quarter ended March 31, 2007 in such report. In addition to the updated Selected Quarterly Financial Data included in Part II, Item 8 of this Amended Filing, the Company plans to prospectively correct the quarterly consolidated financial statements with respect to the quarters ended June 30, 2007 and September 30, 2007 in conjunction with the filing of the 2008 quarterly reports for the respective quarters.

THE MACERICH COMPANY
ANNUAL REPORT ON FORM 10-K/A
FOR THE YEAR ENDED DECEMBER 31, 2007
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PART I

IMPORTANT FACTORS RELATED TO FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K/A of the Macerich Company (the "Company") contains or incorporates statements that constitute forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "should," "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," and "estimates" and variations of these words and similar expressions. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Forward-looking statements appear in a number of places in this Form 10-K/A and include statements regarding, among other matters:

- expectations regarding the Company's growth;
- the Company's beliefs regarding its acquisition, redevelopment and development activities and opportunities;
- the Company's acquisition and other strategies;
- regulatory matters pertaining to compliance with governmental regulations;
- the Company's capital expenditure plans and expectations for obtaining capital for expenditures; and
- the Company's expectations regarding its financial condition or results of operations.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. You are urged to carefully review the disclosures we make concerning risks and other factors that may affect our business and operating results, including those made in "Item 1A. Risk Factors" of this Annual Report on Form 10-K/A, as well as our other reports filed with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS

General

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). As of December 31, 2007, the Operating Partnership owned or had an ownership interest in 74 regional shopping centers and 20 community shopping centers aggregating approximately 80.7 million square feet of gross leasable area ("GLA"). These 94 regional and community shopping centers are referred to hereinafter as the "Centers", unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Company's management companies, Macerich Property Management Company, LLC, a single member Delaware limited liability company, Macerich Management Company, a California corporation, Westcor Partners, L.L.C., a single member Arizona limited liability company,

Macerich Westcor Management LLC, a single member Delaware limited liability company, Westcor Partners of Colorado, LLC, a Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are collectively referred to herein as the "Management Companies."

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

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

Financial information regarding the Company for each of the last three fiscal years is contained in the Company's Consolidated Financial Statements included in Item 15. Exhibits and Financial Statement Schedules.

Recent Developments

Stock Repurchase:

On March 16, 2007, the Company repurchased 807,000 common shares for $75.0 million concurrent with the offering of convertible senior notes (See "Financing Activity"). These shares were repurchased pursuant to the Company's stock repurchase program authorized by the Company's Board of Directors on March 9, 2007. This repurchase program ended on March 16, 2007 because the maximum shares allowed to be repurchased under the program was reached.

Acquisitions and Dispositions:

On September 5, 2007, the Company purchased the remaining 50% outside ownership interest in Hilton Village, a 96,546 square foot specialty center in Scottsdale, Arizona. The total purchase price of $13.5 million was funded by cash, borrowings under the Company's line of credit and the assumption of the $8.6 million mortgage note payable on the property.

On December 17, 2007, the Company purchased a portfolio of fee simple and/or ground leasehold interests in 39 freestanding Mervyn's department stores located in the Southwest United States for $400.2 million. The purchase price was funded by cash and borrowings under the Company's line of credit. Concurrent with the acquisition, the Company entered into 39 individual agreements to leaseback the properties to Mervyns from terms of 14 to 20 years. The Company has designated the 27 freestanding Mervyn's stores located at shopping centers not owned or managed by the Company as available for sale.

On January 1, 2008, MACWH, LP, a subsidiary of the Operating Partnership, at the election of the holders, redeemed the 3.4 million Class A participating convertible preferred units ("PCPUs"). As a result of the redemption, the Company received the 16.32% minority interest in the portion of the Wilmorite portfolio that included Danbury Fair Mall, Freehold Raceway Mall, Great Northern Mall, Rotterdam Square, Shoppingtown Mall, Towne Mall, Tysons Corner Center and Wilton Mall, collectively referred to as the "Non-Rochester Properties", for a total consideration of $224 million, in exchange for the Company's ownership interest in the portion of the Wilmorite portfolio that consisted of Eastview Commons, Eastview Mall, Greece Ridge Center, Marketplace Mall and Pittsford Plaza, collectively referred to as the "Rochester Properties." The Company recognized a gain of $99.3 million on the exchange based on the difference between the fair value of the additional interest acquired in the Non-Rochester Properties and the carrying value of the Rochester Properties, net of minority interest. This exchange is referred herein as the "Rochester Redemption."

On January 10, 2008, the Company in a 50/50 joint venture, acquired The Shops at North Bridge, a 680,933 square foot urban shopping center in Chicago, Illinois, for a total purchase price of $515.0 million. The Company's share of the purchase price was funded by the assumption of a pro rata share of the $205.0 million fixed rate mortgage on the Center and by borrowings under the Company's line of credit.

Financing Activity:

On January 2, 2007, the Company paid off the $75.0 million loan on Paradise Valley Mall. The repayment was funded by the proceeds from the sale of Citadel Mall, Northwest Arkansas Mall and Crossroads Mall on December 29, 2006.

On January 23, 2007, the Company exercised an earn-out provision under the loan agreement on Valley River Center and borrowed an additional $20.0 million at a fixed rate of 5.64%. The loan proceeds were used to pay down the Company's line of credit and for general corporate purposes.

On March 16, 2007, the Company issued $950.0 million in convertible senior notes ("Senior Notes") that mature on March 15, 2012. The Senior Notes bear interest at 3.25%, payable semiannually, are senior unsecured debt of the Company and are guaranteed by the Operating Partnership. The Senior Notes had an initial conversion price of $111.48. The proceeds were used to payoff the $250 million term loan, and to pay down the Company's line of credit. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources").

In connection with the issuance of the Senior Notes, the Company purchased two capped calls ("Capped Calls") from affiliates of the initial purchasers of the Senior Notes for approximately $59.9 million. The Capped Calls effectively increased the conversion price of the Senior Notes to approximately $130.06, which represented a 40% premium to the March 12, 2007 closing price of $92.90 per common share of the Company. The Capped Calls are expected to generally reduce the potential dilution upon exchange of the Senior Notes in the event the market value per share of the Company's common stock, as measured under the terms of the relevant settlement date, is greater than the strike price of the Capped Calls.

On March 23, 2007, the Company used borrowings under the line of credit to pay off the $51.0 million interest only loan on Tucson La Encantada. On May 15, 2007, the Company placed a new $78.0 million loan on that property that bears interest at a fixed rate of 5.60% and matures on June 1, 2012. The loan proceeds were used to pay down the Company's line of credit and for general corporate purposes.

On May 23, 2007, the Company borrowed an additional $72.5 million under the loan agreement on Deptford Mall at a fixed rate of 5.38%. The loan proceeds were used to pay down the Company's line of credit and for general corporate purposes.

On July 2, 2007, the Company's joint venture in Scottsdale Fashion Square refinanced the loan on the property. The two existing loans on the property were replaced with a new $550.0 million loan bearing interest at a fixed rate of 5.66% and maturing July 8, 2013. The Company used its pro rata share of proceeds to pay down the Company's line of credit and for general corporate purposes.

Redevelopment and Development Activity:

The first phase of SanTan Village Regional Center, in Gilbert, Arizona, opened on October 26, 2007. The 1.2 million square foot open-air super-regional shopping center opened with over 90% of the retail space committed, with Dillard's and more than 85 specialty retailers joining Harkins Theatres, which opened March 2007. The balance of the project, which includes Dick's Sporting Goods, Best Buy, Barnes & Noble and up to 13 restaurants, is expected to open in phases throughout 2008.

The first phase of The Promenade at Casa Grande, a 1 million square foot, 130 acre department store anchored hybrid center, located in Casa Grande, Arizona, opened on November 16, 2007. With ninety percent committed, the first phase of the project has approximately 550,000 square feet of mini-majors, including Dillard's, Target, J.C.Penney, Kohl's, Petsmart and Staples. The balance of the Center is expected to continue to open in phases throughout 2008.

The first phase of The Marketplace at Flagstaff Mall, a 435,000 square foot lifestyle expansion, in Flagstaff, Arizona, began opening in phases on October 19, 2007. Phase I delivered approximately 267,538 square feet of new retail space including Best Buy, Home Depot, Linens n Things, Marshalls, Old Navy, Petco and Shoe Pavilion. Phase II, which will consist of village shops, an entertainment plaza and pad space, is expected to be completed in 2009-2010.

On November 8, 2007, Freehold Raceway Mall opened the first phase of a combined expansion and renovation project that will add 96,000 square feet of new retail and restaurant uses to this regional center in New Jersey. The expansion, which is 85% committed, added nine new-to-market additions including: Borders, The Cheesecake Factory, P.F. Chang's, Jared The Galleria of Jewelry, The Territory Ahead, Ann Taylor, Chico's, Coldwater Creek and White House/Black Market. The balance of the project is expected to open throughout 2008.

Scottsdale Fashion Square, the 2 million square foot luxury flagship, is undergoing a $130 million redevelopment and expansion. Phase I of the redevelopment and expansion began September 2007 with demolition of the vacant anchor space acquired as a result of the Federated-May merger and an adjacent parking structure. A 60,000 square foot Barneys New York, the high-end retailer's first Arizona location, will anchor an additional 100,000 square feet of up to 30 new luxury shops, which is planned to open in Fall 2009 in an urban setting on Scottsdale Road. New first-to-market deals include Salvatore Ferragamo, Grand Luxe Café, CH Carolina Herrera, and Michael Kors. First-to-market retailers opening in the Spring 2008 will include Bottega Veneta, Jimmy Choo and Marciano.

Construction continues on the combined redevelopment, expansion and interior renovation of The Oaks, an upscale 1.0 million square foot super-regional shopping center in California's affluent Thousand Oaks. The market's first Nordstrom department store is under construction. Construction of a first-to-market, 138,000 square foot Nordstrom department store, two-level open-air retail, dining and entertainment venue and new multi-level parking structure at The Oaks continues on schedule toward a phased completion beginning Fall 2008.

In December 2007, the Company received full entitlements to proceed with plans for a redevelopment of Santa Monica Place. The regional center will be redeveloped as an open-air shopping and dining environment that will connect with the popular Third Street Promenade. The Santa Monica Place redevelopment has started and is moving forward with a projected Fall 2009 completion.

The Shopping Center Industry

General

There are several types of retail shopping centers, which are differentiated primarily based on size and marketing strategy. Regional shopping centers generally contain in excess of 400,000 square feet of GLA and are typically anchored by two or more department or large retail stores ("Anchors") and are referred to as "Regional Shopping Centers" or "Malls." Regional Shopping Centers also typically contain numerous diversified retail stores ("Mall Stores"), most of which are national or regional retailers typically located along corridors connecting the Anchors. Community Shopping Centers, also referred to as "strip centers" or "urban villages" or "specialty centers", are retail shopping centers that are designed to attract local or neighborhood customers and are typically anchored by one or more supermarkets, discount department stores and/or drug stores. Community Shopping Centers typically contain 100,000 square feet to 400,000 square feet of GLA. In addition, freestanding retail stores are

located along the perimeter of the shopping centers ("Freestanding Stores"). Anchors, Mall and Freestanding Stores and other tenants typically contribute funds for the maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operation of the shopping center.

Regional Shopping Centers

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

Regional Shopping Centers have generally provided owners with relatively stable growth in income despite the cyclical nature of the retail business. This stability is due both to the diversity of tenants and to the typical dominance of Regional Shopping Centers in their trade areas.

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

Business of the Company

Strategy:

The Company has a four-pronged business strategy which focuses on the acquisition, leasing and management, redevelopment and development of Regional Shopping Centers.

Acquisitions. The Company focuses on well-located, quality regional shopping centers that are, or it believes can be, dominant in their trade area and have strong revenue enhancement potential. The Company subsequently seeks to improve operating performance and returns from these properties through leasing, management and redevelopment. Since its initial public offering, the Company has acquired interests in shopping centers nationwide. The Company believes that it is geographically well positioned to cultivate and maintain ongoing relationships with potential sellers and financial institutions and to act quickly when acquisition opportunities arise. (See "Recent Developments--Acquisitions and Dispositions").

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

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

Similarly, the Company generally utilizes on-site and regionally located leasing managers to better understand the market and the community in which a Center is located. The Company continually assesses and fine tunes each Center's tenant mix, identifies and replaces underperforming tenants and seeks to optimize existing tenant sizes and configurations.

On a selective basis, the Company provides property management and leasing services for third parties. The Company currently manages four malls for third party owners on a fee basis. In addition, the Company manages four community centers for a related party.

Redevelopment. One of the major components of the Company's growth strategy is its ability to redevelop acquired properties. For this reason, the Company has built a staff of redevelopment professionals who have primary responsibility for identifying redevelopment opportunities that will result in enhanced long-term financial returns and market position for the Centers. The redevelopment professionals oversee the design and construction of the projects in addition to obtaining required governmental approvals. (See "Recent Developments--Redevelopment and Development Activity").

Development. The Company pursues ground-up development projects on a selective basis. The Company has supplemented its strong acquisition, operations and redevelopment skills with its ground-up development expertise to further increase growth opportunities. (See "Recent Developments--Redevelopment and Development Activity").

The Centers

As of December 31, 2007, the Centers consist of 74 Regional Shopping Centers and 20 Community Shopping Centers aggregating approximately 80.7 million square feet of GLA. The 74 Regional Shopping Centers in the Company's portfolio average approximately 991,000 square feet of GLA and range in size from 2.2 million square feet of GLA at Tysons Corner Center to 323,455 square feet of GLA at Panorama Mall. The Company's 20 Community Shopping Centers have an average of approximately 249,000 square feet of GLA. After giving effect to the Rochester Redemption and the acquisition of The Shops at North Bridge (See Recent Developments), the Centers presently include 318 Anchors totaling approximately 41.6 million square feet of GLA and approximately 9,200 Mall and Freestanding Stores totaling approximately 35.1 million square feet of GLA.

Competition

There are numerous owners and developers of real estate that compete with the Company in its trade areas. There are six other publicly traded mall companies and several large private mall companies, any of which under certain circumstances could compete against the Company for an acquisition, an Anchor or a tenant. In addition, private equity firms compete with the Company in terms of acquisitions. This results in competition for both acquisition of centers and for tenants or Anchors to occupy space. The existence of competing shopping centers could have a material adverse impact on the Company's ability to lease space and on the level of rent that can be achieved. There is also increasing competition from other retail formats and technologies, such as lifestyle centers, power centers, internet shopping and home shopping networks, factory outlet centers, discount shopping clubs and mail-order services that could adversely affect the Company's revenues.

In making leasing decisions, the Company believes that retailers consider the following material factors relating to a center: quality, design and location, including consumer demographics; rental rates; type and quality of Anchors and retailers at the center; and management and operational experience and strategy of the center. The Company believes it is able to compete effectively for retail tenants in its local markets based on these criteria in light of the overall size, quality and diversity of its portfolio of Centers.

Major Tenants

The Centers derived approximately 95.1% of their total minimum rents for the year ended December 31, 2007 from Mall and Freestanding Stores. One tenant accounted for approximately 3.3% of minimum rents of the Company, and no other single tenant accounted for more than 2.7% of minimum rents as of December 31, 2007.

The following tenants (including their subsidiaries) represent the 10 largest tenants in the Company's portfolio (including joint ventures) based upon minimum rents in place as of December 31, 2007:

Tenant	Primary DBA's	Number of Locations in the Portfolio	% of Total Annual Minimum Rents as of December 31, 2007(1)
Mervyn's(2)	Mervyn's	45	3.3%
The Gap, Inc.	Gap, Banana Republic, Old Navy	103	2.7%
Limited Brands, Inc.	Victoria Secret, Bath and Body	146	2.3%
Foot Locker, Inc.	Footlocker, Champs Sports, Lady Footlocker	161	2.0%
AT&T Mobility, LLC(3)	AT&T Wireless, Cingular Wireless	33	1.5%
Abercrombie & Fitch Co.	Abercrombie & Fitch	71	1.5%
Luxottica Group S.P.A.	Lenscrafters, Sunglass Hut	150	1.2%
Zale Corporation	Zales, Piercing Pagoda, Gordon's Jewelers	120	1.2%
American Eagle Outfitters, Inc.	American Eagle Outfitters	57	1.0%
Signet Group	Kay Jewelers, Weisfield Jewelers	76	1.0%

(1) The above table includes The Shops at North Bridge and excludes the Rochester Properties.

(2) Fee simple and/or ground leasehold interests in thirty-nine Mervyn's stores were acquired on December 17, 2007.

(3) Includes AT&T Mobility office headquarters located at Redmond Town Center.

Mall and Freestanding Stores

Mall and Freestanding Store leases generally provide for tenants to pay rent comprised of a base (or "minimum") rent and a percentage rent based on sales. In some cases, tenants pay only minimum rent, and in some cases, tenants pay only percentage rents. Historically, most leases for Mall and Freestanding Stores contain provisions that allow the Centers to recover their costs for maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operations of the Center. Since January 2005, the Company generally began entering into leases which require tenants to pay a stated amount for such operating expenses, generally excluding property taxes, regardless of the expenses the Company actually incurs at any Center.

Tenant space of 10,000 square feet and under in the portfolio at December 31, 2007 comprises 69.1% of all Mall and Freestanding Store space. The Company uses tenant spaces of 10,000 square feet and under for comparing rental rate activity. The Company believes that to include space over 10,000 square feet would provide a less meaningful comparison.

When an existing lease expires, the Company is often able to enter into a new lease with a higher base rent component. The average base rent for new Mall and Freestanding Store leases at the consolidated Centers, 10,000 square feet and under, commencing during 2007 was $43.23 per square foot, or 26.4% higher than the average base rent for all Mall and Freestanding Stores at the consolidated Centers, 10,000 square feet and under, expiring during 2007 of $34.21 per square foot.

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

For the Year Ended December 31,	Average Base Rent Per Square Foot(1)	Avg. Base Rent Per Sq. Ft. on Leases Commencing During the Year(2)	Avg. Base Rent Per Sq. Ft. on Leases Expiring During the Year(3)
Consolidated Centers:			
2007	$ 38.49	$ 43.23	$ 34.21
2006	$ 37.55	$ 38.40	$ 31.92
2005	$ 34.23	$ 35.60	$ 30.71
Joint Venture Centers:			
2007	$ 38.72	$ 47.12	$ 34.87
2006	$ 37.94	$ 41.43	$ 36.19
2005	$ 36.35	$ 39.08	$ 30.18

(1) Average base rent per square foot is based on Mall and Freestanding Store GLA for spaces, 10,000 square feet and under occupied as of December 31 for each of the Centers owned by the Company. Leases for Tucson La Encantada and the expansion area of Queens Center were excluded for 2005. Leases for Promenade at Casa Grande, SanTan Village Power Center and SanTan Village Regional Center were excluded for 2007.

(2) The average base rent per square foot on lease signings commencing during the year represents the actual rent to be paid on a per square foot basis during the first twelve months, for tenants 10,000 square feet and under. Lease signings for Tucson La Encantada and the expansion area of Queens Center were excluded for 2005. Leases for Promenade at Casa Grande, SanTan Village Power Center and SanTan Village Regional Center were excluded for 2007.

(3) The average base rent per square foot on leases expiring during the year represents the final year minimum rent, on a cash basis, for all tenant leases 10,000 square feet and under expiring during the year. Leases for Tucson La Encantada and the expansion area of Queens Center were excluded for 2005. Leases for Promenade at Casa Grande, SanTan Village Power Center and SanTan Village Regional Center were excluded for 2007.

Cost of Occupancy

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

	For Years ended December 31,		
	2007	2006	2005
Consolidated Centers:			
Minimum Rents	8.0%	8.1%	8.3%
Percentage Rents	0.4%	0.4%	0.5%
Expense Recoveries(1)	3.8%	3.7%	3.6%
	12.2%	12.2%	12.4%
Joint Venture Centers:			
Minimum Rents	7.3%	7.2%	7.4%
Percentage Rents	0.5%	0.6%	0.5%
Expense Recoveries(1)	3.2%	3.1%	3.0%
	11.0%	10.9%	10.9%

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

Lease Expirations

The following tables show scheduled lease expirations (for Centers owned as of December 31, 2007) of Mall and Freestanding Stores (10,000 square feet and under) for the next ten years, assuming that none of the tenants exercise renewal options:

Consolidated Centers:

Year Ending December 31,	Number of Leases Expiring	Approximate GLA of Leases Expiring(1)	% of Total Leased GLA Represented by Expiring Leases(1)	Ending Base Rent per Square Foot of Expiring Leases(1)
2008	486	992,151	12.87%	$ 35.14
2009	332	630,841	8.18%	$ 38.93
2010	419	808,960	10.49%	$ 41.24
2011	404	1,020,218	13.23%	$ 37.76
2012	291	773,163	10.03%	$ 37.20
2013	210	499,179	6.47%	$ 41.65
2014	241	562,547	7.30%	$ 49.88
2015	253	686,474	8.90%	$ 46.69
2016	258	685,204	8.89%	$ 40.56
2017	219	664,921	8.62%	$ 38.92

Joint Venture Centers (at pro rata share):

Year Ending December 31,	Number of Leases Expiring	Approximate GLA of Leases Expiring(1)	% of Total Leased GLA Represented by Expiring Leases(1)	Ending Base Rent per Square Foot of Expiring Leases(1)
2008	493	497,910	12.42%	$ 37.61
2009	393	428,120	10.68%	$ 37.97
2010	416	425,003	10.60%	$ 41.88
2011	369	434,833	10.85%	$ 38.88
2012	301	322,453	8.05%	$ 41.55
2013	225	262,946	6.56%	$ 43.02
2014	221	266,419	6.65%	$ 42.88
2015	232	291,919	7.28%	$ 43.73
2016	288	356,072	8.88%	$ 47.29
2017	236	352,911	8.81%	$ 42.64

(1) The ending base rent per square foot on leases expiring during the period represents the final year minimum rent, on a cash basis, for all tenant leases 10,000 square feet and under expiring during the year. Currently, 53% of leases have provisions for future consumer price increases which are not reflected in ending base rent. Leases for Santa Monica Place, currently under redevelopment, have been excluded. The Rochester Properties are excluded and The Shops at North Bridge are included in the above tables.

Anchors

Anchors have traditionally been a major factor in the public's identification with Regional Shopping Centers. Anchors are generally department stores whose merchandise appeals to a broad range of shoppers. Although the Centers receive a smaller percentage of their operating income from Anchors than from Mall and Freestanding Stores, strong Anchors play an important part in maintaining customer traffic and making the Centers desirable locations for Mall and Freestanding Store tenants.

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

Anchors accounted for approximately 4.9% of the Company's total minimum rent for the year ended December 31, 2007.

The following table identifies each Anchor, each parent company that owns multiple Anchors and the number of square feet owned or leased by each such Anchor or parent company in the Company's portfolio at December 31, 2007, giving effect to the Rochester Redemption and the acquisition of The Shops at North Bridge:

Name(1)	Number of Anchor Stores(1)	GLA Owned by Anchor(1)	GLA Leased by Anchor(1)	Total GLA Occupied by Anchor(1)
Macy's Inc.				
Macy's(2)	54	6,046,168	2,920,001	8,966,169
Bloomingdale's	1	--	255,888	255,888
Total	55	6,046,168	3,175,889	9,222,057
Sears Holdings Corporation				
Sears	48	4,462,305	2,079,671	6,541,976
Great Indoors, The	1	--	131,051	131,051
K-Mart	1	--	86,479	86,479
Total	50	4,462,305	2,297,201	6,759,506
J.C. Penney	45	2,351,211	3,664,424	6,015,635
Dillard's	26	3,574,852	918,235	4,493,087
Mervyn's(3)	45	233,282	3,365,571	3,598,853
Nordstrom(4)	13	699,127	1,526,369	2,225,496
Target(5)	13	1,125,041	564,279	1,689,320
The Bon-Ton Stores, Inc.				
Younkers	6	--	609,177	609,177
Bon-Ton, The	1	--	71,222	71,222
Herberger's	4	188,000	214,573	402,573
Total	11	188,000	894,972	1,082,972
Gottschalks	7	332,638	553,242	885,880
Boscov's	3	--	476,067	476,067
Wal-Mart	3	371,527	100,709	472,236
Neiman Marcus	3	120,000	321,450	441,450
Lord & Taylor	3	120,635	199,372	320,007
Home Depot	3	120,530	274,402	394,932
Kohl's	3	165,279	114,359	279,638
Burlington Coat Factory	3	186,570	74,585	261,155
Dick's Sporting Goods(6)	3	--	257,241	257,241
Von Maur	3	186,686	59,563	246,249
Belk, Inc.				
Belk	3	--	200,925	200,925
La Curacao	1	164,656	--	164,656
Barneys New York(7)	2	--	141,398	141,398
Lowe's	1	135,197	--	135,197
Best Buy	2	129,441	--	129,441
Saks Fifth Avenue	1	--	92,000	92,000
L.L. Bean	1	--	75,778	75,778
Sports Authority	1	--	52,250	52,250
Bealls	1	--	40,000	40,000
Richman Gordman 1/2 Price	1	--	60,000	60,000
Vacant(8)	12	--	1,426,844	1,426,844
Total	318	20,713,145	20,927,125	41,640,270

(1)

As a result of the Rochester Redemption on January 1, 2008, anchor tenants for the Rochester Properties are excluded from the above table. The Nordstrom anchor at The Shops at North Bridge acquired in January 2008 is included in the above table.

(2) Macy's is scheduled to close their 300,196 square foot store at Valley View Center in March 2008.

(3) This includes 39 Mervyn's stores acquired on December 17, 2007. Mervyn's is scheduled to open a 150,000 square foot store at Inland Center in Fall 2008.

(4) Nordstrom is scheduled to open a 138,000 square foot store at The Oaks in 2009.

(5) Target is scheduled to open a 180,000 square foot store at Pacific View in Spring 2008.

(6) Dick's Sporting Goods is scheduled to open a 70,000 square foot store at Arrowhead Towne Center in Fall 2008 and a 90,000 square foot store at Washington Square in Spring 2008.

(7) Barneys New York is scheduled to open a 60,000 square foot store at Scottsdale Fashion Square in 2009.

(8) The Company is contemplating various replacement tenant and/or redevelopment opportunities for these vacant sites.

Environmental Matters

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

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

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

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

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

Insurance

Each of the Centers has comprehensive liability, fire, extended coverage and rental loss insurance with insured limits customarily carried for similar properties. The Company does not insure certain types of losses (such as losses from wars), because they are either uninsurable or not economically insurable. In addition, while the Company or the relevant joint venture, as applicable, carries specific earthquake insurance on the Centers located in earthquake-prone zones, the policies are subject to a deductible equal to 5% of the total insured value of each Center, a

$100,000 per occurrence minimum and a combined annual aggregate loss limit of $106.6 million on these Centers. While the Company or the relevant joint venture also carries terrorism insurance on the Centers, the policies are subject to a

$10,000 deductible and a combined annual aggregate loss of $800 million. Each Center has environmental insurance covering eligible third-party losses, remediation and non-owned disposal sites, subject to a $100,000 deductible and a $10 million three-year aggregate limit. Some environmental losses are not covered by this insurance because they are uninsurable or not economically insurable. Furthermore, the Company carries title insurance on substantially all of the Centers for less than their full value.

Qualification as a Real Estate Investment Trust

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

Employees

As of December 31, 2007, the Company and the Management Companies employed 3,014 persons, including executive officers (11), personnel in the areas of acquisitions and business development (26), property management/marketing (489), leasing (200), redevelopment/development (81), financial services (281) and legal affairs (65). In addition, in an effort to minimize operating costs, the Company generally maintains its own security and guest services staff (1,842) and in some cases maintenance staff (19). Unions represent six of these employees. The Company primarily engages a third party to handle maintenance at the Centers. The Company believes that relations with its employees are good.

Available Information; Website Disclosure; Corporate Governance Documents

The Company's corporate website address is *www.macerich.com*. The Company makes available free-of-charge through this website its reports on Forms 10-K, 10-Q and 8-K and all amendments thereto, as soon as reasonably practicable after the reports have been filed with, or furnished to, the Securities and Exchange Commission. These reports are available under the heading "Investing--SEC Filings", through a free hyperlink to a third-party service. Information provided on our website is not incorporated by reference into this Form 10-K/A.

The following documents relating to Corporate Governance are available on the Company's website at *www.macerich.com* under "Investing--Corporate Governance":

Guidelines on Corporate Governance
Code of Business Conduct and Ethics
Code of Ethics for CEO and Senior Financial Officers
Audit Committee Charter
Compensation Committee Charter
Executive Committee Charter
Nominating and Corporate Governance Committee Charter

You may also request copies of any of these documents by writing to:

Attention: Corporate Secretary
The Macerich Company
401Wilshire Blvd., Suite 700
Santa Monica, CA 90401

Certifications

The Company submitted a Section 303A.12 (a) CEO Certification to the New York Stock Exchange last year. In addition, the Company filed with the Securities and Exchange Commission the CEO/CFO certification required under Section 302 of the Sarbanes-Oxley Act and it is included as Exhibit 31 hereto.

ITEM 1A. RISK FACTORS

We invest primarily in shopping centers, which are subject to a number of significant risks that are beyond our control.

Real property investments are subject to varying degrees of risk that may affect the ability of our 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 us and our stockholders. Centers wholly owned by us are referred to as "Wholly Owned Centers" and Centers that are partly but not wholly owned by us are referred to as "Joint Venture Centers." A number of factors may decrease the income generated by the Centers, including:

- the national economic climate (including a recession);
- the regional and local economy (which may be negatively impacted by plant closings, industry slowdowns, union activity, 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 a Center; and
- increased costs of maintenance, insurance and operations (including real estate taxes).

Income from shopping center properties and shopping center values are also affected by applicable laws and regulations, including tax, environmental, safety and zoning laws, and by interest rate levels and the availability and cost of financing. In addition, the number of prospective buyers interested in purchasing shopping centers is limited. Therefore, if we want to sell one or more of our Centers, we may not be able to dispose of it in the desired time period and may receive less consideration than we originally invested in the Center. Furthermore, real estate investments are relative illiquid. This characteristic tends to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

Some of our Centers are geographically concentrated and, as a result, are sensitive to local economic and real estate conditions.

A significant percentage of our Centers are located in California and Arizona and eight Centers in the aggregate are located in New York, New Jersey and Connecticut. To the extent that weak economic or real estate conditions, including as a result of the factors described in the preceding risk factor, or other factors affect California, Arizona, New York, New Jersey or Connecticut (or their respective regions) more severely than other areas of the country, our financial performance could be negatively impacted.

We are in a competitive business.

There are numerous owners and developers of real estate that compete with us in our trade areas. There are six other publicly traded mall companies and several large private mall companies, any of which under certain circumstances could compete against us for an acquisition, an Anchor or a tenant. In addition, private equity firms compete with us in terms of acquisitions. This results in competition for both acquisition of centers and for tenants or Anchors to occupy space. The existence of competing shopping centers could have a material adverse impact on our ability to lease space and on the level of rents that can be achieved. There is also increasing competition from other retail formats and technologies, such as lifestyle centers, power centers, internet shopping and home shopping networks,

factory outlet centers, discount shopping clubs and mail-order services that could adversely affect our revenues.

Our Centers depend on tenants to generate rental revenues.

Our revenues and funds available for distribution will be reduced if:

- a significant number of our tenants are unable (due to poor operating results, bankruptcy, terrorist activities or other reasons) to meet their obligations;
- we are unable to lease a significant amount of space in the Centers on economically favorable terms; or
- for any other reason, we are unable to collect a significant amount of rental payments.

A decision by an Anchor, or other significant tenant to cease operations at a Center could also have an adverse effect on our financial condition. The closing of an Anchor or other significant tenant may allow other Anchors and/or other tenants to terminate their leases, seek rent relief and/or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center. In addition, Anchors and/or tenants at one or more Centers might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of retail stores, or sale of an Anchor or store to a less desirable retailer, may reduce occupancy levels, customer traffic and rental income, or otherwise adversely affect our financial performance. Furthermore, if the store sales of retailers operating in the Centers 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 affected Center may experience delays and costs in enforcing its rights as lessor.

Our acquisition and real estate development strategies may not be successful.

Our historical growth in revenues, net income and funds from operations has been closely tied to the acquisition and redevelopment of shopping centers. Many factors, including the availability and cost of capital, our total amount of debt outstanding, interest rates and the availability of attractive acquisition targets, among others, will affect our ability to acquire and redevelop additional properties in the future. We may not be successful in pursuing acquisition opportunities, and newly acquired properties may not perform as well as expected. Expenses arising from our efforts to complete acquisitions, redevelop properties or increase our market penetration may have a material adverse effect on our business, financial condition and results of operations. We face competition for acquisitions primarily from other REITs, as well as from private real estate companies and financial buyers. Some of our competitors have greater financial and other resources. Increased competition for shopping center acquisitions may impact adversely our ability to acquire additional properties on favorable terms. We cannot guarantee that we will be able to implement our growth strategy successfully or manage our expanded operations effectively and profitably.

We may not be able to achieve the anticipated financial and operating results from newly acquired assets. Some of the factors that could affect anticipated results are:

- our ability to integrate and manage new properties, including increasing occupancy rates and rents at such properties;
- the disposal of non-core assets within an expected time frame; and
- our ability to raise long-term financing to implement a capital structure at a cost of capital consistent with our business strategy.

Our business strategy also includes the selective development and construction of retail properties. Any development, redevelopment and construction activities that we may undertake 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, and occupancy and other required governmental permits and authorizations. If any of the above events occur, our ability to pay dividends to our stockholders and service our indebtedness could be adversely affected.

We have substantial debt that could affect our future operations.

Our total outstanding loan indebtedness at December 31, 2007 was $7.6 billion (including $1.8 billion of our pro rata share of joint venture debt). As a result of this substantial indebtedness, we are required to use a material portion of our cash flow to service principal and interest on our debt, which limits the cash flow available for other business opportunities. In addition, we are subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required debt service and that rising interest rates could adversely affect our debt service costs. A majority of our Centers are mortgaged to secure payment of indebtedness, and if income from the Center is insufficient to pay that indebtedness, the Center could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value.

We depend on external financings for our growth and ongoing debt service requirements.

We depend primarily on external financings, principally debt financings, to fund the growth of our business and to ensure that we can meet ongoing maturities of our outstanding debt. Our access to financing depends on the willingness of banks to lend to us and conditions in the capital markets in general. We cannot assure you that we will be able to obtain the financing we need for future growth or to meet our debt service as obligations mature, or that the financing available to us will be on acceptable terms.

Inflation may adversely affect our financial condition and results of operations.

If inflation increases in the future, we may experience any or all of the following:

- Difficulty in replacing or renewing expiring leases with new leases at higher rents;
- Decreasing tenant sales as a result of decreased consumer spending which could adversely affect the ability of our tenants to meet their rent obligations and/or result in lower percentage rents; and
- An inability to receive reimbursement from our tenants for their share of certain operating expenses, including common area maintenance, real estate taxes and insurance.

Certain individuals have substantial influence over the management of both us and the Operating Partnership, which may create conflicts of interest.

Under the limited partnership agreement of the Operating Partnership, we, as the sole general partner, are responsible for the management of the Operating Partnership's business and affairs. Each of the principals serves as an executive officer and is a member of our board of directors. Accordingly, these principals have substantial influence over our management and the management of the Operating Partnership.

The tax consequences of the sale of some of the Centers may create conflicts of interest.

The principals will experience negative tax consequences if some of the Centers are sold. As a result, the principals may not favor a sale of these Centers even though such a sale may benefit our other stockholders.

The guarantees of indebtedness by and certain holdings of the principals may create conflicts of interest.

The principals have guaranteed mortgage loans encumbering one of the Centers. As of December 31, 2007, the principals have guaranteed an aggregate principal amount of approximately $21.8 million. The existence of guarantees of these loans by the principals could result in the principals having interests that are inconsistent with the interests of our stockholders.

The principals may have different interests than our stockholders because they are significant holders of the Operating Partnership.

If we were to fail to qualify as a REIT, we will have reduced funds available for distributions to our stockholders.

We believe that we currently qualify as a REIT. No assurance can be given that we will remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. The complexity of these provisions and of the applicable income tax regulations is greater in the case of a REIT structure like ours that holds assets in partnership form. The determination of various factual matters and circumstances not entirely within our control, including determinations by our partners in the Joint Venture Centers, may affect our continued qualification as a REIT. In addition, legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to our qualification as a REIT or the U.S. federal income tax consequences of that qualification.

If in any taxable year we were to fail to qualify as a REIT, we will suffer the following negative results:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income; and

- we will be subject to U.S. federal income tax on our taxable income at regular corporate rates.

In addition, if we were to lose our REIT status, we will be prohibited from qualifying as a REIT for the four taxable years following the year during which the qualification was lost, absent relief under statutory provisions. As a result, net income and the funds available for distributions to our stockholders would be reduced for at least five years and the fair market value of our shares could be materially adversely affected. Furthermore, the Internal Revenue Service could challenge our REIT status for past periods, which if successful could result in us owing a material amount of tax for prior periods. It is possible that future economic, market, legal, tax or other considerations might cause our board of directors to revoke our REIT election.

Even if we remain qualified as a REIT, we might face other tax liabilities that reduce our cash flow. Further, we might be subject to federal, state and local taxes on our income and property. Any of these taxes would decrease cash available for distributions to stockholders.

Complying with REIT requirements might cause us to forego otherwise attractive opportunities.

In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities we would otherwise pursue.

In addition, the REIT provisions of the Internal Revenue Code impose a 100% tax on income from "prohibited transactions." Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale in the ordinary course of business, other than foreclosure property. This 100% tax could impact our desire to sell assets and other investments at otherwise opportune times if we believe such sales could be considered a prohibited transaction.

Complying with REIT requirements may force us to borrow to make distributions to our stockholders.

As a REIT, we generally must distribute 90% of our annual taxable income (subject to certain adjustments) to our stockholders. From time to time, we might generate taxable income greater than our net income for financial reporting purposes, or our taxable income might be greater than our cash flow available for distributions to our stockholders. If we do not have other funds available in these situations, we might be unable to distribute 90% of our taxable income as required by the REIT rules. In that case, we would need to borrow funds, sell a portion of our investments (potentially at disadvantageous prices) or find another alternative source of funds. These alternatives could increase our costs or reduce our equity and reduce amounts for investments.

Outside partners in Joint Venture Centers result in additional risks to our stockholders.

We own partial interests in property partnerships that own 42 Joint Venture Centers as well as fee title to a site that is ground leased to a property partnership that owns a Joint Venture Center and several development sites. We may acquire partial interests in additional properties through joint venture arrangements. Investments in Centers that are not Wholly Owned Centers involve risks different from those of investments in Wholly Owned Centers.

We may have fiduciary responsibilities to our partners that could affect decisions concerning the Joint Venture Centers. Third parties may share control of major decisions relating to the Joint Venture Centers, including decisions with respect to sales, refinancings and the timing and amount of additional capital contributions, as well as decisions that could have an adverse impact on our status. For example, we may lose our management rights relating to the Joint Venture Centers if:

- we fail to contribute our share of additional capital needed by the property partnerships;
- we default under a partnership agreement for a property partnership or other agreements relating to the property partnerships or the Joint Venture Centers; or
- with respect to certain of the Joint Venture Centers, if certain designated key employees no longer are employed in the designated positions.

In addition, some of our outside partners control the day-to-day operations of eight Joint Venture Centers (NorthPark Center, West Acres Center, Eastland Mall, Granite Run Mall, Lake Square Mall, NorthPark Mall, South Park Mall and Valley Mall). We, therefore, do not control cash distributions from these Centers, and the lack of cash distributions from these Centers could jeopardize our ability to maintain our qualification as a REIT. Furthermore, certain Joint Venture Centers have debt that could become recourse debt to us if the Joint Venture Center is unable to discharge such debt obligation.

Our holding company structure makes us dependent on distributions from the Operating Partnership.

Because we conduct our operations through the Operating Partnership, our ability to service our debt obligations and pay dividends to our stockholders is strictly dependent upon the earnings and cash flows of the Operating Partnership and the ability of the Operating Partnership to make distributions to us. Under the Delaware Revised Uniform Limited Partnership Act, the Operating Partnership is prohibited from making any distribution to us to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the Operating Partnership (other than some

non-recourse liabilities and some liabilities to the partners) exceed the fair value of the assets of the Operating Partnership. An inability to make cash distributions from the Operating Partnership could jeopardize our ability to maintain qualification as a REIT.

Possible environmental liabilities could adversely affect us.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that real property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. The costs of investigation, removal or remediation of hazardous or toxic substances may be substantial. In addition, the presence of hazardous or toxic substances, or the failure to remedy environmental hazards properly, may adversely affect the owner's or operator's ability to sell or rent affected real property or to borrow money using affected real property as collateral.

Persons or entities that arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at the disposal or treatment facility, whether or not that facility is owned or operated by the person or entity arranging for the disposal or treatment of hazardous or toxic substances. Laws exist that impose liability for release of ACMs into the air, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to ACMs. In connection with our ownership, operation, management, development and redevelopment of the Centers, or any other centers or properties we acquire in the future, we may be potentially liable under these laws and may incur costs in responding to these liabilities.

Uninsured losses could adversely affect our financial condition.

Each of our Centers has comprehensive liability, fire, extended coverage and rental loss insurance with insured limits customarily carried for similar properties. We do not insure certain types of losses (such as losses from wars), because they are either uninsurable or not economically insurable. In addition, while we or the relevant joint venture, as applicable, carry earthquake insurance on the Centers located in California, the policies are subject to a deductible equal to 5% of the total insured value of each Center, a $100,000 per occurrence minimum and a combined annual aggregate loss limit of $106.6 million on these Centers. While we or the relevant joint venture also carries terrorism insurance on the Centers, the policies are subject to a $10,000 deductible and a combined annual aggregate loss limit of $800 million. Each Center has environmental insurance covering eligible third-party losses, remediation and non-owned disposal sites, subject to a $100,000 deductible and a $10 million three-year aggregate limit. Some environmental losses are not covered by this insurance because they are uninsurable or not economically insurable. Furthermore, we carry title insurance on many of the Centers for less than their full value. If an uninsured loss or a loss in excess of insured limits occurs, the entity that owns the affected Center could lose its capital invested in the Center, as well as the anticipated future revenue from the Center, while remaining obligated for any mortgage indebtedness or other financial obligations related to the Center. An uninsured loss or loss in excess of insured limits may negatively impact our financial condition.

As the general partner of the Operating Partnership and certain of the property partnerships, we are generally liable for any of its unsatisfied obligations other than non-recourse obligations.

An ownership limit and certain anti-takeover defenses could inhibit a change of control or reduce the value of our common stock.

The Ownership Limit. In order for us to maintain our qualification as a REIT, not more than 50% in value of our outstanding stock (after taking into account options to acquire stock) may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include

some entities that would not ordinarily be considered "individuals") during the last half of a taxable year. Our Charter restricts ownership of more than 5% (the "Ownership Limit") of the lesser of the number or value of our outstanding shares of stock by any single stockholder or a group of stockholders (with limited exceptions for some holders of limited partnership interests in the Operating Partnership, and their respective families and affiliated entities, including all four principals). In addition to enhancing preservation of our status as a REIT, the Ownership Limit may:

- have the effect of delaying, deferring or preventing a change in control of us or other transaction without the approval of our board of directors, even if the change in control or other transaction is in the best interest of our stockholders; and

- limit the opportunity for our stockholders to receive a premium for their common stock or preferred stock that they might otherwise receive if an investor were attempting to acquire a block of stock in excess of the Ownership Limit or otherwise effect a change in control of us.

Our board of directors, in its sole discretion, may waive or modify (subject to limitations) the Ownership Limit with respect to one or more of our stockholders, if it is satisfied that ownership in excess of this limit will not jeopardize our status as a REIT.

Stockholder Rights Plan and Selected Provisions of our Charter and Bylaws. Agreements to which we are a party, as well as some of the provisions of our Charter and bylaws, may have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for us and may inhibit a change in control that some, or a majority, of our stockholders might believe to be in their best interest or that could give our stockholders the opportunity to realize a premium over the then-prevailing market prices for our shares. These agreements and provisions include the following:

- a stockholder rights plan (which is generally triggered when an entity, group or person acquires 15% or more of our common stock), which, in the event of a takeover attempt not approved by our board of directors, allows our stockholders to purchase shares of our common stock, or the common stock of the acquiring entity, at a 50% discount;

- a staggered board of directors and limitations on the removal of directors, which may make the replacement of incumbent directors more time-consuming and difficult;

- advance notice requirements for stockholder nominations of directors and stockholder proposals to be considered at stockholder meetings;

- the obligation of the directors to consider a variety of factors (in addition to maximizing stockholder value) with respect to a proposed business combination or other change of control transaction;

- the authority of the directors to classify or reclassify unissued shares and issue one or more series of common stock or preferred stock;

- the authority to create and issue rights entitling the holders thereof to purchase shares of stock or other securities or property from us; and

- limitations on the amendment of our Charter and bylaws, the dissolution or change in control of us, and the liability of our directors and officers.

Selected Provisions of Maryland Law. The Maryland General Corporation Law prohibits business combinations between a Maryland corporation and an interested stockholder (which includes any person who beneficially holds 10% or more of the voting power of the corporation's shares) or its affiliates for five years following the most recent date on which the interested stockholder became an interested stockholder and, after the five-year period, requires the recommendation of the board of directors and two super-majority stockholder votes to approve a business combination unless the stockholders receive a minimum price determined by the statute. As permitted by Maryland law, our Charter exempts from

these provisions any business combination between us and the principals and their respective affiliates and related persons. Maryland law also allows the board of directors to exempt particular business combinations before the interested stockholder becomes an interested stockholder. Furthermore, a person is not an interested stockholder if the transaction by which he or she would otherwise have become an interested stockholder is approved in advance by the board of directors.

The Maryland General Corporation Law also provides that the acquirer of certain levels of voting power in electing directors of a Maryland corporation (one-tenth or more but less than one-third, one-third or more but less than a majority and a majority or more) is not entitled to vote the shares in excess of the applicable threshold, unless voting rights for the shares are approved by holders of two thirds of the disinterested shares or unless the acquisition of the shares has been specifically or generally approved or exempted from the statute by a provision in our Charter or bylaws adopted before the acquisition of the shares. Our Charter exempts from these provisions voting rights of shares owned or acquired by the principals and their respective affiliates and related persons. Our bylaws also contain a provision exempting from this statute any acquisition by any person of shares of our common stock. There can be no assurance that this bylaw will not be amended or eliminated in the future. The Maryland General Corporation Law and our Charter also contain supermajority voting requirements with respect to our ability to amend our Charter, dissolve, merge, or sell all or substantially all of our assets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

The following table sets forth certain information regarding the Centers and other locations that are wholly-owned or partly owned by the Company:

Company's Ownership(1)	Name of Center/ Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Anchors	Sales Per Square Foot(4)
WHOLLY OWNED:								
100%	Capitola Mall(5) Capitola, California	1977/1995	1988	586,653	196,936	92.7%	Gottschalks, Macy's, Mervyn's, Sears	$ 351
100%	Chandler Fashion Center Chandler, Arizona	2001/2002	--	1,325,450	640,290	97.6%	Dillard's, Macy's, Nordstrom, Sears	653
100%	Chesterfield Towne Center(6) Richmond, Virginia	1975/1994	2000	1,035,593	426,858	80.0%	Dillard's, Macy's, Sears, J.C. Penney	349
100%	Danbury Fair Mall(6)(24) Danbury, Connecticut	1986/2005	1991	1,295,086	498,878	97.1%	J.C. Penney, Lord & Taylor, Macy's, Sears	589
100%	Deptford Mall Deptford, New Jersey	1975/2006	1990	1,033,224	336,782	97.3%	Boscov's, J.C. Penney, Macy's, Sears	521
100%	Fiesta Mall(7) Mesa, Arizona	1979/2004	2007	827,873	309,682	93.0%	Dillard's, Macy's, Sears	375
100%	Flagstaff Mall Flagstaff, Arizona	1979/2002	2007	343,599	139,587	92.6%	Dillard's, J.C. Penney, Sears	382
100%	FlatIron Crossing(6) Broomfield, Colorado	2000/2002	--	1,505,617	741,876	91.6%	Dillard's, Macy's, Nordstrom, Dick's Sporting Goods	472
100%	Freehold Raceway Mall(24) Freehold, New Jersey	1990/2005	2007	1,654,364	862,740	96.5%	J.C. Penney, Lord & Taylor, Macy's, Nordstrom, Sears	520
100%	Fresno Fashion Fair Fresno, California	1970/1996	2006	955,807	394,926	99.2%	Gottschalks, J.C. Penney, Macy's (two)	545
100%	Great Northern Mall(6)(24) Clay, New York	1988/2005	--	893,970	563,982	94.7%	Macy's, Sears	268
100%	Green Tree Mall Clarksville, Indiana	1968/1975	2005	797,126	291,541	77.7%	Dillard's, J.C. Penney, Sears, Burlington Coat Factory	411
100%	La Cumbre Plaza(5) Santa Barbara, California	1967/2004	1989	495,736	178,736	88.3%	Macy's, Sears	446
100%	Northgate Mall(5) San Rafael, California	1964/1986	1987	732,543	262,212	92.6%	Macy's, Mervyn's, Sears	397
100%	Northridge Mall Salinas, California	1972/2003	1994	892,859	355,879	98.5%	J.C. Penney, Macy's, Mervyn's, Sears	350
100%	Pacific View Ventura, California	1965/1996	2001	1,059,916	411,102	73.7%	J.C. Penney, Macy's, Sears, Target(8)	433
100%	Panorama Mall Panorama, California	1955/1979	2005	323,455	158,455	92.9%	Wal-Mart	358
100%	Paradise Valley Mall(6) Phoenix, Arizona	1979/2002	1990	1,222,507	417,079	92.1%	Dillard's, J.C. Penney, Macy's, Sears	368
100%	Prescott Gateway Prescott, Arizona	2002/2002	2004	589,025	344,837	89.8%	Dillard's, Sears, J.C. Penney	276
100%	Queens Center(5) Queens, New York	1973/1995	2004	961,559	406,792	97.7%	J.C. Penney, Macy's	845
100%	Rimrock Mall Billings, Montana	1978/1996	1999	605,759	294,089	87.6%	Dillard's (two), Herberger's, J.C. Penney	380
100%	Rotterdam Square(24) Schenectady, New York	1980/2005	1990	582,939	273,164	89.8%	Macy's, K-Mart, Sears	260
100%		1990/1995	2005	852,205	354,789	94.8%		371

Company's Ownership(1)	Name of Center/ Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Anchors	Sales Per Square Foot(4)
	Salisbury, Centre at Salisbury, Maryland						Boscov's, J.C. Penney, Macy's, Sears	
100%	Somersville Towne Center Antioch, California	1966/1986	2004	502,709	174,487	92.5%	Sears, Gottschalks, Mervyn's, Macy's	405
100%	South Plains Mall(5) Lubbock, Texas	1972/1998	1995	1,142,545	400,758	88.5%	Bealls, Dillard's (two), J.C. Penney, Mervyn's, Sears	370
100%	South Towne Center Sandy, Utah	1987/1997	1997	1,268,136	491,624	95.6%	Dillard's, J.C. Penney, Mervyn's, Target, Macy's	433
100%	Towne Mall(24) Elizabethtown, Kentucky	1985/2005	1989	353,232	182,360	91.2%	J.C. Penney, Belk, Sears	298
100%	Twenty Ninth Street(5) Boulder, Colorado	1963/1979	2007	827,497	535,843	91.6%	Macy's, Home Depot	428
100%	Valley River Center Eugene, Oregon	1969/2006	2007	910,841	334,777	89.6%	Sports Authority, Gottschalks, Macy's, J.C. Penney	463

100%	Valley View Center Dallas, Texas	1973/1996	2004	1,635,449	577,552	95.9%	Dillard's, Macy's(9), J.C. Penney, Sears	$	273
100%	Victor Valley, Mall of Victorville, California	1986/2004	2001	543,295	269,446	94.7%	Gottschalks, J.C. Penney, Mervyn's, Sears		480
100%	Vintage Faire Mall Modesto, California	1977/1996	2001	1,084,422	384,503	97.2%	Gottschalks, J.C. Penney, Macy's (two), Sears		562
100%	Westside Pavilion Los Angeles, California	1985/1998	2007	739,746	381,618	95.8%	Nordstrom, Macy's		481
100%	Wilton Mall at Saratoga(6)(24) Saratoga Springs, New York	1990/2005	1998	745,267	457,201	96.0%	The Bon-Ton, J.C. Penney, Sears		325
	Total/Average Wholly Owned			30,326,004	13,051,381	92.7%		$	453
JOINT VENTURES (VARIOUS PARTNERS):									
33.3%	Arrowhead Towne Center Glendale, Arizona	1993/2002	2004	1,204,862	396,448	98.5%	Dick's Sporting Goods(10), Dillard's, Macy's, J.C. Penney, Sears, Mervyn's	$	611
50%	Biltmore Fashion Park Phoenix, Arizona	1963/2003	2006	608,934	303,934	78.4%	Macy's, Saks Fifth Avenue		821
50%	Broadway Plaza(5) Walnut Creek, California	1951/1985	1994	697,981	252,484	97.8%	Macy's (two), Nordstrom		768
50.1%	Corte Madera, Village at Corte Madera, California	1985/1998	2005	439,573	221,573	90.4%	Macy's, Nordstrom		875
50%	Desert Sky Mall Phoenix, Arizona	1981/2002	2007	893,457	282,962	93.6%	Sears, Dillard's, Burlington Coat Factory, Mervyn's, La Curacao		323
50%	Inland Center(5) San Bernardino, California	1966/2004	2004	987,872	204,198	95.0%	Macy's, Sears, Gottschalks, Mervyn's(11)		463
15%	Metrocenter Mall(5) Phoenix, Arizona	1973/2005	2006	1,122,959	595,710	90.2%	Dillard's, Macy's, Sears		345
50%	NorthPark Center(5) Dallas, Texas	1965/2004	2005	1,963,326	911,006	96.8%	Dillard's, Macy's, Neiman Marcus, Nordstrom, Barneys New York		694
50%	Ridgmar Fort Worth, Texas	1976/2005	2000	1,277,280	403,307	82.0%	Dillard's, Macy's, J.C. Penney, Neiman Marcus, Sears		323
50%	Scottsdale Fashion Square(12) Scottsdale, Arizona	1961/2002	2007	1,840,182	857,902	94.1%	Barneys New York(13) Dillard's, Macy's Nordstrom, Neiman Marcus		736
33.3%	Superstition Springs Center(5) Mesa, Arizona	1990/2002	2002	1,285,839	439,300	98.7%	Burlington Coat Factory, Dillard's, Macy's, J.C. Penney, Sears, Mervyn's, Best Buy		425
50%	Tysons Corner Center(5)(24) McLean, Virginia	1990/2005	2005	2,198,039	1,309,797	98.8%	Bloomingdale's, Macy's, L.L. Bean, Lord & Taylor, Nordstrom		721
19%	West Acres Fargo, North Dakota	1972/1986	2001	970,707	418,152	99.2%	Macy's, Herberger's, J.C. Penney, Sears		475
	Total/Average Joint Ventures (Various Partners)			15,491,011	6,596,773	94.5%			596
PACIFIC PREMIER RETAIL TRUST PROPERTIES:									
51%	Cascade Mall Burlington, Washington	1989/1999	1998	587,174	262,938	90.7%	Macy's (two), J.C. Penney, Sears, Target		355
51%	Kitsap Mall(5) Silverdale, Washington	1985/1999	1997	846,940	386,957	95.0%	Macy's, J.C. Penney, Kohl's, Sears		407

51%	Lakewood Mall(5)(6) Lakewood, California	1953/1975	2001	2,088,228	980,244	96.0%	Home Depot, Target, J.C. Penney, Macy's, Mervyn's	441
51%	Los Cerritos Center(6) Cerritos, California	1971/1999	1998	1,290,420	489,139	95.0%	Macy's, Mervyn's, Nordstrom, Sears	553
51%	Redmond Town Center(5)(12) Redmond, Washington	1997/1999	2000	1,283,683	1,173,683	97.6%	Macy's	382
51%	Stonewood Mall(5) Downey, California	1953/1997	1991	930,655	359,908	97.8%	J.C. Penney, Mervyn's, Macy's, Sears	449

51%	Washington Square Portland, Oregon	1974/1999	2005	1,455,317	520,290	88.1%	J.C. Penney, Macy's, Dick's Sporting Goods(10), Nordstrom, Sears	$	709
	Total/Average Pacific Premier Retail Trust Properties			8,482,417	4,173,159	95.1%		$	485
SDG MACERICH PROPERTIES, L.P. PROPERTIES:									
50%	Eastland Mall(5) Evansville, Indiana	1978/1998	1996	1,040,025	550,881	94.9%	Dillard's, J.C. Penney, Macy's	$	371
50%	Empire Mall(5) Sioux Falls, South Dakota	1975/1998	2000	1,363,110	617,588	96.1%	Macy's, J.C. Penney, Richman-Gordmans 1/2 Price, Kohl's, Sears, Target, Younkers		390
50%	Granite Run Mall Media, Pennsylvania	1974/1998	1993	1,036,166	535,357	90.1%	Boscov's, J.C. Penney, Sears		287
50%	Lake Square Mall Leesburg, Florida	1980/1998	1995	553,019	256,982	79.1%	Belk, J.C. Penney, Sears, Target		276
50%	Lindale Mall Cedar Rapids, Iowa	1963/1998	1997	688,394	382,831	90.3%	Sears, Von Maur, Younkers		318
50%	Mesa Mall Grand Junction, Colorado	1980/1998	2003	836,721	395,513	94.0%	Herberger's, J.C. Penney, Mervyn's, Sears, Target		433
50%	NorthPark Mall Davenport, Iowa	1973/1998	2001	1,073,035	422,579	86.7%	J.C. Penney, Dillard's, Sears, Von Maur, Younkers		271
50%	Rushmore Mall Rapid City, South Dakota	1978/1998	1992	832,582	427,922	94.2%	Herberger's, J.C. Penney, Sears, Target		361
50%	Southern Hills Mall Sioux City, Iowa	1980/1998	2003	798,856	485,279	91.0%	Sears, Younkers, J.C. Penney		309
50%	SouthPark Mall Moline, Illinois	1974/1998	1990	1,024,004	445,948	83.8%	J.C. Penney, Sears, Younkers, Von Maur, Dillard's		222
50%	SouthRidge Mall Des Moines, Iowa	1975/1998	1998	869,390	480,638	83.1%	Sears, Younkers, J.C. Penney, Target		182
50%	Valley Mall(6) Harrisonburg, Virginia	1978/1998	1992	505,792	190,714	87.2%	Belk, J.C. Penney, Target		270
	Total/Average SDG Macerich Properties, L.P. Properties			10,621,094	5,192,232	89.9%		$	317
	Total/Average Joint Ventures			34,594,522	15,962,164	93.2%		$	483
	Total/Average before Community Centers			64,920,526	29,013,545	93.0%		$	469
COMMUNITY / SPECIALTY CENTERS:									
100%	Borgata, The Scottsdale, Arizona	1981/2002	2006	93,628	93,628	83.2%	--	$	501
50%	Boulevard Shops Chandler, Arizona	2001/2002	2004	180,823	180,823	100.0%	--		421
75%	Camelback Colonnade Phoenix, Arizona	1961/2002	1994	624,101	544,101	99.7%	Mervyn's		330
100%	Carmel Plaza Carmel, California	1974/1998	2006	111,150	111,150	81.5%	--		551
50%	Chandler Festival Chandler, Arizona	2001/2002	--	503,735	368,538	98.6%	Lowe's		287
50%	Chandler Gateway Chandler, Arizona	2001/2002	--	255,289	124,238	100.0%	The Great Indoors		396
50%	Chandler Village Center Chandler, Arizona	2004/2002	2006	273,418	130,285	100.0%	Target		212

100%	Flagstaff Mall, The Marketplace at Flagstaff, Arizona	2007/--	2007	267,538	147,008	100.0%	Home Depot	N/A
100%	Hilton Village(5)(12)(23) Scottsdale, Arizona	1982/2002	--	96,546	96,546	97.1%	--	500
24.5%	Kierland Commons Scottsdale, Arizona	1999/2005	2003	435,022	435,022	100.0%	--	755
100%	Paradise Village Office Park II Phoenix, Arizona	1982/2002	--	46,834	46,834	97.2%	--	N/A
34.9%	SanTan Village Power Center Gilbert, Arizona	2004/2004	2007	491,037	284,510	100.0%	Wal-Mart	268

100%	Tucson La Encantada Tucson, Arizona	2002/2002	2005	250,624	250,624	89.5%	--	$	672
100%	Village Center Phoenix, Arizona	1985/2002	--	170,801	59,055	100.0%	Target		325
100%	Village Crossroads Phoenix, Arizona	1993/2002	--	185,186	84,477	91.6%	Wal-Mart		286
100%	Village Fair Phoenix, Arizona	1989/2002	--	271,417	207,817	97.1%	Best Buy		235
100%	Village Plaza Phoenix, Arizona	1978/2002	--	79,754	79,754	96.8%	--		314
100%	Village Square I Phoenix, Arizona	1978/2002	--	21,606	21,606	100.0%	--		185
100%	Village Square II(5) Phoenix, Arizona	1978/2002	--	146,193	70,393	96.4%	Mervyn's		210
	Total/Average Community / Specialty Centers			4,504,702	3,336,409	97.2%			464
	Total before major development and redevelopment properties and other assets			69,425,228	32,349,954	93.4%			468
MAJOR DEVELOPMENT AND REDEVELOPMENT PROPERTIES:									
51.3%	Promenade at Casa Grande(14) Casa Grande, Arizona	2007/--	2007 ongoing	827,726	389,976	(15)	Dillard's, J.C. Penney, Kohl's, Target		N/A
84.7%	SanTan Village Regional Center(16) Gilbert, Arizona	2007/--	2007 ongoing	788,510	588,510	(15)	Dillard's		N/A
100%	Santa Monica Place(6)(17) Santa Monica, California	1980/1999	1990	556,933	273,683	(15)	Macy's,		N/A
100%	Shoppingtown Mall(6)(24) Dewitt, New York	1954/2005	2000	1,002,084	519,384	(15)	J.C. Penney, Macy's, Sears		N/A
100%	The Oaks(6) Thousand Oaks, California	1978/2002	1993	1,047,095	344,020	(15)	J.C. Penney, Macy's (two), Nordstrom(18)		N/A
	Total Major Development and Redevelopment Properties			4,222,348	2,115,573				
OTHER ASSETS:									
100%	Mervyn's(19)	Various/2007		2,198,221	--	--	--		N/A
100%	Paradise Village Investment Co. ground leases	Various/2002		165,968	165,968	80.9%	--		N/A
30%	Wilshire Building	1978/2007		40,000	40,000	100.0%	--		N/A
	Total Other Assets			2,404,189	205,968				N/A
	Total before Rochester Properties			76,051,765	34,671,495				
ROCHESTER PROPERTIES(20)(24):									
100%	Eastview Mall(25) Victor, New York	1971/2005	2003	1,686,690	789,608	N/A	The Bon-Ton, Home Depot, J.C. Penney, Macy's, Lord & Taylor, Sears, Target		N/A
100%	Greece Ridge Center Greece, New York	1967/2005	1993	1,474,093	847,009	N/A	Burlington Coat Factory, The Bon-Ton, J.C. Penney, Macy's, Sears		N/A
37.5%		1982/2005	1993	1,019,092	504,500	N/A			N/A

	Marketplace Mall, The(5) Henrietta, New York						The Bon-Ton, J.C. Penney, Macy's, Sears	
63.6%	Pittsford Plaza Pittsford, New York	1965/2005	1982	476,167	389,717	N/A		N/A
	Total Rochester Properties			4,656,042	2,530,834			
	Grand Total at December 31, 2007			**80,707,807**	**37,202,329**			

	January 2008 Acquisition								
50%	North Bridge, The Shops at(5)(12)(21) Chicago, Illinois	1998/2008	--	680,933	420,933	98.5%	Nordstrom	$	843
	Post Rochester Redemption and Acquisition of The Shops at North Bridge			**76,732,698**	**35,092,428**	**93.5%**		**$**	**471**(22)

(1) The Company's ownership interest in this table reflects its legal ownership interest but may not reflect its economic interest since each joint venture has various agreements regarding cash flow, profits and losses, allocations, capital requirements and other matters.

(2) With respect to 73 Centers, the underlying land controlled by the Company is owned in fee entirely by the Company, or, in the case of jointly-owned Centers, by the joint venture property partnership or limited liability company. With respect to the remaining Centers, the underlying land controlled by the Company is owned by third parties and leased to the Company, the property partnership or the limited liability company pursuant to long-term ground leases. Under the terms of a typical ground lease, the Company, the property partnership or the limited liability company pays rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. In some cases, the Company, the property partnership or the limited liability company has an option or right of first refusal to purchase the land. The termination dates of the ground leases range from 2013 to 2132.

(3) Includes GLA attributable to Anchors (whether owned or non-owned) and Mall and Freestanding Stores as of December 31, 2007.

(4) Sales are based on reports by retailers leasing Mall and Freestanding Stores for the twelve months ended November 30, 2007 for tenants which have occupied such stores for a minimum of 12 months. Sales per square foot are based on tenants 10,000 square feet and under, excluding theaters.

(5) Portions of the land on which the Center is situated are subject to one or more ground leases.

(6) These properties have a vacant Anchor location. The Company is contemplating various replacement tenant and/or redevelopment opportunities for these vacant sites.

(7) The former Macy's at Fiesta Mall was demolished in November 2007. The mall will begin construction on a new Dick's Sporting Goods and a new Best Buy both to open in Spring 2009.

(8) Target is scheduled to open a 180,000 square foot store at Pacific View in Spring 2008.

(9) Macy's is scheduled to close their 300,196 square foot store at Valley View Center in March 2008.

(10) Dick's Sporting Goods is scheduled to open a 70,000 square foot store at Arrowhead Towne Center in Fall 2008 and a 90,000 square foot store at Washington Square in Spring 2008.

(11) Mervyn's is scheduled to open a 150,000 square foot store at Inland Center in Fall 2008.

(12) The office portion of this mixed-use development does not have retail sales.

(13) Barneys New York is scheduled to open a 60,000 square foot store at Scottsdale Fashion Square in 2009.

(14) The Promenade at Casa Grande opened in November 2007. The Center will continue to go through further development throughout 2008.

(15) Tenant spaces have been intentionally held off the market and remain vacant because of major development or redevelopment plans. As a result, the Company believes the percentage of mall and freestanding GLA leased and the sales per square foot at these major redevelopment properties is not meaningful data.

(16) SanTan Village Regional Center opened in October 2007. The Center will continue to go through further development throughout 2008.

(17) Santa Monica Place closed for redevelopment in January 2008. The Macy's will remain open during the redevelopment.

(18) Nordstrom is scheduled to open a 138,000 square foot store at The Oaks in 2009.

(19) The Company acquired 39 Mervyn's stores on December 17, 2007. 27 of these Mervyn's stores are located at Centers not owned or managed by the Company. With respect to 20 of these 27 stores, the underlying land controlled by the Company is owned in fee entirely by the Company. With respect to the remaining seven stores, the underlying land controlled by the Company is owned by third parties and leased to the Company pursuant to long-term ground leases. Under the terms of a typical ground lease, the Company pays rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. In some cases, the Company has an option or right to first refusal to purchase the land. The termination dates of the ground leases range from 2036 to 2057.

(20) On January 1, 2008, these properties were exchanged as part of the Rochester Redemption.

(21) The Shops at North Bridge was acquired on January 10, 2008.

(22) Sales per square foot was $472 after giving effect to the Rochester Redemption, but including The Shops at North Bridge and excluding the Community/Specialty Centers.

(23) On September 3, 2007, the Company purchased the remaining 50% interest in the property.

(24) The Company's ownership interest reflects its legal ownership interest before minority interest in MACWH, LP, a subsidiary of the Operating Partnership, that owns these properties.

(25) Eastview Mall includes the adjacent Eastview Commons.

Mortgage Debt

The following table sets forth certain information regarding the mortgages encumbering the Centers, including those Centers in which the Company has less than a 100% interest. The information set forth below is as of December 31, 2007 (dollars in thousands):

Property Pledged as Collateral	Fixed or Floating	Annual Interest Rate	Carrying Amount(1)	Annual Debt Service	Maturity Date	Balance Due on Maturity	Earliest Date Notes Can Be Defeased or Be Prepaid
Consolidated Centers:							
Capitola Mall(2)	Fixed	7.13%	$ 39,310	$ 4,558	5/15/11	$ 32,724	Any Time
Carmel Plaza	Fixed	8.18%	26,253	2,421	5/1/09	25,642	Any Time
Chandler Fashion Center	Fixed	5.52%	169,789	12,514	11/1/12	152,097	Any Time
Chesterfield Towne Center(3)	Fixed	9.07%	55,702	6,580	1/1/24	1,087	Any Time
Danbury Fair Mall	Fixed	4.64%	176,457	14,698	2/1/11	155,173	Any Time
Deptford Mall(4)	Fixed	5.41%	172,500	9,382	1/15/13	172,500	8/1/09
Eastview Commons(5)	Fixed	5.46%	8,814	792	9/30/10	7,942	Any Time
Eastview Mall(5)	Fixed	5.10%	101,007	7,107	1/18/14	87,927	Any Time
Fiesta Mall	Fixed	4.98%	84,000	4,152	1/1/15	84,000	Any Time
Flagstaff Mall	Fixed	5.03%	37,000	1,863	11/1/15	37,000	Any Time
FlatIron Crossing	Fixed	5.26%	187,736	13,223	12/1/13	164,187	Any Time
Freehold Raceway Mall	Fixed	4.68%	177,686	14,208	7/7/11	155,678	Any Time
Fresno Fashion Fair	Fixed	6.52%	63,590	5,244	8/10/08	62,974	Any Time
Great Northern Mall	Fixed	5.19%	40,285	2,685	12/1/13	35,566	Any Time
Greece Ridge Center(5)(6)	Floating	5.97%	72,000	4,298	11/6/08	72,000	Any Time
Hilton Village(7)	Fixed	5.27%	8,530	448	2/1/12	8,600	5/8/09
La Cumbre Plaza(8)	Floating	6.48%	30,000	1,944	8/9/08	30,000	Any Time
Marketplace Mall(5)	Fixed	5.30%	39,345	3,204	12/10/17	24,353	Any Time
Northridge Mall	Fixed	4.94%	81,121	5,438	7/1/09	70,991	Any Time
Pacific View	Fixed	7.23%	88,857	7,780	8/31/11	83,045	Any Time
Panorama Mall(9)	Floating	6.00%	50,000	2,999	2/28/10	50,000	Any Time
Paradise Valley Mall	Fixed	5.89%	21,231	2,193	5/1/09	19,863	Any Time
Pittsford Plaza(5)	Fixed	5.02%	24,596	1,914	1/1/13	20,673	Any Time
Pittsford Plaza(5)(10)	Fixed	6.52%	9,148	596	1/1/13	9,148	Any Time
Prescott Gateway	Fixed	5.86%	60,000	3,468	12/1/11	60,000	12/21/08
Promenade at Casa Grande(11)	Floating	6.35%	79,964	5,078	8/16/09	79,964	Any Time
Queens Center	Fixed	7.10%	90,519	7,595	3/1/09	88,651	Any Time
Queens Center(12)	Fixed	7.00%	217,077	18,013	3/31/13	204,203	2/19/08
Rimrock Mall	Fixed	7.56%	42,828	3,841	10/1/11	40,025	Any Time
Salisbury, Center at	Fixed	5.83%	115,000	6,659	5/1/16	115,000	6/29/08
Santa Monica Place	Fixed	7.79%	79,014	7,272	11/1/10	75,544	Any Time
Shoppingtown Mall	Fixed	5.01%	44,645	3,828	5/11/11	38,968	Any Time
South Plains Mall	Fixed	8.29%	58,732	5,448	3/1/09	57,557	Any Time
South Towne Center	Fixed	6.66%	64,000	4,289	10/10/08	64,000	Any Time
Towne Mall	Fixed	4.99%	14,838	1,206	11/1/12	12,316	Any Time
Tucson La Encantada(2)(13)	Fixed	5.84%	78,000	4,555	6/1/12	78,000	Any Time
Twenty Ninth Street(14)	Floating	5.93%	110,558	6,556	6/5/09	110,558	Any Time
Valley River Center(15)	Fixed	5.60%	120,000	6,720	2/1/16	120,000	2/1/09
Valley View Center	Fixed	5.81%	125,000	7,247	1/1/11	125,000	3/14/08
Victor Valley, Mall of	Fixed	4.60%	51,211	3,645	3/1/08	50,850	Any Time
Village Fair North	Fixed	5.89%	10,880	983	7/15/08	10,710	Any Time
Vintage Faire Mall	Fixed	7.91%	64,386	6,099	9/1/10	61,372	Any Time
Westside Pavilion	Fixed	6.74%	92,037	7,538	7/1/08	91,133	Any Time
Wilton Mall	Fixed	4.79%	44,624	4,183	11/1/09	40,838	Any Time
			$ 3,328,270				

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Joint Venture Centers (at Company's Pro Rata Share):							
Arrowhead Towne Center (33.3%)	Fixed	6.38%	$ 26,567	$ 2,240	10/1/11	$ 24,256	Any Time
Biltmore Fashion Park (50%)	Fixed	4.70%	38,201	2,433	7/10/09	34,972	Any Time
Boulevard Shops (50%)(16)	Floating	5.93%	10,700	635	12/17/10	10,700	Any Time
Broadway Plaza (50%)(2)	Fixed	6.68%	29,963	3,089	8/1/08	29,315	Any Time
Camelback Colonnade (75%)(17)	Floating	5.79%	31,125	1,802	10/9/08	31,125	Any Time
Cascade (51%)	Fixed	5.27%	20,110	1,362	7/1/10	19,221	Any Time
Chandler Festival (50%)	Fixed	4.37%	14,865	958	10/1/08	14,583	Any Time
Chandler Gateway (50%)	Fixed	5.19%	9,389	658	10/1/08	9,223	Any Time
Chandler Village Center (50%)(18)	Floating	6.14%	8,643	531	1/15/11	8,643	Any Time
Corte Madera, The Village at (50.1%)	Fixed	7.75%	32,653	3,095	11/1/09	31,534	Any Time
Desert Sky Mall (50%)(19)	Floating	6.13%	25,750	1,578	3/6/08	25,750	10/26/08
Eastland Mall (50%)	Fixed	5.80%	84,000	4,836	6/1/16	84,000	6/22/08
Empire Mall (50%)	Fixed	5.81%	88,150	5,104	6/1/16	88,150	11/29/08
Granite Run (50%)	Fixed	5.84%	59,906	4,311	6/1/16	51,504	6/7/08
Inland Center (50%)	Fixed	4.69%	27,000	1,270	2/11/09	27,000	Any Time
Kierland Greenway (24.5%)	Fixed	6.01%	15,846	1,144	1/1/13	13,679	Any Time
Kierland Main Street (24.5%)	Fixed	4.99%	3,808	251	1/2/13	3,502	Any Time
Kierland Tower Lofts (15%)(20)	Floating	6.63%	6,659	441	12/14/08	6,659	Any Time
Kitsap Mall/Place (51%)	Fixed	8.14%	29,209	2,755	6/1/10	28,143	Any Time
Lakewood Mall (51%)	Fixed	5.43%	127,500	6,995	6/1/15	127,500	Any Time
Los Cerritos Center (51%)(21)	Floating	5.92%	66,300	3,926	7/1/11	66,300	Any Time
Mesa Mall (50%)	Fixed	5.82%	43,625	2,526	6/1/16	43,625	8/29/08
Metrocenter Mall (15%)(22)	Fixed	5.34%	16,800	806	2/9/09	16,800	Any Time
Metrocenter Mall (15%)(23)	Floating	8.54%	3,240	277	2/9/09	3,240	Any Time
NorthPark Center (50%)(24)	Fixed	5.95%	93,504	7,133	5/10/12	82,181	Any Time
NorthPark Center (50%)(24)	Fixed	8.33%	41,656	3,996	5/10/12	38,919	Any Time
NorthPark Land (50%)	Fixed	8.33%	40,236	3,858	5/10/12	33,633	Any Time
NorthPark Land (50%)(25)	Floating	8.25%	3,500	289	8/30/08	3,500	Any Time
Redmond Office (51%)(2)	Fixed	6.77%	33,690	4,443	7/10/09	30,285	Any Time
Redmond Retail (51%)	Fixed	4.81%	36,789	2,025	8/1/09	27,164	Any Time
Ridgmar (50%)	Fixed	6.11%	28,700	1,800	4/11/10	28,700	Any Time
Rushmore (50%)	Fixed	5.82%	47,000	2,721	6/1/16	47,000	8/2/08
SanTan Village Power Center (34.9%)	Fixed	5.33%	15,705	837	2/1/12	15,705	Any Time
Scottsdale Fashion Square (50%)(26)	Fixed	5.66%	275,000	15,563	7/8/13	275,000	10/30/09
Southern Hills (50%)	Fixed	5.82%	50,750	2,938	6/1/16	50,750	8/2/08
Stonewood Mall (51%)	Fixed	7.44%	37,735	3,298	12/11/10	36,244	Any Time
Superstition Springs Center (33.3%)(27)	Floating	5.37%	22,498	1,208	9/9/08	22,498	3/9/08
Tysons Corner Center (50%)	Fixed	4.78%	168,955	11,232	2/17/14	147,595	Any Time
Valley Mall (50%)	Fixed	5.85%	23,302	1,678	6/1/16	20,046	6/22/08
Washington Square (51%)	Fixed	6.72%	49,932	5,051	2/1/09	48,021	Any Time
Washington Square (51%)(28)	Floating	7.23%	16,547	1,196	2/1/09	16,547	Any Time
West Acres (19%)	Fixed	6.41%	13,039	850	10/1/16	5,684	Any Time
Wilshire Blvd. (30%)(29)	Fixed	6.35%	1,864	118	1/1/33	42	1/1/08
			$ 1,820,411				

(1) The mortgage notes payable balances include the unamortized debt premiums (discounts). Debt premiums (discounts) represent the excess (deficiency) of the fair value of debt over the principal value of debt assumed in various acquisitions. The debt premiums (discounts) are being amortized into interest expense over the term of the related debt, in a manner which approximates the effective interest method. The annual interest

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rate in the above tables represents the effective interest rate, including the debt premiums (discounts) and loan finance costs.

The debt premiums (discounts) as of December 31, 2007 consisted of the following (dollars in thousands):

Consolidated Centers

Property Pledged as Collateral	
Danbury Fair Mall	$ 13,405
Eastview Commons	573
Eastview Mall	1,736
Freehold Raceway Mall	12,373
Great Northern Mall	(164)
Hilton Village	(70)
Marketplace Mall	1,650
Paradise Valley Mall	392
Pittsford Plaza	857
Shoppingtown Mall	3,731
Towne Mall	464
Victor Valley, Mall of	54
Village Fair North	49
Wilton Mall	2,729
	$ 37,779

Joint Venture Centers (at Company's Pro Rata Share)

Property Pledged as Collateral	
Arrowhead Towne Center	$ 413
Biltmore Fashion Park	1,559
Kierland Greenway	732
Tysons Corner Center	3,468
Wilshire Blvd.	(131)
	$ 6,041

(2) Northwestern Mutual Life ("NML") is the lender of this loan. The funds advanced by NML are considered a related party as they are a joint venture partner with the Company in Broadway Plaza.

(3) In addition to monthly principal and interest payments, 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 exceeds a base amount. Contingent interest expense recognized by the Company was $571 for the year ended December 31, 2007.

(4) On May 23, 2007, the Company borrowed an additional $72,500 under the loan agreement at a fixed rate of 5.38%. The total interest rate at December 31, 2007 was 5.41%.

(5) On January 1, 2008, these loans were transferred in connection with the Rochester Redemption. (See Note 26--Subsequent Events in the Company's Consolidated Financial Statements included herein).

(6)

The floating rate loan bears interest at LIBOR plus 0.65%. The Company has stepped interest rate cap agreements over the term of the loan that effectively prevent LIBOR from exceeding 7.95%. In November 2007, the loan was extended until November 6, 2008. At December 31, 2007, the total interest rate was 5.97%.

(7)

On September 5, 2007, the Company purchased the remaining 50% outside ownership interests in the property. The property has a loan that bears interest at a fixed rate of 5.27% and matures on February 1, 2012.

(8)

The floating rate loan bears interest at LIBOR plus 0.88%. In July 2007, the Company extended the maturity to August 9, 2008, and has an option to extend the maturity for an additional year. The Company has an

interest rate cap agreement over the loan term which effectively prevents LIBOR from exceeding 7.12%. At December 31, 2007, the total interest rate was 6.48%.

(9)

The floating rate loan bears interest at LIBOR plus 0.85% and matures in February 2010. There is an interest rate cap agreement on this loan which effectively prevents LIBOR from exceeding 6.65%. At December 31, 2007, the total interest rate was 6.00%.

(10)

On July 3, 2007, the Company placed a construction loan on the property that provides for borrowings of up to $15,000, bears interest at a fixed rate of 6.52% and matures on January 1, 2013.

(11)

The construction loan allows for total borrowings of up to $110,000, and bears interest at LIBOR plus a spread of 1.20% to 1.40% depending on certain conditions. The loan matures in August 2009, with two one-year extension options. At December 31, 2007, the total interest rate was 6.35%.

(12)

NML is the lender for 50% of the loan. The funds advanced by NML are considered related party debt as they are a joint venture partner with the Company in Broadway Plaza.

(13)

On March 23, 2007, the Company paid off the $51,000 interest only loan on the property. On May 15, 2007, the Company placed a new $78,000 loan on the property that bears interest at a fixed rate of 5.84% and matures on June 1, 2012.

(14)

The construction loan allows for total borrowings of up to $115,000, and bears interest at LIBOR plus a spread of .80%. The loan matures in June 2009, with a one-year extension option. At December 31, 2007, the total interest rate was 5.93%.

(15)

On January 23, 2007, the Company exercised an earn-out provision under the loan agreement and borrowed an additional $20,000 at a fixed rate of 5.64%. The total interest rate at December 31, 2007 was 5.60%.

(16)

Effective December 17, 2007, the existing loan agreement was amended to reduce the interest rate from LIBOR plus 1.25% to LIBOR plus .90% and to extend the maturity date to December 17, 2010. At December 31, 2007, the total interest rate was 5.93%.

(17)

This loan bears interest at LIBOR plus 0.69%, matures on October 9, 2008, and has two one-year extension options. The loan is covered by an interest rate cap agreement over the term which effectively prevents LIBOR from exceeding 8.54%. At December 31, 2007, the total interest rate was 5.79%.

(18)

Effective December 19, 2007, the existing loan agreement was amended to reduce the interest rate from LIBOR plus 1.65% to LIBOR plus 1.00% and to extend the maturity to January 15, 2011. At December 31, 2007, the total interest rate was 6.14%.

(19)

This loan bears interest at LIBOR plus 1.10%, matures in March 2008, and has three one-year extension options. The loan is covered by an interest rate cap agreement over the term which effectively prevents LIBOR from exceeding 7.65%. At December 31, 2007, the total interest rate was 6.13%.

(20)

This represents a construction loan not to exceed $49,472 and bears interest at LIBOR plus 1.75%. At December 31, 2007, the total interest rate was 6.63%.

(21)

This loan bears interest at LIBOR plus 0.55% and matures on July 1, 2011. The loan provides for additional borrowings of up to $70,000 until May 20, 2010 at a rate of LIBOR plus 0.90%. At December 31, 2007, the total interest rate was 5.92%.

(22)

This loan bears interest at LIBOR plus 0.94% and was set to mature on February 9, 2008 and had two one-year extension options. On February 9, 2008, the joint venture exercised one of the options and extended the loan to February 9, 2009. The joint venture entered into an interest rate swap agreement for $112.0 million to convert this loan from floating rate debt to fixed rate debt of 3.86%, which

effectively limits the interest rate on this loan to 4.80% through February 15, 2008. In connection with the loan extension, the joint venture entered into an interest rate swap agreement for $133.6 million to convert both loans at this property from floating rate debt to fixed rate debt of 4.57%, which effectively limits the weighted average interest rates on these loans to 5.92% from February 15, 2008 through February 15, 2009.

(23)

This loan provides for total funding of up to $37,380, subject to certain conditions, and bears interest at LIBOR plus 3.45% and was set to mature February 9, 2008. On February 9, 2008, the joint venture extended the loan to February 9, 2009. The joint venture has two interest rate cap agreements throughout the term,

which effectively prevent LIBOR from exceeding 5.25% on $11,500 of the loan and 7.25% on the remaining $25,880 of the loan. In connection with the loan extension, the joint venture entered into an interest rate swap agreement for $133.6 million to convert both loans at this property from floating rate debt to fixed rate debt of 4.57%, which effectively limits the weighted average interest rate on these loans to 5.92% from February 15, 2008 through February 15, 2009. At December 31, 2007, the total interest rate was 8.54%.

(24) Contingent interest, as defined in the loan agreement, is due upon the occurrence of certain capital events and is equal to 15% of proceeds less the base amount.

(25) This represents an interest-only line of credit that bears interest at the lender's prime rate and matures August 30, 2008. At December 31, 2007, the total interest rate was 8.25%.

(26) On July 2, 2007, the joint venture replaced two existing loans on the property with a new $550.0 million loan, that bears interest at a fixed rate of 5.66% and matures July 8, 2013, of which the Company's pro rata share is $275.0 million.

(27) This loan bears interest at LIBOR plus 0.37%. In addition, the joint venture has an interest rate cap agreement that effectively prevents LIBOR from exceeding 8.63% throughout the loan term. At December 31, 2007, the total interest rate was 5.37%.

(28) This loan bears interest at LIBOR plus 2.00%. At December 31, 2007, the total interest rate was 7.23%.

(29) On October 25, 2007, the Company acquired a 30% tenants-in-common interest in the Wilshire property. As part of the acquisition, the Company assumed a 30% pro rata interest in the loan on the property, which bears interest at a fixed rate of interest of 6.35% and matures on January 1, 2033.

ITEM 3. LEGAL PROCEEDINGS

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates are currently involved in any material litigation nor, to the Company's knowledge, is any material litigation currently threatened against such entities or the Centers, other than routine litigation arising in the ordinary course of business, most of which is expected to be covered by liability insurance. For information about certain environmental matters, see "Business--Environmental Matters."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of the Company is listed and traded on the New York Stock Exchange under the symbol "MAC". The common stock began trading on March 10, 1994 at a price of $19 per share. In 2007, the Company's shares traded at a high of $103.59 and a low of $69.44.

As of February 8, 2008, there were approximately 961 stockholders of record. The following table shows high and low closing prices per share of common stock during each quarter in 2007 and 2006 and dividends/distributions per share of common stock declared and paid by quarter:

	Market Quotation Per Share		
Quarter Ended	**High**	**Low**	**Dividends/ Distributions Declared/Paid**
March 31, 2007	$ 103.32	$ 85.76	$ 0.71
June 30, 2007	97.69	81.17	0.71
September 30, 2007	87.58	73.14	0.71
December 31, 2007	92.66	70.63	0.80
March 31, 2006	$ 75.13	$ 68.89	$ 0.68
June 30, 2006	74.05	67.90	0.68
September 30, 2006	77.11	70.02	0.68
December 31, 2006	87.00	76.16	0.71

At December 31, 2007, the Company had outstanding 3,067,131 shares of its Series A cumulative convertible redeemable preferred stock ("Series A Preferred Stock"). There is no established public trading market for the Series A Preferred Stock. The Series A Preferred Stock was issued on February 25, 1998. Preferred stock dividends are accrued quarterly and paid in arrears. The Series A Preferred Stock can be converted on a one for one basis into common stock and pays 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 have not been declared and/or paid. The following table shows the dividends per share of Series A Preferred Stock declared and paid by quarter in 2007 and 2006:

	Series A Preferred Stock Dividend	
Quarter Ended	**Declared**	**Paid**
March 31, 2007	$ 0.71	$ 0.71
June 30, 2007	0.71	0.71
September 30, 2007	0.80	0.71
December 31, 2007	0.80	0.80
March 31, 2006	$ 0.68	$ 0.68
June 30, 2006	0.68	0.68
September 30, 2006	0.71	0.68
December 31, 2006	0.71	0.71

The Company's existing financing agreements limit, and any other financing agreements that the Company enters into in the future will likely limit, the Company's ability to pay cash dividends. Specifically, the Company may pay cash dividends and make other distributions based on a formula derived from Funds from Operations (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Funds From Operations") and only if no event of default under the financing agreements has occurred, unless, under certain circumstances, payment of the distribution is necessary to enable the Company to qualify as a REIT under the Code.

Stock Performance Graph

The following graph provides a comparison, from December 31, 2002 through December 31, 2007, of the yearly percentage change in the cumulative total stockholder return (assuming reinvestment of dividends) of the Company, the Standard & Poor's ("S&P") 500 Index, the S&P Midcap 400 Index and the NAREIT All Equity REIT Index (the "NAREIT Index"), an industry index of publicly-traded REITs (including the Company). The Company is providing the S&P Midcap 400 Index since it is a company within such index.

The graph assumes that the value of the investment in each of the Company's common stock and the indices was $100 at the beginning of the period. The graph further assumes the reinvestment of dividends.

Upon written request directed to the Secretary of the Company, the Company will provide any stockholder with a list of the REITs included in the NAREIT Index. The historical information set forth below is not necessarily indicative of future performance. Data for the NAREIT Index, the S&P 500 Index and the S&P Midcap 400 Index were provided to the Company by Research Data Group, Inc.

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	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
The Macerich Company	$ 100.00	$ 154.38	$ 229.09	$ 255.36	$ 341.95	$ 290.34
S&P 500 Index	100.00	128.68	142.69	149.70	173.34	182.87
S&P Midcap 400 Index	100.00	135.62	157.97	177.81	196.16	211.81
NAREIT Equity Index	100.00	137.13	180.44	202.38	273.34	230.45

ITEM 6. SELECTED FINANCIAL DATA

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

	Years Ended December 31,				
	2007(1)	2006(1)	2005(1)	2004	2003
	(Restated)	(Restated)	(Restated)		
OPERATING DATA:					
Revenues:					
Minimum rents(2)	$ 474,885	$ 438,261	$ 392,046	$ 294,846	$ 256,974
Percentage rents	26,104	23,876	23,744	15,655	10,646
Tenant recoveries	245,332	227,575	195,896	145,055	139,380
Management Companies(3)	39,752	31,456	26,128	21,549	14,630
Other	27,199	28,451	22,333	18,070	16,487
Total revenues	813,272	749,619	660,147	495,175	438,117
Shopping center and operating expenses	256,426	233,669	203,829	146,465	136,881
Management Companies' operating expenses(3)	73,761	56,673	52,840	44,080	32,031
REIT general and administrative expenses	16,600	13,532	12,106	11,077	8,482
Depreciation and amortization	212,518	196,760	171,987	128,413	95,888
Interest expense	250,127	260,705	228,061	134,549	121,105
Loss on early extinguishment of debt	877	1,835	1,666	1,642	44
Total expenses	810,309	763,174	670,489	466,226	394,431
Minority interest in consolidated joint ventures	(2,301)	(1,860)	(1,087)	(184)	(112)
Equity in income of unconsolidated joint ventures and management companies(3)	81,458	86,053	76,303	54,881	59,348
Income tax benefit (provision)(4)	470	(33)	2,031	5,466	444
Gain on sale of assets	12,146	(84)	1,253	473	11,960
Income from continuing operations	94,736	70,521	68,158	89,585	115,326
Discontinued operations:(5)					
(Loss) gain on sale of assets	(2,409)	204,985	277	7,568	22,491
Income from discontinued operations	6,517	9,870	9,219	14,350	19,124
Total income from discontinued operations	4,108	214,855	9,496	21,918	41,615
Income before minority interest and preferred dividends	98,844	285,376	77,654	111,503	156,941
Minority interest in Operating Partnership	(13,036)	(40,827)	22,001	(19,870)	(28,907)
Net income	85,808	244,549	99,655	91,633	128,034
Less preferred dividends	10,058	10,083	9,649	9,140	14,816
Less adjustment of minority interest due to redemption value	2,046	17,062	183,620		
Net income (loss) available to common stockholders	$ 73,704	$ 217,404	$ (93,614)	$ 82,493	$ 113,218
Earnings per share ("EPS") basic:					

	Years Ended December 31,				
Income from continuing operations	$ 1.01	$ 0.72	$ 0.80	$ 1.11	$ 1.49
Discontinued operations	0.02	2.35	(2.38)	0.30	0.62
Net income (loss) available to common stockholders basic	$ 1.03	$ 3.07	$ (1.58)	$ 1.41	$ 2.11
EPS diluted:(6)(7)					
Income from continuing operations	$ 1.00	$ 0.80	$ 0.80	$ 1.10	$ 1.54
Discontinued operations	0.02	2.25	(2.37)	0.30	0.55
Net income (loss) available to common stockholders diluted	$ 1.02	$ 3.05	$ (1.57)	$ 1.40	$ 2.09

	As of December 31,				
	2007(1)	2006(1)	2005(1)	2004	2003
	(Restated)	(Restated)	(Restated)		
BALANCE SHEET DATA					
Investment in real estate (before accumulated depreciation)	$ 7,078,802	$ 6,356,156	$ 6,017,546	$ 4,149,776	$ 3,662,359
Total assets	$ 7,937,097	$ 7,373,676	$ 6,986,005	$ 4,637,096	$ 4,145,593
Total mortgage and notes payable	$ 5,762,958	$ 4,993,879	$ 5,424,730	$ 3,230,120	$ 2,682,598
Minority interest(8)	$ 547,693	$ 597,156	$ 474,590	$ 221,315	$ 237,615
Series A Preferred Stock(9)	$ 83,495	$ 98,934	$ 98,934	$ 98,934	$ 98,934
Common stockholders' equity	$ 1,149,849	$ 1,379,132	$ 679,678	$ 913,533	$ 953,485
OTHER DATA:					
Funds from operations ("FFO") diluted(10)	$ 407,927	$ 383,122	$ 336,831	$ 299,172	$ 269,132
Cash flows provided by (used in):					
Operating activities	$ 326,070	$ 211,850	$ 235,296	$ 213,197	$ 215,752
Investing activities	$ (865,283)	$ (126,736)	$ (131,948)	$ (489,822)	$ (341,341)
Financing activities	$ 355,051	$ 29,208	$ (20,349)	$ 308,383	$ 115,703
Number of centers at year end	94	91	97	84	78
Weighted average number of shares outstanding EPS basic	71,768	70,826	59,279	58,537	53,669
Weighted average number of shares outstanding EPS diluted(6)(7)	84,760	88,058	73,573	73,099	75,198
Cash distribution declared per common share	$ 2.93	$ 2.75	$ 2.63	$ 2.48	$ 2.32

(1) The Selected Financial Data has been updated to reflect the Rochester Properties as discontinued operations and the restatement of the consolidated balance sheets as of December 31, 2007, 2006 and 2005, the consolidated statements of operations, common stockholders' equity and cash flows for the years ended December 31, 2007, 2006 and 2005. For a more detailed description of the restatement and reclassifications, see Note 25 Restatement of the Company's Notes to Consolidated Financial Statements.

(2) Included in minimum rents is amortization of above and below market leases of $10.6 million, $12.2 million, $11.0 million, $9.2 million and $6.1 million for the years ended December 31, 2007, 2006, 2005, 2004, and 2003, respectively.

(3) Unconsolidated joint ventures include all Centers and entities in which the Company does not have a controlling ownership interest and Macerich Management Company through June 30, 2003. The Company accounts for the unconsolidated joint ventures using the equity method of accounting. Effective July 1, 2003, the Company consolidated Macerich Management Company, in accordance with Financial Accounting Standards Board Interpretation No. 46R.

(4) The Company's Taxable REIT Subsidiaries ("TRSs") are subject to corporate level income taxes (See Note 19 of the Company's Consolidated Financial Statements).

(5) Discontinued operations include the following:

The Company sold its 67% interest in Paradise Village Gateway on January 2, 2003, and a loss on sale of $0.2 million has been classified as discontinued operations in 2003.

The Company sold Bristol Center on August 4, 2003, and the results for the period January 1, 2003 to August 4, 2003 have been classified as discontinued operations. The sale of Bristol Center resulted in a gain on sale of asset of $22.2 million in 2003.

The Company sold Westbar on December 16, 2004, and the results for the period January 1, 2004 to December 16, 2004 and for the year ended December 31, 2003 have been classified as discontinued operations. The sale of Westbar resulted in a gain on sale of asset of $6.8 million.

On January 5, 2005, the Company sold Arizona Lifestyle Galleries. The sale of this property resulted in a gain on sale of $0.3 million and the impact on the results of operations for the years ended December 31, 2005 and 2004 have been reclassified to discontinued operations. Prior to 2004, this property was accounted for under the equity method of accounting.

On June 9, 2006, the Company sold Scottsdale/101 and the results for the period January 1, 2006 to June 9, 2006 and for the years ended December 31, 2005 and 2004 have been classified as discontinued operations. Prior to January 1, 2004, this property was accounted for under the equity method of accounting. The sale of Scottsdale/101 resulted in a gain on sale of asset, at the Company's pro rata share, of $25.8 million.

The Company sold Park Lane Mall on July 13, 2006 and the results for the period January 1, 2006 to July 13, 2006 and for the years ended December 31, 2005, 2004 and 2003 have been classified as discontinued operations. The sale of Park Lane Mall resulted in a gain on sale of asset of $5.9 million.

The Company sold Greeley Mall and Holiday Village Mall in a combined sale on July 27, 2006, and the results for the period January 1, 2006 to July 27, 2006 and the years ended December 31, 2005, 2004 and 2003 have been classified as discontinued operations. The sale of these properties resulted in a gain on sale of assets of $28.7 million.

The Company sold Great Falls Marketplace on August 11, 2006, and the results for the period January 1, 2006 to August 11, 2006 and for the years ended December 31, 2005, 2004 and 2003 have been classified as discontinued operations. The sale of Great Falls Marketplace resulted in a gain on sale of $11.8 million.

The Company sold Citadel Mall, Crossroads Mall and Northwest Arkansas Mall in a combined sale on December 29, 2006, and the results for the period January 1, 2006 to December 29, 2006 and the years ended December 31, 2005, 2004 and 2003 have been classified as discontinued operations. The sale of these properties resulted in a gain on sale of assets of $132.7 million.

On December 17, 2007, the Company designated 27 freestanding stores acquired from Mervyn's in 2007 as available for sale. The results from December 17, 2007 to December 31, 2007 have been classified as discontinued operations.

On January 1, 2008, MACWH, LP, a subsidiary of the Operating Partnership, at the election of the holders, redeemed the 3,426,609 PCPUs. In the Rochester Redemption, the Company received the 16.32% minority interest in the Non-Rochester Properties, in exchange for the Company's ownership interest in the Rochester Properties. As a result of the Rochester Redemption, the Company recognized a gain of $99.3 million on the exchange.

In addition, the Company recorded an additional loss of $2.4 million in 2007, related to the sale of properties in 2006.

Total revenues and income from discontinued operations were:

	Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(Dollars in millions)				
Revenues:					
Bristol Center	$ --	$ --	$ --	$ --	$ 2.5
Westbar	--	--	--	4.8	5.7
Arizona LifeStyle Galleries	--	--	--	0.3	--
Scottsdale/101	0.1	4.7	9.8	6.9	--
Park Lane Mall	--	1.5	3.1	3.0	3.1
Holiday Village	0.2	2.9	5.2	4.8	5.3
Greeley Mall	--	4.3	7.0	6.2	5.9
Great Falls Marketplace	--	1.8	2.7	2.6	2.5
Citadel Mall	--	15.7	15.3	15.4	16.1
Northwest Arkansas Mall	--	12.9	12.6	12.7	12.5
Crossroads Mall	--	11.5	10.9	11.2	12.2
Mervyn's Stores	1.2	--	--	--	--
Rochester Properties	83.1	80.0	51.7	--	--
Total	$ 84.6	$ 135.3	$ 118.3	$ 67.9	$ 65.8

Income from operations:					
Bristol Center	$ --	$ --	$ --	$ --	$ 1.4
Westbar	--	--	--	1.8	1.7
Arizona LifeStyle Galleries	--	--	--	(1.0)	--
Scottsdale/101	--	0.3	(0.2)	(0.3)	--
Park Lane Mall	--	--	0.8	0.9	1.0
Holiday Village	0.2	1.2	2.8	1.9	2.4
Greeley Mall	(0.1)	0.6	0.9	0.5	1.2
Great Falls Marketplace	--	1.1	1.7	1.6	1.5
Citadel Mall	(0.1)	2.5	1.8	2.0	3.0
Northwest Arkansas Mall	--	3.4	2.9	3.1	3.2
Crossroads Mall	--	2.3	3.2	3.9	3.7
Mervyn's Stores	0.8	--	--	--	--
Rochester Properties	5.7	(1.5)	(4.7)	--	--
Total	$ 6.5	$ 9.9	$ 9.2	$ 14.4	$ 19.1

(6)

Assumes that all OP Units and Westcor partnership units are converted to common stock on a one-for-one basis. The Westcor partnership units were converted into OP Units on July 27, 2004, which were subsequently redeemed for common stock on October 4, 2005. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the EPS computation (See Note 12 Acquisitions in the Company's Notes to the Consolidated Financial Statements).

(7)

Includes the dilutive effect of share and unit-based compensation plans and convertible senior notes calculated using the treasury stock method and the dilutive effect of all other dilutive securities calculated using the "if converted" method.

(8)

"Minority Interest" reflects the ownership interest in the Operating Partnership and MACWH, LP not owned by the Company.

(9)

On October 18, 2007, the holder of the Series A Preferred Stock converted 560,000 shares to common shares.

(10)

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO--diluted as supplemental measures for the real estate industry and a supplement to Generally Accepted Accounting Principles ("GAAP") measures. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization 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 and FFO on a fully diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. FFO on a fully diluted basis is one of the measures investors find most useful in measuring the dilutive impact of outstanding convertible securities. 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 and FFO diluted to net income, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Funds from Operations."

The computation of FFO-diluted includes the effect of share and unit-based compensation plans and convertible senior notes calculated using the treasury stock method. It also assumes the conversion of MACWH, LP common and preferred units and all other securities to the extent that they are dilutive to the FFO computation (See Note 12--Acquisitions of the Company's Notes to the Consolidated Financial Statements). 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 Series A Preferred Stock then outstanding was dilutive to FFO in 2007, 2006, 2005, 2004 and 2003 and was dilutive to net income in 2006 and 2003. All of the Series B Preferred Stock was converted to common stock on September 9, 2003. The Series B Preferred Stock then outstanding was dilutive to FFO and net income in 2003.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the Rochester Properties as discontinued operations, the restatement of the consolidated balance sheets as of December 31, 2007 and 2006, and the restatement of the consolidated statements of operations, common stockholders' equity and cash flows for each of the three years during the period ended December 31, 2007. For a more detailed description of the restatement and reclassifications, see Note 25 Restatement of the Company's Notes to Consolidated Financial Statements.

Management's Overview and Summary

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, the Operating Partnership. As of December 31, 2007, the Operating Partnership owned or had an ownership interest in 74 regional shopping centers and 20 community shopping centers aggregating approximately 80.7 million square feet of GLA. These 94 regional and community shopping centers are referred to hereinafter as the "Centers", unless the context otherwise requires. The Company is a self-administered and self-managed REIT and conducts all of its operations through the Operating Partnership and the Company's Management Companies.

The following discussion is based primarily on the consolidated financial statements of the Company for the years ended December 31, 2007, 2006 and 2005. It compares the results of operations and cash flows for the year ended December 31, 2007 to the results of operations and cash flows for the year ended December 31, 2006. Also included is a comparison of the results of operations and cash flows for the year ended December 31, 2006 to the results of operations and cash flows for the year ended December 31, 2005. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Acquisitions and Dispositions:

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

On January 5, 2005, the Company sold Arizona Lifestyle Galleries for $4.3 million. The sale resulted in a gain on sale of asset of $0.3 million.

On January 11, 2005, the Company became a 15% owner in a joint venture that acquired Metrocenter Mall, a 1.1 million square foot super-regional mall in Phoenix, Arizona. The total purchase price was $160 million and concurrently with the acquisition, the joint venture placed a $112 million loan on the property. The Company's share of the purchase price, net of the debt, was $7.2 million which was funded by cash and borrowings under the Company's line of credit.

On January 21, 2005, the Company formed a 50/50 joint venture with a private investment company. The joint venture acquired a 49% interest in Kierland Commons, a 435,022 square foot mixed-use center in Phoenix, Arizona. The joint venture's purchase price for the interest in the Center was $49.0 million. The Company assumed its share of the underlying property debt and funded the remainder of its share of the purchase price by cash and borrowings under the Company's line of credit.

On April 8, 2005, the Company acquired Ridgmar Mall, a 1.3 million square foot super-regional mall in Fort Worth, Texas. The acquisition was completed in a 50/50 joint venture with an affiliate of Walton Street Capital, LLC. The purchase price was $71.1 million. Concurrent with the closing, a

$57.4 million loan bearing interest at a fixed rate of 6.0725% was placed on the property. The balance of the purchase price was funded by borrowings under the Company's line of credit.

On April 25, 2005, the Company and the Operating Partnership acquired Wilmorite Properties, Inc., a Delaware corporation ("Wilmorite"), and Wilmorite Holdings, L.P., a Delaware limited partnership ("Wilmorite Holdings"). Wilmorite's portfolio included interests in 11 regional malls and two open-air community shopping centers with 13.4 million square feet of space located in Connecticut, New York, New Jersey, Kentucky and Virginia. The total purchase price was approximately $2.3 billion, plus adjustments for working capital, including the assumption of approximately $877.2 million of existing debt with an average interest rate of 6.43% and the issuance of $212.7 million of PCPUs, $21.5 million of non-participating convertible preferred units and $5.8 million of common units in Wilmorite Holdings. The balance of the consideration to the equity holders of Wilmorite and Wilmorite Holdings was paid in cash, which was provided primarily by a five-year, $450 million term loan bearing interest at LIBOR plus 1.50% and a $650 million acquisition loan with a term of up to two years and bearing interest initially at LIBOR plus 1.60%. An affiliate of the Operating Partnership is the general partner and, together with other affiliates, owned as of December 31, 2007 approximately 84% of Wilmorite Holdings, with the remaining 16% held by those limited partners of Wilmorite Holdings who elected to receive convertible preferred units or common units in Wilmorite Holdings rather than cash.

On January 1, 2008, MACWH, LP, a subsidiary of the Operating Partnership, at the election of the holders, redeemed the 3.4 million PCPUs. As a result of the Rochester Redemption, the Company received the 16.32% minority interest in the Non-Rochester Properties, for a total consideration of $224 million, in exchange for the Company's ownership interest in the Rochester Properties. The Company recognized a gain of $99.3 million on the exchange based on the difference between the fair value of the additional interest acquired in the Non-Rochester Properties and the carrying value of the Rochester Properties, net of minority interest. The Company has classified the results of operations of the Rochester Properties for the years ended December 31, 2007, 2006, and 2005 as discontinued operations.

The Wilmorite portfolio, exclusive of Tysons Corner Center and Tysons Corner Office (collectively referred herein as "Tysons Center") and the Rochester Properties, are referred to herein as the "2005 Acquisition Centers."

On February 1, 2006, the Company acquired Valley River Center, an 910,841 square foot super-regional mall in Eugene, Oregon. The total purchase price was $187.5 million and concurrent with the acquisition, the Company placed a $100.0 million ten-year loan on the property. The balance of the purchase price was funded by cash and borrowings under the Company's line of credit.

On June 9, 2006, the Company sold Scottsdale/101, a 564,000 square foot center in Phoenix, Arizona. The sale price was $117.6 million from which $56.0 million was used to payoff the mortgage on the property. The Company's share of the realized gain was $25.8 million.

On July 13, 2006, the Company sold Park Lane Mall, a 370,000 square foot center in Reno, Nevada, for $20 million resulting in a gain of $5.9 million.

On July 26, 2006, the Company purchased 11 department stores located in 10 of its Centers from Federated Department Stores, Inc. for approximately $100.0 million. The purchase price consisted of a $93.0 million cash payment at closing and a $7.0 million cash payment in 2007, in connection with development work by Federated at the Company's development properties. The Company's share of the purchase price was $81.0 million and was funded in part from the proceeds of sales of Park Lane Mall, Greeley Mall, Holiday Village and Great Falls Marketplace, and from borrowings under the Company's line of credit. The balance of the purchase price was paid by the Company's joint venture partners.

On July 27, 2006, the Company sold Holiday Village, a 498,000 square foot center in Great Falls, Montana, and Greeley Mall, a 564,000 square foot center in Greeley, Colorado, in a combined sale for $86.8 million, resulting in a gain of $28.7 million.

On August 11, 2006, the Company sold Great Falls Marketplace, a 215,000 square foot community center in Great Falls, Montana, for $27.5 million resulting in a gain of $11.8 million.

On December 1, 2006, the Company acquired Deptford Mall, a two-level 1.0 million square foot super-regional mall in Deptford, New Jersey. The total purchase price of $240.1 million was funded by cash and borrowings under the Company's line of credit. On December 7, 2006, the Company placed a $100.0 million six-year loan bearing interest at a fixed rate of 5.44% on the property.

On December 29, 2006, the Company sold Citadel Mall, a 1,095,000 square foot center in Colorado Springs, Colorado, Crossroads Mall, a 1,268,000 square foot center in Oklahoma City, Oklahoma, and Northwest Arkansas Mall, a 820,000 square foot center in Fayetteville, Arkansas, in a combined sale for $373.8 million, resulting in a gain of $132.7 million. The net proceeds were used to pay down the Company's line of credit and pay off the Company's $75.0 million loan on Paradise Valley Mall.

Valley River Center and Deptford Mall are referred to herein as the "2006 Acquisition Centers."

On September 5, 2007, the Company purchased the remaining 50% outside ownership interest in Hilton Village, a 96,546 square foot specialty center in Scottsdale, Arizona. The total purchase price of $13.5 million was funded by cash, borrowings under the Company's line of credit and the assumption of a mortgage note payable. The Center was previously accounted for under the equity method as an investment in unconsolidated joint ventures.

On December 17, 2007, the Company purchased a portfolio of ground leasehold interest and/or fee interests in 39 freestanding Mervyn's stores located in the Southwest United States. The purchase price of $400.2 million was funded by cash and borrowings under the Company's line of credit. At acquisition, management designated the 27 freestanding stores located at shopping centers not owned or managed by the Company as available for sale.

Hilton Village and the 12 Mervyn's freestanding stores that have not been designated as available for sale are referred herein as the "2007 Acquisition Properties."

Redevelopments and Developments:

The first phase of SanTan Village Regional Center, in Gilbert, Arizona, opened on October 26, 2007. The 1.2 million square foot open-air super-regional shopping center opened with over 90% of the retail space committed, with Dillard's and more than 85 specialty retailers joining Harkins Theatres, which opened March 2007. The balance of the project, which includes Dick's Sporting Goods, Best Buy, Barnes & Noble and up to 13 restaurants, is expected to open in phases throughout 2008.

The first phase of The Promenade at Casa Grande, a 1 million square foot, 130 acre department store anchored hybrid center, located in Casa Grande, Arizona, opened on November 16, 2007. With ninety percent committed, the first phase of the project has approximately 550,000 square feet of mini-majors, including Dillard's, Target, J.C.Penney, Kohl's, Petsmart and Staples. The balance of the Center is expected to continue to open in phases throughout 2008.

The first phase of The Marketplace at Flagstaff Mall, a 435,000 square foot lifestyle expansion in Flagstaff, Arizona, began opening in phases on October 19, 2007. Phase I delivered approximately 267,538 square feet of new retail space including Best Buy, Home Depot, Linens n Things, Marshalls, Old Navy, Petco and Shoe Pavilion. Phase II, which will consist of village shops, an entertainment plaza and pad space, is expected to be completed in 2009-2010.

On November 8, 2007, Freehold Raceway Mall opened the first phase of a combined expansion and renovation project that will add 96,000 square feet of new retail and restaurant uses to this regional center in New Jersey. The expansion, which is 85% committed, added nine new-to-market additions including: Borders, The Cheesecake Factory, P.F. Chang's, Jared The Galleria of Jewelry, The Territory Ahead, Ann Taylor, Chico's, Coldwater Creek and White House/Black Market. The balance of the project is expected to open throughout 2008.

Scottsdale Fashion Square, the 2 million square foot luxury flagship, is undergoing a $130 million redevelopment and expansion. Phase I of the redevelopment and expansion began September 2007 with demolition of the vacant anchor space acquired as a result of the Federated-May merger and an adjacent parking structure. A 60,000 square foot Barneys New York, the high-end retailer's first Arizona location, will anchor an additional 100,000 square feet of up to 30 new luxury shops, which is planned to open in Fall 2009 in an urban setting on Scottsdale Road. New first-to-market deals include Salvatore Ferragamo, Grand Luxe Café, CH Carolina Herrera, and Michael Kors. First-to-market retailers opening in the Spring 2008 will include Bottega Veneta, Jimmy Choo and Marciano.

Construction continues on the combined redevelopment, expansion and interior renovation of The Oaks, an upscale 1.0 million square foot super-regional shopping center in California's affluent Thousand Oaks. The market's first Nordstrom department store is under construction. Construction of a first-to-market, 138,000 square foot Nordstrom Department Store, two-level open-air retail, dining and entertainment venue and new multi-level parking structure at The Oaks continues on schedule toward a phased completion beginning Fall 2008.

In December 2007, the Company received full entitlements to proceed with plans for a redevelopment of Santa Monica Place. The regional center will be redeveloped as an open-air shopping and dining environment that will connect with the popular Third Street Promenade. The Santa Monica Place redevelopment has started and is moving forward with a projected Fall 2009 completion.

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 using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, about 6%-13% of the leases expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. Additionally, historically the majority of the leases required the tenants to pay their pro rata share of operating expenses. In January 2005, the Company began entering into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center. This change shifts the burden of cost control to the Company.

Seasonality:

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

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, and estimates for environmental matters. The Company's significant accounting policies are described in more detail in Note 2 to the Consolidated Financial Statements. However, the following policies are deemed to be critical.

Revenue Recognition

Minimum rental revenues are recognized on a straight-line basis over the term of the related lease. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight line rent adjustment." Currently, 53% of the mall and freestanding leases contain provisions for CPI rent increases periodically throughout the term of the lease. The Company believes that using an annual multiple of CPI increases, rather than fixed contractual rent increases, results in revenue recognition that more closely matches the cash revenue from each lease and will provide more consistent rent growth throughout the term of the leases. Percentage rents are recognized when the tenants' specified sales targets have been met. Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred. Other tenants pay a fixed rate and these tenant recoveries' revenues are recognized on a straight-line basis over the term of the related leases.

Property

The Company capitalizes costs incurred in redevelopment and development of properties in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34 "Capitalization of Interest Cost" and SFAS No. 67 "Accounting for Costs and the Initial Rental Operations of Real Estate Properties." The costs of land and buildings under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. Capitalized costs are allocated to the specific components of a project that are benefited. The Company considers a construction project as completed and held available for occupancy and ceases capitalization of costs when the areas under development have been substantially completed.

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. Gains and losses are recognized upon disposal or retirement of the related assets and are reflected in earnings.

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

Buildings and improvements	5-40 years
Tenant improvements	5-7 years
Equipment and furnishings	5-7 years

Accounting for Acquisitions

The Company accounts for all acquisitions in accordance with SFAS No. 141, "Business Combinations." The Company first determines the value of the land and buildings utilizing an "as if

vacant" methodology. The Company then assigns a fair value to any debt assumed at acquisition. The balance of the purchase price is allocated to tenant improvements and identifiable intangible assets or liabilities. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair market value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under real estate investments and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus an estimate of renewal of the acquired leases. Above or below market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below market, and the asset or liability is amortized to minimum rents over the remaining terms of the leases.

When the Company acquires a real estate property, the Company allocates the purchase price to 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 various components 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.

Asset Impairment

The Company assesses whether there has been 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 tenant's ability to perform their duties and pay rent under the terms of the leases. The Company may recognize impairment losses if the cash flows are 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. Costs relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. In-place lease values are amortized over the remaining lease term plus an estimate of renewal. Leasing commissions and legal costs are amortized on a straight-line basis over the individual remaining lease years. The ranges of the terms of the agreements are as follows:

Deferred lease costs	1-15 years
Deferred financing costs	1-15 years
In-place lease values	Remaining lease term plus an estimate for renewal
Leasing commissions and legal costs	5-10 years

Results of Operations

Many of the variations in the results of operations, discussed below, occurred due to the transactions described above including the 2007 Acquisition Properties, the 2006 Acquisition Centers, the 2005 Acquisition Centers and the Redevelopment Centers. For the comparison of the year ended December 31, 2007 to the year ended December 31, 2006, the "Same Centers" include all consolidated Centers, excluding the 2007 Acquisition Properties, the 2006 Acquisition Centers and the Redevelopment Centers. For the comparison of the year ended December 31, 2006 to the year ended December 31, 2005, the Same Centers include all consolidated Centers, excluding the 2006 Acquisition Centers, the 2005 Acquisition Centers and the Redevelopment Centers.

For the comparison of the year ended December 31, 2007 to the year ended December 31, 2006, "Redevelopment Centers" include The Oaks, Twenty Ninth Street, Santa Monica Place, Westside Pavilion, The Marketplace at Flagstaff Mall, SanTan Village Regional Center and Promenade at Casa Grande. For the comparison of the year ended December 31, 2006 to the year ended December 31, 2005, "Redevelopment Centers" include Twenty Ninth Street, Santa Monica Place and Westside Pavilion.

For comparison of the year ended December 31, 2006 to the year ended December 31, 2005, Kierland Commons, Metrocenter Mall, Ridgmar Mall and Tysons Center are referred to herein as the "Joint Venture Acquisition Centers." Unconsolidated joint ventures are reflected using the equity method of accounting. The Company's pro rata share of the results from these Centers is reflected in the Consolidated Statements of Operations as equity in income from unconsolidated joint ventures.

Comparison of Years Ended December 31, 2007 and 2006

Revenues

Minimum and percentage rents (collectively referred to as "rental revenue") increased by $38.9 million, or 8.4%, from 2006 to 2007. The increase in rental revenue is attributed to an increase of $17.9 million from the 2006 Acquisition Centers, $13.8 million from the Redevelopment Centers, $6.7 million from the Same Centers and $0.5 million from the 2007 Acquisition Properties.

The amortization of above and below market leases, which is recorded in rental revenue, decreased to $10.6 million in 2007 from $12.2 million in 2006. The decrease in amortization is primarily due to leases terminated in 2006. The amortization of straight-lined rents, included in rental revenue, was $6.9 million in 2007 compared to $4.7 million in 2006. Lease termination income, which is included in rental revenue, decreased to $9.8 million in 2007 from $13.2 million in 2006.

Tenant recoveries increased $17.8 million, or 7.8%, from 2006 to 2007. The increase in tenant recoveries is attributed to an increase of $11.0 million from the 2006 Acquisition Centers, $4.3 million from the Redevelopment Centers, $2.4 million from the Same Centers and $0.1 million from the 2007 Acquisition Properties.

Management Companies' revenues increased by $8.3 million from 2006 to 2007, primarily due to increased management fees received from the joint venture Centers, additional third party management contracts and increased development fees from joint ventures.

Shopping Center and Operating Expenses

Shopping center and operating expenses increased $22.8 million, or 9.7%, from 2006 to 2007. Approximately $9.6 million of the increase in shopping center and operating expenses is from the 2006 Acquisition Centers, $6.8 million is from the Redevelopment Centers, $6.1 million is from the Same Centers and $0.2 million is from the 2007 Acquisition Properties.

Management Companies' Operating Expenses

Management Companies' operating expenses increased to $73.8 million in 2007 from $56.7 million in 2006, in part as a result of the additional costs of managing the joint venture Centers and third party managed properties, higher compensation expense due to increased staffing and higher professional fees.

REIT General and Administrative Expenses

REIT general and administrative expenses increased by $3.1 million in 2007 from 2006, primarily due to increased share and unit-based compensation expense in 2007.

Depreciation and Amortization

Depreciation and amortization increased $15.8 million in 2007 from 2006. The increase in depreciation and amortization is primarily attributed to an increase of $10.5 million at the Redevelopment Centers, $10.4 million at the 2006 Acquisition Centers and $0.2 million at the 2007 Acquisition Properties. This increase is offset in part by a decrease of $1.8 million at the Same Centers.

Interest Expense

Interest expense decreased $10.6 million in 2007 from 2006. The decrease in interest expense was primarily attributed to a decrease of $17.2 million from term loans, $16.1 million from the line of credit, $8.1 million from the Same Centers and $2.7 million from the Redevelopment Centers. The decrease in interest expense was offset in part by an increase of $27.3 million from the $950.0 million convertible senior notes issued on March 16, 2007 and $6.6 million from the 2006 Acquisition Centers. The decrease in interest on term loans was due to the repayment of the $250 million loan in 2007 and the repayment of the $619 million term loan in 2006. The decrease in interest on the line of credit was due to: (i) a decrease in average outstanding borrowings during 2007, in part, because of the issuance of the senior notes, (ii) a decrease in interest rates because of the $400 million swap and (iii) lower LIBOR rates and spreads. The decrease in interest from the Same Centers is due to: (i) the repayment of the $75.0 million loan on Paradise Valley Mall in January 2007, (ii) an increase in capitalized interest and (iii) a decrease in LIBOR rates on floating rate mortgages payable. The above interest expense items are net of capitalized interest, which increased to $32.0 million in 2007 from $14.9 million in 2006 due to an increase in redevelopment activity in 2007.

Loss on Early Extinguishment of Debt

The Company recorded a $0.9 million loss from the early extinguishment of the $250 million term loan in 2007. In 2006, the Company recorded a loss from the early extinguishment of debt of $1.8 million related to the pay off of the $619 million term loan.

Equity in Income of Unconsolidated Joint Ventures

The equity in income of unconsolidated joint ventures decreased $4.6 million in 2007 from 2006. The decrease in equity in income of unconsolidated joint ventures is due in part to a $2.0 million loss on sale of assets at the SDG Macerich Properties, L.P. joint venture and additional interest expense and depreciation at other joint ventures due to the completion of development projects.

Gain on Sale of Assets

The Company recorded a gain on sale of assets of $12.2 million in 2007 relating to land sales of $8.8 million and $3.4 million relating to sale of equipment and furnishings.

Discontinued Operations

The decrease of $210.7 million in income from discontinued operations is primarily related to the recognition of gain on the sales of Scottsdale/101, Park Lane Mall, Holiday Village, Greeley Mall, Great Falls Marketplace, Citadel Mall, Crossroads Mall and Northwest Arkansas Mall in 2006 (See "Management's Overview and Summary--Acquisitions and Dispositions"). As result of these sales, the Company classified the results of operations for these properties to discontinued operations for all periods presented.

Minority Interest in the Operating Partnership

The minority interest in the Operating Partnership represents the 15.0% weighted average interest of the Operating Partnership not owned by the Company during 2007 compared to the 15.8% not owned by the Company during 2006. The change in ownership interest is primarily due to the common stock offering by the Company in 2006, the conversion of partnership units and preferred shares into common shares in 2007 which is offset in part by the repurchase of 807,000 shares in 2007 (See Note 21--Stock Repurchase Program of the Company's Consolidated Financial Statements).

Funds From Operations

Primarily as a result of the factors mentioned above, funds from operations ("FFO")--diluted increased 6.5% to $407.9 million in 2007 from $383.1 million in 2006. For the reconciliation of FFO and FFO--diluted to net income available to common stockholders, see "Funds from Operations."

Operating Activities

Cash flow from operations increased to $326.1 million in 2007 from $211.9 million in 2006. The increase was primarily due to changes in assets and liabilities in 2007 compared to 2006 and due to the results at the Centers as discussed above.

Investing Activities

Cash used in investing activities increased to $865.3 million in 2007 from $126.7 million in 2006. The increase in cash used in investing activities was primarily due to a $580.3 million decrease in cash proceeds from the sales of assets and a $220.9 million increase in capital expenditures.

Financing Activities

Cash flow provided by financing activities increased to $355.1 million in 2007 from $29.2 million in 2006. The increase in cash provided by financing activities was primarily attributed to the issuance of $950 million convertible senior notes issuance in 2007, offset in part by a decrease of $746.8 million in proceeds from the common stock offering in 2006 (See "Liquidity and Capital Resources") and the purchase of the Capped Calls in connection with the issuance of the convertible senior notes in 2007.

Comparison of Years Ended December 31, 2006 and 2005

Revenues

Rental revenue increased by $46.3 million or 11.1% from 2005 to 2006. Approximately $24.0 million of the increase in rental revenue related to the 2005 Acquisition Centers, $11.9 million was related to the 2006 Acquisition Centers and $9.9 million was related to the Same Centers due in part to an increase in lease termination income of $7.2 million compared to 2005 at the Same Centers. The increases are offset in part by a decrease in rental revenue of $0.5 million at the Redevelopment Centers.

The amount of straight-lined rents, included in rental revenue, was $4.7 million in 2006 compared to $4.5 million in 2005. This increase is primarily due to the 2006 Acquisition Centers.

The amortization of above and below market leases, which is recorded in rental revenue, increased to $12.2 million in 2006 from $11.0 million in 2005. The increase in amortization is primarily due to the 2005 Acquisition Centers and the 2006 Acquisition Centers.

Tenant recoveries increased $31.7 million or 16.2% from 2005 to 2006. Approximately $15.0 million of the increase in tenant recoveries related to the 2005 Acquisition Centers, $5.1 million related to the 2006 Acquisition Centers and $12.4 million related to the Same Centers due to an increase in recoverable shopping center expenses. The increase in tenant recoveries was offset in part by a decrease of $0.9 million at the Redevelopment Centers.

Management Companies' revenues increased by $5.3 million from 2005 to 2006, primarily due to increased management fees received from the Joint Venture Acquisition Centers, third party management contracts and increased development fees from joint ventures.

Shopping Center and Operating Expenses

Shopping center and operating expenses increased $29.8 million or 14.6% from 2005 to 2006. Approximately $17.2 million of the increase in shopping center and operating expenses related to the 2005 Acquisition Centers, $5.0 million related to the 2006 Acquisition Centers and $8.0 million related to the Same Centers offset in part by a $0.5 million decrease at the Redevelopment Centers.

Management Companies' Operating Expenses

Management Companies' operating expenses increased to $56.7 million in 2006 from $52.8 million in 2005, primarily as a result of the additional costs of managing the Joint Venture Acquisition Centers and third party managed properties.

REIT General and Administrative Expenses

REIT general and administrative expenses increased by $1.4 million in 2006 from 2005, primarily due to increased share-based compensation expense in 2006.

Depreciation and Amortization

Depreciation and amortization increased $24.8 million in 2006 from 2005. The increase is primarily attributed to the 2005 Acquisition Centers of $11.5 million, the 2006 Acquisition Centers of $6.2 million and the Same Centers of $7.4 million.

Interest Expense

Interest expense increased $32.6 million in 2006 from 2005. Approximately $13.8 million of the increase relates to the term loan associated with the 2005 Acquisition Centers, $7.4 million relates to assumed debt from the 2005 Acquisition Centers, $5.3 million relates to the 2006 Acquisition Centers, $13.3 million relates to increased borrowings and higher interest rates under the Company's line of credit, $6.7 million relates to higher interest rates on the $250 million term loan and approximately $8.9 million relates to increased interest expense due to refinancings and higher rates on floating rate debt regarding the Same Centers. These increases were offset in part by an approximately $1.3 million decrease in interest expense at the Redevelopment Centers and $21.6 million relating to the pay off of the acquisition loan associated with the 2005 Acquisition Centers. Additionally, capitalized interest was $14.9 million in 2006, up from $10.0 million in 2005.

Loss on Early Extinguishment of Debt

The Company recorded a loss from the early extinguishment of debt of $1.8 million in 2006 related to the pay off of the $619 million acquisition loan on January 19, 2006. In 2005, the Company recorded a loss on early extinguishment of debt of $1.7 relating to the refinancing of the mortgage note payable on Valley View Mall.

Equity in Income of Unconsolidated Joint Ventures

The equity in income of unconsolidated joint ventures increased $9.8 million in 2006 from 2005. Approximately $6.5 million of the increase relates to increased income from the Joint Venture Acquisition Centers, increased net income of $3.3 million from the Pacific Premier Retail Trust joint venture due to increased rental revenue and $4.6 million from other joint ventures due to increased rental revenues. This is partly offset by a $4.7 million increase in interest expense from the SDG Macerich Properties, L.P. joint venture.

Discontinued Operations

The increase of $205.3 million in discontinued operations relates to the gain on sales of Scottsdale/101, Park Lane Mall, Holiday Village, Greeley Mall, Great Falls Marketplace, Citadel Mall, Crossroads Mall and Northwest Arkansas Mall in 2006 (See "Management's Overview and Summary--Acquisitions and Dispositions"). As result of the sales, the Company reclassified the results of operations for these properties for 2006 and 2005.

Minority Interest in the Operating Partnership

The minority interest in the Operating Partnership represents the 15.8% weighted average interest of the Operating Partnership not owned by the Company during 2006 compared to the 19.0% not owned by the Company during 2005. The change is primarily due to the stock offering by the Company in January 2006.

Funds From Operations

Primarily as a result of the factors mentioned above, FFO--Diluted increased 13.7% to $383.1 million in 2006 from $336.8 million in 2005. For the reconciliation of FFO and FFO--diluted to net income available to common stockholders, see "Funds from Operations."

Operating Activities

Cash flow from operations decreased to $211.9 million in 2006 from $235.3 million in 2005. The decrease is primarily due to changes in assets and liabilities in 2006 compared to 2005 and due to the results at the Centers as discussed above.

Investing Activities

Cash used in investing activities decreased to $126.7 million in 2006 from $131.9 million in 2005. The decrease is primarily attributed to the cash used to acquire the 2006 Acquisition Centers and increases in development and redevelopment costs at the Centers. This is offset by $610.6 million in proceeds from the sale of assets in 2006 (See "Management's Overview and Summary--Acquisitions and Dispositions").

Financing Activities

Cash flow provided by financing activities was $29.2 million in 2006 compared to cash used in financing activities of $20.3 million in 2005. The increase in cash provided by financing activities is primarily attributed to the net proceeds of $746.8 million from the stock offering in January 2006 offset in part by a reduction of debt in 2006 compared to 2005.

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, unsecured corporate borrowings and borrowings under the 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 tables summarize capital expenditures incurred at the Centers for the years ended December 31:

	2007	2006	2005
		(Dollars in thousands)	
Consolidated Centers:			
Acquisitions of property and equipment	$ 387,899	$ 580,542	$ 1,571,332
Development, redevelopment and expansion of Centers	545,926	184,315	77,254
Renovations of Centers	31,065	51,406	51,092
Tenant allowances	27,959	26,976	21,765
Deferred leasing charges	21,611	21,610	21,836
	$ 1,014,460	$ 864,849	$ 1,743,279
Joint Venture Centers (at Company's pro rata share):			
Acquisitions of property and equipment	$ 24,828	$ 28,732	$ 736,451
Development, redevelopment and expansion of Centers	33,492	48,785	79,400
Renovations of Centers	10,495	8,119	32,243
Tenant allowances	15,066	13,795	8,922
Deferred leasing charges	4,181	4,269	5,113
	$ 88,062	$ 103,700	$ 862,129

Management expects similar levels to be incurred in future years for tenant allowances and deferred leasing charges and to incur between $400 million to $600 million in 2008 for development, redevelopment, expansion and renovations. In January 2008, in a 50/50 joint venture, the Company acquired The Shops at North Bridge, a 680,933 square foot urban shopping center in Chicago, Illinois, for a total purchase price of $515.0 million. The Company's pro rata share of the purchase price was funded by the assumption of a pro rata share of the $205.0 million fixed rate mortgage on the Center and by borrowings under the Company's line of credit.

Capital for major expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from equity or debt financings which include borrowings under the Company's line of credit and construction loans. However, many factors impact the Company's ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions.

The Company's total outstanding loan indebtedness at December 31, 2007 was $7.6 billion (including $1.8 billion of its pro rata share of joint venture debt). This equated to a debt to Total

Market Capitalization (defined as total debt of the Company, including its pro rata share of joint venture debt, plus aggregate market value of outstanding shares of common stock, assuming full conversion of OP Units, MACWH, LP units and preferred stock into common stock) ratio of approximately 53.7% at December 31, 2007. The majority of the Company's debt consists of fixed-rate conventional mortgages payable collateralized by individual properties.

The Company 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. In addition, the Company filed another shelf registration statement, effective October 27, 2003, to sell up to $300 million of preferred stock. On January 12, 2006, the Company filed a shelf registration statement registering an unspecified amount of common stock that it may offer in the future.

On March 16, 2007, the Company issued $950 million in convertible senior notes ("Senior Notes") that mature on March 15, 2012. The Senior Notes bear interest at 3.25%, payable semiannually, are senior to unsecured debt of the Company and are guaranteed by the Operating Partnership. Prior to December 14, 2011, upon the occurrence of certain specified events, the Senior Notes will be convertible at the option of holder into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the election of the Company, at an initial conversion rate of 8.9702 shares per $1,000 principal amount. On and after December 15, 2011, the Senior Notes will be convertible at any time prior to the second business day preceding the maturity date at the option of the holder at the initial conversion rate. The initial conversion price of approximately $111.48 per share represented a 20% premium over the closing price of the Company's common stock on March 12, 2007. The initial conversion rate is subject to adjustment under certain circumstances. Holders of the Senior Notes do not have the right to require the Company to repurchase the Senior Notes prior to maturity except in connection with the occurrence of certain fundamental change transactions.

In connection with the issuance of the Senior Notes, the Company purchased two capped calls ("Capped Calls") from affiliates of the initial purchasers of the Senior Notes. The Capped Calls effectively increase the conversion price of the Senior Notes to approximately $130.06, which represented a 40% premium to the March 12, 2007 closing price of $92.90 per common share of the Company.

The Company has a $1.5 billion revolving line of credit that matures on April 25, 2010 with a one-year extension option. The interest rate fluctuates between LIBOR plus 0.75% to LIBOR plus 1.10% depending on the Company's overall leverage. In September 2006, the Company entered into an interest rate swap agreement that effectively fixed the interest rate on $400.0 million of the outstanding balance of the line of credit at 6.23% until April 25, 2011. On March 16, 2007, the Company repaid $541.5 million of borrowings outstanding from the proceeds of the Senior Notes (See Note 10--Bank and Other Notes Payable of the Company's Consolidated Financial Statements). As of December 31, 2007 and 2006, borrowings outstanding were $1,015.0 million and $934.5 million, respectively, at an average interest rate, net of the $400.0 million swapped portion, of 6.19% and 6.60%, respectively.

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%. On April 25, 2005, the Company modified these unsecured notes and reduced the interest rate to LIBOR plus 1.50%. On March 16, 2007, the Company repaid the notes from the proceeds of the Senior Notes (See Note 10--Bank and Other Notes Payable of the Company's Consolidated Financial Statements).

On April 25, 2005, the Company obtained a five year, $450.0 million term loan bearing interest at LIBOR plus 1.50%. In November 2005, the Company entered into an interest rate swap agreement

that effectively fixed the interest rate of the $450.0 million term loan at 6.30% from December 1, 2005 to April 15, 2010. At December 31, 2007 and 2006, the entire loan was outstanding with an interest rate of 6.30%.

At December 31, 2007, the Company was in compliance with all applicable loan covenants.

At December 31, 2007, the Company had cash and cash equivalents available of $85.3 million.

Off-Balance Sheet Arrangements

The Company has an ownership interest in a number of joint ventures as detailed in Note 4 to the Company's Consolidated Financial Statements included herein. The Company accounts for those investments that it does not have a controlling interest or is not the primary beneficiary using the equity method of accounting and those investments are reflected on the Consolidated Balance Sheets of the Company as "Investments in Unconsolidated Joint Ventures." A pro rata share of the mortgage debt on these properties is shown in "Item 2. Properties--Mortgage Debt."

In addition, certain joint ventures also have debt that could become recourse debt to the Company or its subsidiaries, in excess of the Company's pro rata share, should the joint ventures be unable to discharge the obligations of the related debt.

The following reflects the maximum amount of debt principal that could recourse to the Company at December 31, 2007 (in thousands):

Property	Recourse Debt	Maturity Date
Boulevard Shops	$ 4,280	12/17/2010
Chandler Village Center	4,375	1/15/2011
	$ 8,655	

Additionally, as of December 31, 2007, the Company is contingently liable for $6.4 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.

Long-term Contractual Obligations

The following is a schedule of long-term contractual obligations (as of December 31, 2007) for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than five years**
Long-term debt obligations (includes expected interest payments)	$ 6,087,693	$ 455,713	$ 2,390,249	$ 2,014,591	$ 1,227,140
Operating lease obligations(1)	670,038	14,771	29,624	29,250	596,393
Purchase obligations(1)	103,419	103,419	--	--	--
Other long-term liabilities(2)	393,102	393,102	--	--	--
	$ 7,254,252	$ 967,005	$ 2,419,873	$ 2,043,841	$ 1,823,533

(1) See Note 15 Commitments and Contingencies of the Company's Consolidated Financial Statements.

(2) Amount includes $1,906 of unrecognized tax benefit associated with FIN 48.

Funds From Operations

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO--diluted as supplemental measures for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) computed in accordance with GAAP, excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization 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 and FFO on a fully diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. FFO on a fully diluted basis is one of the measures investors find most useful in measuring the dilutive impact of outstanding convertible securities. 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. The reconciliation of FFO and FFO--diluted to net income available to common stockholders is provided below.

The following reconciles net income (loss) available to common stockholders to FFO and FFO--diluted (dollars in thousands):

	2007	2006	2005	2004	2003
Net income (loss)--available to common stockholders	$ 73,704	$ 217,404	$ (93,614)	$ 82,493	$ 113,218
Adjustments to reconcile net income to FFO--basic:					
Minority interest in the Operating Partnership	13,036	40,827	(22,001)	19,870	28,907
Gain on sale of consolidated assets	(9,771)	(241,732)	(1,530)	(8,041)	(34,451)
Adjustment of minority interest due to redemption value	2,046	17,062	183,620		
Add: Gain on undepreciated assets--consolidated assets	8,047	8,827	1,068	939	1,054
Add: Minority interest share of gain on sale of consolidated joint ventures	760	36,831	239	--	--
Gain on sale of assets from unconsolidated entities (pro rata)	(400)	(725)	(1,954)	(3,353)	(155)
Add: Gain on sale of undepreciated assets--from unconsolidated entities (pro rata)	2,793	725	2,092	3,464	387
Depreciation and amortization on consolidated centers	227,091	226,797	200,098	144,828	109,569
Depreciation and amortization on joint ventures and from management companies (pro rata)	88,807	82,745	73,247	61,060	45,133
Less: depreciation on personal property and amortization of loan costs and interest rate caps	(8,244)	(15,722)	(14,724)	(11,228)	(9,346)
FFO--basic	397,869	373,039	326,541	290,032	254,316
Additional adjustments to arrive at FFO--diluted:					
Impact of convertible preferred stock	10,058	10,083	9,649	9,140	14,816
Impact of non-participating convertible preferred units	--	--	641	--	--
FFO--diluted	$ 407,927	$ 383,122	$ 336,831	$ 299,172	$ 269,132
Weighted average number of FFO shares outstanding for:					
FFO--basic(1)	84,467	84,138	73,250	72,715	67,332
Adjustments for the impact of dilutive securities in computing FFO--diluted:					
Convertible preferred stock	3,512	3,627	3,627	3,627	7,386
Non-participating convertible preferred units	--	--	197	--	--
Stock options	293	293	323	385	480
FFO--diluted(2)	88,272	88,058	77,397	76,727	75,198

(1)

Calculated based upon basic net income as adjusted to reach basic FFO. As of December 31, 2007, 2006, 2005, 2004 and 2003, 12.5 million, 13.2 million, 13.5 million, 14.2 million and 14.2 million of aggregate OP Units and Westcor partnership units were outstanding, respectively. The Westcor partnership units were converted to OP Units on July 27, 2004 which were subsequently redeemed for common stock on October 4, 2005.

(2)

The computation of FFO--diluted shares outstanding includes the effect of share and unit-based compensation plans and convertible senior notes using the treasury stock method. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the FFO computation (See Note 12--"Acquisitions of the Company's Notes to the Consolidated Financial Statements"). 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. On September 9, 2003, 5.5 million shares of Series B Preferred Stock were converted into common shares. On October 18, 2007, 0.6 million shares of Series A Preferred Stock were converted into common

shares. The preferred stock can be converted on a one-for-one basis for common stock. The then outstanding preferred shares are assumed converted for purposes of 2007, 2006, 2005, 2004 and 2003 FFO--diluted as they are dilutive to that calculation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a ratio of fixed rate, long-term debt to total debt such that floating rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term floating rate debt through the use of interest rate caps and/or swaps with appropriately matching maturities, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of December 31, 2007 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 ending December 31,							
	2008	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**	**FV**
CONSOLIDATED CENTERS:								
Long term debt:								
Fixed rate(1)	$ 327,747	$ 355,615	$ 1,036,927	$ 718,914	$ 1,206,230	$ 1,160,003	$ 4,805,436	$ 4,821,439
Average interest rate	6.02%	6.24%	6.49%	5.58%	4.09%	5.79%	5.57%	
Floating rate	102,000	190,522	665,000	--	--	--	957,522	957,522
Average interest rate	6.12%	6.11%	6.18%				6.15%	
Total debt--Consolidated Centers	$ 429,747	$ 546,137	$ 1,701,927	$ 718,914	$ 1,206,230	$ 1,160,003	$ 5,762,958	$ 5,778,961
JOINT VENTURE CENTERS:								
Long term debt (at Company's pro rata share):								
Fixed rate	$ 70,356	$ 237,996	$ 122,203	$ 33,504	$ 169,206	$ 992,184	$ 1,625,449	$ 1,681,623
Average interest rate	5.73%	5.89%	6.79%	6.11%	6.99%	5.56%	5.89%	
Floating rate	83,331	25,988	19,343	66,300	--	--	194,962	194,962
Average interest rate	5.89%	7.24%	6.03%	5.92%			6.09%	
Total debt--Joint Venture Centers	$ 153,687	$ 263,984	$ 141,546	$ 99,804	$ 169,206	$ 992,184	$ 1,820,411	$ 1,876,585

(1) Fixed rate debt includes the $450 million floating rate term note and $400 million of the line of credit balance. These amounts have effective fixed rates over the remaining terms due to swap agreements as discussed below.

The consolidated Centers' total fixed rate debt at December 31, 2007 and 2006 was $4.8 billion and $3.8 billion, respectively. The average interest rate on fixed rate debt at December 31, 2007 and 2006 was 5.57% and 5.99%, respectively. The consolidated Centers' total floating rate debt at December 31, 2007 and 2006 was $1.0 billion and $1.2 billion, respectively. The average interest rate on floating rate debt at December 31, 2007 and 2006 was 6.15% and 6.59%, respectively.

The Company's pro rata share of the Joint Venture Centers' fixed rate debt at December 31, 2007 and 2006 was $1.6 billion and $1.5 billion, respectively. The average interest rate on fixed rate debt at December 31, 2007 and 2006 was 5.89% and 5.84%, respectively. The Company's pro rata share of the Joint Venture Centers' floating rate debt at December 31, 2007 and 2006 was $195.0 million and $198.4 million, respectively. The average interest rate on the floating rate debt at December 31, 2007 and 2006 was 6.09% and 6.33%, respectively.

The Company uses derivative financial instruments in the normal course of business to manage or hedge interest rate risk and records all derivatives on the balance sheet at fair value in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (See "Note 5--Derivative Instruments and Hedging Activities" of the Company's Consolidated Financial Statements).

The following are outstanding derivatives at December 31, 2007 (amounts in thousands):

Property/Entity	Notional Amount	Product	Rate	Maturity	Company's Ownership	Fair Value(1)
Camelback Colonnade	$ 41,500	Cap	8.54%	11/15/2008	75%	$ --
Desert Sky Mall	51,500	Cap	7.65%	3/15/2008	50%	--
Greece Ridge Center	72,000	Cap	7.95%	12/15/2008	100%	--
La Cumbre Plaza	30,000	Cap	7.12%	8/9/2008	100%	--
Metrocenter Mall	37,380	Cap	7.25%	2/15/2009	15%	--
Metrocenter Mall	11,500	Cap	5.25%	2/15/2009	15%	--
Panorama Mall	50,000	Cap	6.65%	3/1/2008	100%	--
Superstition Springs Center	67,500	Cap	8.63%	9/9/2008	33.33%	--
Metrocenter Mall	112,000	Swap	3.86%	2/15/2009	15%	20
Metrocenter Mall	133,597	Swap	4.57%	2/15/2009	15%	(154)
The Operating Partnership	450,000	Swap	4.80%	4/25/2010	100%	(11,377)
The Operating Partnership	400,000	Swap	5.33%	4/25/2011	100%	(16,147)

(1) Fair value at the Company's ownership percentage.

Interest rate cap agreements ("Cap") offer protection against floating rates on the notional amount from exceeding the rates noted in the above schedule, and interest rate swap agreements ("Swap") effectively replace a floating rate on the notional amount with a fixed rate as noted above.

In addition, the Company has assessed the market risk for its floating rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately $11.5 million per year based on $1.1 billion outstanding of floating rate debt at December 31, 2007.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to the Index to Financial Statements and Financial Statement Schedules for the required information appearing in Item 15.

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or its internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Conclusion Regarding Effectiveness of Disclosure Controls and Procedures

Based on their evaluation as of December 31, 2007, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (a) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control Integrated Framework. The Company's management concluded that, as of December 31, 2007, its internal control over financial reporting was effective based on these criteria.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the Company's internal control over financial reporting, which is included herein. In such report, Deloitte & Touche LLP notes that it has identified a material weakness in the operation of the Company's review and analysis of the relevant terms and conditions underlying the convertible preferred units issued to prior owners of Wilmorite holdings in connection with the acquisition of the Wilmorite portfolio because effective controls were not maintained by the Company to provide for an appropriate evaluation and determination of whether these interests represent minority interests.

Deficiency Related to Wilmorite Acquisition

The decision to restate our consolidated financial statements as of December 31, 2007 and December 31, 2006 and for each of the three years during the period ended December 31, 2007 to correctly account for the minority interests issued to prior owners in connection with the Company's acquisition of Wilmorite and Wilmorite Holdings in April 2005 as more fully described in Note 25 to the consolidated financial statements does not cause our management to change its conclusion that our internal control over financial reporting was effective as of December 31, 2007. The Company does acknowledge a deficiency in its internal control over financial reporting related to the Wilmorite acquisition. Specifically, management has determined that at the time of the Wilmorite acquisition, the Company did not maintain a sufficient complement of personnel with an appropriate level of technical accounting knowledge and experience to review, analyze and monitor the application of generally accepted accounting principles related to the Wilmorite acquisition. However, the Company has taken action to increase the level of technical accounting knowledge and experience of its internal accounting personnel. Consequently, the Company has concluded that it has cured the prior deficiency in its internal control over financial reporting.

Consistent with the Company's historical practices with respect to significant transactions such as the Wilmorite acquisition, members of the Company's finance organization, including our Chief Financial Officer, engaged in detailed internal conversations to determine proper disclosure of the Wilmorite acquisition in our consolidated financial statements. The Company reached its conclusion

regarding the proper presentation of the Wilmorite acquisition in its consolidated financial statements only after it had fully considered all discussions regarding the appropriate disclosure of the transaction under generally accepted accounting principles. While the Company has determined that its prior accounting analysis was incorrect, the Company does not believe that the internal control deficiency was severe enough to constitute a material weakness at December 31, 2007. As a result, the Company does not concur with the conclusion of Deloitte & Touche LLP that such review and analysis constitutes a material weakness.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Macerich Company
Santa Monica, California

We have audited The Macerich Company's and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated February 27, 2008, we expressed an unqualified opinion on the effectiveness of internal control over financial reporting. As described in the following paragraphs, we subsequently identified a material weakness. Accordingly, our present opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 expressed herein is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have identified the following material weakness that has not been identified as a material weakness in management's assessment:

We identified a material weakness in the operation of the Company's review and analysis of the relevant terms and conditions underlying the convertible preferred units issued to prior owners of Wilmorite Holdings in connection with the acquisition of the Wilmorite portfolio. Specifically, effective controls were not maintained by the Company to provide for an appropriate evaluation and determination of whether these interests represent minority interests. The material restatement that resulted from this material weakness includes a decrease of property, net and investments in unconsolidated joint ventures of $134,018,000 and $50,019,000, respectively, an increase in minority interest of $208,993,000, decreases in Class A participating and non-participating convertible preferred units, additional paid-in capital, and accumulated deficit of $230,245,000, $210,736,000, and $47,951,000, respectively, a decrease of net income of $10,732,000, an increase of net income available to common stockholders of $2,043,000 as of and for the year ended December 31, 2007, and in the restatement of the consolidated balance sheets as of December 31, 2007 and 2006, the related consolidated statements of operations, common stockholders' equity, and of cash flows, for each of the three years in the period ended December 31, 2007, and the notes related thereto.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedules of the Company as of and for the year ended December 31, 2007 and this report does not affect our report on such financial statements and financial statement schedules.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The material weakness described above has not been disclosed or identified in Management's Report on Internal Control over Financial Reporting.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007, of the Company and our report dated February 27, 2008 (June 3, 2008 as to the effects of the restatement described in Note 25 and the reclassification for discontinued operations described in Note 13) expressed an unqualified opinion, and included an explanatory paragraph relating to the restatement described in Note 25, on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Los Angeles, California

February 27, 2008 (June 3, 2008 as to the effects of the material weakness described above)

ITEM 9A(T). CONTROLS AND PROCEDURES

Not Applicable

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

There is hereby incorporated by reference the information which appears under the captions "Information Regarding Nominees and Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee Matters" and "Codes of Ethics" in the Company's definitive proxy statement for its 2008 Annual Meeting of Stockholders that is responsive to the information required by this Item.

During 2007, there were no material changes to the procedures described in the Company's proxy statement relating to the 2007 Annual Meeting of Stockholders by which stockholders may recommend nominees to the Company.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information which appears under the caption "Election of Directors" in the Company's definitive proxy statement for its 2008 Annual Meeting of Stockholders that is responsive to the information required by this Item. Notwithstanding the foregoing, the Compensation Committee Report set forth therein shall not be incorporated by reference herein, in any of the Company's prior or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates such report by reference therein and shall not be otherwise deemed filed under either of such Acts.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

There is hereby incorporated by reference the information which appears under the captions "Principal Stockholders," "Information Regarding Nominees and Directors" and "Executive Officers" in the Company's definitive proxy statement for its 2008 Annual Meeting of Stockholders that is responsive to the information required by this Item.

Equity Compensation Plan Information

The Company currently maintains two equity compensation plans for the granting of equity awards to directors, officers and employees: the 2003 Equity Incentive Plan ("2003 Plan") and the Eligible Directors' Deferred Compensation/Phantom Stock Plan ("Director Phantom Stock Plan"). Certain of the Company's outstanding stock awards were granted under other equity compensation plans which are no longer available for stock awards: the 1994 Eligible Directors' Stock Option Plan (the "Director Plan"), the Amended and Restated 1994 Incentive Plan (the "1994 Plan") and the 2000 Incentive Plan (the "2000 Plan").

Summary Table

The following table sets forth, for the Company's equity compensation plans, the number of shares of Common Stock subject to outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants as of December 31, 2007.

Plan Category	Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights(1) (b)	Number of shares of Common stock remaining available for future issuance under equity compensation plans (excluding shares reflected in column(a)) (c)
Equity Compensation Plans approved by stockholders	879,664(2)	$ 35.54	5,664,249(3)
Equity Compensation Plans not approved by stockholders	15,000(4)	$ 30.75	--
Total	894,664	$ 35.46	5,664,249

(1) Weighted average exercise price of outstanding options does not include stock units or limited operating partnership units.

(2) Represents 484,322 shares subject to outstanding options under the 1994 Plan and 2003 Plan, 272,967 shares which may be issued upon redemption of LTIP Units or operating partnership units under the 2003 Plan, and 114,875 shares underlying stock units, payable on a one-for-one basis, credited to stock unit accounts under the Director Phantom Stock Plan, and 7,500 shares subject to outstanding options under the Director Plan.

(3) Of these shares, 4,827,349 were available for options, stock appreciation rights, restricted stock, stock units, stock bonuses, performance based awards, dividend equivalent rights and operating partnership units or other convertible or exchangeable units under the 2003 Plan, 117,263 were available for the issuance of stock units under the Director Phantom Stock Plan and 719,637 were available for issuance under the Employee Stock Purchase Plan.

(4) Represents 15,000 shares subject to outstanding options under the 2000 Plan. The 2000 Plan did not require approval of, and has not been approved by, the Company's stockholders. No additional awards will be made under the 2000 Plan. The 2000 Plan generally provided for the grant of options, stock appreciation rights, restricted stock awards, stock units, stock bonuses and dividend equivalent rights to employees, directors and consultants of the Company or its subsidiaries. The only awards that were granted under the 2000 Plan were stock options and restricted stock. The stock options granted generally expire not more than 10 years after the date of grant and vest in three equal annual installments, commencing on the first anniversary of the grant date. The restricted stock grants generally vest in equal installments over three years.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There is hereby incorporated by reference the information which appears under the captions "Certain Transactions" and "The Board of Directors and its Committees" in the Company's definitive proxy statement for its 2008 Annual Meeting of Stockholders that is responsive to the information required by this Item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

There is hereby incorporated by reference the information which appears under the captions "Principal Accountant Fees and Services" and "Audit Committee Pre-Approval Policy" in the Company's definitive proxy statement for its 2008 Annual Meeting of Stockholders that is responsive to the information required by this Item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Macerich Company
Santa Monica, California

We have audited the accompanying consolidated balance sheets of The Macerich Company and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(4). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits. We did not audit the consolidated financial statements or the consolidated financial statement schedules of SDG Macerich Properties, L.P. (the "Partnership"), the Company's investment in which is reflected in the accompanying consolidated financial statements using the equity method of accounting. The Company's equity of $38,947,000 and $50,696,000 in the Partnership's net assets at December 31, 2007 and 2006, respectively, and $7,324,000, $11,197,000 and $15,537,000 in the Partnership's net income for the three years ended December 31, 2007 are included in the accompanying consolidated financial statements. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnership, is based solely on the report of the other auditors.

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

In our opinion, based on our report and the reports of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of The Macerich Company and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and the report of the other auditors, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 25, the Company has restated its consolidated balance sheets as of December 31, 2007 and 2006 and the related consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 (June 3, 2008 as to the material weakness related to the Company's review and analysis of the relevant terms and conditions underlying certain convertible preferred units to provide for an appropriate evaluation and determination of whether such interests represent minority interests) expressed an adverse opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Los Angeles, California

February 27, 2008 (June 3, 2008 as to the effects of the restatement described in Note 25 and the reclassification for discontinued operations described in Note 13)

THE MACERICH COMPANY

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

	December 31,	
	2007	2006
	(As Restated)	
ASSETS:		
Property, net	$ 6,187,473	$ 5,617,879
Cash and cash equivalents	85,273	269,435
Restricted cash	68,384	66,376
Marketable securities	29,043	30,019
Tenant and other receivables, net	137,498	117,855
Deferred charges and other assets, net	386,802	307,825
Loans to unconsolidated joint ventures	604	708
Due from affiliates	5,729	4,282
Investments in unconsolidated joint ventures	785,643	959,297
Assets held for sale	250,648	
Total assets	$ 7,937,097	$ 7,373,676
LIABILITIES, MINORITY INTEREST, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY:		
Mortgage notes payable:		
Related parties	$ 225,848	$ 151,311
Others	3,102,422	3,179,787
Total	3,328,270	3,331,098
Bank and other notes payable	2,434,688	1,662,781
Accounts payable and accrued expenses	97,086	86,127
Other accrued liabilities	289,660	212,249
Preferred dividends payable	6,356	6,199
Total liabilities	6,156,060	5,298,454
Minority interest	547,693	597,156
Commitments and contingencies		
Series A cumulative convertible redeemable preferred stock, $.01 par value, 3,627,131 shares authorized, 3,067,131 and 3,627,131 shares issued and outstanding at December 31, 2007 and 2006, respeectively	83,495	98,934
Common stockholders' equity:		
Common stock, $.01 par value, 145,000,000 shares authorized, 72,311,763 and 71,567,908 shares issued and outstanding at December 31, 2007 and 2006, respectively	723	716
Additional paid-in capital	1,367,566	1,443,050
Accumulated deficit	(193,932)	(66,974)
Accumulated other comprehensive (loss) income	(24,508)	2,340
Total common stockholders' equity	1,149,849	1,379,132

	December 31,	
Total liabilities, minority interest, preferred stock and common stockholders' equity	$ 7,937,097	$ 7,373,676

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For The Years Ended December 31,		
	2007	**2006**	**2005**
		(As Restated)	
Revenues:			
Minimum rents	$ 474,885	$ 438,261	$ 392,046
Percentage rents	26,104	23,876	23,744
Tenant recoveries	245,332	227,575	195,896
Management Companies	39,752	31,456	26,128
Other	27,199	28,451	22,333
Total revenues	813,272	749,619	660,147
Expenses:			
Shopping center and operating expenses	256,426	233,669	203,829
Management Companies' operating expenses	73,761	56,673	52,840
REIT general and administrative expenses	16,600	13,532	12,106
Depreciation and amortization	212,518	196,760	171,987
	559,305	500,634	440,762
Interest expense:			
Related parties	13,390	10,858	9,638
Other	236,737	249,847	218,423
	250,127	260,705	228,061
Loss on early extinguishment of debt	877	1,835	1,666
Total expenses	810,309	763,174	670,489
Minority interest in consolidated joint ventures	(2,301)	(1,860)	(1,087)
Equity in income of unconsolidated joint ventures	81,458	86,053	76,303
Income tax benefit (provision)	470	(33)	2,031
Gain (loss) on sale of assets	12,146	(84)	1,253
Income from continuing operations	94,736	70,521	68,158
Discontinued operations:			
(Loss) gain on sale of assets	(2,409)	204,985	277
Income from discontinued operations	6,517	9,870	9,219
Total income from discontinued operations	4,108	214,855	9,496
Income before minority interest and preferred dividends	98,844	285,376	77,654
Less: minority interest in Operating Partnership	13,036	40,827	(22,001)
Net income	85,808	244,549	99,655
Less: preferred dividends	10,058	10,083	9,649

	For The Years Ended December 31,		
Less: adjustment of minority interest due to redemption value	2,046	17,062	183,620
Net income (loss) available to common stockholders	$ 73,704	$ 217,404	$ (93,614)
Earnings per common share basic:			
Income from continuing operations	$ 1.01	$ 0.72	$ 0.80
Discontinued operations	0.02	2.35	(2.38)
Net income (loss) available to common stockholders	$ 1.03	$ 3.07	$ (1.58)
Earnings per common share diluted:			
Income from continuing operations	$ 1.00	$ 0.80	$ 0.80
Discontinued operations	0.02	2.25	(2.37)
Net income (loss) available to common stockholders	$ 1.02	$ 3.05	$ (1.57)
Weighted average number of common shares outstanding:			
Basic	71,768,000	70,826,000	59,279,000
Diluted	84,760,000	88,058,000	73,573,000

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) income	Unamortized Restricted Stock	Total Common Stockholders' Equity
Balance December 31, 2004 (As Previously Reported)	58,785,694	$ 586	$ 1,029,940	$ (103,489)	$ 1,092	$ (14,596)	$ 913,533
Restatement adjustment			(47,681)	47,681			
Balance January 1, 2005 (Restated)	58,785,694	586	982,259	(55,808)	1,092	(14,596)	913,533
Comprehensive income (loss):							
Net income (Restated)				99,655			99,655
Reclassification of deferred losses					1,351		1,351
Interest rate swap/cap agreements					(2,356)		(2,356)
Total comprehensive income (loss) (Restated)				99,655	(1,005)		98,650
Issuance of restricted stock	260,898	3	12,393				12,396
Unvested restricted stock	(260,898)	(3)				(12,393)	(12,396)
Amortization of share and unit-based plans	247,371	3				11,525	11,528
Exercise of stock options	182,237	2	4,595				4,597
Adjustment of minority interest due to redemption value (Restated)			(183,620)				(183,620)
Distributions paid ($2.63) per share				(158,104)			(158,104)
Preferred dividends (Restated)			(9,649)				(9,649)
Conversion of Operating Partnership Units	726,250	8	21,587				21,595
Adjustment to reflect minority interest on a pro rata basis for period end ownership percentage of Operating Partnership Units (Restated)			(18,852)				(18,852)
Balance December 31, 2005 (Restated)	59,941,552	599	808,713	(114,257)	87	(15,464)	679,678
Comprehensive income:							
Net income (Restated)				244,549			244,549
Reclassification of deferred losses					1,510		1,510
Interest rate swap/cap agreements					743		743
Total comprehensive income (Restated)				244,549	2,253		246,802
Amortization of share and unit-based plans	415,787	4	15,406				15,410
Exercise of stock options	14,101		260				260
Employee stock purchases	3,365		203				203
Common stock offering, gross	10,952,381	110	761,081				761,191
Underwriting and offering costs			(14,706)				(14,706)
Adjustment of minority interest due to redemption value (Restated)			(17,062)				(17,062)
Distributions paid ($2.75) per share				(197,266)			(197,266)
Preferred dividends (Restated)			(10,083)				(10,083)
Conversion of Operating Partnership Units	240,722	3	9,916				9,919

	Common Stock						
Change in accounting principle due to adoption of SFAS No. 123(R)			(15,464)			15,464	
Reclassification upon adoption of SFAS No. 123(R)			6,000				6,000
Adjustment to reflect minority interest on a pro rata basis for period end ownership percentage of Operating Partnership Units (Restated)			(101,214)				(101,214)
Balance December 31, 2006 (Restated)	71,567,908	716	1,443,050	(66,974)	2,340		1,379,132
Comprehensive income:							
Net income (Restated)				85,808			85,808
Reclassification of deferred losses					967		967
Interest rate swap/cap agreements					(27,815)		(27,815)
Total comprehensive income (loss) (Restated)				85,808	(26,848)		58,960
Amortization of share and unit-based plans	215,132	2	21,407				21,409
Exercise of stock options	23,500		672				672
Employee stock purchases	13,184		881				881
Adjustment of minority interest due to redemption value (Restated)			(2,046)				(2,046)
Distributions paid ($2.93) per share				(211,192)			(211,192)
Preferred dividends (Restated)			(10,058)				(10,058)
Conversion of partnership units and Class A non-participating convertible preferred units	739,039	7	20,757				20,764
Repurchase of common shares	(807,000)	(8)	(74,962)				(74,970)
Conversion of preferred shares to common shares	560,000	6	15,433				15,439
Purchase of capped calls on convertible senior notes			(59,850)				(59,850)
Change in accounting principle due to adoption of FIN 48 (Restated)				(1,574)			(1,574)
Adjustment to reflect minority interest on a pro rata basis for period end ownership percentage of Operating Partnership Units (Restated)			12,282				12,282
Balance December 31, 2007 (Restated)	72,311,763	$ 723	$ 1,367,566	$ (193,932)	$ (24,508)	$	$ 1,149,849

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For The Years Ended December 31,		
	2007	2006	2005
		(As Restated)	
Cash flows from operating activities:			
Net income (loss) available to common stockholders	$ 73,704	$ 217,404	$ (93,614)
Preferred dividends	10,058	10,083	9,649
Adjustment of minority interest due to redemption value	2,046	17,062	183,620
Net income	85,808	244,549	99,655
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on early extinguishment of debt	877	1,835	1,666
(Gain) loss on sale of assets	(12,146)	84	(1,253)
Loss (gain) on sale of assets of discontinued operations	2,409	(204,985)	(277)
Depreciation and amortization	238,645	232,220	205,965
Amortization of net premium on mortgage and bank and other notes payable	(9,883)	(11,835)	(10,193)
Amortization of share and unit-based plans	12,344	9,607	8,286
Minority interest in Operating Partnership	13,036	40,827	(22,001)
Minority interest in consolidated joint ventures	18,557	18,354	10,049
Equity in income of unconsolidated joint ventures	(81,458)	(86,053)	(76,303)
Distributions of income from unconsolidated joint ventures	4,118	4,106	9,010
Changes in assets and liabilities, net of acquisitions and dispositions:			
Tenant and other receivables, net	(20,001)	(22,319)	(6,400)
Other assets	(33,375)	8,303	31,517
Accounts payable and accrued expenses	23,959	(14,000)	5,181
Due from affiliates	(1,477)	(24)	(14,276)
Other accrued liabilities	84,657	(8,819)	(5,330)
Net cash provided by operating activities	326,070	211,850	235,296
Cash flows from investing activities:			
Acquisitions of property, development, redevelopment and property improvements	(1,043,800)	(822,903)	(171,842)
Payment of acquisition deposits	(51,943)		
Issuance of note receivable		(10,000)	
Purchase of marketable securities		(30,307)	
Maturities of marketable securities	1,322	444	
Deferred leasing costs	(34,753)	(29,688)	(21,837)
Distributions from unconsolidated joint ventures	274,303	187,269	155,537
Contributions to unconsolidated joint ventures	(38,769)	(31,499)	(101,429)
Repayments of loans to unconsolidated joint ventures	104	707	5,228
Proceeds from sale of assets	30,261	610,578	6,945
Restricted cash	(2,008)	(1,337)	(4,550)
Net cash used in investing activities	(865,283)	(126,736)	(131,948)

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

Cash flows from financing activities:			
Proceeds from mortgages and bank and other notes payable	2,296,530	1,912,179	483,127
Payments on mortgages and bank and other notes payable	(1,535,017)	(2,329,827)	(286,369)
Deferred financing costs	(2,482)	(6,886)	(4,141)
Purchase of Capped Calls	(59,850)		
Repurchase of common stock	(74,970)		
Proceeds from share and unit-based plans	1,553	463	4,597
Net proceeds from stock offering		746,805	
Dividends and distributions	(245,991)	(269,419)	(202,078)
Dividends to preferred stockholders / preferred unit holders	(24,722)	(24,107)	(15,485)
Net cash provided by (used in) financing activities	355,051	29,208	(20,349)
Net (decrease) increase in cash	(184,162)	114,322	82,999
Cash and cash equivalents, beginning of year	269,435	155,113	72,114
Cash and cash equivalents, end of year	$ 85,273	$ 269,435	$ 155,113
Supplemental cash flow information:			
Cash payments for interest, net of amounts capitalized	$ 280,820	$ 282,987	$ 244,474
Non-cash transactions:			
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$ 54,308	$ 25,754	$ 9,697
Acquisition of property by issuance of bank notes payable	$	$	$ 1,198,503
	$ 4,300	$	$ 809,542

Acquisition of property by assumption of mortgage notes payable			
Acquisition of property by issuance of convertible preferred units and common units	$	$	$ 45,197
Accrued preferred dividends payable	$ 6,356	$ 6,199	$ 5,970

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

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization:

The Macerich Company (the "Company") is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers (the "Centers") located throughout the United States.

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of December 31, 2007, the Company was the sole general partner of and held an 85% ownership interest in The Macerich Partnership, L.P. (the "Operating Partnership"). The interests in the Operating Partnership are known as OP Units. OP Units not held by the Company are redeemable, subject to certain restrictions, on a one-for-one basis for the Company's common stock or cash at the Company's option.

The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The 15% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these consolidated financial statements as minority interest.

The property management, leasing and redevelopment of the Company's portfolio is provided by the Company's management companies, Macerich Property Management Company, LLC, ("MPMC, LLC") a single member Delaware limited liability company, Macerich Management Company ("MMC"), a California corporation, Westcor Partners, L.L.C., a single member Arizona limited liability company, Macerich Westcor Management LLC, a single member Delaware limited liability company, Westcor Partners of Colorado, LLC, a Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. These last two management companies are collectively referred to herein as the "Wilmorite Management Companies." The three Westcor management companies are collectively referred to herein as the "Westcor Management Companies." All seven of the management companies are collectively referred to herein as the "Management Companies."

2. Summary of Significant Accounting Policies:

Basis of Presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America. The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. Investments in entities that are controlled by the Company or meet the definition of a variable interest entity in which an enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity are consolidated; otherwise they are accounted for under the equity method and are reflected as "Investments in Unconsolidated Joint Ventures". All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, for which cost approximates fair value. Restricted cash includes impounds of property taxes and other capital reserves required under the loan agreements.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Summary of Significant Accounting Policies: (Continued)

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation. The Company reclassified loss on early extinguishment of debt to be included in total expenses in the consolidated statements of operations.

Tenant and Other Receivables:

Included in tenant and other receivables are allowances for doubtful accounts of $2,417 and $2,700 at December 31, 2007 and 2006, respectively. Also included in tenant and other receivables are accrued percentage rents of $10,067 and $11,086 at December 31, 2007 and 2006, respectively.

On March 31, 2006, the Company received a note receivable that is secured by a deed of trust, bears interest at 5.5% and matures on March 31, 2031. The note is included in tenant and other receivables and had a balance of $9,661 and $9,876 at December 31, 2007 and 2006, respectively.

Revenues:

Minimum rental revenues are recognized on a straight-line basis over the term of the related lease. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight-line rent adjustment." Rental income was increased by $6,894, $4,653 and $4,533 due to the straight-line rent adjustment during the years ended December 31, 2007, 2006 and 2005, respectively. Percentage rents are recognized and accrued when tenants' specified sales targets have been met.

Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred. Other tenants pay a fixed rate and these tenant recoveries are recognized into revenue on a straight-line basis over the term of the related leases.

The Management Companies provide property management, leasing, corporate, development, redevelopment and acquisition services to affiliated and non-affiliated shopping centers. In consideration for these services, the Management Companies receive monthly management fees generally ranging from 1.5% to 6% of the gross monthly rental revenue of the properties managed.

Property:

Costs related to the development, redevelopment, construction and improvement of properties are capitalized. Interest incurred on development, redevelopment and construction projects is 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. Gains and losses are recognized upon disposal or retirement of the related assets and are reflected in earnings.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Summary of Significant Accounting Policies: (Continued)

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

Buildings and improvements	5-40 years
Tenant improvements	5-7 years
Equipment and furnishings	5-7 years

Acquisitions:

The Company accounts for all acquisitions in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." The Company first determines the value of the land and buildings utilizing an "as if vacant" methodology. The Company then assigns a fair value to any debt assumed at acquisition. The balance of the purchase price is allocated to tenant improvements and identifiable intangible assets or liabilities. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair market value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under real estate investments and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus an estimate of renewal of the acquired leases. Above or below market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below market, and the asset or liability is amortized to rental revenue over the remaining terms of the leases.

When the Company acquires real estate properties, the Company allocates the purchase price to 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 various components 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.

Marketable Securities:

The Company accounts for its investments in marketable securities as held-to-maturity debt securities under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as the Company has the intent and the ability to hold these securities until maturity. Accordingly, investments in marketable securities are carried at their amortized cost. The discount on

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Summary of Significant Accounting Policies: (Continued)

marketable securities is amortized into interest income on a straight-line basis over the term of the notes, which approximates the effective interest method.

Deferred Charges:

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the agreement using the straight-line method. Costs relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. In-place lease values are amortized over the remaining lease term plus an estimate of renewal. Leasing commissions and legal costs are amortized on a straight-line basis over the individual lease years.

The range of the terms of the agreements is as follows:

Deferred lease costs	1-15 years
Deferred financing costs	1-15 years
In-place lease values	Remaining lease term plus an estimate for renewal
Leasing commissions and legal costs	5-10 years

Accounting for the Impairment or Disposal of Long-Lived Assets:

The Company assesses whether there has been impairment in the value of its long-lived assets by considering 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 determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis, with the carrying value of the related assets. Long-lived assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell. Management does not believe impairment has occurred in its net property carrying values at December 31, 2007 or 2006.

Fair Value of Financial Instruments:

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

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Summary of Significant Accounting Policies: (Continued)

Concentration of Risk:

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

No Center or tenant generated more than 10% of total revenues during 2007, 2006 or 2005.

Mervyn's represented 3.3% and Limited Brands, Inc. represented 3.5% and 4.1% of the minimum rents for the years ended December 31, 2007, 2006 and 2005, respectively. No other retailer represented more than 2.7%, 2.9% and 3.6% of the minimum rents during the years ended December 31, 2007, 2006 and 2005, respectively.

Management Estimates:

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

Recent Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised), "Share-Based Payment." SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. The Company adopted this statement as of January 1, 2006. See Note 16--Share and Unit-Based Plans, for the impact of the adoption of SFAS No. 123(R) on the results of operations.

In March 2005, FASB issued Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations--an interpretation of SFAS No. 143." FIN 47 requires that a liability be recognized for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The Company adopted FIN 47 on January 1, 2005. As a result of the Company's adoption, the Company recorded an additional liability of $615 in 2005.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments--An Amendment of FASB Statements No. 133 and 140." This statement amended SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement also established a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The adoption of SFAS No. 155 on January 1, 2007 did not have a material impact on the Company's consolidated results of operations or financial condition.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Summary of Significant Accounting Policies: (Continued)

accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of previously recognized income tax benefits, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 on January 1, 2007. See Note 19--Income Taxes for the impact of the adoption of FIN 48 on the Company's results of operations and financial condition.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108. SAB No. 108 establishes a framework for quantifying materiality of financial statement misstatements. The adoption of SAB No. 108 did not have a material impact on the Company's consolidated results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position SFAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 ("FSP FAS 157-1") and FSP SFAS 157-2, Effective Date of SFAS No. 157 ("FSP FAS 157-2"). FSP FAS 157-2 defers the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP FAS 157-1 also excludes from the scope of SFAS No. 157 certain leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*. The Company adopted SFAS 157 and FSP FAS 157-1 on a prospective basis effective January 1, 2008. The adoption of SFAS No. 157 and FSP FAS 157-1 did not have a material impact on the Company's results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB Statement No. 115." SFAS No. 159 permits, at the option of the reporting entity, measurement of certain assets and liabilities at fair value. The Company adopted SFAS No. 159 on January 1, 2008. The adoption of SFAS No. 159 did not have a material effect on the Company's results of operations or financial condition as the Company did not elect to apply the fair value option to eligible financial instruments on that date.

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations." SFAS No. 141(R) requires all assets and assumed liabilities, including contingent liabilities, in a business combination to be recorded at their acquisition-date fair value rather than at historical costs. The Company is required to adopt SFAS No. 141 (R) on January 1, 2009. The Company is currently evaluating the impact of adoption on the Company's results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements--an amendment to ARB No. 51". SFAS No. 160 clarifies the accounting for noncontrolling interest or minority interest in a subsidiary included in consolidated financial statements. The Company is required to adopt SFAS No. 160 on January 1, 2009 and the Company is currently evaluating the impact of the adoption on the Company's results of operations and financial condition.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Earnings per Share ("EPS"):

The computation of basic earnings per share is based on net income available to common stockholders and the weighted average number of common shares outstanding for the years ended December 31, 2007, 2006 and 2005. The computation of diluted earnings per share includes the dilutive effect of share and unit-based compensation plans and convertible senior notes calculated using the treasury stock method and the dilutive effect of all other dilutive securities calculated using the "if converted" method. The OP Units and MACWH, LP common units not held by the Company have been included in the diluted EPS calculation since they may be redeemed on a one-for-one basis for common stock or cash, at the Company's option.

The following table reconciles the basic and diluted earnings per share calculation for the years ended December 31:

	2007			2006			2005		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Net income	$ 85,808			$ 244,549			$ 99,655		
Less: preferred dividends	10,058			10,083			9,649		
Less: adjustment of minority interest due to redemption value	2,046			17,062			183,620		
Basic EPS:									
Net income (loss) available to common stockholders	73,704	71,768	$ 1.03	217,404	70,826	$ 3.07	(93,614)	59,279	$ (1.58)
Diluted EPS(1):									
Conversion of partnership units	13,036	12,699		40,827	13,312		(22,001)	13,971	
Share and unit-based plans		293			293			323	
Convertible preferred stock(2)				10,083	3,627				
Net income (loss) available to common stockholders	$ 86,740	84,760	$ 1.02	$ 268,314	88,058	$ 3.05	$ (115,615)	73,573	$ (1.57)

(1) The convertible senior notes (See Note 10 Bank and Other Notes Payable) are excluded from diluted EPS for 2007 as their effect would be antidilutive to net income available to common stockholders.

(2) The preferred stock (See Note 22--Cumulative Convertible Redeemable Preferred Stock) can be converted on a one-for-one basis for common stock. The convertible preferred stock was dilutive to net income in 2006 and antidilutive to net income for 2007 and 2005. The amount of preferred stock excluded from diluted EPS was 3,512,131 shares and 3,627,131 shares for the years ended December 31, 2007 and 2005, respectively.

The minority interest of the Operating Partnership as reflected in the Company's consolidated statements of operations has been allocated for EPS calculations as follows for the years ended December 31:

	2007	2006	2005
Income before discontinuing operations	$ 12,726	$ 9,556	$ 11,065
Discontinued operations:			

	2007	2006	2005
(Loss) gain on sale of assets	(362)	32,408	53
Income from discontinued operations	672	(1,137)	(33,119)
Total minority interest in Operating Partnership	$ 13,036	$ 40,827	$ (22,001)

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Earnings per Share ("EPS"): (Continued)

The Company had an 85%, 84% and an 82% ownership interest in the Operating Partnership as of December 31, 2007, 2006 and 2005, respectively. The remaining 15%, 16% and 18% limited partnership interest as of December 31, 2007, 2006 and 2005, respectively, was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other outside investors in the form of OP Units. The OP Units may be redeemed on a one-for-one basis for common shares or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing quoted price per share of the Company's common stock, par value $.01 per share, as reported on the New York Stock Exchange for the ten trading days immediately preceding the respective balance sheet date. Accordingly, as of December 31, 2007 and 2006, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $904,150 and $1,107,097, respectively.

4. Investments in Unconsolidated Joint Ventures:

The following are the Company's investments in various joint ventures or properties jointly owned with third parties. The Operating Partnership's interest in each joint venture as of December 31, 2007 is as follows:

Joint Venture	Operating Partnership's Ownership %(1)
Biltmore Shopping Center Partners LLC	50.0%
Camelback Colonnade SPE LLC	75.0%
Chandler Festival SPE, LLC	50.0%
Chandler Gateway SPE LLC	50.0%
Chandler Village Center, LLC	50.0%
Coolidge Holding LLC	37.5%
Corte Madera Village, LLC	50.1%
Desert Sky Mall--Tenants in Common	50.0%
East Mesa Land, L.L.C.	50.0%
East Mesa Mall, L.L.C.--Superstition Springs Center	33.3%
Jaren Associates #4	12.5%
Kierland Tower Lofts, LLC	15.0%
Macerich Northwestern Associates	50.0%
Macerich SanTan Village Phase 2 SPE LLC SanTan Village Power Center	34.9%
MetroRising AMS Holding LLC	15.0%
New River Associates--Arrowhead Towne Center	33.3%
NorthPark Land Partners, LP	50.0%
NorthPark Partners, LP	50.0%
Pacific Premier Retail Trust	51.0%
PHXAZ/Kierland Commons, L.L.C.	24.5%
Propcor Associates	25.0%
Propcor II Associates, LLC--Boulevard Shops	50.0%
Scottsdale Fashion Square Partnership	50.0%

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Investments in Unconsolidated Joint Ventures: (Continued)

SDG Macerich Properties, L.P.	50.0%
The Market at Estrella Falls LLC	35.1%
Tysons Corner Holdings LLC	50.0%
Tysons Corner LLC	50.0%
Tysons Corner Property Holdings II LLC	50.0%
Tysons Corner Property Holdings LLC	50.0%
Tysons Corner Property LLC	50.0%
W.M. Inland, L.L.C.	50.0%
West Acres Development, LLP	19.0%
Westcor/Gilbert, L.L.C.	50.0%
Westcor/Goodyear, L.L.C.	50.0%
Westcor/Queen Creek Commercial LLC	37.7%
Westcor/Queen Creek LLC	37.7%
Westcor/Queen Creek Medical LLC	37.7%
Westcor/Queen Creek Residential LLC	37.6%
Westcor/Surprise Auto Park LLC	33.3%
Westpen Associates	50.0%
WM Ridgmar, L.P.	50.0%
Wilshire Building--Tenants in Common	30.0%

(1) The Operating Partnership's ownership interest in this table reflects its legal ownership interest but may not reflect its economic interest since each joint venture has various agreements regarding cash flow, profits and losses, allocations, capital requirements and other matters.

The Company generally accounts for its investments in joint ventures using the equity method unless the Company has a controlling interest in the joint venture or is the primary beneficiary in a variable interest entity. Although the Company has a greater than 50% interest in Pacific Premier Retail Trust, Camelback Colonnade SPE LLC and Corte Madera Village, LLC, the Company shares management control with the partners in these joint ventures and therefore, accounts for these joint ventures using the equity method of accounting.

The Company has acquired the following investments in unconsolidated joint ventures during the years ended December 31, 2007, 2006 and 2005:

On January 11, 2005, the Company became a 15% owner in a joint venture that acquired Metrocenter Mall, a 1.1 million square foot super-regional mall in Phoenix, Arizona. The total purchase price was $160,000 and concurrently with the acquisition, the joint venture placed a $112,000 floating rate loan on the property. The Company's share of the purchase price, net of the debt, was $7,200 which was funded by cash and borrowings under the Company's line of credit. The results of Metrocenter Mall are included below for the period subsequent to its date of acquisition.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Investments in Unconsolidated Joint Ventures: (Continued)

On January 21, 2005, the Company formed a 50/50 joint venture with a private investment company. The joint venture acquired a 49% interest in Kierland Commons, a 435,022 square foot mixed use center in Phoenix, Arizona. The joint venture's purchase price for the interest in the center was $49,000. The Company assumed its share of the underlying property debt and funded the remainder of its share of the purchase price by cash and borrowings under the Company's line of credit. The results of Kierland Commons are included below for the period subsequent to its date of acquisition.

On April 8, 2005, the Company in a 50/50 joint venture with an affiliate of Walton Street Capital, LLC, acquired Ridgmar Mall, a 1.3 million square foot super-regional mall in Fort Worth, Texas. The total purchase price was $71,075 and concurrently with the transaction, the joint venture placed a $57,400 fixed rate loan of 6.0725% on the property. The balance of the Company's pro rata share, $6,838, of the purchase price was funded by borrowings under the Company's line of credit. The results of Ridgmar Mall are included below for the period subsequent to its date of acquisition.

On April 25, 2005, as part of the Wilmorite acquisition (See Note 12--Acquisitions), the Company became a 50% joint venture partner in Tysons Corner Center, a 2.2 million square foot super-regional mall in McLean, Virginia. The results of Tysons Corner Center are included below for the period subsequent to its date of acquisition.

On September 5, 2007, the Company purchased the remaining 50% outside ownership interest in Hilton Village, a 96,546 square foot specialty center in Scottsdale, Arizona. The total purchase price of $13,500 was funded by cash, borrowings under the Company's line of credit and the assumption of a mortgage note payable. The Center was previously accounted for under the equity method as an investment in unconsolidated joint ventures.

On October 25, 2007, the Company purchased a 30% tenants-in-common interest in the Wilshire Building, a 40,000 square foot strip center in Santa Monica, California. The total purchase price of $27,000 was funded by cash, borrowings under the Company's line of credit and the assumption of an $6,650 mortgage note payable. The results of the Wilshire Building are included below for the period subsequent to its date of acquisition.

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

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures as of December 31:

	2007	2006
Assets(1):		
Properties, net	$ 4,294,147	$ 4,251,765
Other assets	456,919	429,028
Total assets	$ 4,751,066	$ 4,680,793
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	$ 3,865,593	$ 3,515,154
Other liabilities	183,884	140,889
The Company's capital(3)	401,333	559,172
Outside partners' capital	300,256	465,578
Total liabilities and partners' capital	$ 4,751,066	$ 4,680,793

(1) These amounts include the assets and liabilities of the following joint ventures as of December 31, 2007 and 2006:

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC
As of December 31, 2007:			
Total Assets	$ 904,186	$ 1,026,973	$ 640,179
Total Liabilities	$ 826,291	$ 842,816	$ 364,554
As of December 31, 2006:			
Total Assets	$ 924,720	$ 1,027,132	$ 644,545
Total Liabilities	$ 823,327	$ 848,070	$ 371,360

(2) Certain joint ventures have debt that could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of December 31, 2007 and 2006, a total of $8,655 and $8,570 could become recourse debt to the Company, respectively.

(3) The Company's investment in joint ventures is $384,310 and $400,125 more than the underlying equity as reflected in the joint ventures' financial statements as of December 31, 2007 and 2006, respectively. This represents the difference between the cost of an investment and the book value of the underlying equity of the joint venture. The Company is amortizing this difference into income on a straight-line basis, consistent with the lives of the underlying assets (See Note 2--Summary of Significant Accounting Policies). The amortization of this difference was $12,563, $13,783 and $13,617 for the years ended December 31, 2007, 2006 and 2005, respectively.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Year Ended December 31, 2007					
Revenues:					
Minimum rents	$ 97,626	$ 125,558	$ 64,182	$ 238,350	$ 525,716
Percentage rents	5,614	7,409	2,170	19,907	35,100
Tenant recoveries	52,786	50,435	31,237	116,692	251,150
Other	2,955	4,237	2,115	22,871	32,178
Total revenues	158,981	187,639	99,704	397,820	844,144
Expenses:					
Shopping center and operating expenses	63,985	52,766	25,883	135,123	277,757
Interest expense	46,598	49,524	16,682	108,006	220,810
Depreciation and amortization	29,730	30,970	20,547	88,374	169,621
Total operating expenses	140,313	133,260	63,112	331,503	668,188
(Loss) gain on sale of assets	(4,020)	--	--	6,959	2,939
Net income	$ 14,648	$ 54,379	$ 36,592	$ 73,276	$ 178,895
Company's equity in net income	$ 7,324	$ 27,868	$ 18,296	$ 27,970	$ 81,458
Year Ended December 31, 2006					
Revenues:					
Minimum rents	$ 97,843	$ 124,103	$ 59,580	$ 225,000	$ 506,526
Percentage rents	4,855	7,611	2,107	21,850	36,423
Tenant recoveries	51,480	48,739	28,513	107,288	236,020
Other	3,437	4,166	2,051	22,876	32,530
Total revenues	157,615	184,619	92,251	377,014	811,499
Expenses:					
Shopping center and operating expenses	62,770	51,441	25,557	128,498	268,266
Interest expense	44,393	50,981	16,995	90,064	202,433
Depreciation and amortization	28,058	29,554	20,478	78,071	156,161
Total operating expenses	135,221	131,976	63,030	296,633	626,860
Gain on sale of assets	--	--	--	1,742	1,742

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Net income	$ 22,394	$ 52,643	$ 29,221	$ 82,123	$ 186,381
Company's equity in net income	$ 11,197	$ 26,802	$ 14,610	$ 33,444	$ 86,053

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Investments in Unconsolidated Joint Ventures: (Continued)

Year Ended December 31, 2005					
Revenues:					
Minimum rents	$ 96,509	$ 116,421	$ 34,218	$ 181,857	$ 429,005
Percentage rents	4,783	7,171	1,479	15,089	28,522
Tenant recoveries	50,381	42,455	15,774	82,723	191,333
Other	3,397	3,852	817	18,272	26,338
Total revenues	155,070	169,899	52,288	297,941	675,198
Expenses:					
Shopping center and operating expenses	62,466	46,682	15,395	102,298	226,841
Interest expense	34,758	49,476	9,388	69,346	162,968
Depreciation and amortization	27,128	27,567	9,986	61,955	126,636
Total operating expenses	124,352	123,725	34,769	233,599	516,445
Gain on sale of assets	356	--	--	15,161	15,517
Loss on early extinguishment of debt	--	(13)	--	--	(13)
Net income	$ 31,074	$ 46,161	$ 17,519	$ 79,503	$ 174,257
Company's equity in net income	$ 15,537	$ 23,583	$ 4,994	$ 32,189	$ 76,303

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company. Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of $125,984 and $132,170 as of December 31, 2007 and 2006 respectively. NML is considered a related party because they are a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $8,678, $9,082 and $9,422 for the years ended December 31, 2007, 2006 and 2005, respectively.

5. Derivative Instruments and Hedging Activities:

The Company recognizes all derivatives in the consolidated financial statements and measures the derivatives at fair value. The Company uses derivative financial instruments in the normal course of business to manage or reduce its exposure to adverse fluctuations in interest rates. The Company designs its hedges to be effective in reducing the risk exposure that they are designated to hedge. Any instrument that meets the cash flow hedging criteria in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," is formally designated as a cash flow hedge at the inception of the derivative contract. On an ongoing quarterly basis, the Company adjusts its balance sheet to reflect the current fair value of its derivatives. To the extent they are effective, changes in fair value of derivatives are recorded in comprehensive income. Ineffective portions, if any, are included in net income. No ineffectiveness was recorded in net income during the years ended December 31, 2007, 2006 or 2005. If any derivative instrument used for risk management does not meet the hedging criteria, it is

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Derivative Instruments and Hedging Activities: (Continued)

marked-to-market each period in the consolidated statements of operations. As of December 31, 2007, three of the Company's derivative instruments were not designated as cash flow hedges. Changes in the market value of these derivative instruments are recorded in the consolidated statements of operations.

As of December 31, 2007 and 2006, the Company had $286 and $1,252, respectively, reflected in other comprehensive income related to treasury rate locks settled in prior years. The Company reclassified $967, $1,510 and $1,351 for the years ended December 31, 2007, 2006 and 2005, respectively, related to treasury rate lock transactions settled in prior years from accumulated other comprehensive income to earnings. It is anticipated that the remaining $286 will be reclassified during 2008.

Interest rate swap and cap agreements are purchased by the Company from third parties to manage the risk of interest rate changes on some of the Company's floating rate debt. Payments received as a result of these agreements are recorded as a reduction of interest expense. The fair value of the instrument is included in deferred charges and other assets if the fair value is an asset or in other accrued liabilities if the fair value is a deficit. The Company recorded other comprehensive (loss) income of ($27,815), $743 and ($2,356) related to the marking-to-market of interest rate swap and cap agreements for the years ended December 31, 2007, 2006 and 2005, respectively. The amount expected to be reclassified to interest expense in the next 12 months is immaterial.

6. Property:

Property at December 31, 2007 and 2006 consists of the following:

	2007	2006
Land	$ 1,146,096	$ 1,110,919
Building improvements	5,121,442	4,641,407
Tenant improvements	285,395	227,259
Equipment and furnishings	83,199	82,456
Construction in progress	442,670	294,115
	7,078,802	6,356,156
Less accumulated depreciation	(891,329)	(738,277)
	$ 6,187,473	$ 5,617,879

Depreciation expense for the years ended December 31, 2007, 2006 and 2005 was $177,360, $166,565 and $145,149, respectively.

The Company recognized a gain (loss) on the sale of equipment and furnishings of $3,365, ($600) and ($55) during the years ended December 31, 2007, 2006 and 2005, respectively. In addition, the Company recognized a gain on the sale of land of $8,781, $516 and $1,308 during the years ended December 31, 2007, 2006 and 2005, respectively.

The above schedule also includes the properties purchased in connection with the acquisition of Wilmorite, Valley River Center, Federated stores, Deptford Mall, Hilton Village and Mervyn's stores classified as held and used at December 31, 2007 (See Note 12--Acquisitions).

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Marketable Securities:

Marketable Securities at December 31, 2007 and 2006 consists of the following:

	2007	2006
Government debt securities, at par value	$ 30,544	$ 31,866
Less discount	(1,501)	(1,847)
	29,043	30,019
Unrealized gain	2,183	514
Fair value	$ 31,226	$ 30,533

Future contractual maturities of marketable securities at December 31, 2007 are as follows:

1 year or less	$ 1,436
2 to 5 years	3,961
6 to 10 years	25,147
	$ 30,544

The proceeds from maturities and interest receipts from the marketable securities are restricted to the service of the $27,676 note on which the Company remains obligated following the sale of Greeley Mall in July 2006 (See Note 10 Bank and Other Notes Payable).

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Deferred Charges And Other Assets:

Deferred charges and other assets at December 31, 2007 and 2006 consist of the following:

	2007	2006
Leasing	$ 139,343	$ 115,657
Financing	47,406	40,906
Intangible assets resulting from SFAS No. 141 allocations(1):		
In-place lease values	201,863	207,023
Leasing commissions and legal costs	35,728	36,177
	424,340	399,763
Less accumulated amortization(2)	(175,353)	(171,073)
	248,987	228,690
Other assets	137,815	79,135
	$ 386,802	$ 307,825

(1) The estimated amortization of these intangibles for the next five years and thereafter is as follows:

Year ending December 31,