



2019 ANNUAL REPORT | FORM 10-K

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Executive Vice President, Global Sales of PayPal

**John H. Alschuler**

Chairman of HR&A Advisors, Inc.

**Eric K. Brandt**

Former Executive Vice President and Chief Financial Officer of Broadcom Corporation

**Edward C. Coppola**

President of The Macerich Company

**Steven R. Hash**

Former President and Chief Operating Officer of Renaissance Macro Research, LLC

**Daniel J. Hirsch**

Consultant to Farallon Capital Management LLC

**Diana M. Laing**

Former Interim Chief Financial Officer and Executive Vice President of Alexander & Baldwin, Inc.

**Thomas E. O'Hern**

Chief Executive Officer of The Macerich Company

**Steven L. Soboroff**

Managing Partner of Soboroff Partners

**Andrea M. Stephen**

Former Executive Vice President, Investments of The Cadillac Fairview Corporation Limited

# *EXECUTIVE OFFICERS*

**Thomas E. O'Hern**

Chief Executive Officer

**Edward C. Coppola**

President

**Douglas J. Healey**

Senior Executive Vice President, Head of Leasing

**Scott W. Kingsmore**

Senior Executive Vice President, Chief Financial Officer and Treasurer

**Ann C. Menard**

Senior Executive Vice President, Chief Legal Officer and Secretary

**William P. Voegele**

Executive Vice President and Chief Development Officer

**Kenneth L. Volk**

Executive Vice President, Business Development



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File No. 1-12504

**THE MACERICH COMPANY**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**95-4448705**  
(I.R.S. Employer  
Identification Number)

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

**90401**  
(Zip Code)

**(310) 394-6000**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 Par Value	MAC	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

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  No

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 reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$4.7 billion as of the last business day of the registrant's most recently completed second fiscal quarter based upon the price at which the common stock was last sold on that day.

Number of shares outstanding of the registrant's common stock, as of February 21, 2020: 141,296,774 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the annual stockholders meeting to be held in 2020 are incorporated by reference into Part III of this Form 10-K.

**THE MACERICH COMPANY**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
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## PART I

### IMPORTANT FACTORS RELATED TO FORWARD-LOOKING STATEMENTS

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

- expectations regarding the Company’s growth;
- the Company’s beliefs regarding its acquisition, redevelopment, development, leasing and operational activities and opportunities, including the performance of its retailers;
- the Company’s acquisition, disposition and other strategies;
- regulatory matters pertaining to compliance with governmental regulations;
- the Company’s capital expenditure plans and expectations for obtaining capital for expenditures;
- the Company’s expectations regarding income tax benefits;
- the Company’s expectations regarding its financial condition or results of operations; and
- the Company’s expectations for refinancing its indebtedness, entering into and servicing debt obligations and entering into joint venture arrangements.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company’s future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors. You are urged to carefully review the disclosures we make concerning 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, as well as our other reports filed with the Securities and Exchange Commission (“SEC”). You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless required by law to do so.

## **ITEM 1. BUSINESS**

### **General**

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”). As of December 31, 2019, the Operating Partnership owned or had an ownership interest in 47 regional shopping centers and five community/power shopping centers. These 52 regional and community/power shopping centers (which include any related office space) consist of approximately 51 million square feet of gross leasable area (“GLA”) and are referred to herein as the “Centers”. The Centers consist of consolidated Centers (“Consolidated Centers”) and unconsolidated joint venture Centers (“Unconsolidated Joint Venture Centers”), as set forth in “Item 2. Properties,” 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, Macerich Arizona Partners LLC, a single member Arizona limited liability company, Macerich Arizona Management LLC, a single member Delaware limited liability company, Macerich Partners of Colorado LLC, a single member Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are owned by the Company and are collectively referred to herein as the “Management Companies.”

The Company was organized as a Maryland corporation in September 1993. All references to the Company in this Annual Report on Form 10-K 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 Schedule.”

### **Recent Developments**

#### *Financing Activity:*

On January 10, 2019, the Company replaced the existing loan on Fashion Outlets of Chicago with a new \$300.0 million loan that bears interest at an effective rate of 4.61% and matures on February 1, 2031. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On February 22, 2019, the Company’s joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from \$57.8 million to \$80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional \$18.4 million. The Company used its \$9.2 million share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On June 3, 2019, the Company’s joint venture in SanTan Village Regional Center replaced the existing loan on the property with a new \$220.0 million loan that bears interest at an effective rate of 4.34% and matures on July 1, 2029. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On June 27, 2019, the Company replaced the existing loan on Chandler Fashion Center with a new \$256.0 million loan that bears interest at an effective rate of 4.18% and matures on July 5, 2024. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On July 25, 2019, the Company's joint venture in Fashion District Philadelphia amended the existing term loan on the joint venture to allow for additional borrowings up to \$100.0 million at LIBOR plus 2.00%. Concurrent with the amendment, the joint venture borrowed an additional \$26.0 million. On August 16, 2019, the joint venture borrowed an additional \$25.0 million. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On September 12, 2019, the Company's joint venture in Tysons Tower placed a new \$190.0 million loan on the property that bears interest at an effective rate of 3.38% and matures on November 11, 2029. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On October 17, 2019, the Company's joint venture in West Acres placed a construction loan on the property that allows for borrowing of up to \$6.5 million, bears interest at an effective rate of 3.72% and matures on October 10, 2029. The joint venture intends to use the proceeds from the loan to fund the expansion of the property.

On December 3, 2019, the Company replaced the existing loan on Kings Plaza Shopping Center with a new \$540.0 million loan that bears interest at an effective rate of 3.71% and matures on January 1, 2030. The Company used the additional proceeds to pay down its line of credit and for general corporate purposes.

On December 18, 2019, the Company's joint venture in One Westside placed a \$414.6 million construction loan on the redevelopment project (See "Redevelopment and Development Activities"). The loan bears interest at LIBOR plus 1.70%, which can be reduced to LIBOR plus 1.50% upon the completion of certain conditions and matures on December 18, 2024. The joint venture intends to use the loan proceeds to fund the completion of the project.

*Redevelopment and Development Activity:*

On September 19, 2019, the Company's joint venture with Pennsylvania REIT opened the first phase of the redevelopment of Fashion District Philadelphia, an 899,000 square foot regional shopping center in Philadelphia, Pennsylvania. The project will have additional tenant openings throughout 2020 and early 2021. The total cost of the project is estimated to be between \$400.0 million and \$420.0 million, with \$200.0 million to \$210.0 million estimated to be the Company's pro rata share. The Company has funded \$190.9 million of the total \$381.8 million incurred by the joint venture as of December 31, 2019.

The Company's joint venture in Scottsdale Fashion Square completed the redevelopment of a former Barney's store and an 80,000 square foot exterior expansion in the fourth quarter of 2019. The Company has funded \$40.0 million of the total \$80.0 million incurred by the joint venture as of December 31, 2019.

The Company's joint venture with Hudson Pacific Properties is redeveloping One Westside into 584,000 square feet of creative office space and 96,000 square feet of dining and entertainment space. The entire creative office space has been leased to Google and is expected to be completed in 2022. The total cost of the project is estimated to be between \$500.0 million and \$550.0 million, with \$125.0 million to \$137.5 million estimated to be the Company's pro rata share. The Company has funded \$50.4 million of the total \$201.5 million incurred by the joint venture as of December 31, 2019. The joint venture expects to fund the remaining costs of the development with its new \$414.6 million construction loan (See "Financing Activities").

The Company has a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second phase. The Company has funded \$35.9 million of the total \$71.7 million incurred by the joint venture as of December 31, 2019.

In connection with the closures and lease rejections of several Sears stores owned or partially owned by the Company, the Company anticipates spending between \$130.0 million to \$160.0 million at the Company's pro rata share to redevelop the Sears stores. The anticipated openings of such redevelopments are expected to occur over several years. The estimated range of redevelopment costs could increase if the Company or its joint venture decides to expand the scope of the redevelopments. The Company has funded \$22.4 million at its pro rata share as of December 31, 2019.

*Other Transactions and Events:*

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") 842, "Leases", under the modified retrospective method. The new standard amended the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). In connection with the adoption of the new lease standard, the Company elected to use the transition packages of practical expedients for implementation provided by the Financial Accounting Standards Board ("FASB"), which included (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date, (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized, and (iv) application of the standard as of the adoption date rather than to all periods presented.

Upon adoption of the new standard, the Company has presented all revenues associated with leases as leasing revenue on its consolidated statements of operations. The new standard requires the Company to reduce leasing revenue for credit losses associated with lease receivables. In addition, straight-line rent receivables are written off when the Company believes there is reasonable uncertainty regarding a tenant's ability to complete the term of the lease. The new standard also requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Initial direct costs include the salaries and related costs for employees directly working on leasing activities. Prior to January 1, 2019, these costs were capitalizable and therefore the new lease standard resulted in certain of these costs being expensed as incurred.

## **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. "Strip centers", "urban villages" or "specialty centers" ("Community/Power Shopping 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/Power Shopping Centers typically contain 100,000 to 400,000 square feet of GLA. Outlet Centers generally contain a wide variety of designer and manufacturer stores, often located in an open-air center, and typically range in size from 200,000 to 850,000 square feet of GLA ("Outlet Centers"). In addition, freestanding retail stores are located along the perimeter of the shopping centers ("Freestanding Stores"). Mall Stores and Freestanding Stores over 10,000 square feet of GLA are also referred to as "Big Box." Anchors, Mall Stores, 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 a gathering place for community, charity and promotional events.

Regional Shopping Centers have generally provided owners with relatively stable 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. Anchors 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 GLA 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 long-term four-pronged business strategy that focuses on the acquisition, leasing and management, redevelopment and development of Regional Shopping Centers.

*Acquisitions.* The Company principally focuses on well-located, quality Regional Shopping Centers that can be dominant in their trade area and have strong revenue enhancement potential. In addition, the Company pursues other opportunistic acquisitions of property that include retail and will complement the Company's portfolio such as Outlet Centers. 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.

*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, information technology, 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 be responsive to, the needs of retailers.

The Company generally utilizes 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 one regional shopping center and two community centers for third party owners on a fee basis.

*Redevelopment.* One of the major components of the Company's growth strategy is its ability to redevelop acquired properties. On a selective basis, the Company's business strategy may include mixed-use densification to maximize space at the Company's Regional Shopping Centers, including by developing available land at the Regional Shopping Centers or by demolishing underperforming department store boxes and redeveloping the land. For this reason, the Company has built a staff of redevelopment professionals who have primary responsibility for identifying redevelopment opportunities that they believe 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 "Redevelopment and Development Activity" in Recent Developments).

*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 "Redevelopment and Development Activity" in Recent Developments).

*The Centers:*

As of December 31, 2019, the Centers primarily included 47 Regional Shopping Centers and five Community/Power Shopping Centers totaling approximately 51 million square feet of GLA. These 52 Centers average approximately 920,000 square feet of GLA and range in size from 3.5 million square feet of GLA at Tysons Corner Center to 184,000 square feet of GLA at Boulevard Shops. As of December 31, 2019, the Centers primarily included 176 Anchors totaling approximately 23.7 million square feet of GLA and approximately 5,000 Mall Stores and Freestanding Stores totaling approximately 24.5 million square feet of GLA.

*Competition:*

Numerous owners, developers and managers of malls, shopping centers and other retail-oriented real estate compete with the Company for the acquisition of properties and in attracting tenants or Anchors to occupy space. There are a number of other publicly traded mall companies and several large private mall companies in the United States, any of which under certain circumstances could compete against the Company for an Anchor or a tenant. In addition, these companies, as well as other REITs, private real estate companies or investors compete with the Company in terms of property acquisitions. This results in competition both for the acquisition of properties or centers and for tenants or Anchors to occupy space. Competition for property acquisitions may result in increased purchase prices and may adversely affect the Company's ability to make suitable property acquisitions on favorable terms. 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 rents that can be achieved. There is also increasing competition from other retail formats and technologies, such as lifestyle centers, power centers, outlet centers, Internet shopping, home shopping networks, catalogs, telemarketing and discount shopping clubs 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 Centers.

*Major Tenants:*

For the year ended December 31, 2019, the Centers derived approximately 73% of their total rents from Mall Stores and Freestanding Stores under 10,000 square feet and 27% of their total rents from Big Box and Anchor tenants. Total rents as set forth in “Item 1. Business” include minimum rents and percentage rents.

The following retailers (including their subsidiaries) represent the 10 largest tenants in the Centers based upon total rents in place as of December 31, 2019:

<u>Tenant</u>	<u>Primary DBAs</u>	<u>Number of Locations in the Portfolio</u>	<u>% of Total Rents</u>
L Brands, Inc. ....	Victoria’s Secret, Bath and Body Works, PINK	91	2.9%
H & M Hennes & Mauritz AB .....	H & M	31	2.3%
Foot Locker, Inc. ....	Champs Sports, Foot Locker, Kids Foot Locker, Lady Foot Locker, Foot Action, House of Hoops, and others	87	2.2%
Gap, Inc., The .....	Athleta, Banana Republic, Gap, Gap Kids, Old Navy and others	53	1.9%
Dick’s Sporting Goods, Inc. ....	Dick’s Sporting Goods	15	1.6%
Signet Jewelers .....	Jared Jewelry, Kay Jewelers, Piercing Pagoda, Zales	94	1.6%
Forever 21, Inc.(1) .....	Forever 21, XXI Forever	26	1.4%
American Eagle Outfitters, Inc. ....	American Eagle Outfitters, aerie	37	1.2%
Abercrombie & Fitch .....	Abercrombie & Fitch, Hollister	52	1.2%
Express .....	Express, Express Men	28	1.1%

(1) Forever 21, Inc. filed for Chapter 11 bankruptcy protection in September 2019. The total rents used to compute the percentage of rent paid by Forever 21, Inc. in the table above are the anticipated rents to be paid to the Company in 2020 based on a negotiated settlement currently in process through the bankruptcy court.

*Mall Stores and Freestanding Stores:*

Mall Store 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 other cases, tenants pay only percentage rent. The Company generally enters into leases for Mall Stores and Freestanding Stores that also require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses the Company actually incurs at any Center. However, certain leases for Mall Stores and Freestanding Stores contain provisions that only require tenants to pay their pro rata share of maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operations of the Center.

Tenant space of 10,000 square feet and under in the Company’s portfolio at December 31, 2019 comprises approximately 65% of all Mall Store and Freestanding Store space. The Company uses tenant spaces of 10,000 square feet and under for comparing rental rate activity because this space is more consistent in terms of shape and configuration and, as such, the Company is able to provide a meaningful comparison of rental rate activity for this space. Mall Store and Freestanding Store space greater than

10,000 square feet is inconsistent in size and configuration throughout the Company's portfolio and as a result does not lend itself to a meaningful comparison of rental rate activity with the Company's other space. Much of the non-Anchor space over 10,000 square feet is not physically connected to the mall, does not share the same common area amenities and does not benefit from the foot traffic in the mall. As a result, space greater than 10,000 square feet has a unique rent structure that is inconsistent with mall space under 10,000 square feet.

The following tables set forth the average base rent per square foot for the Centers, as of December 31 for each of the past five years:

**Mall Stores and Freestanding Stores under 10,000 square feet:**

<u>For the Years Ended December 31,</u>	<u>Avg. Base Rent Per Sq. Ft.(1)(2)</u>	<u>Avg. Base Rent Per Sq. Ft. on Leases Executed During the Year(2)(3)</u>	<u>Avg. Base Rent Per Sq. Ft. on Leases Expiring During the Year(2)(4)</u>
Consolidated Centers (at the Company's pro rata share):			
2019 .....	\$58.76	\$53.29	\$53.20
2018 .....	\$56.82	\$54.00	\$49.07
2017 .....	\$55.08	\$57.36	\$49.61
2016 .....	\$53.51	\$53.48	\$44.77
2015 .....	\$52.64	\$53.99	\$49.02
Unconsolidated Joint Venture Centers (at the Company's pro rata share):			
2019 .....	\$65.67	\$73.05	\$65.22
2018 .....	\$63.84	\$66.95	\$59.49
2017 .....	\$60.99	\$63.50	\$55.50
2016 .....	\$57.90	\$64.78	\$57.29
2015 .....	\$60.74	\$80.18	\$60.85

**Big Box and Anchors:**

<u>For the Years Ended December 31,</u>	<u>Avg. Base Rent Per Sq. Ft.(1)(2)</u>	<u>Avg. Base Rent Per Sq. Ft. on Leases Executed During the Year(2)(3)</u>	<u>Number of Leases Executed During the Year</u>	<u>Avg. Base Rent Per Sq. Ft. on Leases Expiring During the Year(2)(4)</u>	<u>Number of Leases Expiring During the Year</u>
Consolidated Centers (at the Company's pro rata share):					
2019 .....	\$16.51	\$15.47	24	\$10.37	11
2018 .....	\$15.29	\$14.03	23	\$16.83	13
2017 .....	\$14.13	\$18.19	24	\$14.85	21
2016 .....	\$13.34	\$22.23	20	\$19.12	8
2015 .....	\$12.72	\$19.87	19	\$ 8.96	14
Unconsolidated Joint Venture Centers (at the Company's pro rata share):					
2019 .....	\$17.20	\$25.62	13	\$19.28	8
2018 .....	\$17.40	\$38.98	11	\$38.20	7
2017 .....	\$16.87	\$26.33	15	\$33.25	8
2016 .....	\$15.76	\$29.41	13	\$28.00	1
2015 .....	\$14.48	\$33.00	14	\$ 9.30	8

(1) Average base rent per square foot is based on spaces occupied as of December 31 for each of the Centers and gives effect to the terms of each lease in effect, as of such date, including any concessions, abatements and other adjustments or allowances that have been granted to the tenants.

- (2) Centers under development and redevelopment are excluded from average base rents. As a result, the leases for Fashion District Philadelphia, Paradise Valley Mall and One Westside are excluded for the years ended December 31, 2019, 2018, 2017, 2016 and 2015. The leases for Broadway Plaza are excluded for the years ended December 31, 2016 and 2015. The leases for Fashion Outlets of Niagara Falls USA and SouthPark Mall are excluded for the year ended December 31, 2015.

The leases for Cascade Mall and Northgate Mall, which were sold on January 18, 2017, are excluded for the year ended December 31, 2016. Flagstaff Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016 and is excluded for the year ended December 31, 2015.

- (3) The average base rent per square foot on leases executed during the year represents the actual rent paid on a per square foot basis during the first twelve months of the lease.
- (4) The average base rent per square foot on leases expiring during the year represents the actual rent to be paid on a per square foot basis during the final twelve months of the lease.

*Cost of Occupancy:*

A major factor contributing to tenant profitability is cost of occupancy, which consists of tenant occupancy costs charged by the Company. Tenant expenses included in this calculation are minimum rents, percentage rents and recoverable expenditures, which consist primarily of property operating expenses, real estate taxes and repair and maintenance expenditures. These tenant charges are collectively referred to as tenant occupancy costs. These tenant occupancy costs are compared to tenant sales. A low cost of occupancy percentage shows more potential capacity for the Company to increase rents at the time of lease renewal than a high cost of occupancy percentage. The following table summarizes occupancy costs for Mall Store and Freestanding Store tenants in the Centers as a percentage of total Mall Store sales for the last five years:

	<b>For the Years Ended December 31,</b>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016(1)</u>	<u>2015(2)</u>
<b>Consolidated Centers:</b>					
Minimum rents .....	9.1%	9.3%	9.5%	9.4%	9.0%
Percentage rents .....	0.4%	0.3%	0.3%	0.4%	0.4%
Expense recoveries(3) .....	3.6%	3.9%	4.2%	4.3%	4.5%
	<u>13.1%</u>	<u>13.5%</u>	<u>14.0%</u>	<u>14.1%</u>	<u>13.9%</u>
<b>Unconsolidated Joint Venture Centers:</b>					
Minimum rents .....	7.3%	7.8%	8.6%	8.6%	8.1%
Percentage rents .....	0.3%	0.3%	0.3%	0.3%	0.4%
Expense recoveries(3) .....	3.2%	3.4%	3.8%	3.9%	4.0%
	<u>10.8%</u>	<u>11.5%</u>	<u>12.7%</u>	<u>12.8%</u>	<u>12.5%</u>

- (1) Cascade Mall and Northgate Mall were sold on January 18, 2017 and are excluded for the year ended December 31, 2016.
- (2) Flagstaff Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016 and is excluded for the year ended December 31, 2015.
- (3) 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, 2019 for the next ten years, assuming that none of the tenants exercise renewal options:

**Mall Stores and Freestanding Stores under 10,000 square feet:**

<u>Year Ending December 31,</u>	<u>Number of Leases Expiring</u>	<u>Approximate GLA of Leases Expiring(1)</u>	<u>% of Total Leased GLA Represented by Expiring Leases(1)</u>	<u>Ending Base Rent per Square Foot of Expiring Leases(1)</u>	<u>% of Base Rent Represented by Expiring Leases(1)</u>
Consolidated Centers (at the Company's pro rata share):					
2020 .....	324	669,961	15.30%	\$55.73	12.91%
2021 .....	320	606,388	13.84%	\$60.36	12.66%
2022 .....	285	470,126	10.73%	\$65.95	10.72%
2023 .....	226	456,925	10.43%	\$61.34	9.69%
2024 .....	244	578,073	13.20%	\$67.94	13.58%
2025 .....	169	402,136	9.18%	\$73.18	10.18%
2026 .....	145	415,401	9.48%	\$72.95	10.48%
2027 .....	93	224,400	5.12%	\$81.62	6.33%
2028 .....	81	212,304	4.85%	\$67.84	4.98%
2029 .....	82	227,595	5.20%	\$80.47	6.33%
Unconsolidated Joint Venture Centers (at the Company's pro rata share):					
2020 .....	217	261,174	11.48%	\$55.18	8.70%
2021 .....	268	322,600	14.18%	\$64.79	12.61%
2022 .....	190	230,695	10.14%	\$68.51	9.54%
2023 .....	164	240,096	10.56%	\$65.83	9.54%
2024 .....	172	232,829	10.24%	\$71.21	10.01%
2025 .....	135	213,831	9.40%	\$71.86	9.27%
2026 .....	161	226,891	9.98%	\$88.69	12.15%
2027 .....	116	163,281	7.18%	\$90.36	8.91%
2028 .....	104	176,492	7.76%	\$86.97	9.26%
2029 .....	85	110,480	4.86%	\$79.71	5.32%

## Big Boxes and Anchors:

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)	% of Base Rent Represented by Expiring Leases(1)
Consolidated Centers (at the Company's pro rata share):					
2020 .....	10	470,910	5.34%	\$11.03	3.29%
2021 .....	20	715,068	8.12%	\$10.47	4.75%
2022 .....	27	941,805	10.69%	\$22.62	13.49%
2023 .....	29	884,615	10.04%	\$12.63	7.08%
2024 .....	27	772,756	8.77%	\$22.24	10.89%
2025 .....	25	825,362	9.37%	\$19.85	10.38%
2026 .....	17	833,376	9.46%	\$13.18	6.96%
2027 .....	19	564,153	6.40%	\$30.08	10.75%
2028 .....	19	884,785	10.04%	\$17.23	9.66%
2029 .....	7	238,522	2.71%	\$ 9.34	1.41%
Unconsolidated Joint Venture Centers (at the Company's pro rata share):					
2020 .....	15	201,601	4.17%	\$27.31	6.29%
2021 .....	19	288,748	5.97%	\$24.72	8.16%
2022 .....	18	497,807	10.29%	\$12.48	7.10%
2023 .....	21	291,620	6.03%	\$24.12	8.04%
2024 .....	20	310,779	6.43%	\$36.13	12.83%
2025 .....	21	748,340	15.48%	\$10.54	9.02%
2026 .....	21	407,761	8.43%	\$25.78	12.02%
2027 .....	13	292,686	6.05%	\$18.84	6.30%
2028 .....	11	380,712	7.87%	\$17.76	7.73%
2029 .....	11	288,865	5.97%	\$12.94	4.27%

- (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 tenant leases expiring during the year. Currently, 30% of leases have provisions for future consumer price index increases that are not reflected in ending base rent. The leases for Centers currently under development and redevelopment are excluded from this table.

### *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 Stores and Freestanding Stores, strong Anchors play an important part in maintaining customer traffic and making the Centers desirable locations for Mall Store 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 Stores and Freestanding Stores. Each Anchor that owns its own store and certain Anchors that 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 7.3% of the Company's total rents for the year ended December 31, 2019.

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, 2019.

Name	Number of Anchor Stores	GLA Owned by Anchor	GLA Leased by Anchor	Total GLA Occupied by Anchor
Macy's Inc.				
Macy's .....	36	4,698,000	1,931,000	6,629,000
Bloomingtondale's .....	2	—	355,000	355,000
	38	4,698,000	2,286,000	6,984,000
JCPenney(1) .....	27	1,641,000	2,299,000	3,940,000
Sears(2) .....	5	—	584,000	584,000
Dillard's .....	13	2,107,000	257,000	2,364,000
Nordstrom(3) .....	12	739,000	1,339,000	2,078,000
Dick's Sporting Goods .....	15	—	952,000	952,000
Forever 21(4) .....	7	—	629,000	629,000
Target .....	4	304,000	273,000	577,000
Hudson Bay Company				
Lord & Taylor(5) .....	3	121,000	199,000	320,000
Saks Fifth Avenue .....	1	—	92,000	92,000
	4	121,000	291,000	412,000
Home Depot .....	3	—	395,000	395,000
Burlington .....	4	187,000	182,000	369,000
Costco .....	2	—	321,000	321,000
Primark(6) .....	4	—	251,000	251,000
Kohl's .....	1	—	84,000	84,000
Neiman Marcus .....	2	—	188,000	188,000
Von Maur .....	2	187,000	—	187,000
Walmart .....	1	—	173,000	173,000
Century 21 .....	2	—	171,000	171,000
La Curacao .....	1	—	165,000	165,000
Boscov's .....	1	—	161,000	161,000
Belk .....	2	—	139,000	139,000
BJ's Wholesale Club .....	1	—	123,000	123,000
Lowe's .....	1	—	114,000	114,000
Mercado de los Cielos .....	1	—	78,000	78,000
L.L. Bean .....	1	—	75,000	75,000
Best Buy .....	1	66,000	—	66,000
Des Moines Area Community College .....	1	64,000	—	64,000
Bealls .....	1	—	40,000	40,000
Vacant Anchors(7) .....	16	—	1,849,000	1,849,000
	173	10,114,000	13,419,000	23,533,000
Anchors at Centers not owned by the Company(8):				
Kohl's .....	1	—	83,000	83,000
Vacant Anchors(7) .....	2	—	120,000	120,000
<b>Total .....</b>	<b>176</b>	<b>10,114,000</b>	<b>13,622,000</b>	<b>23,736,000</b>

(1) JCPenney announced plans to close their store at Green Acres Mall in 2020. The Company is actively releasing this site.



- (2) Three of these five Sears stores are closing in early 2020. The Company continues to collect rent under the terms of the related leases. The Company is actively seeking replacement tenants for these Company-owned sites.
- (3) Nordstrom has announced plans to open a 116,000 square foot store at Country Club Plaza in 2021.
- (4) Forever 21 has announced plans to close two of these stores in early 2020 at Arrowhead Towne Center and Danbury Fair Mall. The Company is actively seeking replacement tenants for these Company-owned sites.
- (5) The Lord & Taylor store closed at Tysons Corner Center in January 2020. The joint venture is actively evaluating redevelopment opportunities.
- (6) Primark has announced plans to open a 47,000 square foot store at Fashion District Philadelphia in Spring 2021.
- (7) The Company is actively seeking replacement tenants or has entered into replacement leases for many of these vacant sites and/or is currently executing on or considering redevelopment opportunities for these locations. The Company continues to collect rent under the terms of an agreement regarding one of these vacant Anchors.
- (8) The Company owns an office building and six stores located at shopping centers not owned by the Company. Of these six stores, one has been leased to Kohl's, two are vacant and three have been leased for non-Anchor usage.

### **Environmental Matters**

Each of the Centers has been subjected to an Environmental Site Assessment—Phase I (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 assessments, and on other information, the Company is aware of the following environmental issues, which may result in potential environmental liability and cause the Company to incur costs in responding to these liabilities or in other costs associated with future investigation or remediation:

- *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 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 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.

See “Item 1A. Risk Factors—Possible environmental liabilities could adversely affect us.”

## **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, carry specific 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 \$100 million on these Centers. The Company or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in the Pacific Northwest and in the New Madrid Seismic Zone. However, the policies are subject to a deductible equal to 2% of the total insured value of each Center, a \$50,000 per occurrence minimum and a combined annual aggregate loss limit of \$100 million on these Centers. While the Company or the relevant joint venture also carries standalone terrorism insurance on the Centers, the policies are subject to a \$25,000 deductible and a combined annual aggregate loss limit of \$1.0 billion. Each Center has environmental insurance covering eligible third-party losses, remediation and non-owned disposal sites, subject to a \$100,000 retention and a \$50 million three-year aggregate loss limit, with the exception of one Center, which has a \$5 million ten-year aggregate loss limit and another Center, which has a \$20 million ten-year aggregate loss 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 generally 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.

## **Supplemental Material United States Federal Income Tax Considerations**

The following discussion updates the disclosures under “Material United States Federal Income Tax Considerations” in the prospectus dated August 10, 2017 contained in the Company’s Registration Statement on Form S-3 filed with the SEC on August 10, 2017, as previously updated by the disclosures under “Supplemental Material Federal Income Tax Considerations” in its Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 23, 2018 and its Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 25, 2019 (collectively, the “Base Disclosure”).

The Tax Cuts and Jobs Act (the “TCJA”) repealed the rule, referenced under the heading “Taxable REIT Subsidiaries,” that limits a taxable REIT subsidiary’s ability to deduct interest payments made to the

Company. The TCJA introduced a rule which may limit the deductibility of interest payments by the Company and its subsidiaries, including its Taxable REIT subsidiaries. However, certain tax elections may be available to a “real property trade or business” to have this rule not apply.

Recently promulgated proposed regulations make certain changes to the discussion of “qualified foreign pension funds” appearing under the heading “Taxation of Non-U.S. Stockholders—Dispositions of Stock”. Under the proposed regulations, entities that are wholly owned, directly or indirectly, by one or more qualified foreign pension funds are exempt from FIRPTA in the same manner as described in the Base Disclosure for qualified foreign pension funds. The proposed regulations also do not require an entity to provide annual information reporting about its beneficiaries to relevant local tax authorities in order to qualify as a qualified foreign pension fund as long as such information is either available to the taxing authorities or is provided to another government agency. These proposed regulations have not been finalized, may never be finalized, and may be rescinded at any time, but taxpayers may rely on them while they are proposed, provided they apply them consistently and accurately.

The TCJA introduced a rule which expanded the scope of the \$1 million limitation on corporate tax deductions and repealed the exclusion for performance-based compensation (the “section 162(m) limitation”). Proposed regulations were issued in late 2019 which may cause the Company to be subject to the section 162(m) limitation.

### **Employees**

As of December 31, 2019, the Company had approximately 737 employees, of which approximately 723 were full-time. The Company believes that relations with its employees are good.

### **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.

### **Sustainability**

A recognized leader in sustainability, the Company has achieved the #1 Global Real Estate Sustainability Benchmark (GRESB) ranking in the North American Retail Sector for five straight years 2015 – 2019. Additional information about the Company’s Environmental, Social and Governance programs can be obtained from the Company’s website at [www.macerich.com](http://www.macerich.com).

### **Available Information; Website Disclosure; Corporate Governance Documents**

The Company's corporate website address is [www.macerich.com](http://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 SEC. These reports are available under the heading "Investors—Financial Information—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. The following documents relating to Corporate Governance are available on the Company's website at [www.macerich.com](http://www.macerich.com) under "Investors—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
- 401 Wilshire Blvd., Suite 700
- Santa Monica, CA 90401

## **ITEM 1A. RISK FACTORS**

*The following factors could cause our actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by our management from time to time. This list should not be considered to be a complete statement of all potential risks or uncertainties as it does not describe additional risks of which we are not presently aware or that we do not currently consider material. We may update our risk factors from time to time in our future periodic reports. Any of these factors may have a material adverse effect on our business, financial condition, operating results and cash flows. For purposes of this “Risk Factor” section, 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.”*

### **RISKS RELATED TO OUR BUSINESS AND PROPERTIES**

***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. A number of factors may decrease the income generated by the Centers, including:

- the national economic climate;
- the regional and local economy (which may be negatively impacted by rising unemployment, declining real estate values, increased foreclosures, higher taxes, plant closings, industry slowdowns, union activity, adverse weather conditions, natural disasters and other factors);
- local real estate conditions (such as an oversupply of, or a reduction in demand for, retail space or retail goods, decreases in rental rates, declining real estate values and the availability and creditworthiness of current and prospective tenants);
- decreased levels of consumer spending, consumer confidence, and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual sales);
- increasing use by customers of e-commerce and online store sites and the impact of internet sales on the demand for retail space;
- negative perceptions by retailers or shoppers of the safety, convenience and attractiveness of a Center;
- acts of violence, including terrorist activities; 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.

***A significant percentage 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. Nine Centers in the aggregate are located in New York, New Jersey and Connecticut. To the extent that weak economic or real estate conditions 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.***

Numerous owners, developers and managers of malls, shopping centers and other retail-oriented real estate compete with us for the acquisition of properties and in attracting tenants or Anchors to occupy space. There are a number of other publicly traded mall companies and several large private mall companies in the United States, any of which under certain circumstances could compete against us for an Anchor or a tenant. In addition, these companies, as well as other REITs, private real estate companies or investors compete with us in terms of property acquisitions. This results in competition both for the acquisition of properties or centers and for tenants or Anchors to occupy space. Competition for property acquisitions may result in increased purchase prices and may adversely affect our ability to make suitable property acquisitions on favorable terms or at all. The existence of competing shopping centers could have a material adverse impact on our ability to lease space and on the rental rates that can be achieved. There is also increasing competition for tenants and shoppers from other retail formats and technologies, such as lifestyle centers, power centers, outlet centers, e-commerce, home shopping networks, catalogs, telemarketing and discount shopping clubs that could adversely affect our revenues.

***We may be unable to renew leases, lease vacant space or re-let space as leases expire on favorable terms or at all, which could adversely affect our financial condition and results of operations.***

There are no assurances that our leases will be renewed or that vacant space in our Centers will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates at our Centers decrease, if our existing tenants do not renew their leases or if we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition and results of operations could be adversely affected.

***If Anchors or other significant tenants experience a downturn in their business, close or sell stores or declare bankruptcy, our financial condition and results of operations could be adversely affected.***

Our financial condition and results of operations could be adversely affected if a downturn in the business of, or the bankruptcy or insolvency of, an Anchor or other significant tenant leads them to close retail stores or terminate their leases after seeking protection under the bankruptcy laws from their creditors, including us as lessor. In recent years, a number of companies in the retail industry, including some of our tenants, have declared bankruptcy, have gone out of business, have significantly reduced their brick-and-mortar presence or failed to comply with their contractual obligations to us and others. If one of our tenants files for bankruptcy, we may not be able to collect amounts owed by that party prior to filing for bankruptcy. We may make lease modifications either pre- or post-bankruptcy for certain tenants undergoing significant financial distress in order for them to continue as a going concern. In addition, after filing for bankruptcy, a tenant may terminate any or all of its leases with us, in which event we would have a general unsecured claim against such tenant that would likely be worth less than the full amount owed to us for the remainder of the lease term. Furthermore, we may be required to incur significant expense in re-letting the space vacated by a bankrupt tenant and may not be able to release the space on similar terms or at all. The bankruptcy of a tenant, particularly an Anchor, may require a substantial redevelopment of their space, the success of which cannot be assured, and may make the re-letting of their space difficult and costly, and it may also be difficult to lease the remainder of the space at the affected property.

On October 15, 2018, Sears filed for bankruptcy and announced additional store closings. At the time of the bankruptcy filing, we had 21 Sears stores in our portfolio totaling approximately 3.1 million square feet and accounting for less than 1% of the Company's total leasing revenue. As of December 31, 2019, we recaptured ten Sears locations, including seven through our joint venture with Seritage Growth Properties ("Seritage"), through formal lease rejections and lease terminations. We anticipate aggregate redevelopment

investments at several of these locations of \$130.0 million to \$160.0 million (at our pro rata share) over the next several years. New tenants are expected to open at several projects in 2020. In early 2020, Sears will be closing five additional locations, including three stores in which we have an ownership interest and two that are owned by Seritage and not by us. Sears will continue to pay rent on these locations in which we have an ownership interest. We are actively seeking replacement tenants for these Company-owned sites. Although, in the short-term, the bankruptcy of an Anchor such as Sears may lead to lost base rent and the triggering of co-tenancy clauses, there is also the potential to create additional future value through the recapturing of space and releasing that space to new tenants at higher rents per square foot, which we have demonstrated through our joint venture with Seritage and the completed redevelopment of a former Sears store at Kings Plaza Shopping Center in July 2018.

On September 29, 2019, Forever 21, Inc. filed for Chapter 11 bankruptcy. At the time of the bankruptcy filing, we had 29 Forever 21 stores in our portfolio totaling approximately 1.2 million square feet. As of December 31, 2019, Forever 21 stores represented 1.4% of our total minimum and percentage rental revenues. We are in ongoing discussions with Forever 21 regarding the status of these stores. Based on a court filing dated October 28, 2019, we expect that four of the Forever 21 stores will close, three of which are owned by us, and one of which is not owned by us. We anticipate that we may provide certain rent concessions in connection with a number of the remaining stores. We are actively seeking replacement tenants for these Company-owned sites.

Furthermore, certain department stores and other national retailers have experienced, and may continue to experience, decreases in customer traffic in their retail stores, increased competition from alternative retail options such as e-commerce and other forms of pressure on their business models. If the store sales of retailers operating at our Centers decline significantly due to adverse economic conditions or for any other reason, 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.

Anchors and/or tenants at one or more Centers might also terminate their leases as a result of mergers, acquisitions, consolidations or dispositions in the retail industry. The sale of an Anchor or store to a less desirable retailer may reduce occupancy levels, customer traffic and rental income. Depending on economic conditions, there is also a risk that Anchors or other significant tenants may sell stores operating in our Centers or consolidate duplicate or geographically overlapping store locations. Store closures by an Anchor and/or a significant number of tenants may allow other Anchors and/or certain other tenants to terminate their leases, receive reduced rent and/or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center.

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

Our historical growth in revenues, net income and funds from operations has been in part tied to the acquisition, development and redevelopment of shopping centers. Many factors, including the availability and cost of capital, our total amount of debt outstanding, our ability to obtain financing on attractive terms, if at all, interest rates and the availability of attractive acquisition targets, among others, will affect our ability to acquire, develop 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, develop and 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 or investors. Some of our competitors have greater financial and other resources. Increased competition for shopping center acquisitions may result in increased purchase prices and 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. On a selective basis, our business strategy may include mixed-use densification to maximize space at our Regional Shopping Centers, including by developing available land at our Regional Shopping Centers or by demolishing underperforming department store boxes and redeveloping the land. 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. Additionally, if we elect to pursue a “mixed-use” redevelopment, we expose ourselves to risks associated with each non-retail use (e.g., office, residential, hotel and entertainment). If any of the above events occur, our ability to pay dividends to our stockholders and service our indebtedness could be adversely affected.

***Excess space at our properties could materially and adversely affect us.***

Certain of our properties have had excess space available for prospective tenants, and those properties may continue to experience, and other properties may commence experiencing, such oversupply in the future. Among other causes, (1) there has been an increased number of bankruptcies of Anchors and other national retailers, as well as store closures, and (2) there has been lower demand from retail tenants for space, due to certain retailers increasing their use of e-commerce websites to distribute their merchandise. As a result of the increased bargaining power of creditworthy retail tenants, there is a downward pressure on our rental rates and occupancy levels, and this increased bargaining power may also result in us having to increase our spend on tenant improvements and potentially make other lease modifications, any of which, in the aggregate, could materially and adversely affect us.

***Real estate investments are relatively illiquid and we may be unable to sell properties at the time we desire and on favorable terms.***

Investments in real estate are relatively illiquid, which limits our ability to adjust our portfolio in response to changes in economic, market or other conditions. Moreover, there are some limitations under federal income tax laws applicable to REITs that limit our ability to sell assets. In addition, because our properties are generally mortgaged to secure our debts, we may not be able to obtain a release of a lien on a mortgaged property without the payment of the associated debt and/or a substantial prepayment penalty, which restricts our ability to dispose of a property, even though the sale might otherwise be desirable. Furthermore, 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.



***Our real estate assets may be subject to impairment charges.***

We periodically assess whether there are any indicators, including property operating performance, changes in anticipated holding period and general market conditions, that the value of our real estate assets and other investments may be impaired. A property's value is considered to be impaired only if the estimated aggregate future undiscounted and unleveraged property cash flows, taking into account the anticipated probability weighted average holding period, are less than the carrying value of the property. In our estimate of cash flows, we consider trends and prospects for a property and the effects of demand and competition on expected future operating income. If we are evaluating the potential sale of an asset or redevelopment alternatives, the undiscounted future cash flows consider the most likely course of action as of the balance sheet date based on current plans, intended holding periods and available market information. We are required to make subjective assessments as to whether there are impairments in the value of our real estate assets and other investments. Impairment charges have an immediate direct impact on our earnings. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our operating results in the period in which the charge is recognized.

***Our success depends, in part, on our ability to attract and retain talented employees, and the loss of any one of our key personnel could adversely impact our business.***

The success of our business depends, in part, on the leadership and performance of our executive management team and key employees, and our ability to attract, retain and motivate talented employees could significantly impact our future performance. Competition for these individuals is intense, and we cannot assure you that we will retain our executive management team and key employees or that we will be able to attract and retain other highly qualified individuals for these positions in the future. Losing any one or more of these persons could have a material adverse effect on our results of operations, financial condition and cash flows.

***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 asbestos containing materials ("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.

***Some of our properties are subject to potential natural or other disasters.***

Some of our Centers are located in areas that are subject to natural disasters, including our Centers in California or in other areas with higher risk of earthquakes, our Centers in flood plains or in areas that

may be adversely affected by tornadoes, as well as our Centers in coastal regions that may be adversely affected by increases in sea levels or in the frequency or severity of hurricanes, tropical storms or other severe weather conditions. The occurrence of natural disasters can delay redevelopment or development projects, increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact the tenant demand for lease space. If insurance is unavailable to us or is unavailable on acceptable terms, or our insurance is not adequate to cover losses from these events, our financial condition and results of operations could be adversely affected.

***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 specific 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 \$100 million on these Centers. We or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in the Pacific Northwest and in the New Madrid Seismic Zone. However, the policies are subject to a deductible equal to 2% of the total insured value of each Center, a \$50,000 per occurrence minimum and a combined annual aggregate loss limit of \$100 million on these Centers. While we or the relevant joint venture also carries standalone terrorism insurance on the Centers, the policies are subject to a \$25,000 deductible and a combined annual aggregate loss limit of \$1.0 billion. Each Center has environmental insurance covering eligible third-party losses, remediation and non-owned disposal sites, subject to a \$100,000 retention and a \$50 million three-year aggregate loss limit, with the exception of one Center, which has a \$5 million ten-year aggregate loss limit and another Center has a \$20 million ten-year aggregate loss limit. Some environmental losses are not covered by this insurance because they are uninsurable or not economically insurable. Furthermore, we carry title insurance on substantially all of the Centers for generally less than their full value.

If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but may remain obligated for any mortgage debt or other financial obligations related to the property.

***We face risks associated with and have been the target of security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.***

We face risks associated with and have been the target of security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports,

violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally. Moreover, cyber attacks perpetrated against our Anchors and tenants, including unauthorized access to customers' credit card data and other confidential information, could diminish consumer confidence and consumer spending and negatively impact our business.

***Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make expenditures that adversely affect our cash flows.***

All of the properties in our portfolio are required to comply with the Americans with Disabilities Act ("ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-compliance could result in the imposition of fines by the United States government or an award of damages to private litigants, or both. While the tenants to whom our portfolio is leased are obligated to comply with ADA provisions, within their leased premises, if required changes within their leased premises involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of tenants to cover costs could be adversely affected. Furthermore, we are required to comply with ADA requirements within the common areas of the properties in our portfolio and we may not be able to pass on to our tenants any costs necessary to remediate any common area ADA issues. As a result, we could be required to expend funds to comply with the provisions of the ADA, which could adversely affect our financial condition and operating results. In addition, we are required to operate the properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our portfolio. We may be required to make substantial capital expenditures to comply with, and we may be restricted in our ability to renovate or redevelop the properties subject to, those requirements. The resulting expenditures and restrictions could have a material adverse effect on our ability to meet our financial obligations.

***Possible terrorist activity or other acts or threats of violence and threats to public safety could adversely affect our financial condition and results of operations.***

Terrorist attacks and threats of terrorist attacks in the United States or other acts or threats of violence may result in declining economic activity, which could harm the demand for goods and services offered by our tenants and the value of our properties and might adversely affect the value of an investment in our securities. Such a resulting decrease in retail demand could make it difficult for us to renew or re-lease our properties.

Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be reduced or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that our tenants are affected by such attacks and threats of attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts and threats might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay

the occupancy of our new or redeveloped properties, and limit our access to capital or increase our cost of raising capital.

***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.

Inflation also poses a risk to us due to the possibility of future increases in interest rates. Such increases would adversely impact us due to our outstanding floating-rate debt as well as result in higher interest rates on new fixed-rate debt. In certain cases, we may limit our exposure to interest rate fluctuations related to a portion of our floating-rate debt by the use of interest rate cap and swap agreements. Such agreements, subject to current market conditions, allow us to replace floating-rate debt with fixed-rate debt in order to achieve our desired ratio of floating-rate to fixed-rate debt. However, in an increasing interest rate environment the fixed rates we can obtain with such replacement fixed-rate cap and swap agreements or the fixed-rate on new debt will also continue to increase.

***We have substantial debt that could affect our future operations.***

Our total outstanding loan indebtedness at December 31, 2019 was \$8.1 billion (consisting of \$5.2 billion of consolidated debt, less \$359.1 million attributable to noncontrolling interests, plus \$3.2 billion of our pro rata share of mortgages and other notes payable on unconsolidated joint ventures). 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 amount of cash available for other business opportunities. We are also 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. In addition, our use of interest rate hedging arrangements may expose us to additional risks, including that the counterparty to the arrangement may fail to honor its obligations and that termination of these arrangements typically involves costs such as transaction fees or breakage costs. There can be no assurance that our hedging activities will have the desired impact on our results of operations, liquidity or financial condition. Furthermore, most 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. Certain Centers also have debt that could become recourse debt to us if the Center is unable to discharge such debt obligation and, in certain circumstances, we may incur liability with respect to such debt greater than our legal ownership.

***We are obligated to comply with financial and other covenants that could affect our operating activities.***

Our unsecured credit facilities contain financial covenants, including interest coverage requirements, as well as limitations on our ability to incur debt, make dividend payments and make certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain transactions that might otherwise be advantageous. In addition, failure to meet certain of these financial covenants could cause an event of default, which, if not cured or waived, could accelerate some or all of such indebtedness which could have a material adverse effect on us.

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

We depend primarily on external financings, principally debt financings and, in more limited circumstances, equity 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, lenders and other institutions to lend to us based on their underwriting criteria which can fluctuate with market conditions and on conditions in the capital markets in general. In addition, levels of market disruption and volatility could materially adversely impact our ability to access the capital markets for equity financings.

There are no assurances that we will continue to be able to obtain the financing we need for future growth or to meet our debt service as obligations mature, or that the financing will be available to us on acceptable terms, or at all. Any debt refinancing could also impose more restrictive terms.

***We may be adversely affected by the potential discontinuation of LIBOR.***

In July 2017, the Financial Conduct Authority (the “FCA”) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative to USD-LIBOR. We are not able to predict when LIBOR will cease to be published or precisely how SOFR will be calculated and published. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

We have contracts that are indexed to LIBOR and are monitoring and evaluating the related risks, which include interest amounts on our variable rate debt, the variable rate debt of our joint ventures and the swap rate for our interest rate swaps. In the event that LIBOR is discontinued, the interest rates will be based on an alternative variable rate specified in the applicable documentation governing such debt or swaps or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings or swaps, but the alternative variable rate could be higher and more volatile than LIBOR prior to its discontinuance.

Certain risks arise in connection with transitioning contracts to an alternative variable rate, including any resulting value transfer that may occur. The value of loans, securities, or derivative instruments tied to LIBOR could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require substantial negotiation with each respective counterparty.

If a contract is not transitioned to an alternative variable rate and LIBOR is discontinued, the impact is likely to vary by contract. If LIBOR is discontinued or if the method of calculating LIBOR changes from its current form, interest rates on our current or future indebtedness may be adversely affected.

While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative variable rate will be accelerated and magnified.

## ***RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE***

***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. Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any of its partners, on the other. Our directors and officers have duties to our Company under Maryland law in connection with their management of our Company. At the same time, we have duties and obligations to our Operating Partnership and its limited partners under Delaware law as modified by the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership as the sole general partner. Our duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our Company and our stockholders.

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

We own partial interests in property partnerships that own 23 Joint Venture Centers as well as several development sites. We may acquire partial interests in additional properties through joint venture arrangements. Investments in Joint Venture Centers involve risks different from those of investments in Wholly Owned Centers.

We have fiduciary responsibilities to our joint venture partners that could affect decisions concerning the Joint Venture Centers. Our partners in certain Joint Venture Centers (notwithstanding our majority legal ownership) 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 us.

In addition, we may lose our management and other rights relating to the Joint Venture Centers if:

- we fail to contribute our share of additional capital needed by the property partnerships; or
- we default under a partnership agreement for a property partnership or other agreements relating to the property partnerships or the Joint Venture Centers.

Furthermore, the bankruptcy of one of the other investors in our Joint Venture Centers could materially and adversely affect the respective property or properties. Pursuant to the bankruptcy code, we could be precluded from taking some actions affecting the estate of the other investor without prior court approval which would, in most cases, entail prior notice to other parties and a hearing. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture through which we have invested in a Joint Venture Center has incurred recourse obligations, the discharge in bankruptcy of one of the other investors might result in our ultimate liability for a greater portion of those obligations than would otherwise be required.

Our legal ownership interest in a joint venture vehicle may, at times, not equal our economic interest in the entity because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, our actual economic interest (as distinct from our legal ownership interest) in certain of the Joint Venture Centers could fluctuate from time to time and may not wholly align with our legal ownership interests. Substantially all of our joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds.

***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.

***An ownership limit and certain of our Charter and bylaw provisions 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 certain options to acquire stock) may be owned, directly or indirectly or through the application of certain attribution rules, by five or fewer individuals (as defined in the Internal Revenue Code of 1986, as amended, (the “Code”) to include some entities that would not ordinarily be considered “individuals”) at any time during the last half of a taxable year. To assist us in maintaining our qualification as a REIT, among other purposes, 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). 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 interests 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 and upon any conditions as it may direct) 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.

*Selected Provisions of our Charter and bylaws.* 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 holders of some, or a majority, of our shares might believe to be in their best interests or that could give our stockholders the opportunity to realize a premium over the then-prevailing market prices for our shares. These provisions include the following:

- advance notice requirements for stockholder nominations of directors and stockholder proposals to be considered at stockholder meetings;
- the obligation of our directors to consider a variety of factors with respect to a proposed business combination or other change of control transaction;
- the authority of our directors to classify or reclassify unissued shares and cause the Company to issue shares of one or more classes or series of common stock or preferred stock;
- the authority of our directors to create and cause the Company to issue rights entitling the holders thereof to purchase shares of stock or other securities from us; and

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

***Certain provisions of Maryland law could inhibit a change in control or reduce the value of our common stock.***

Certain provisions of the Maryland General Corporation Law (the “MGCL”) 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 holders of some, or a majority, of our shares might believe to be in their best interests or that could give our stockholders the opportunity to realize a premium over the then-prevailing market prices for our shares, including:

- “Business Combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of our then outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter may impose special appraisal rights and special stockholder voting requirements on these combinations; and
- “Control Share” provisions that provide that holders of “control shares” of our Company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, our Charter exempts from the “business combination” provisions any business combination between us and the principals and their respective affiliates and related persons. The MGCL 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.

Additionally, pursuant to a provision in our bylaws, we have opted out of the “control share” acquisition provisions of the MGCL. However, in the future, we may, without the approval of our stockholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL. The MGCL and our Charter also contain supermajority voting requirements with respect to our ability to amend certain provisions of our Charter, merge, or sell all or substantially all of our assets.

Furthermore, our board of directors has adopted a resolution prohibiting us from electing to be subject to the provisions of Title 3, Subtitle 8 of the MGCL that would, among other things, permit our board of directors to classify the board without stockholder approval. Such provisions of Title 3, Subtitle 8 of the MGCL could have an anti-takeover effect. We may only elect to be subject to the classified board provisions of Title 3, Subtitle 8 after first obtaining the approval of our stockholders.

***FEDERAL INCOME TAX RISKS***

***The tax consequences of the sale of some of the Centers and certain holdings of the principals 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. In addition, the principals may have different interests than our stockholders because they are significant holders of limited partnership units in the Operating Partnership.

***If we were to fail to qualify as a REIT, we would 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 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 through the Operating Partnership and joint ventures. 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.

In addition, we currently hold certain of our properties through subsidiaries that have elected to be taxed as REITs and we may in the future determine that it is in our best interests to hold one or more of our other properties through one or more subsidiaries that elect to be taxed as REITs. If any of these subsidiaries fails to qualify as a REIT for U.S. federal income tax purposes, then we may also fail to qualify as a REIT for U.S. federal income tax purposes.

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 and state income tax on our taxable income at regular corporate rates.

In addition, if we were to lose our REIT status, we would 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. Such a challenge, if successful, could result in us owing a material amount of tax, interest and penalties 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 Code impose a 100% tax on income from “prohibited transactions.” Prohibited transactions generally include sales of assets that do not qualify for a statutory

safe harbor if such assets 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 prohibited transactions.

***Complying with REIT requirements may force us to borrow or take other measures 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, liquidate or sell a portion of our properties or investments (potentially at disadvantageous or unfavorable prices), in certain limited cases distribute a combination of cash and stock (at our stockholders' election but subject to an aggregate cash limit established by the Company) or find another alternative source of funds. These alternatives could increase our costs or reduce our equity. In addition, to the extent we borrow funds to pay distributions, the amount of cash available to us in future periods will be decreased by the amount of cash flow we will need to service principal and interest on the amounts we borrow, which will limit cash flow available to us for other investments or business opportunities.

***We may face risks in connection with Section 1031 Exchanges.***

If a transaction intended to qualify as a Section 1031 Exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis. Section 1031 Exchanges now only apply to real property and do not apply to any related personal property transferred with the real property. As a result, any appreciated personal property that is transferred in connection with a Section 1031 Exchange of real property will cause gain to be recognized, and such gain is generally treated as non-qualifying income for the 95% and 75% gross income tests. Any such non-qualifying income could have an adverse effect on our REIT status.

***If our Operating Partnership fails to maintain its status as a partnership for tax purposes, we would face adverse tax consequences.***

We intend to maintain the status of the Operating Partnership as a partnership for federal income tax purposes. However, if the Internal Revenue Service were to successfully challenge the status of the Operating Partnership as an entity taxable as a partnership, the Operating Partnership would be taxable as a corporation. This would reduce the amount of distributions that the Operating Partnership could make to us. This could also result in our losing REIT status, with the consequences described above. This would substantially reduce the cash available to us to make distributions and the return on your investment. In addition, if any of the partnerships or limited liability companies through which the Operating Partnership owns its property, in whole or in part, loses its characterization as a partnership or disregarded entity for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the Operating Partnership. Such a recharacterization of an underlying entity could also threaten our ability to maintain REIT status.

***The TCJA substantially modified the taxation of REITs and their shareholders, and the effects of such legislation and related regulatory action are uncertain.***

The TCJA makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently

reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxable years beginning after December 31, 2017 and before January 1, 2026, providing for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJA also imposes new limitations on the deduction of net operating losses and requires us to recognize income for tax purposes no later than when we take it into account on our financial statements, which may result in us having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements or avoid taxes on retained income and gains. The effect of the significant changes made by the TCJA is highly uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse effect on us or our stockholders. Investors should consult their tax advisors regarding the implications of the TCJA on their investment in our capital stock.

In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments similar to an investment in our stock. Additional changes to tax laws are likely to continue in the future, and we cannot assure you that any such changes will not adversely affect the taxation of us or our stockholders. Any such changes could have an adverse effect on an investment in our stock or on the market value or the resale potential of our properties.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## 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 as of December 31, 2019.

Count	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	Non-Owned Anchors(3)	Company-Owned Anchors(3)
<b>CONSOLIDATED CENTERS:</b>									
1	50.1%	Chandler Fashion Center(4) Chandler, Arizona	2001/2002	—	1,318,000	633,000	95.8%	Dillard's, Macy's, Nordstrom	—
2	100%	Danbury Fair Mall Danbury, Connecticut	1986/2005	2016	1,271,000	527,000	93.2%	JCPenney, Macy's	Dick's Sporting Goods, Forever 21(5), Lord & Taylor, Primark, Sears(6)
3	100%	Desert Sky Mall(7) Phoenix, Arizona	1981/2002	2007	746,000	280,000	98.9%	Burlington, Dillard's	La Curacao, Mercado de los Cielos
4	100%	Eastland Mall(4)(8) Evansville, Indiana	1978/1998	1996	1,034,000	500,000	92.5%	Dillard's, Macy's	JCPenney
5	100%	Fashion Outlets of Chicago Rosemont, Illinois	2013/—	—	537,000	537,000	97.5%	—	—
6	100%	Fashion Outlets of Niagara Falls USA Niagara Falls, New York	1982/2011	2014	689,000	689,000	92.0%	—	—
7	50.1%	Freehold Raceway Mall Freehold, New Jersey	1990/2005	2007	1,673,000	775,000	97.5%	JCPenney, Lord & Taylor, Macy's, Nordstrom	Dick's Sporting Goods, Primark, Sears(6)
8	100%	Fresno Fashion Fair Fresno, California	1970/1996	2006	995,000	434,000	90.4%	Macy's	Forever 21, JCPenney, Macy's
9	100%	Green Acres Mall(4)(8) Valley Stream, New York	1956/2013	2016	2,063,000	875,000	96.4%	—	BJ's Wholesale Club, Dick's Sporting Goods, Century 21, JCPenney(9), Macy's (two), Sears, Walmart
10	100%	Inland Center(7) San Bernardino, California	1966/2004	2016	605,000	208,000	93.8%	Macy's	Forever 21, JCPenney
11	100%	Kings Plaza Shopping Center(8) Brooklyn, New York	1971/2012	2018	1,137,000	445,000	99.4%	Macy's	Burlington, JCPenney, Lowe's, Primark
12	100%	La Cumbre Plaza(4)(8) Santa Barbara, California	1967/2004	1989	492,000	175,000	86.8%	Macy's	—
13	100%	NorthPark Mall(4)(7) Davenport, Iowa	1973/1998	2001	934,000	399,000	84.2%	Dillard's, JCPenney, Von Maur	—
14	100%	Oaks, The Thousand Oaks, California	1978/2002	2009	1,209,000	607,000	92.7%	JCPenney, Macy's (two)	Dick's Sporting Goods, Nordstrom
15	100%	Pacific View(7) Ventura, California	1965/1996	2001	900,000	416,000	85.2%	JCPenney, Target	Macy's
16	100%	Queens Center(8) Queens, New York	1973/1995	2004	965,000	408,000	98.9%	JCPenney, Macy's	—
17	100%	Santa Monica Place Santa Monica, California	1980/1999	2015	526,000	303,000	94.7%	—	Bloomingdale's, Nordstrom
18	84.9%	SanTan Village Regional Center Gilbert, Arizona	2007/—	2018	1,124,000	716,000	96.3%	Dillard's, Macy's	Dick's Sporting Goods
19	100%	SouthPark Mall(4) Moline, Illinois	1974/1998	2015	863,000	348,000	86.0%	Dillard's, Von Maur	Dick's Sporting Goods, JCPenney
20	100%	Stonewood Center(8) Downey, California	1953/1997	1991	935,000	361,000	94.0%	—	JCPenney, Kohl's, Macy's, Sears
21	100%	Superstition Springs Center(4)(7) Mesa, Arizona	1990/2002	2002	922,000	390,000	93.9%	Dillard's, JCPenney, Macy's	—
22	100%	Towne Mall(4) Elizabethtown, Kentucky	1985/2005	1989	350,000	179,000	77.8%	—	Belk, JCPenney
23	100%	Tucson La Encantada Tucson, Arizona	2002/2002	2005	246,000	246,000	98.0%	—	—
24	100%	Valley Mall Harrisonburg, Virginia	1978/1998	1992	505,000	190,000	92.0%	Target	Belk, Dick's Sporting Goods, JCPenney
25	100%	Valley River Center Eugene, Oregon	1969/2006	2007	871,000	408,000	93.4%	Macy's	JCPenney

Count	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	Non-Owned Anchors(3)	Company-Owned Anchors(3)
26	100%	Victor Valley, Mall of Victorville, California	1986/2004	2012	577,000	254,000	97.0%	Macy's	Dick's Sporting Goods, JCPenney, Sears(6)
27	100%	Vintage Faire Mall(4) Modesto, California	1977/1996	2008	984,000	405,000	98.0%	Macy's	Dick's Sporting Goods, JCPenney, Macy's
28	100%	Wilton Mall(4) Saratoga Springs, New York	1990/2005	1998	709,000	506,000	90.3%	JCPenney	Dick's Sporting Goods
<b>Total Consolidated Centers</b>					<u>25,180,000</u>	<u>12,214,000</u>	<u>93.7%</u>		
<b>UNCONSOLIDATED JOINT VENTURE CENTERS:</b>									
29	60%	Arrowhead Towne Center(4) Glendale, Arizona	1993/2002	2015	1,197,000	390,000	97.1%	Dillard's, JCPenney, Macy's	Dick's Sporting Goods, Forever 21(5)
30	50%	Biltmore Fashion Park Phoenix, Arizona	1963/2003	2006	597,000	292,000	93.1%	—	Macy's, Saks Fifth Avenue
31	50%	Broadway Plaza Walnut Creek, California	1951/1985	2016	927,000	382,000	95.9%	Macy's	Neiman Marcus, Nordstrom
32	50.1%	Corte Madera, The Village at Corte Madera, California	1985/1998	2005	501,000	265,000	94.9%	Macy's, Nordstrom	—
33	50%	Country Club Plaza(10) Kansas City, Missouri	1922/2016	2015	947,000	947,000	n/a	—	—
34	51%	Deptford Mall(4) Deptford, New Jersey	1975/2006	1990	1,040,000	372,000	96.0%	JCPenney, Macy's	Boscov's
35	51%	FlatIron Crossing Broomfield, Colorado	2000/2002	2009	1,428,000	729,000	95.9%	Dillard's, Macy's, Nordstrom	Dick's Sporting Goods, Forever 21
36	50%	Kierland Commons Scottsdale, Arizona	1999/2005	2003	437,000	437,000	96.5%	—	—
37	60%	Lakewood Center Lakewood, California	1953/1975	2008	2,069,000	1,004,000	97.2%	—	Costco, Forever 21, Home Depot, JCPenney, Macy's, Target
38	60%	Los Cerritos Center(11) Cerritos, California	1971/1999	2016	1,023,000	541,000	98.8%	Macy's, Nordstrom	Dick's Sporting Goods, Forever 21
39	50%	North Bridge, The Shops at(8) Chicago, Illinois	1998/2008	—	670,000	410,000	86.3%	—	Nordstrom
40	50%	Scottsdale Fashion Square Scottsdale, Arizona	1961/2002	Ongoing	1,835,000	875,000	93.2%	Dillard's	Dick's Sporting Goods, Macy's, Neiman Marcus, Nordstrom
41	60%	South Plains Mall(4) Lubbock, Texas	1972/1998	2017	1,136,000	477,000	88.0%	—	Bealls, Dillard's (two), JCPenney
42	51%	Twenty Ninth Street(8) Boulder, Colorado	1963/1979	2007	845,000	553,000	96.8%	Macy's	Home Depot
43	50%	Tyson's Corner Center Tyson's Corner, Virginia	1968/2005	2014	1,971,000	1,087,000	93.1%	—	Bloomingdale's, L.L. Bean, Lord & Taylor(12), Macy's, Nordstrom
44	60%	Washington Square(11) Portland, Oregon	1974/1999	2005	1,296,000	573,000	95.1%	Macy's	Dick's Sporting Goods, JCPenney, Nordstrom
45	19%	West Acres Fargo, North Dakota	1972/1986	2001	691,000	426,000	98.1%	Macy's	JCPenney
<b>Total Unconsolidated Joint Ventures</b>					<u>18,610,000</u>	<u>9,760,000</u>	<u>94.4%</u>		

Count	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	Non-Owned Anchors(3)	Company-Owned Anchors(3)
<b>REGIONAL SHOPPING CENTERS UNDER REDEVELOPMENT</b>									
46	50%	Fashion District Philadelphia(8)(13) Philadelphia, Pennsylvania	1977/2014	2019	899,000	626,000	(14)	—	Burlington, Century 21, Primark(15)
47	100%	Paradise Valley Mall(4)(16) Phoenix, Arizona	1979/2002	2009	1,202,000	421,000	(14)	Dillard's, JCPenney, Macy's	Costco
47	<b>Total Regional Shopping Centers</b>				45,891,000	23,021,000	94.0%		
<b>COMMUNITY/POWER SHOPPING CENTERS</b>									
1	50%	Atlas Park, The Shops at(13) Queens, New York	2006/2011	2013	369,000	369,000	89.9%	—	—
2	50%	Boulevard Shops(13) Chandler, Arizona	2001/2002	2004	184,000	184,000	95.7%	—	—
3	100%	Southridge Center(4)(16) Des Moines, Iowa	1975/1998	2013	848,000	459,000	77.4%	Des Moines Area Community College	Target
4	100%	Superstition Springs Power Center(16) Mesa, Arizona	1990/2002	—	206,000	53,000	50.9%	Best Buy, Burlington	—
5	100%	The Marketplace at Flagstaff(8)(16) Flagstaff, Arizona	2007/—	—	268,000	147,000	100.0%	—	Home Depot
5	<b>Total Community/Power Shopping Centers</b>				1,875,000	1,212,000			
52	<b>Total before Other Assets</b>				47,766,000	24,233,000			
<b>OTHER ASSETS:</b>									
	100%	Various(16)(17)	—	—	427,000	224,000	—	—	Kohl's
	83.2%	Estrella Falls(16) Goodyear, Arizona	2016	2016	79,000	79,000	—	—	—
	50%	Scottsdale Fashion Square-Office(13) Scottsdale, Arizona	1984/2002	2016	124,000	—	—	—	—
	50%	Tysons Corner Center-Office(13) Tysons Corner, Virginia	1999/2005	2012	174,000	—	—	—	—
	50%	Hyatt Regency Tysons Corner Center(13) Tysons Corner, Virginia	2015	2015	290,000	—	—	—	—
	50%	VITA Tysons Corner Center(13) Tysons Corner, Virginia	2015	2015	510,000	—	—	—	—
	50%	Tysons Tower(13) Tysons Corner, Virginia	2014	2014	529,000	—	—	—	—
<b>OTHER ASSETS UNDER DEVELOPMENT:</b>									
	25%	One Westside(13)(18) Los Angeles, California	1985/1998	Ongoing	680,000	—	—	—	—
	<b>Total Other Assets</b>				2,813,000	303,000			
	<b>Grand Total</b>				50,579,000	24,536,000			

- The Company's ownership interest in this table reflects its direct or indirect legal ownership interest. Legal ownership may, at times, not equal the Company's economic interest in the listed properties because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests. Substantially all of the Company's joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds. See "Item 1A.-Risks Related to Our Organizational Structure—Outside partners in Joint Venture Centers result in additional risks to our stockholders."
- With respect to 42 Centers, the underlying land controlled by the Company is owned in fee entirely by the Company or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company. With respect to the remaining ten Centers, portions of the underlying land controlled by the Company are owned by third parties and leased to the Company, or the joint venture property partnership or limited liability company, pursuant to long-term ground leases. Under the terms of a typical ground lease, the Company, or the joint venture property partnership or limited liability company, has an option or right of first refusal to purchase the land. The termination dates of the ground leases range from 2028 to 2098.
- Total GLA includes GLA attributable to Anchors (whether owned or non-owned) and Mall and Freestanding Stores as of December 31, 2019. "Non-owned Anchors" is space not owned by the Company (or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company) which is occupied by Anchor tenants. "Company-owned Anchors" is space owned (or leased) by the Company (or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company) and leased (or subleased) to Anchor.
- These Centers have vacant Anchor locations. The Company is actively seeking replacement tenants or has entered into replacement leases for many of these vacant sites and/or is currently executing or considering redevelopment opportunities for these locations. The Company continues to collect rent under the terms of an agreement regarding one of these vacant Anchors.
- Forever 21 has announced plans to close two of their stores in early 2020 at Arrowhead Towne Center and Danbury Fair Mall. The Company is actively seeking replacement tenants for these Company-owned sites.
- These three Sears stores are closing in early 2020. The Company continues to collect rent under the terms of the related leases. The Company is actively seeking replacement tenants for these Company-owned sites.

- (7) This Center had a Sears store, not owned by the Company, that closed.
- (8) Portions of the land on which the Center is situated are subject to one or more long-term ground leases.
- (9) JCPenney announced plans to close their Green Acres Mall store in 2020. The Company is actively releasing this store.
- (10) Nordstrom has announced plans to open a 116,000 square foot store at Country Club Plaza in 2021.
- (11) The Center has a vacant former Sears to be demolished for redevelopment.
- (12) The Lord & Taylor store closed in January 2020. The joint venture is actively evaluating redevelopment opportunities.
- (13) Included in Unconsolidated Joint Venture Centers.
- (14) Tenant spaces have been intentionally held off the market and remain vacant because of redevelopment plans. As a result, the Company believes the percentage of mall and freestanding GLA leased at this redevelopment property is not meaningful data.
- (15) Primark has announced plans to open a 47,000 square foot store at Fashion District Philadelphia in Spring 2021.
- (16) Included in Consolidated Centers.
- (17) The Company owns an office building and six stores located at shopping centers not owned by the Company. Of the six stores, one has been leased to Kohl's, two are vacant and three have been leased for non-Anchor uses. With respect to the office building and three of the six stores, the underlying land is owned in fee entirely by the Company. With respect to the remaining three stores, the underlying land is owned by third parties and leased to the Company pursuant to long-term building or ground leases. Under the terms of a typical building or ground lease, the Company pays rent for the use of the building or 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 of first refusal to purchase the land. The termination dates of the ground leases range from 2023 to 2027.
- (18) One Westside, formerly known as Westside Pavilion, was a regional shopping center that closed in January 2019. This property is under redevelopment into 584,000 square feet of creative office leased entirely to Google, along with 96,000 square feet of existing dining and entertainment space.

## 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, 2019 (dollars in thousands):

Property Pledged as Collateral	Fixed or Floating	Carrying Amount(1)	Effective Interest Rate(2)	Annual Debt Service(3)	Maturity Date(4)	Balance Due on Maturity	Earliest Date Notes Can Be Defeased or Be Prepaid
<b>Consolidated Centers:</b>							
Chandler Fashion Center(5)(6)	Fixed	\$ 255,174	4.18%	\$10,496	7/5/24	\$256,000	7/15/2020
Danbury Fair Mall	Fixed	194,718	5.53%	18,456	10/1/20	188,854	Any Time
Fashion Outlets of Chicago(7)	Fixed	299,112	4.61%	13,740	2/1/31	300,000	Any Time
Fashion Outlets of Niagara Falls USA	Fixed	106,398	4.89%	8,724	10/6/20	103,810	Any Time
Freehold Raceway Mall(5)	Fixed	398,379	3.94%	15,600	11/1/29	386,013	11/1/22
Fresno Fashion Fair	Fixed	323,659	3.67%	11,652	11/1/26	325,000	Any Time
Green Acres Commons(8)	Floating	128,926	4.40%	4,993	3/29/21	130,000	Any Time
Green Acres Mall	Fixed	277,747	3.61%	17,364	2/3/21	269,922	Any Time
Kings Plaza Shopping Center(9)	Fixed	535,097	3.71%	19,548	1/1/30	540,000	2/1/2023
Oaks, The	Fixed	187,142	4.14%	12,768	6/5/22	174,433	Any Time
Pacific View	Fixed	118,202	4.08%	8,016	4/1/22	110,597	Any Time
Queens Center	Fixed	600,000	3.49%	20,928	1/1/25	600,000	Any Time
Santa Monica Place(10)	Floating	297,817	3.34%	9,270	12/9/22	300,000	Any Time
SanTan Village Regional Center(11)	Fixed	219,140	4.34%	9,460	7/1/29	220,000	7/1/2023
Towne Mall	Fixed	20,284	4.48%	1,404	11/1/22	18,886	Any Time
Tucson La Encantada	Fixed	63,682	4.23%	4,416	3/1/22	59,788	Any Time
Victor Valley, Mall of	Fixed	114,733	4.00%	4,560	9/1/24	115,000	Any Time
Vintage Faire Mall	Fixed	252,389	3.55%	15,072	3/6/26	210,825	Any Time
		<u>\$4,392,599</u>					

<u>Property Pledged as Collateral</u>	<u>Fixed or Floating</u>	<u>Carrying Amount(1)</u>	<u>Effective Interest Rate(2)</u>	<u>Annual Debt Service(3)</u>	<u>Maturity Date(4)</u>	<u>Balance Due on Maturity</u>	<u>Earliest Date Notes Can Be Defeased or Be Prepaid</u>
<b>Unconsolidated Joint Venture Centers</b>							
<b>(at Company's Pro Rata Share):</b>							
Arrowhead Towne Center(60%)	Fixed	\$ 240,000	4.05%	\$ 9,720	2/1/28	\$212,719	2/1/22
Atlas Park, The Shops at(50%)(12)	Floating	35,742	4.65%	1,336	10/28/21	36,183	Any Time
Boulevard Shops(50%)(13)	Floating	9,253	3.91%	337	12/5/23	9,400	Any Time
Broadway Plaza(50%)	Fixed	224,462	4.19%	9,405	4/1/30	189,724	4/1/22
Corte Madera, The Village at(50.1%)	Fixed	112,415	3.53%	3,945	9/1/28	98,753	Any Time
Country Club Plaza(50%)	Fixed	157,788	3.88%	9,001	4/1/26	137,525	4/1/21
Deptford Mall(51%)	Fixed	90,517	3.55%	5,795	4/3/23	81,750	Any Time
FlatIron Crossing(51%)	Fixed	115,976	2.81%	8,525	1/5/21	110,538	Any Time
Kierland Commons(50%)	Fixed	106,836	3.98%	6,406	4/1/27	88,724	Any Time
Lakewood Center(60%)	Fixed	214,660	4.15%	13,144	6/1/26	185,306	Any Time
Los Cerritos Center(60%)	Fixed	315,000	4.00%	12,600	11/1/27	278,711	11/1/21
North Bridge, The Shops at(50%)	Fixed	187,045	3.71%	6,900	6/1/28	160,523	Any Time
One Westside(25%)(14)	Floating	10	3.71%	—	12/18/24	10	Any Time
Scottsdale Fashion Square(50%)	Fixed	223,190	3.02%	13,281	4/3/23	201,331	Any Time
South Plains Mall(60%)	Fixed	120,000	4.22%	5,065	11/6/25	120,000	Any Time
Twenty Ninth Street(51%)	Fixed	76,500	4.10%	3,137	2/6/26	76,500	Any Time
Tysons Corner Center(50%)	Fixed	373,024	4.13%	24,643	1/1/24	333,233	Any Time
Tysons Tower(50%)(15)	Fixed	94,380	3.38%	3,164	11/11/29	95,000	12/18/2021
Washington Square(60%)	Fixed	329,494	3.65%	12,045	11/1/22	311,863	Any Time
West Acres—Development(19%)(16)	Fixed	170	3.72%	1	10/10/29	170	Any Time
West Acres(19%)	Fixed	14,250	4.61%	1,025	3/1/32	8,256	Any Time
		<u>\$3,040,712</u>					

- (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 (under) 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 debt premiums (discounts) as of December 31, 2019 consisted of the following:

**Property Pledged as Collateral**

*Consolidated Centers:*

Fashion Outlets of Niagara Falls USA ..... \$ 773

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

Deptford Mall ..... \$ 507

FlatIron Crossing ..... 1,260

Lakewood Center ..... (9,083)

\$(7,316)

The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs at December 31, 2019 were \$16.0 million for Consolidated Centers and \$5.3 million for Unconsolidated Joint Venture Centers (at Company's pro rata share).

- (2) The interest rate disclosed represents the effective interest rate, including the debt premiums (discounts) and deferred finance costs.
- (3) The annual debt service represents the annual payment of principal and interest.



- (4) The maturity date assumes that all extension options are fully exercised and that the Company does not opt to refinance the debt prior to these dates. These extension options are at the Company's discretion, subject to certain conditions, which the Company believes will be met.
- (5) A 49.9% interest in the loan has been assumed by a third party in connection with a financing arrangement.
- (6) On June 27, 2019, the Company replaced the existing loan on the property with a new \$256.0 million loan that bears interest at an effective rate of 4.18% and matures on July 5, 2024.
- (7) On January 10, 2019, the Company replaced the existing loan on the property with a new \$300.0 million loan that bears interest at an effective rate of 4.61% and matures on February 1, 2031.
- (8) The loan bears interest at LIBOR plus 2.15%.
- (9) On December 3, 2019, the Company replaced the existing loan on the property with a new \$540.0 million loan that bears interest at an effective rate of 3.71% and matures on January 1, 2030.
- (10) The loan bears interest at LIBOR plus 1.35%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2020.
- (11) On June 3, 2019, the Company's joint venture in SanTan Village Regional Center replaced the existing loan on the property with a new \$220.0 million loan that bears interest at an effective rate of 4.34% and matures on July 1, 2029.
- (12) On February 22, 2019, the Company's joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from \$57.8 million to \$80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional \$18.4 million. The loan bears interest at LIBOR plus 2.00%.
- (13) The loan bears interest at LIBOR plus 1.85%, matures on December 5, 2023 and can be expanded, depending on certain conditions, up to \$23.0 million.
- (14) On December 18, 2019, the Company's joint venture in One Westside placed a construction loan on the property that allows for borrowing of up to \$414.6 million, bears interest at LIBOR plus 1.70%, which can be reduced to LIBOR plus 1.50% upon the completion of certain conditions, and matures on December 18, 2024.
- (15) On September 12, 2019, the Company's joint venture in Tysons Tower placed a new \$190.0 million loan on the property that bears interest at an effective rate of 3.38% and matures on November 11, 2029.
- (16) On October 17, 2019, the Company's joint venture in West Acres placed a construction loan on the property that allows for borrowing of up to \$6.5 million, bears interest at an effective rate of 3.72% and matures on October 10, 2029.

### **ITEM 3. LEGAL PROCEEDINGS**

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates is currently involved in any material legal proceedings.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## 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. As of February 20, 2020, there were approximately 575 stockholders of record.

To maintain its qualification as a REIT, the Company is required each year to distribute to stockholders at least 90% of its net taxable income after certain adjustments. The Company paid all of its 2019 and 2018 quarterly dividends in cash. The timing, amount and composition of future dividends will be determined in the sole discretion of the Company's board of directors and will depend on actual and projected cash flow, financial condition, funds from operations, earnings, capital requirements, annual REIT distribution requirements, contractual prohibitions or other restrictions, applicable law and such other factors as the board of directors deems relevant. For example, under the Company's existing financing arrangements, 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 ("FFO")") and only if no default under the financing agreements has occurred, unless, under certain circumstances, payment of the distribution is necessary to enable the Company to continue to qualify as a REIT under the Code.

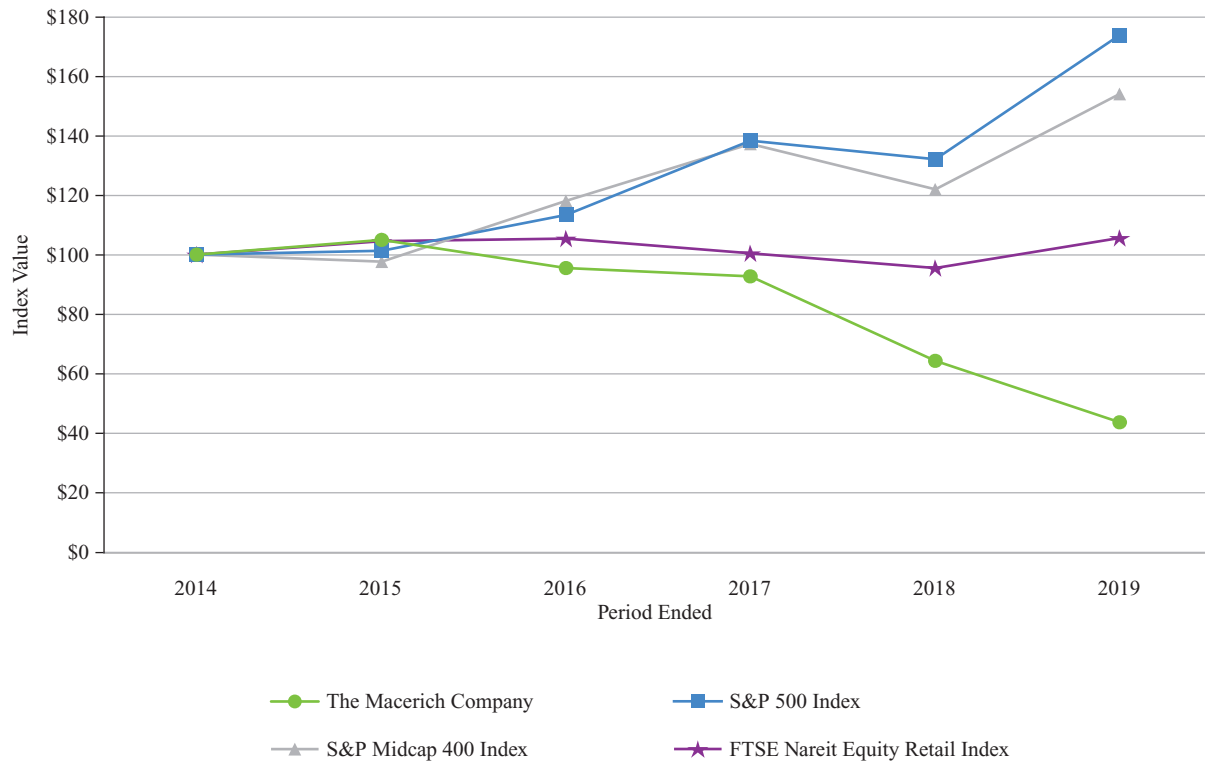
#### Stock Performance Graph

The following graph provides a comparison, from December 31, 2014 through December 31, 2019, 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 FTSE Nareit Equity Retail Index. The FTSE Nareit Equity Retail Index is an industry index of publicly-traded REITs that include the Company.

The graph assumes that the value of the investment in each of the Company's common stock and the indices was \$100 at the close of the market on December 31, 2014.

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 FTSE Nareit Equity Retail Index. The historical information set forth below is not necessarily indicative of future performance.

Data for the S&P 500 Index, the S&P Midcap 400 Index and the FTSE Nareit Equity Retail Index were provided by Research Data Group.



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	<u>12/31/14</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>	<u>12/31/19</u>
The Macerich Company . . . . .	\$100.00	\$105.01	\$ 95.59	\$ 92.86	\$ 64.48	\$ 43.74
S&P 500 Index . . . . .	100.00	101.38	113.51	138.29	132.23	173.86
S&P Midcap 400 Index . . . . .	100.00	97.82	118.11	137.30	122.08	154.07
FTSE Nareit Equity Retail Index . . . . .	100.00	104.56	105.55	100.51	95.53	105.70

**Recent Sales of Unregistered Securities**

None

## Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2019 to October 31, 2019 . . . . .	—	\$ —	—	\$278,707,048
November 1, 2019 to November 30, 2019 . . . .	—	—	—	\$278,707,048
December 1, 2019 to December 31, 2019 . . . .	—	—	—	\$278,707,048
	—	\$ —	—	
	<u>—</u>		<u>—</u>	

- (1) On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to \$500.0 million of the Company's outstanding common shares from time to time as market conditions warrant.

## 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 consolidated 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. All dollars and share amounts are in thousands, except per share data.

	Years Ended December 31,				
	2019	2018	2017	2016	2015
<b>OPERATING DATA:</b>					
Revenues:					
Leasing revenue(1) .....	\$858,874	\$883,996	\$922,152	\$ 970,119	\$1,231,367
Other .....	27,879	32,875	28,116	31,688	30,528
Management Companies .....	40,709	43,480	43,394	39,464	26,254
Total revenues .....	<u>927,462</u>	<u>960,351</u>	<u>993,662</u>	<u>1,041,271</u>	<u>1,288,149</u>
Expenses:					
Shopping center and operating expenses .....	271,547	277,470	295,190	307,623	379,815
Leasing expense(1) .....	29,611	11,624	12,420	11,127	8,267
Management Companies’ operating expenses .....	66,795	91,910	87,701	87,196	84,073
REIT general and administrative expenses .....	22,634	24,160	28,240	28,217	29,870
Costs related to shareholder activism(2) .....	—	19,369	—	—	—
Costs related to unsolicited takeover offer(3) .....	—	—	—	—	25,204
Depreciation and amortization .....	330,726	327,436	335,431	348,488	464,472
Interest expense .....	138,254	182,962	171,776	163,675	211,943
Loss (gain) on extinguishment of debt, net .....	351	—	—	(1,709)	(1,487)
Total expenses .....	<u>859,918</u>	<u>934,931</u>	<u>930,758</u>	<u>944,617</u>	<u>1,202,157</u>
Equity in income of unconsolidated joint ventures .....	48,508	71,773	85,546	56,941	45,164
Co-venture expense(4) .....	—	—	(13,629)	(13,382)	(11,804)
Income tax (expense) benefit .....	(1,589)	3,604	(15,594)	(722)	3,223
(Loss) gain on sale or write down of assets, net .....	<u>(11,909)</u>	<u>(31,825)</u>	<u>42,446</u>	<u>415,348</u>	<u>400,337</u>
Net income .....	102,554	68,972	161,673	554,839	522,912
Less net income attributable to noncontrolling interests .....	5,734	8,952	15,543	37,844	35,350
Net income attributable to the Company .....	<u>\$ 96,820</u>	<u>\$ 60,020</u>	<u>\$146,130</u>	<u>\$ 516,995</u>	<u>\$ 487,562</u>
Earnings per common share (“EPS”) attributable to the Company:					
Basic .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>	<u>\$ 3.52</u>	<u>\$ 3.08</u>
Diluted(5)(6) .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>	<u>\$ 3.52</u>	<u>\$ 3.08</u>

**As of December 31,**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>BALANCE SHEET DATA:</b>					
Investment in real estate (before accumulated depreciation) .....	\$8,993,049	\$8,878,820	\$9,127,533	\$9,209,211	\$10,689,656
Total assets .....	\$8,853,571	\$9,026,808	\$9,605,862	\$9,958,148	\$11,235,584
Total mortgage and notes payable .....	\$5,209,976	\$4,982,460	\$5,170,264	\$4,965,900	\$ 5,260,750
Equity(7) .....	\$2,830,970	\$3,188,432	\$3,967,999	\$4,427,168	\$ 5,071,239
<b>OTHER DATA:</b>					
Funds from operations (“FFO”) attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold—diluted(8) .....	\$ 536,961	\$ 564,436	\$ 582,878	\$ 642,304	\$ 642,268
Cash flows provided by (used in):					
Operating activities .....	\$ 355,157	\$ 344,311	\$ 386,389	\$ 429,534	\$ 554,956
Investing activities .....	\$ (112,026)	\$ 176,323	\$ 178,988	\$ 454,066	\$ (70,136)
Financing activities .....	\$ (278,216)	\$ (514,438)	\$ (566,269)	\$ (867,502)	\$ (452,329)
Number of Centers at year end .....	52	52	55	57	58
Regional Shopping Centers portfolio occupancy .....	94.0%	95.4%	95.0%	95.4%	96.1%
Regional Shopping Centers portfolio sales per square foot ...	\$ 801	\$ 726	\$ 660	\$ 630	\$ 635
Weighted average number of shares outstanding—EPS					
basic .....	141,340	141,142	141,877	146,599	157,916
Weighted average number of shares outstanding—EPS					
diluted(6) .....	141,340	141,144	141,913	146,711	158,060
Distributions declared per common share(9) .....	\$ 3.00	\$ 2.97	\$ 2.87	\$ 2.75	\$ 6.63

- (1) On January 1, 2019, the Company adopted Accounting Standards Codification (“ASC”) 842, “Leases”, under the modified retrospective method. The new standard amended the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors).

Upon adoption of the new standard, the Company has presented all revenues associated with leases as leasing revenue on its consolidated statements of operations. For comparison purposes, the Company has reclassified minimum rents, percentage rents, tenant recoveries and other leasing income to leasing revenue for the years ended December 31, 2018, 2017, 2016 and 2015 to conform to the presentation for the the year ended December 31, 2019. The new standard requires the Company to reduce leasing revenue for credit losses associated with lease receivables. The standard also requires that the provision for bad debts relating to leases be presented as a reduction of leasing revenue. For the years ended December 31, 2018, 2017, 2016 and 2015, the provision for bad debts is included in shopping center and operating expenses.

The new standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Initial direct costs include the salaries and related costs for employees directly working on leasing activities. Prior to January 1, 2019, these costs were capitalizable and therefore the new lease standard resulted in certain of these costs being expensed as incurred. For comparison purposes, the Company has reclassified leasing costs that were included in management companies’ operating expenses to leasing expenses for the years ended December 31, 2018, 2017, 2016 and 2015 to conform to the presentation for the the year ended December 31, 2019.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Management’s Overview and Summary—Other Transactions and Events”.

- (2) During the year ended December 31, 2018, the Company incurred \$19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.
- (3) During the year ended December 31, 2015, the Company incurred \$25.2 million in legal and advisory costs in response to an unsolicited, conditional proposal from Simon Property Group, Inc.
- (4) On January 1, 2018, upon adoption of ASU 2014-09, “Revenue From Contracts With Customers (ASC 606)”, the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement. As a result, the Company no longer records co-venture expense for its partner’s share of the income of Chandler Freehold. Under the financing arrangement, the Company recognizes interest expense on (i) the changes in fair value of the financing arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.
- (5) Assumes the conversion of Operating Partnership units to the extent they are dilutive to the EPS computation. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the EPS computation.

- (6) Includes the dilutive effect, if any, of share and unit-based compensation plans calculated using the treasury stock method and the dilutive effect, if any, of all other dilutive securities calculated using the “if converted” method.
- (7) Equity includes the noncontrolling interests in the Operating Partnership, nonredeemable noncontrolling interests in consolidated joint ventures and common and non-participating convertible preferred units of MACWH, LP.
- (8) See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations (“FFO”)”.
- (9) On October 30, 2015, the Company declared two special dividends/distributions (“Special Dividend”), each of \$2.00 per share of common stock and per OP Unit to stockholders and OP Unit holders of record on November 12, 2015. The first Special Dividend was paid on December 8, 2015 and the second Special Dividend was paid on January 6, 2016. The Special Dividends were funded from proceeds in connection with the financing and sale of ownership interests in the Lakewood Center, Los Cerritos Center, South Plains Mall and Washington Square (collectively referred to as the “PPR Portfolio”) and Arrowhead Towne Center.

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

### Management's Overview and Summary

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, the Operating Partnership. As of December 31, 2019, the Operating Partnership owned or had an ownership interest in 47 regional shopping centers and five community/power shopping centers. These 52 regional and community/power shopping centers (which include any related office space) consist of approximately 51 million square feet of gross leasable area ("GLA") and are referred to herein as the "Centers". The Centers consist of consolidated Centers ("Consolidated Centers") and unconsolidated joint venture Centers ("Unconsolidated Joint Venture Centers") as set forth in "Item 2. Properties," 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 Management Companies.

The following discussion is based primarily on the consolidated financial statements of the Company for the years ended December 31, 2019, 2018 and 2017. It compares the results of operations and cash flows for the year ended December 31, 2019 to the results of operations and cash flows for the year ended December 31, 2018. Also included is a comparison of the results of operations and cash flows for the year ended December 31, 2018 to the results of operations and cash flows for the year ended December 31, 2017. 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 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for \$170.0 million, resulting in a gain on the sale of assets of \$59.6 million. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On March 17, 2017, the Company's joint venture in Country Club Plaza sold an ownership interest in an office building for \$78.0 million, resulting in a gain on sale of assets of \$4.6 million. The Company's pro rata share of the gain on sale of assets of \$2.3 million was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold an ownership interest in an office building for \$61.5 million, resulting in a gain on sale of assets of \$13.1 million. The Company's pro rata share of the gain on sale of assets of \$6.5 million was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois for \$86.4 million, resulting in a gain on sale of assets of \$14.6 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.



On December 14, 2017, the Company's joint venture in Westcor/Queen Creek LLC sold land for \$30.5 million, resulting in a gain on sale of assets of \$14.9 million. The Company's share of the gain on sale was \$5.4 million, which was included in equity in income of unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

On February 16, 2018, the Company's joint venture in Fashion District Philadelphia sold its ownership share of an office building for \$41.8 million, resulting in a gain on sale of assets of \$5.5 million. The Company's pro rata share of the gain on the sale of assets of \$2.8 million was included in equity in income from unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute Westside Pavilion (referred to hereafter as One Westside), a 680,000 square foot regional shopping center in Los Angeles, California in exchange for \$142.5 million. The Company completed the sale of the 75% ownership interest in the property to Hudson Pacific Properties on August 31, 2018, resulting in a gain on sale of assets of \$46.2 million. The sales price was funded by a cash payment of \$36.9 million and the assumption of a pro rata share of the mortgage note payable on the property of \$105.6 million. The Company used the proceeds to fund its share of the cost to defease the mortgage note payable on the property (See "Financing Activity"). From March 1, 2018 to the completion of the sale, the Company accounted for its interest in the property as a collaborative arrangement (See Note 15—Collaborative Arrangement of the Company's consolidated financial statements). Upon completion of the sale, the Company has accounted for its ownership interest in the property under the equity method of accounting.

On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona for \$26.0 million, resulting in a loss on sale of assets of \$0.3 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

On July 6, 2018, the Company's joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for \$49.1 million, resulting in a gain on sale of assets of \$12.6 million. The Company's share of the gain of \$3.0 million was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the \$24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

#### *Financing Activity:*

On February 1, 2017, the Company's joint venture in West Acres replaced the existing loan on the property with a new \$80.0 million loan that bears interest at an effective rate of 4.61% and matures on March 1, 2032. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

On March 16, 2017, the Company's joint venture in Kierland Commons replaced the existing loan on the property with a new \$225.0 million loan that bears interest at an effective rate of 3.98% and matures on April 1, 2027. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

On September 29, 2017, the Company placed a new \$110.0 million loan on Green Acres Commons that bears interest at LIBOR plus 2.15% and matures on March 29, 2021, including extension options. The Company expanded the loan and borrowed the additional \$20.0 million available on the loan on March 1, 2018. The Company used the proceeds to pay down its line of credit and for general corporate purposes.

On October 19, 2017, the Company's joint venture in Chandler Fashion Center and Freehold Raceway Mall replaced the existing loan on Freehold Raceway Mall with a new \$400.0 million loan that

bears interest at an effective rate of 3.94% and matures on November 1, 2029. The Company used its share of the net proceeds to pay down its line of credit and for general corporate purposes.

On November 1, 2017, the Company paid off in full the \$95.0 million mortgage loan payable on Stonewood Center. The Company funded the repayment of the mortgage loan payable from borrowings under its line of credit.

On December 4, 2017, the Company replaced the existing loan on Santa Monica Place with a new \$300.0 million loan that bears interest at LIBOR plus 1.35% and matures on December 9, 2022, including three one-year extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.00% through December 9, 2021. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On January 22, 2018, the Company's joint venture in Fashion District Philadelphia obtained a \$250.0 million term loan that bears interest at LIBOR plus 2.0% and matures on January 22, 2023. Concurrent with the loan closing, the joint venture borrowed \$150.0 million on the term loan and borrowed the remaining \$100.0 million on March 26, 2018. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On March 29, 2018, the Company's joint venture in Broadway Plaza placed a \$450.0 million loan on the property that bears interest at an effective rate of 4.19% and matures on April 1, 2030. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On August 31, 2018, concurrent with the sale of the ownership interest in One Westside (See "Acquisitions and Dispositions"), the Company's joint venture defeased the \$140.8 million mortgage note payable on the property by providing a \$149.2 million portfolio of marketable securities as replacement collateral in lieu of the property. The Company funded its \$37.3 million share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property.

On September 14, 2018, the Company entered into four interest rate swap agreements that effectively convert a total of \$400.0 million of the outstanding balance of the Company's line of credit from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 30, 2021.

On November 7, 2018, the Company's joint venture in Boulevard Shops replaced the existing loan on the property with a new \$18.8 million loan that bears interest at LIBOR plus 1.85% and matures on December 5, 2023. The loan can be expanded, depending on certain conditions, up to \$23.0 million. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On January 10, 2019, the Company replaced the existing loan on Fashion Outlets of Chicago with a new \$300.0 million loan that bears interest at an effective rate of 4.61% and matures on February 1, 2031. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On February 22, 2019, the Company's joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from \$57.8 million to \$80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional \$18.4 million. The Company used its \$9.2 million share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On June 3, 2019, the Company's joint venture in SanTan Village Regional Center replaced the existing loan on the property with a new \$220.0 million loan that bears interest at an effective rate of 4.34% and matures on July 1, 2029. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On June 27, 2019, the Company replaced the existing loan on Chandler Fashion Center with a new \$256.0 million loan that bears interest at an effective rate of 4.18% and matures on July 5, 2024. The

Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On July 25, 2019, the Company's joint venture in Fashion District Philadelphia amended the existing term loan on the joint venture to allow for additional borrowings up to \$100.0 million at LIBOR plus 2.00%. Concurrent with the amendment, the joint venture borrowed an additional \$26.0 million. On August 16, 2019, the joint venture borrowed an additional \$25.0 million. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On September 12, 2019, the Company's joint venture in Tysons Tower placed a new \$190.0 million loan on the property that bears interest at an effective rate of 3.38% and matures on November 11, 2029. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On October 17, 2019, the Company's joint venture in West Acres placed a construction loan on the property that allows for borrowing of up to \$6.5 million, bears interest at an effective rate of 3.72% and matures on October 10, 2029. The joint venture intends to use the proceeds from the loan to fund the expansion of the property.

On December 3, 2019, the Company replaced the existing loan on Kings Plaza Shopping Center with a new \$540.0 million loan that bears interest at an effective rate of 3.71% and matures on January 1, 2030. The Company used the additional proceeds to pay down its line of credit and for general corporate purposes.

On December 18, 2019, the Company's joint venture in One Westside placed a \$414.6 million construction loan on the redevelopment project (See "Redevelopment and Development Activities"). The loan bears interest at LIBOR plus 1.70%, which can be reduced to LIBOR plus 1.50% upon the completion of certain conditions and matures on December 18, 2024. The joint venture intends to use the loan proceeds to fund the completion of the project.

*Redevelopment and Development Activity:*

On September 19, 2019, the Company's joint venture with Pennsylvania REIT opened the first phase of the redevelopment of Fashion District Philadelphia, an 899,000 square foot regional shopping center in Philadelphia, Pennsylvania. The project will have additional tenant openings throughout 2020 and early 2021. The total cost of the project is estimated to be between \$400.0 million and \$420.0 million, with \$200.0 million to \$210.0 million estimated to be the Company's pro rata share. The Company has funded \$190.9 million of the total \$381.8 million incurred by the joint venture as of December 31, 2019.

The Company's joint venture in Scottsdale Fashion Square completed the redevelopment of a former Barney's store and an 80,000 square foot exterior expansion in the fourth quarter of 2019. The Company has funded \$40.0 million of the total \$80.0 million incurred by the joint venture as of December 31, 2019.

The Company's joint venture with Hudson Pacific Properties is redeveloping One Westside into 584,000 square feet of creative office space and 96,000 square feet of dining and entertainment space. The entire creative office space has been leased to Google and is expected to be completed in 2022. The total cost of the project is estimated to be between \$500.0 million and \$550.0 million, with \$125.0 million to \$137.5 million estimated to be the Company's pro rata share. The Company has funded \$50.4 million of the total \$201.5 million incurred by the joint venture as of December 31, 2019. The joint venture expects to fund the remaining costs of the development with its new \$414.6 million construction loan (See "Financing Activities").

The Company has a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000

square feet, followed by an additional 165,000 square feet in the second phase. The Company has funded \$35.9 million of the total \$71.7 million incurred by the joint venture as of December 31, 2019.

In connection with the closures and lease rejections of several Sears stores owned or partially owned by the Company, the Company anticipates spending between \$130.0 million to \$160.0 million at the Company's pro rata share to redevelop the Sears stores. The anticipated openings of such redevelopments are expected to occur over several years. The estimated range of redevelopment costs could increase if the Company or its joint venture decides to expand the scope of the redevelopments. The Company has funded \$22.4 million at its pro rata share as of December 31, 2019.

*Other Transactions and Events:*

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to \$500.0 million of its outstanding common shares as market conditions and the Company's liquidity warrant (the "2017 Stock Buyback Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements. During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for \$221.4 million, representing an average price of \$61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See "Acquisitions and Dispositions"), its share of the proceeds from the sale of ownership interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See "Acquisitions and Dispositions") and from borrowings under its line of credit. There were no repurchases during the years ended December 31, 2019 and 2018.

On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement ("Financing Arrangement"). As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

On February 1 and 2, 2018, the Company reduced its workforce by approximately 10 percent. The Company incurred a one-time charge of \$12.7 million in connection with the workforce reduction during the year ended December 31, 2018. As a result of the workforce reduction, the Company, exclusive of the one-time charge, reduced expenses by approximately \$10.0 million during the year ending December 31, 2018.

During the year ended December 31, 2018, the Company incurred \$19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") 842, "Leases", under the modified retrospective method. The new standard amended the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). In connection with the adoption of the new lease standard, the Company elected to use the transition packages of practical expedients for implementation provided by the Financial Accounting Standards Board ("FASB"), which included (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date, (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized, and (iv) application of the standard as of the adoption date rather than to all periods presented.

Upon adoption of the new standard, the Company has presented all revenues associated with leases as leasing revenue on its consolidated statements of operations. For comparison purposes, the Company has reclassified minimum rents, percentage rents, tenant recoveries and other leasing income to leasing revenue for the years ended December 31, 2018 and 2017 to conform to the presentation for the year ended December 31, 2019. The new standard requires the Company to reduce leasing revenue for credit losses associated with lease receivables. For the years ended December 31, 2018 and 2017, the provision for bad debts is included in shopping center and operating expenses. In addition, straight-line rent receivables are written off when the Company believes there is reasonable uncertainty regarding a tenant's ability to complete the term of the lease. As a result, the Company recognized a cumulative effect adjustment of \$2.2 million upon adoption for the write off of straight-line rent receivables of tenants that were in litigation or bankruptcy.

The new standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Initial direct costs include the salaries and related costs for employees directly working on leasing activities. Prior to January 1, 2019, these costs were capitalizable and therefore the new lease standard resulted in certain of these costs being expensed as incurred. For comparison purposes, the Company has reclassified leasing costs that were included in management companies' operating expenses to leasing expenses for the years ended December 31, 2018 and 2017 to conform to the presentation for the year ended December 31, 2019.

*Inflation:*

In the last five years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically throughout the lease term. These rent increases are either in fixed increments or based on using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, approximately 5% to 15% of the leases for spaces 10,000 square feet and under expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. The Company has generally entered into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center, which places the burden of cost control on the Company. Additionally, certain leases require the tenants to pay their pro rata share of operating expenses.

**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, capitalization of costs and fair value measurements. The Company's significant accounting policies are described in more detail in Note 2—Summary of Significant Accounting Policies in the Company's Notes to the Consolidated Financial Statements. However, the following policies are deemed to be critical.

*Acquisitions:*

The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any

assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an “as if vacant” methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with “cost avoidance” of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company’s markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the “assumed vacant” property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. 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. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company’s relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management’s preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs and capitalizes costs associated with asset acquisitions.

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

*Asset Impairment:*

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis or a contracted sales price, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.

The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is

other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.

*Fair Value of Financial Instruments:*

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

The Company records its Financing Arrangement obligation at fair value on a recurring basis with changes in fair value being recorded as interest expense in the Company's consolidated statements of operations. The fair value is determined based on a discounted cash flow model, with the significant unobservable inputs including discount rate, terminal capitalization rate, and market rents. The fair value of the Financing Arrangement obligation is sensitive to these significant unobservable inputs and a change in these inputs may result in a significantly higher or lower fair value measurement.

## **Results of Operations**

Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting the Company's properties described above, including those related to the Redevelopment Properties, the JV Transition Centers and the Disposition Properties (each as defined below).

For purposes of the discussion below, the Company defines "Same Centers" as those Centers that are substantially complete and in operation for the entirety of both periods of the comparison. Non-Same Centers for comparison purposes include those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center ("Redevelopment Properties"), those properties that have recently transitioned to or from equity method joint ventures to consolidated assets ("JV Transition Centers") and properties that have been disposed of ("Disposition Properties"). The Company moves a Center in and out of Same Centers based on whether the Center is substantially complete and in operation for the entirety of both periods of the comparison. Accordingly, the Same Centers consist of all consolidated Centers, excluding the Redevelopment Properties, the JV Transition Center and the Disposition Properties for the periods of comparison.

For the comparison of the year ended December 31, 2019 to the year ended December 31, 2018 and the comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the Redevelopment Properties are Paradise Valley Mall and certain ground up developments.

For the comparison of the year ended December 31, 2019 to the year ended December 31, 2018 and the comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the JV Transition Center is One Westside. The change in revenues and expenses at the JV Transition Center is primarily due to the conversion of One Westside from a Consolidated Center to an Unconsolidated Joint Venture Center.

For comparison of the year ended December 31, 2019 to the year ended December 31, 2018, the Disposition Property is Promenade at Casa Grande. For the comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the Disposition Properties are Promenade at Casa Grande, 500 North Michigan Avenue, Cascade Mall and Northgate Mall.

Unconsolidated joint ventures are reflected using the equity method of accounting. The Company's pro rata share of the results from these Centers is reflected in the consolidated statements of operations as equity in income of unconsolidated joint ventures.

The Company considers tenant annual sales per square foot (for tenants in place for a minimum of 12 months or longer and 10,000 square feet and under) for regional shopping centers, occupancy rates (excluding large retail stores or "Anchors") for the Centers and releasing spreads (i.e. a comparison of initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the year based on the spaces 10,000 square feet and under) to be key performance indicators of the Company's internal growth.

Tenant sales per square foot increased from \$726 for the twelve months ended December 31, 2018 to \$801 for the twelve months ended December 31, 2019. Occupancy rate decreased from 95.4% at December 31, 2018 to 94.0% at December 31, 2019. Releasing spreads remained positive as the Company was able to lease available space at average higher rents than the expiring rental rates, resulting in a releasing spread of \$2.65 per square foot (\$59.15 on new and renewal leases executed compared to \$56.50 on leases expiring), representing a 4.7% increase for the trailing twelve months ended December 31, 2019. The Company expects that releasing spreads will continue to be positive for 2020 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire represent approximately 930,000 square feet of the Centers, accounting for 14.0% of the GLA of mall stores and freestanding stores, for spaces 10,000 square feet and under, as of December 31, 2019. These calculations exclude Centers under development or redevelopment and property dispositions (See "Acquisitions and Dispositions" and "Redevelopment and Development Activities" in Management's Overview and Summary).

During the trailing twelve months ended December 31, 2019, the Company signed 359 new leases and 579 renewal leases comprising approximately 3.5 million square feet of GLA, of which 2.3 million square feet related to the consolidated Centers. The average tenant allowance was \$29.25 per square foot.

## **Outlook**

The Company has a long-term four-pronged business strategy that focuses on the acquisition, leasing and management, redevelopment and development of Regional Shopping Centers. Although the Company believes that overall regional shopping center fundamentals in its markets appear reasonably strong, the Company expects that its results for 2020 will be negatively impacted by Anchor closures and tenant bankruptcies, among other factors.

Rising interest rates could increase the cost of the Company's borrowings due to its outstanding floating-rate debt and lead to higher interest rates on new fixed-rate debt. In certain cases, the Company



may limit its exposure to interest rate fluctuations related to a portion of its floating-rate debt by using interest rate cap and swap agreements. Such agreements, subject to current market conditions, allow the Company to replace floating-rate debt with fixed-rate debt in order to achieve its desired ratio of floating-rate to fixed-rate debt. However, in an increasing interest rate environment the fixed rates the Company can obtain with such replacement fixed-rate cap and swap agreements or the fixed-rate on new debt will also continue to increase.

In recent years, a number of companies in the retail industry, including some of the Company's Anchors, have declared bankruptcy, gone out of business or significantly reduced the number of their retail stores. Store closures by an Anchor may impact the Company's Centers more holistically by causing other tenants, including Anchors, to terminate their leases, receive reduced rent or cease operating their stores at the Center.

On October 15, 2018, Sears filed for bankruptcy and announced additional store closings. At the time of the bankruptcy filing, the Company had 21 Sears stores in its portfolio totaling approximately 3.1 million square feet and accounting for less than 1% of the Company's total leasing revenue. The twenty-one stores included seven owned by the Company, nine owned by the Company's joint venture with Seritage Growth Properties ("Seritage"), one store that was owned by Sears and four stores that were owned by Seritage. Although, in the short-term, the bankruptcy of an Anchor such as Sears may lead to lost base rent and the triggering of co-tenancy clauses, there is also the potential to create additional future value through the recapturing of space and releasing that space to new tenants at higher rent per square foot, which the Company has demonstrated through its joint venture with Seritage and the completed redevelopment of a former Sears store at Kings Plaza Shopping Center in July 2018.

As of December 31, 2019, the Company recaptured ten Sears locations, including seven through its joint venture with Seritage, through formal lease rejections and lease terminations. The Company currently anticipates aggregate redevelopment investments at several of these locations of \$130.0 million to \$160.0 million (at the Company's pro rata share) over the next several years. New tenants are expected to open at several projects in 2020. In early 2020, Sears will be closing five additional locations, including three stores in which the Company has an ownership interest and two that are owned by Seritage and not by the Company. Sears will continue to pay rent on these locations in which the Company has an ownership interest. The Company is actively seeking replacement tenants for these Company-owned sites.

On September 29, 2019, Forever 21, Inc. filed for Chapter 11 bankruptcy. At the time of the bankruptcy filing, the Company had 29 Forever 21 stores in its portfolio totaling approximately 1.2 million square feet. As of December 31, 2019, Forever 21 stores represented 1.4% of total minimum and percentage rental revenues of the Company. The Company is in ongoing discussions with Forever 21 regarding the status of those stores. Based on a court filing dated October 28, 2019, the Company expects that four of the Forever 21 stores will close, three of which are owned by the Company (Danbury Fair Mall, Arrowhead Towne Center and Pacific View), and one of which is not owned by the Company (Vintage Faire Mall). The Company anticipates that it may provide certain rent concessions in connection with a number of the remaining stores. The Company is actively seeking replacement tenants for these Company-owned sites.

### **Comparison of Years Ended December 31, 2019 and 2018**

#### *Revenues:*

Leasing revenue decreased by \$25.1 million, or 2.8%, from 2018 to 2019. The decrease in rental revenue is attributed to a decrease of \$18.5 million from the Same Centers, \$3.0 million from the JV Transition Center, \$2.3 million from the Disposition Property and \$1.3 million from the Redevelopment Properties.

Leasing revenue includes the amortization of above and below-market leases, the amortization of straight-line rents and lease termination income. The amortization of above and below-market leases increased from \$1.9 million in 2018 to \$5.2 million in 2019. The amortization of straight-line rents decreased from \$11.8 million in 2018 to \$10.5 million in 2019. Lease termination income decreased from \$9.9 million in 2018 to \$4.6 million in 2019. Leasing revenue also includes a provision for bad debts of \$7.7 million in 2019 (See “Other Transactions and Events” in Management’s Overview and Summary). The decrease in leasing revenue at the Same Centers is primarily due to the inclusion of the provision for bad debts in 2019 and a decrease in lease termination income.

Management Companies’ revenue decreased from \$43.5 million in 2018 to \$40.7 million in 2019.

*Shopping Center and Operating Expenses:*

Shopping center and operating expenses decreased \$5.9 million, or 2.1%, from 2018 to 2019. The decrease in shopping center and operating expenses is attributed to a decrease of \$2.0 million from the Same Centers, \$1.9 million from the JV Transition Center, \$1.2 million from the Disposition Property and \$0.8 million from the Redevelopment Properties. The decrease in shopping center and operating expenses at the the Same Centers is primarily due to the exclusion of bad debt expense in 2019 (See “Other Transactions and Events” in Management’s Overview and Summary) offset in part by an increase in property tax expense.

*Leasing Expenses:*

Leasing expenses increased from \$11.6 million in 2018 to \$29.6 million in 2019. The increase in leasing expenses is due to the Company’s adoption of ASC 842 in 2019 (See “Other Transactions and Events” in Management’s Overview and Summary).

*Management Companies’ Operating Expenses:*

Management Companies’ operating expenses decreased \$25.1 million from 2018 to 2019. The decrease is attributed to a one-time charge of \$12.7 million in connection with the Company’s reduction in work force in 2018 (See “Other Transactions and Events” in Management’s Overview and Summary) and the subsequent reduction in payroll and share and unit-based compensation costs.

*REIT General and Administrative Expenses:*

REIT general and administrative expenses decreased \$1.5 million from 2018 to 2019 due to a reduction in compensation costs.

*Costs Related to Shareholder Activism:*

The Company incurred \$19.4 million in costs related to shareholder activism in 2018 (See “Other Transactions and Events” in Management’s Overview and Summary) and none in 2019.

*Depreciation and Amortization:*

Depreciation and amortization increased \$3.3 million from 2018 to 2019. The increase in depreciation and amortization is primarily attributed to an increase of \$5.3 million from the Same Centers offset in part by decreases of \$1.3 million from the JV Transition Center and \$0.7 million from the Disposition Property.

*Interest Expense:*

Interest expense decreased \$44.7 million from 2018 to 2019. The decrease in interest expense is primarily attributed to decreases of \$62.7 million from the Financing Arrangement (See “Other

Transactions and Events” in Management’s Overview and Summary) and \$1.1 million from the JV Transition Center offset in part by increases of \$12.9 million from the Same Centers, \$4.4 million from borrowings under the line of credit and \$1.8 million from the Redevelopment Properties.

The decrease in interest expense from the Financing Arrangement is primarily due to the change in fair value of the underlying properties and the mortgage notes payable on the underlying properties. The increase in interest expense at the Same Centers is primarily due to the new loans on Fashion Outlets of Chicago, Chandler Fashion Center, SanTan Village Regional Center and Kings Plaza Shopping Center (See “Financing Activities” in Management’s Overview and Summary).

The above interest expense items are net of capitalized interest, which decreased from \$15.4 million in 2018 to \$9.6 million in 2019.

*Equity in Income of Unconsolidated Joint Ventures:*

Equity in income of unconsolidated joint ventures decreased \$23.3 million from 2018 to 2019. The decrease in equity in income of unconsolidated joint ventures is primarily due to the write-down of intangible assets as a result of lease terminations at the Company’s joint venture with Seritage in 2019, the gain on the sale of The Market at Estrella Falls in 2018 (See “Acquisitions and Dispositions” in Management’s Overview and Summary), the gain on the sale of an ownership interest in an office building at Fashion District Philadelphia in 2018 (See “Acquisitions and Dispositions” in Management’s Overview and Summary) and interest expense from the loan placed on Broadway Plaza in 2018 (See “Financing Activities” in Management’s Overview and Summary).

*Loss on Sale or Write Down of Assets, net:*

Loss on sale or write down of assets, net decreased \$19.9 million from \$31.8 million in 2018 to \$11.9 million in 2019. The decrease in loss on sale or write down of assets, net is primarily due to the \$54.5 million in impairment losses in 2018 and a \$12.0 million decrease in the write down of development costs in 2019 offset in part by the \$46.2 million gain on the sale of a 75% ownership interest in One Westside in 2018 (See “Acquisitions and Dispositions” in Management’s Overview and Summary) and a \$0.6 million decrease in gain on land sales in 2019. The impairment losses were due to the reduction in the estimated holding periods of SouthPark Mall, Promenade at Casa Grande, Southridge Center and two freestanding stores.

*Net Income:*

Net income increased \$33.6 million from 2018 to 2019. The increase in net income is primarily attributed to the decreases of \$44.7 million in interest expense and \$19.4 million in costs related to shareholder activism offset in part by the decrease of \$19.9 million in loss on sale or write down of assets, net, as described above.

*Funds From Operations (“FFO”):*

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold decreased 4.9% from \$564.4 million in 2018 to \$537.0 million in 2019. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold and FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold, see “Funds From Operations (“FFO”)” below.

### *Operating Activities:*

Cash provided by operating activities increased \$10.8 million from 2018 to 2019. The increase is primarily due to the \$19.4 million in costs related to shareholder activism in 2018 (See “Other Transactions and Events” in Management’s Overview and Summary) and changes in assets and liabilities and the results as discussed above.

### *Investing Activities:*

Cash used in investing activities increased by \$288.3 million from 2018 to 2019. The increase in cash used in investing activities is primarily attributed to a decrease in distributions from unconsolidated joint ventures of \$270.3 million, a decrease in proceeds from the sale of assets of \$80.4 million and an increase in contributions to unconsolidated joint ventures of \$71.7 million offset in part by an increase in proceeds from notes receivable of \$67.8 million and decreases in development, redevelopment, expansion and renovations of properties of \$14.3 million and property improvements of \$35.0 million.

The decrease in distributions from unconsolidated joint ventures is primarily due to the distribution of the Company’s share of proceeds from the loans placed on Broadway Plaza and Fashion District Philadelphia (See “Financing Activities” in Management’s Overview and Summary) in 2018 and the sale of an ownership interest in an office building at Fashion District Philadelphia (See “Acquisitions and Dispositions” in Management’s Overview and Summary) in 2018, offset in part by the Company’s share of loan proceeds from the new loan on Tysons Tower (See “Financing Activities” in Management’s Overview and Summary) in 2019. The increase in proceeds from notes receivable is due to the repayment of the note receivable from the Lennar Corporation in 2019 (See Note 18—Related Party Transactions in the Company’s Notes to the Consolidated Financial Statements).

### *Financing Activities:*

Cash used in financing activities decreased \$236.2 million from 2018 to 2019. The decrease in cash used in financing activities is primarily due to an increase in proceeds from mortgages, bank and other notes payable of \$1.4 billion, offset in part by an increase in payments on mortgages, bank and other notes payable of \$1.1 billion, the payment on the Financing Arrangement of \$27.9 million in 2019 and an increase in dividends and distributions of \$20.9 million.

## **Comparison of Years Ended December 31, 2018 and 2017**

### *Revenues:*

Leasing revenue decreased by \$38.2 million, or 4.1%, from 2017 to 2018. The decrease in rental revenue is attributed to a decrease of \$13.5 million from the JV Transition Center, \$12.7 million from the Same Centers, \$11.9 million from the Disposition Properties and \$0.1 million from the Redevelopment Properties.

The amortization of above and below-market leases increased from \$1.0 million in 2017 to \$1.9 million in 2018 primarily due to the JV Transition Centers. The amortization of straight-line rents increased from \$8.6 million in 2017 to \$11.8 million in 2018. Lease termination income decreased from \$18.1 million in 2017 to \$9.9 million in 2018.

Management Companies’ revenue increased from \$43.4 million in 2017 to \$43.5 million in 2018.

### *Shopping Center and Operating Expenses:*

Shopping center and operating expenses decreased \$17.7 million, or 6.0%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to decreases of \$9.8 million from

the Same Centers, \$5.5 million from Disposition Properties and \$5.0 million from JV Transition Center offset in part by an increase of \$2.6 million from Redevelopment Properties. The decrease in shopping center and operating expenses at the the Same Centers is primarily due to a reduction in property tax expense.

*Leasing Expenses:*

Leasing expenses decreased from \$12.4 million in 2017 to \$11.6 million in 2018.

*Management Companies' Operating Expenses:*

Management Companies' operating expenses increased \$4.2 million from 2017 to 2018. The increase is attributed to a one-time charge of \$12.7 million in 2018 in connection with the Company's reduction in work force (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by the subsequent reduction in payroll and share and unit-based compensation costs.

*REIT General and Administrative Expenses:*

REIT general and administrative expenses decreased \$4.1 million from 2017 to 2018 due to a reduction in compensation costs.

*Costs Related to Shareholder Activism:*

The Company incurred \$19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary).

*Depreciation and Amortization:*

Depreciation and amortization decreased \$8.0 million from 2017 to 2018. The decrease in depreciation and amortization is primarily attributed to decreases of \$4.9 million from the JV Transition Center, \$4.3 million from the Disposition Properties and \$0.3 million from the Redevelopment Properties offset in part by an increase of \$1.5 million from the Same Centers.

*Interest Expense:*

Interest expense increased \$11.2 million from 2017 to 2018. The increase in interest expense is primarily attributed to an increase of \$10.6 million from the Same Centers, \$4.0 million from borrowings under the line of credit, \$0.8 million from the Redevelopment Properties, \$0.3 million from the Disposition Properties and \$0.2 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a decrease of \$4.7 million from the JV Transition Center. The increase in interest expense at the Same Centers is primarily due to the new loans on Green Acres Commons and Freehold Raceway Mall (See "Financing Activities" in Management's Overview and Summary).

The above interest expense items are net of capitalized interest, which increased from \$13.2 million in 2017 to \$15.4 million in 2018.

*Equity in Income of Unconsolidated Joint Ventures:*

Equity in income of unconsolidated joint ventures decreased \$13.8 million from 2017 to 2018. The decrease in equity in income from joint ventures is primarily due to the gain on the sale of an ownership interest in office buildings at Fashion District Philadelphia in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and interest expense on the mortgage loan on Broadway Plaza in 2018 (See "Financing Activities" in Management's Overview and Summary).

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

The change in (loss) gain on sale or write down of assets, net was \$74.3 million, resulting from a gain of \$42.4 million in 2017 and a loss of \$31.8 million in 2018. The change in (loss) gain on sale or write down of assets, net is primarily due to the gain of \$59.6 million on the sale of Cascade Mall and Northgate Mall in 2017 (See “Acquisitions and Dispositions” in Management’s Overview and Summary) and impairment losses of \$54.5 million on SouthPark Mall, La Cumbre Plaza, Southridge Center and Promenade at Casa Grande in 2018 offset in part by the gain of \$46.2 million on the sale of a 75% ownership interest in One Westside in 2018 (See “Acquisitions and Dispositions” in Management’s Overview and Summary) and impairment losses of \$22.1 million on Southridge Center and Promenade at Casa Grande in 2017. The impairment losses were due to the reduction in the estimated holding periods of the properties.

*Net Income:*

Net income decreased \$92.7 million from 2017 to 2018. The decrease in net income is primarily attributed to the change in (loss) gain on sale or write down of assets, net of \$74.3 million, as discussed above.

*Funds From Operations (“FFO”):*

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold decreased 3.2% from \$582.9 million in 2017 to \$564.4 million 2018. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold and FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold, see “Funds From Operations (“FFO”)” below.

*Operating Activities:*

Cash provided by operating activities decreased \$42.1 million from 2017 to 2018. The decrease is primarily due to the \$19.4 million in costs related to shareholder activism in 2018 (See “Other Transactions and Events” in Management’s Overview and Summary), changes in assets and liabilities and the results as discussed above.

*Investing Activities:*

Cash provided by investing activities decreased \$2.7 million from 2017 to 2018. The decrease in cash provided by investing activities is primarily attributed to a decrease in cash proceeds from the sale of assets of \$169.4 million, an increase in contributions to unconsolidated joint ventures of \$63.7 million, an increase in development, redevelopment, expansion and renovation of properties costs of \$20.7 million and an increase in property improvements of \$14.3 million offset in part by an increase in distributions from unconsolidated joint ventures of \$268.7 million.

The decrease in cash proceeds from the sale of assets is attributed to the sales of Cascade Mall and Northgate Mall in 2017 offset in part by the proceeds from the sale of Promenade at Casa Grande and an ownership interest in Westside Pavilion in 2018 (See “Acquisitions and Dispositions” in Management’s Overview and Summary). The increase in distributions from unconsolidated joint ventures is primarily due to the distribution of the Company’s share of proceeds from the loans placed on Broadway Plaza and Fashion District Philadelphia (See “Financing Activities” in Management’s Overview and Summary) and the sale of The Market at Estrella Falls and the sale of an ownership interest in an office building at Fashion District Philadelphia (See “Acquisitions and Dispositions” in Management’s Overview and Summary) in 2018.

### *Financing Activities:*

Cash used in financing activities decreased \$51.8 million from 2017 to 2018. The decrease in cash used in financing activities is primarily due to a decrease in payments on mortgages, bank and other notes payable of \$749.9 million, the repurchases of the Company's common stock of \$221.4 million in 2017 (See "Other Transactions and Events" in Management's Overview and Summary) and a decrease in distributions to co-venture partner of \$103.8 million (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a decrease in proceeds from mortgages, bank and other notes payable of \$1.0 billion.

### **Liquidity and Capital Resources**

The Company anticipates meeting its liquidity needs for its operating expenses and debt service and dividend requirements for the next twelve months through cash generated from operations, working capital reserves and/or borrowings under its unsecured line of credit.

The following tables summarize capital expenditures and lease acquisition costs incurred at the Centers (at the Company's pro rata share) for the years ended December 31:

<b>(Dollars in thousands)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b><i>Consolidated Centers:</i></b>			
Acquisitions of property, building improvement and equipment . . . . .	\$ 34,763	\$ 53,350	\$ 38,153
Development, redevelopment, expansion and renovation of Centers . . .	112,263	173,329	152,095
Tenant allowances . . . . .	18,860	12,636	11,484
Deferred leasing charges . . . . .	3,203	17,353	26,526
	<u>\$169,089</u>	<u>\$256,668</u>	<u>\$228,258</u>
<b><i>Joint Venture Centers (at Company's pro rata share):</i></b>			
Acquisitions of property, building improvement and equipment . . . . .	\$ 12,321	\$ 15,697	\$ 16,069
Development, redevelopment, expansion and renovation of Centers . . .	210,574	145,905	121,787
Tenant allowances . . . . .	9,339	8,736	6,779
Deferred leasing charges . . . . .	3,386	10,880	6,154
	<u>\$235,620</u>	<u>\$181,218</u>	<u>\$150,789</u>

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable to 2019 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings. Although the amounts to be incurred for deferred leasing charges during the next twelve months are expected to be comparable to 2019, the Company began expensing a significant portion of its leasing costs in 2019 in accordance with its adoption of ASC 842 (See "Other Transactions and Events" in Management's Overview and Summary). The Company expects to incur between \$250 million and \$300 million during the next twelve months for development, redevelopment, expansion and renovations. Capital for these major expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from a combination of debt or equity financings, which are expected to include borrowings under the Company's line of credit and construction loans.

The Company has also generated liquidity in the past, and may continue to do so in the future, through equity offerings and issuances, property refinancings, joint venture transactions and the sale of non-core assets. For example, the Company has generated liquidity through the sales of ownership interests in One Westside and an office building at Fashion District Philadelphia (See "Acquisitions and Dispositions" in Management's Overview and Summary), the sales of The Market at Estrella Falls and Promenade at Casa Grande, and the financing of Fashion Outlets of Chicago, Fashion District

Philadelphia, Broadway Plaza, SanTan Village Regional Center, Chandler Fashion Center and Tysons Tower (See “Financing Activities” in Management’s Overview and Summary). The Company used the proceeds from these transactions to pay down its line of credit and for general corporate purposes. Furthermore, the Company has filed a shelf registration statement, which registered an unspecified amount of common stock, preferred stock, depositary shares, debt securities, warrants, rights, stock purchase contracts and units that may be sold from time to time by the Company. The Company expects any additional repurchases of the Company’s common stock under the 2017 Stock Buyback Program to be funded by future sales of non-core assets, borrowings under its line of credit and/or refinancing transactions.

The capital and credit markets can fluctuate and, at times, limit access to debt and equity financing for companies. As demonstrated by the Company’s recent activity as discussed below, the Company has been able to access capital; however, there is no assurance the Company will be able to do so in future periods or on similar terms and conditions. Many factors impact the Company’s ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions. In the event that the Company has significant tenant defaults as a result of the overall economy and general market conditions, the Company could have a decrease in cash flow from operations, which could result in increased borrowings under its line of credit. These events could result in an increase in the Company’s proportion of floating rate debt, which would cause it to be subject to interest rate fluctuations in the future.

The Company’s total outstanding loan indebtedness, which includes mortgages and other notes payable, at December 31, 2019 was \$8.1 billion (consisting of \$5.2 billion of consolidated debt, less \$359.1 million of noncontrolling interests, plus \$3.2 billion of its pro rata share of unconsolidated joint venture debt). The majority of the Company’s debt consists of fixed-rate conventional mortgage notes collateralized by individual properties. The Company expects that all of the maturities during the next twelve months will be refinanced, restructured, extended and/or paid off from the Company’s line of credit or cash on hand.

The Company believes that the pro rata debt provides useful information to investors regarding its financial condition because it includes the Company’s share of debt from unconsolidated joint ventures and, for consolidated debt, excludes the Company’s partners’ share from consolidated joint ventures, in each case presented on the same basis. The Company has several significant joint ventures and presenting its pro rata share of debt in this manner can help investors better understand the Company’s financial condition after taking into account the Company’s economic interest in these joint ventures. The Company’s pro rata share of debt should not be considered as a substitute for the Company’s total consolidated debt determined in accordance with GAAP or any other GAAP financial measures and should only be considered together with and as a supplement to the Company’s financial information prepared in accordance with GAAP.

The Company has a \$1.5 billion revolving line of credit facility that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company’s overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of \$2.0 billion. All obligations under the facility are unconditionally guaranteed only by the Company. Based on the Company’s leverage level as of December 31, 2019, the borrowing rate on the facility was LIBOR plus 1.55%. The Company has four interest rate swap agreements that effectively convert a total of \$400.0 million of the outstanding balance from floating rate debt of LIBOR plus 1.55% to fixed rate debt of 4.30% until September 30, 2021. At December 31, 2019, total borrowings under the line of credit were \$820.0 million less unamortized deferred finance costs of \$2.6 million with a total interest rate of 3.92%. The Company’s availability under the line of credit was \$679.7 million at December 31, 2019.



Cash dividends and distributions for the twelve months ended December 31, 2019 were \$474.5 million. A total of \$355.2 million was funded by operations. The remaining \$119.4 million was funded from distributions from unconsolidated joint ventures, which were included in the cash flows from investing activities section of the Company's Consolidated Statement of Cash Flows.

At December 31, 2019, the Company was in compliance with all applicable loan covenants under its agreements.

At December 31, 2019, the Company had cash and cash equivalents of \$100.0 million.

*Off-Balance Sheet Arrangements:*

The Company accounts for its investments in joint ventures that it does not have a controlling interest or is not the primary beneficiary using the equity method of accounting and those investments are reflected on the consolidated balance sheets of the Company as investments in unconsolidated joint ventures.

As of December 31, 2019, one of the Company's joint ventures has \$150.5 million of debt that could become recourse to the Company, should the joint venture be unable to discharge the obligation of the related debt.

Additionally, as of December 31, 2019, the Company was contingently liable for \$40.8 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

*Contractual Obligations:*

The following is a schedule of contractual obligations as of December 31, 2019 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

<u>Contractual Obligations</u>	<u>Payment Due by Period</u>				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>More than five years</u>
Long-term debt obligations (includes expected interest payments)(1) . . . . .	\$6,266,635	\$494,795	\$2,218,344	\$609,305	\$2,944,191
Lease obligations(2) . . . . .	217,455	19,255	46,730	20,123	131,347
Purchase obligations(3) . . . . .	4,194	4,194	—	—	—
Other liabilities . . . . .	223,410	159,917	17,199	13,744	32,550
	<u>\$6,711,694</u>	<u>\$678,161</u>	<u>\$2,282,273</u>	<u>\$643,172</u>	<u>\$3,108,088</u>

- (1) Interest payments on floating rate debt were based on rates in effect at December 31, 2019.
- (2) See Note 8—Leases in the Company's Notes to the Consolidated Financial Statements.
- (3) See Note 17—Commitments and Contingencies in the Company's Notes to the Consolidated Financial Statements.

**Funds From Operations ("FFO")**

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO -diluted as supplemental measures for the real estate industry and a supplement to 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 sales of properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the

value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.

Beginning during the first quarter of 2018, the Company revised its definition of FFO so that FFO excluded the impact of the financing expense in connection with Chandler Freehold. Beginning in 2019, the Company now presents a separate non-GAAP measure—FFO excluding financing expense in connection with Chandler Freehold. The Company has revised the FFO presentation for the years ended December 31, 2018, 2017, 2016 and 2015 to conform to the current presentation.

The Company accounts for its joint venture in Chandler Freehold as a financing arrangement. In connection with this treatment, the Company recognizes financing expense on (i) the changes in fair value of the financing arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income. Only the noted expenses related to the changes in fair value and for the payments to the joint venture partner less than or in excess of their pro rata share of net income are excluded from the measure—FFO excluding financing expense in connection with Chandler Freehold.

The Company also presents FFO excluding financing expense in connection with Chandler Freehold, gain or loss on extinguishment of debt, net and costs related to shareholder activism and unsolicited takeover offer.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes that such a presentation also provides investors with a meaningful measure of its operating results in comparison to the operating results of other REITs. In addition, the Company believes that FFO excluding financing expense in connection with Chandler Freehold, non-routine costs associated with extinguishment of debt and costs related to shareholder activism provide useful supplemental information regarding the Company's performance as they show a more meaningful and consistent comparison of the Company's operating performance and allows investors to more easily compare the Company's results. The Company further believes that FFO on a diluted basis is a measure investors find most useful in measuring the dilutive impact of outstanding convertible securities.

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

Management compensates for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net income to FFO and FFO-diluted. Management believes that to further understand the Company's performance, FFO should be compared with the Company's reported net income and considered in addition to cash flows in accordance with GAAP, as presented in the Company's consolidated financial statements. The following reconciles net income attributable to the Company to FFO and FFO-basic and diluted, excluding financing expense in connection with Chandler Freehold, loss (gain) on extinguishment of debt, net and costs related to shareholder activism and unsolicited takeover offer for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 (dollars and shares in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income attributable to the Company	\$ 96,820	\$ 60,020	\$146,130	\$ 516,995	\$ 487,562
Adjustments to reconcile net income attributable to the Company to FFO attributable to common stockholders and unit holders—basic and diluted:					
Noncontrolling interests in the Operating Partnership	7,131	4,407	10,729	37,780	32,615
Loss (gain) on sale or write down of consolidated assets, net	11,909	31,825	(42,446)	(415,348)	(400,337)
Add: gain on undepreciated assets—consolidated assets	3,829	4,884	1,564	3,717	1,326
Less: loss on write-down of non-real estate assets—consolidated assets	—	—	(10,138)	—	—
Add: noncontrolling interests share of (loss) gain on sale or write-down of assets—consolidated assets	(2,822)	580	1,209	(1,662)	481
Loss (gain) on sale or write down of assets—unconsolidated joint ventures(1)	462	(2,993)	(14,783)	189	(4,392)
Add: gain (loss) on sale of undepreciated assets—unconsolidated joint ventures(1)	—	666	6,644	(2)	4,395
Depreciation and amortization on consolidated assets	330,726	327,436	335,431	348,488	464,472
Less: noncontrolling interests in depreciation and amortization—consolidated assets	(15,124)	(14,793)	(15,126)	(15,023)	(14,962)
Depreciation and amortization—unconsolidated joint ventures(1)	189,728	174,952	177,274	179,600	84,160
Less: depreciation on personal property	(15,997)	(13,699)	(13,610)	(12,430)	(13,052)
FFO attributable to common stockholders and unit holders—basic and diluted	<u>606,662</u>	<u>573,285</u>	<u>582,878</u>	<u>642,304</u>	<u>642,268</u>
Financing expense in connection with Chandler Freehold	(69,701)	(8,849)	—	—	—
FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold—basic and diluted	<u>536,961</u>	<u>564,436</u>	<u>582,878</u>	<u>642,304</u>	<u>642,268</u>
Loss (gain) on extinguishment of debt, net—consolidated assets	351	—	—	(1,709)	(1,487)
Costs related to shareholder activism	—	19,369	—	—	—
Costs related to unsolicited takeover offer	—	—	—	—	25,204
FFO attributable to common stockholders and unit holders excluding financing expense in connection with Chandler Freehold, extinguishment of debt, net and costs related to shareholder activism and unsolicited takeover offer—diluted	<u>\$537,312</u>	<u>\$583,805</u>	<u>\$582,878</u>	<u>\$ 640,595</u>	<u>\$ 665,985</u>
Weighted average number of FFO shares outstanding for:					
FFO attributable to common stockholders and unit holders—basic(2)	151,755	151,502	152,293	157,320	168,478
Adjustments for the impact of dilutive securities in computing FFO—diluted:					
Share and unit-based compensation plans	—	2	36	112	144
FFO attributable to common stockholders and unit holders—diluted(3)	<u>151,755</u>	<u>151,504</u>	<u>152,329</u>	<u>157,432</u>	<u>168,622</u>

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

- (2) Calculated based upon basic net income as adjusted to reach basic FFO. During the years ended December 31, 2019, 2018, 2017, 2016 and 2015, there were 10.4 million, 10.4 million, 10.4 million, 10.7 million and 10.6 million OP Units outstanding, respectively.
- (3) The computation of FFO—diluted shares outstanding includes the effect of share and unit-based compensation plans and the 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-diluted computation.

## 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 matching maturities where appropriate, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of December 31, 2019 concerning the Company's long term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value (dollars in thousands):

	Expected Maturity Date						Total	Fair Value
	For the years ending December 31,							
	2020	2021	2022	2023	2024	Thereafter		
<b>CONSOLIDATED CENTERS:</b>								
Long term debt:								
Fixed rate(1) .....	\$325,133	\$ 688,239	\$374,340	\$ 6,895	\$378,120	\$2,605,141	\$4,377,868	\$4,406,734
Average interest rate .....	5.50%	3.95%	4.10%	3.50%	4.05%	3.79%	3.99%	
Floating rate .....	—	550,000	300,000	—	—	—	850,000	847,336
Average interest rate .....	—%	3.51%	3.09%	—%	—%	—%	3.36%	
Total debt—Consolidated Centers ....	<u>\$325,133</u>	<u>\$1,238,239</u>	<u>\$674,340</u>	<u>\$ 6,895</u>	<u>\$378,120</u>	<u>\$2,605,141</u>	<u>\$5,227,868</u>	<u>\$5,254,070</u>
<b>UNCONSOLIDATED JOINT VENTURE CENTERS:</b>								
Long term debt (at Company's pro rata share):								
Fixed rate .....	\$ 39,837	\$ 150,599	\$365,530	\$360,617	\$366,738	\$1,756,583	\$3,039,904	\$3,062,251
Average interest rate .....	3.69%	3.81%	3.67%	3.40%	4.08%	3.88%	3.81%	
Floating rate .....	—	36,183	—	159,900	—	—	196,083	196,257
Average interest rate .....	—%	3.69%	—%	3.68%	—%	—%	3.69%	
Total debt—Unconsolidated Joint Venture Centers .....	<u>\$ 39,837</u>	<u>\$ 186,782</u>	<u>\$365,530</u>	<u>\$520,517</u>	<u>\$366,738</u>	<u>\$1,756,583</u>	<u>\$3,235,987</u>	<u>\$3,258,508</u>

- (1) Fixed rate debt includes \$400 million of floating rate bank and other notes payable. The Company has four interest rate swap agreements that effectively convert a total of \$400 million of the outstanding balance from floating rate debt of LIBOR plus 1.55% to fixed rate debt of 4.30% until September 30, 2021 (See Note 5—Derivative Instruments and Hedging Activities in the Company's Notes to the Consolidated Financial Statements).

The Consolidated Centers' total fixed rate debt at December 31, 2019 and 2018 was \$4.4 billion and \$3.9 billion, respectively. The average interest rate on such fixed rate debt at December 31, 2019 and 2018 was 3.99% and 3.87%, respectively. The Consolidated Centers' total floating rate debt at December 31, 2019 and 2018 was \$0.9 billion and \$1.1 billion. The average interest rate on such floating rate debt at December 31, 2019 and 2018 was 3.36% and 3.94%, respectively.

The Company's pro rata share of the Unconsolidated Joint Venture Centers' fixed rate debt at December 31, 2019 and 2018 was \$3.0 billion. The average interest rate on such fixed rate debt at December 31, 2019 and 2018 was 3.81% and 3.83%, respectively. The Company's pro rata share of the

Unconsolidated Joint Venture Centers' floating rate debt at December 31, 2019 and 2018 was \$196.1 million and \$221.4 million, respectively. The average interest rate on such floating rate debt at December 31, 2019 and 2018 was 3.69% and 4.13%, 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. Interest rate cap agreements offer protection against floating rates on the notional amount from exceeding the rates noted in the above schedule, and interest rate swap agreements effectively replace a floating rate on the notional amount with a fixed rate as noted above. As of December 31, 2019, the Company has one interest rate cap agreement and four interest rate swap agreements in place (See Note 5—Derivative Instruments and Hedging Activities in the Company's Notes to the Consolidated Financial Statements).

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 \$10.5 million per year based on \$1.0 billion of floating rate debt outstanding at December 31, 2019.

The fair value of the Company's long-term debt is estimated based on a present value model utilizing interest rates that reflect the risks associated with long-term debt of similar risk and duration. In addition, the method of computing fair value for mortgage notes payable included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt (See Note 10—Mortgage Notes Payable and Note 11—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

In the event that LIBOR is discontinued, the interest rate for the variable rate debt of the Company and its joint ventures and the swap rate for the Company's interest rate swaps following such event will be based on an alternative variable rate as specified in the applicable documentation governing such debt or swaps or as otherwise agreed upon. Such an event would not affect the Company's ability to borrow or maintain already outstanding borrowings or swaps, but the alternative variable rate could be higher and more volatile than LIBOR prior to its discontinuance. The Company understands that LIBOR is expected to remain available through the end of 2021, but may be discontinued or otherwise become unavailable thereafter.

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

Refer to the 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**

##### *Conclusion Regarding Effectiveness of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation as of December 31, 2019, 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 Exchange Act) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the

Exchange Act 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 Exchange Act). The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). The Company's management concluded that, as of December 31, 2019, its internal control over financial reporting was effective based on this assessment.

KPMG LLP, the independent registered public accounting firm that audited the Company's 2019 consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on the Company's internal control over financial reporting which follows below.

#### *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, 2019 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 Stockholders and Board of Directors of  
The Macerich Company:

### *Opinion on Internal Control over Financial Reporting*

We have audited The Macerich Company's and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule III—Real Estate and Accumulated Depreciation (collectively, the consolidated financial statements), and our report dated February 25, 2020 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Los Angeles, California  
February 25, 2020

**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 our Director Nominees,” “Executive Officers,” “Delinquent Section 16(a) Reports” and “Audit Committee Matters” in the Company’s definitive proxy statement for its 2020 Annual Meeting of Stockholders that is responsive to the information required by this Item.

The Company has adopted a Code of Business Conduct and Ethics that provides principles of conduct and ethics for its directors, officers and employees. This Code complies with the requirements of the Sarbanes-Oxley Act of 2002 and applicable rules of the Securities and Exchange Commission and the New York Stock Exchange. In addition, the Company has adopted a Code of Ethics for CEO and Senior Financial Officers which supplements the Code of Business Conduct and Ethics applicable to all employees and complies with the additional requirements of the Sarbanes-Oxley Act of 2002 and applicable rules of the Securities and Exchange Commission for those officers. To the extent required by applicable rules of the Securities and Exchange Commission and the New York Stock Exchange, the Company intends to promptly disclose future amendments to certain provisions of these Codes or waivers of such provisions granted to directors and executive officers, including the Company’s principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions, on the Company’s website at [www.macerich.com](http://www.macerich.com) under “Investors—Corporate Governance—Code of Ethics.” Each of these Codes of Conduct is available on the Company’s website at [www.macerich.com](http://www.macerich.com) under “Investors—Corporate Governance.”

During 2019, there were no material changes to the procedures described in the Company’s proxy statement relating to the 2019 Annual Meeting of Stockholders by which stockholders may recommend director nominees to the Company.

**ITEM 11. EXECUTIVE COMPENSATION**

There is hereby incorporated by reference the information which appears under the captions “Compensation of Non-Employee Directors,” “Compensation Committee Report,” “Compensation Discussion and Analysis,” “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” in the Company’s definitive proxy statement for its 2020 Annual Meeting of Stockholders that is responsive to the information required by this Item.

**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 Our Director Nominees,” “Executive Officers” and “Equity Compensation Plan Information” in the Company’s definitive proxy statement for its 2020 Annual Meeting of Stockholders that is responsive to the information required by this Item.

**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 2020 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 2020 Annual Meeting of Stockholders that is responsive to the information required by this Item.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE**

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**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## **Report of Independent Registered Public Accounting Firm**

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

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of The Macerich Company and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule III—Real Estate and Accumulated Depreciation (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal controls over financial reporting.

### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting as of January 1, 2019 due to the adoption of FASB Accounting Standards Codification Topic 842 (ASC 842), Leases.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for certain historical property sales as of January 1, 2018 due to the adoption of FASB Accounting Standards Update 2014-09, Revenue from Contracts With Customers (ASC 606).

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the

audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Evaluation of incremental borrowing rates used to measure operating lease liabilities*

As discussed in Notes 2 and 8 to the consolidated financial statements, the Company's operating lease liabilities, upon adoption of ASC 842 on January 1, 2019, were \$109 million. To measure the operating lease liability, the Company determines an incremental borrowing rate (IBR) for each operating lease and uses that IBR to discount the future cash flows for the lease to determine the amount of the operating lease liability.

We identified the evaluation of the IBRs used to measure operating lease liabilities, for the Company's 14 ground leases, as a critical audit matter. The matter required subjective auditor judgment and specialized skills and knowledge to evaluate the appropriateness of the IBR for each ground lease. The rates were internally developed by the Company using observable market rates, which were adjusted for Company specific factors and the measurement of the liability was sensitive to changes in these rates.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's process to measure the operating lease liability, including controls over the development of the IBR for each ground lease. We involved valuation professionals with specialized skills and knowledge who assisted in the evaluation of the Company's IBR for each ground lease by:

- developing independent estimates of IBR by obtaining market rates of the Company's long-term borrowings and rates of similar companies and making adjustments for differences between the terms of the leases, the maturities, and level of collateral for the observable long-term borrowings, and
- comparing the Company's IBR for each ground lease used in the calculation of the Company's operating lease liability to the rates we independently developed.

*Evaluation of the fair value of the Chandler Freehold financing arrangement obligation*

As discussed in Notes 2 and 12 to the consolidated financial statements, the Company reports the Chandler Freehold consolidated joint venture as a financing arrangement with the related deferred gain recorded as a liability at fair value. The fair value of the financing arrangement obligation is determined primarily on the fair value of the underlying shopping centers, Chandler Fashion Center and Freehold Raceway Mall, owned by the Chandler Freehold consolidated joint venture. The fair value of the shopping centers is estimated using a discounted cash flow model. Subsequent changes in fair value of the financing arrangement obligation are recorded through earnings as interest expense. The financing arrangement obligation as of December 31, 2019 was \$274 million, or 5% of total liabilities. The adjustment to fair value of the financing arrangement obligation was \$77 million, or 79% of net income.

We identified the evaluation of the fair value of the Chandler Freehold financing arrangement obligation as a critical audit matter. A high degree of subjectivity was required in evaluating the discounted cash flow model used to fair value the shopping centers. Specifically, the model is sensitive to reasonably possible changes to key assumptions, which have a significant effect on the determination of fair value of the financing arrangement obligation. The key assumptions include market rental rates, discount rates, and terminal capitalization rates.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's fair value determination process for the financing arrangement obligation and specifically the development of the key assumptions. We performed sensitivity analyses on the key assumptions, considering data obtained from industry publications, to assess the impact on the Company's determination of the fair value of the financing arrangement obligation. We involved a valuation professional with specialized skills and knowledge who assisted in evaluating the Company's key assumptions used in the discounted cash flow model. The valuation professionals independently developed a range of the market rental rates, discount rates, and terminal capitalization rates using publicly available market data for comparable properties and geographic regions in which Chandler Fashion Center and Freehold Raceway Mall are located and compared the rates to those used by the Company.

*Evaluation of property impairment indicators*

As discussed in Notes 2 and 6 to the consolidated financial statements, the Company assesses whether an indicator of impairment in the carrying value of its properties exists by considering property operating performance, holding periods, capitalization rates, and other market factors. Property, net as of December 31, 2019 was \$6,644 million, or 75% of total assets.

We identified the evaluation of property impairment indicators for properties as a critical audit matter. Evaluating the Company's judgments of changes in market conditions that could have an adverse impact on property operating performance, holding periods, and capitalization rates involved a high degree of subjective auditor judgment due to the limited amount of observable market data available for the Company's properties.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's property impairment process, including controls over the potential impairment indicators. We evaluated key performance metrics for properties, specifically to identify any negative trends in the performance metrics that could indicate potential impairment indicators, including decreases in net operating income compared to historical results, shortened holding periods and properties with current encumbrances that are set to mature within one year. We evaluated the Company's potential impairment indicators by reading minutes of the meetings of the Company's Board of Directors and inquiring of the Company. We performed a sensitivity analysis over the capitalization rates and holding periods used in the Company's impairment indicator identification analysis.

/s/ KPMG LLP

We have served as the Company's auditor since 2010.

Los Angeles, California

February 25, 2020

**THE MACERICH COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except par value)

	December 31,	
	2019	2018
<b>ASSETS:</b>		
Property, net .....	\$ 6,643,513	\$ 6,785,776
Cash and cash equivalents .....	100,005	102,711
Restricted cash .....	14,211	46,590
Tenant and other receivables, net .....	144,035	123,492
Right-of-use assets, net .....	148,087	—
Deferred charges and other assets, net .....	277,866	390,403
Due from affiliates .....	6,157	85,181
Investments in unconsolidated joint ventures .....	1,519,697	1,492,655
Total assets .....	\$ 8,853,571	\$ 9,026,808
<b>LIABILITIES AND EQUITY:</b>		
Mortgage notes payable .....	\$ 4,392,599	\$ 4,073,916
Bank and other notes payable .....	817,377	908,544
Accounts payable and accrued expenses .....	51,027	59,392
Lease liabilities .....	114,201	—
Other accrued liabilities .....	265,595	303,051
Distributions in excess of investments in unconsolidated joint ventures .....	107,902	114,988
Financing arrangement obligation .....	273,900	378,485
Total liabilities .....	6,022,601	5,838,376
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 141,407,650 and 141,221,712 shares issued and outstanding at December 31, 2019 and 2018, respectively .....	1,414	1,412
Additional paid-in capital .....	4,583,911	4,567,643
Accumulated deficit .....	(1,944,012)	(1,614,357)
Accumulated other comprehensive loss .....	(9,051)	(4,466)
Total stockholders' equity .....	2,632,262	2,950,232
Noncontrolling interests .....	198,708	238,200
Total equity .....	2,830,970	3,188,432
Total liabilities and equity .....	\$ 8,853,571	\$ 9,026,808

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

**THE MACERICH COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in thousands, except per share amounts)

	<b>For The Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Revenues:			
Leasing revenue .....	\$ 858,874	\$ 883,996	\$ 922,152
Other .....	27,879	32,875	28,116
Management Companies .....	40,709	43,480	43,394
Total revenues .....	<u>927,462</u>	<u>960,351</u>	<u>993,662</u>
Expenses:			
Shopping center and operating expenses .....	271,547	277,470	295,190
Leasing expense .....	29,611	11,624	12,420
Management Companies' operating expenses .....	66,795	91,910	87,701
REIT general and administrative expenses .....	22,634	24,160	28,240
Costs related to shareholder activism .....	—	19,369	—
Depreciation and amortization .....	330,726	327,436	335,431
	<u>721,313</u>	<u>751,969</u>	<u>758,982</u>
Interest (income) expense:			
Related parties .....	(62,517)	6,883	8,731
Other .....	200,771	176,079	163,045
	<u>138,254</u>	<u>182,962</u>	<u>171,776</u>
Loss on extinguishment of debt .....	351	—	—
Total expenses .....	<u>859,918</u>	<u>934,931</u>	<u>930,758</u>
Equity in income of unconsolidated joint ventures .....	48,508	71,773	85,546
Co-venture expense .....	—	—	(13,629)
Income tax (expense) benefit .....	(1,589)	3,604	(15,594)
(Loss) gain on sale or write down of assets, net .....	<u>(11,909)</u>	<u>(31,825)</u>	<u>42,446</u>
Net income .....	102,554	68,972	161,673
Less net income attributable to noncontrolling interests .....	5,734	8,952	15,543
Net income attributable to the Company .....	<u>\$ 96,820</u>	<u>\$ 60,020</u>	<u>\$ 146,130</u>
Earnings per common share attributable to common stockholders:			
Basic .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>
Diluted .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>
Weighted average number of common shares outstanding:			
Basic .....	<u>141,340,000</u>	<u>141,142,000</u>	<u>141,877,000</u>
Diluted .....	<u>141,340,000</u>	<u>141,144,000</u>	<u>141,913,000</u>

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

**THE MACERICH COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Dollars in thousands)**

	<u>For The Years Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income .....	\$102,554	\$68,972	\$161,673
Other comprehensive loss:			
Interest rate cap/swap agreements .....	(4,585)	(4,424)	(42)
Comprehensive income .....	97,969	64,548	161,631
Less net income attributable to noncontrolling interests .....	5,734	8,952	15,543
Comprehensive income attributable to the Company .....	<u>\$ 92,235</u>	<u>\$55,596</u>	<u>\$146,088</u>

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



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

	Stockholders' Equity							
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Par Value						
Balance at January 1, 2017 . . .	143,985,036	\$1,440	\$4,593,229	\$(488,782)	\$ —	\$4,105,887	\$321,281	\$4,427,168
Net income . . . . .	—	—	—	146,130	—	146,130	15,543	161,673
Cumulative effect of adoption of ASU 2016-09 . . . . .	—	—	—	6,484	—	6,484	—	6,484
Interest rate cap . . . . .	—	—	—	—	(42)	(42)	—	(42)
Amortization of share and unit-based plans . . . . .	97,694	1	37,004	—	—	37,005	—	37,005
Employee stock purchases . . . .	38,832	—	1,868	—	—	1,868	—	1,868
Stock repurchase . . . . .	(3,627,390)	(36)	(135,176)	(86,216)	—	(221,428)	—	(221,428)
Distributions declared (\$2.87) per share . . . . .	—	—	—	(407,895)	—	(407,895)	—	(407,895)
Distributions to noncontrolling interests . . . . .	—	—	—	—	—	—	(35,944)	(35,944)
Contributions from noncontrolling interests . . . .	—	—	—	—	—	—	30	30
Conversion of noncontrolling interests to common shares . . . . .	499,813	5	16,792	—	—	16,797	(16,797)	—
Redemption of noncontrolling interests . . . . .	—	—	(615)	—	—	(615)	(305)	(920)
Adjustment of noncontrolling interests in Operating Partnership . . . . .	—	—	(2,613)	—	—	(2,613)	2,613	—
Balance at December 31, 2017 . . . . .	<u>140,993,985</u>	<u>\$1,410</u>	<u>\$4,510,489</u>	<u>\$(830,279)</u>	<u>\$(42)</u>	<u>\$3,681,578</u>	<u>\$286,421</u>	<u>\$3,967,999</u>

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

**THE MACERICH COMPANY**  
**CONSOLIDATED STATEMENTS OF EQUITY (Continued)**  
(Dollars in thousands, except per share data)

	Stockholders' Equity							
	Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31,								
2017 .....	140,993,985	\$1,410	\$4,510,489	\$ (830,279)	\$ (42)	\$3,681,578	\$286,421	\$3,967,999
Net income .....	—	—	—	60,020	—	60,020	8,952	68,972
Cumulative effect of adoption of ASU 2014-09 .....	—	—	—	(424,859)	—	(424,859)	—	(424,859)
Interest rate cap/swap agreements .....	—	—	—	—	(4,424)	(4,424)	—	(4,424)
Amortization of share and unit-based plans .....	125,723	1	33,550	—	—	33,551	—	33,551
Employee stock purchases .....	35,293	—	1,570	—	—	1,570	—	1,570
Distributions declared (\$2.97) per share .....	—	—	—	(419,239)	—	(419,239)	—	(419,239)
Distributions to noncontrolling interests .....	—	—	—	—	—	—	(34,395)	(34,395)
Contributions from noncontrolling interests .....	—	—	—	—	—	—	16	16
Conversion of noncontrolling interests to common shares .....	66,711	1	74	—	—	75	(75)	—
Redemption of noncontrolling interests .....	—	—	(511)	—	—	(511)	(248)	(759)
Adjustment of noncontrolling interests in Operating Partnership .....	—	—	22,471	—	—	22,471	(22,471)	—
Balance at December 31,								
2018 .....	<u>141,221,712</u>	<u>\$1,412</u>	<u>\$4,567,643</u>	<u>\$(1,614,357)</u>	<u>\$(4,466)</u>	<u>\$2,950,232</u>	<u>\$238,200</u>	<u>\$3,188,432</u>

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

**THE MACERICH COMPANY**  
**CONSOLIDATED STATEMENTS OF EQUITY (Continued)**  
(Dollars in thousands, except per share data)

	Stockholders' Equity							
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Par Value						
Balance at December 31, 2018 .....	141,221,712	\$1,412	\$4,567,643	\$(1,614,357)	\$(4,466)	\$2,950,232	\$238,200	\$3,188,432
Net income .....	—	—	—	96,820	—	96,820	5,734	102,554
Cumulative effect of adoption of ASC 842 ....	—	—	—	(2,203)	—	(2,203)	—	(2,203)
Interest rate cap/swap agreements .....	—	—	—	—	(4,585)	(4,585)	—	(4,585)
Amortization of share and unit-based plans .....	106,747	1	16,722	—	—	16,723	—	16,723
Employee stock purchases .....	58,191	1	1,518	—	—	1,519	—	1,519
Distributions declared (\$3.00) per share .....	—	—	—	(424,272)	—	(424,272)	—	(424,272)
Distributions to noncontrolling interests .....	—	—	—	—	—	—	(50,262)	(50,262)
Contributions from noncontrolling interests .....	—	—	—	—	—	—	3,131	3,131
Conversion of noncontrolling interests to common shares .....	21,000	—	1,005	—	—	1,005	(1,005)	—
Redemption of noncontrolling interests .....	—	—	(31)	—	—	(31)	(36)	(67)
Adjustment of noncontrolling interests in Operating Partnership ...	—	—	(2,946)	—	—	(2,946)	2,946	—
Balance at December 31, 2019 .....	<u>141,407,650</u>	<u>\$1,414</u>	<u>\$4,583,911</u>	<u>\$(1,944,012)</u>	<u>\$(9,051)</u>	<u>\$2,632,262</u>	<u>\$198,708</u>	<u>\$2,830,970</u>

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

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

	<u>For the Years Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net income .....	\$ 102,554	\$ 68,972	\$ 161,673
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on extinguishment of debt .....	351	—	—
Loss (gain) on sale or write down of assets, net .....	11,909	31,825	(42,446)
Depreciation and amortization .....	337,667	334,682	341,275
Amortization of net premium on mortgage notes payable .....	(929)	(929)	(3,277)
Amortization of share and unit-based plans .....	12,032	27,367	30,799
Straight-line rent and amortization of above and below market leases .....	(14,009)	(13,701)	(9,561)
Provision for doubtful accounts .....	7,682	4,663	4,314
Income tax expense (benefit) .....	1,589	(3,604)	15,594
Equity in income of unconsolidated joint ventures .....	(48,508)	(71,773)	(85,546)
Change in fair value of financing arrangement obligation .....	(76,640)	(15,225)	—
Co-venture expense .....	—	—	13,629
Distributions of income from unconsolidated joint ventures .....	934	1,959	463
Changes in assets and liabilities, net of acquisitions and dispositions:			
Tenant and other receivables .....	(9,929)	(13,912)	(6,508)
Other assets .....	(9,553)	8,439	(4,414)
Due from affiliates .....	13,894	(3,019)	(13,982)
Accounts payable and accrued expenses .....	(237)	(2,159)	(5,822)
Other accrued liabilities .....	26,350	(9,274)	(9,802)
Net cash provided by operating activities .....	<u>355,157</u>	<u>344,311</u>	<u>386,389</u>
Cash flows from investing activities:			
Development, redevelopment, expansion and renovation of properties .....	(166,791)	(181,089)	(160,343)
Property improvements .....	(21,114)	(56,142)	(41,807)
Proceeds from collection of notes receivable .....	68,819	1,043	7,073
Deferred leasing costs .....	(11,906)	(28,769)	(31,655)
Distributions from unconsolidated joint ventures .....	266,349	536,643	267,964
Contributions to unconsolidated joint ventures .....	(252,903)	(181,239)	(117,538)
Proceeds from sale of assets .....	5,520	85,876	255,294
Net cash (used in) provided by investing activities .....	<u>(112,026)</u>	<u>176,323</u>	<u>178,988</u>

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

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

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash flows from financing activities:			
Proceeds from mortgages, bank and other notes payable .....	1,796,000	415,000	1,430,000
Payments on mortgages, bank and other notes payable .....	(1,567,089)	(469,814)	(1,219,728)
Deferred financing costs .....	(7,759)	(275)	(8,500)
Payment of finance deposits, net of refunds received .....	—	(6,542)	—
Payment on finance arrangement obligation .....	(27,945)	—	—
Payments on finance leases .....	(1,472)	—	—
Proceeds from share and unit-based plans .....	1,519	1,570	1,868
Stock repurchases .....	—	—	(221,428)
Redemption of noncontrolling interests .....	(67)	(759)	(920)
Contributions from noncontrolling interests .....	3,131	16	30
Dividends and distributions .....	(474,534)	(453,634)	(443,839)
Distributions to co-venture partner .....	—	—	(103,752)
Net cash used in financing activities .....	<u>(278,216)</u>	<u>(514,438)</u>	<u>(566,269)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash .....	(35,085)	6,196	(892)
Cash, cash equivalents and restricted cash at beginning of year .....	149,301	143,105	143,997
Cash, cash equivalents, and restricted cash at end of year .....	<u>\$ 114,216</u>	<u>\$ 149,301</u>	<u>\$ 143,105</u>
Supplemental cash flow information:			
Cash payments for interest, net of amounts capitalized .....	<u>\$ 210,026</u>	<u>\$ 192,254</u>	<u>\$ 168,493</u>
Non-cash investing and financing activities:			
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities .....	<u>\$ 32,452</u>	<u>\$ 50,006</u>	<u>\$ 43,726</u>
Conversion of Operating Partnership Units to common stock .....	<u>\$ 1,005</u>	<u>\$ 75</u>	<u>\$ 16,797</u>
Lease liabilities recorded in connection with right-of-use assets .....	<u>\$ 109,299</u>	<u>\$ —</u>	<u>\$ —</u>
Mortgage notes payable assumed by buyer in exchange for investment in unconsolidated joint venture .....	<u>\$ —</u>	<u>\$ 139,249</u>	<u>\$ —</u>
Disposition of property in exchange for investments in unconsolidated joint ventures .....	<u>\$ —</u>	<u>\$ 25,177</u>	<u>\$ —</u>

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

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars 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/power shopping centers (the “Centers”) located throughout the United States.

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of December 31, 2019, the Company was the sole general partner of and held a 93% ownership interest in The Macerich Partnership, L.P. (the “Operating Partnership”). The Company was organized to qualify as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”).

The property management, leasing and redevelopment of the Company’s portfolio is provided by the Company’s management companies, Macerich Property Management Company, LLC, a single member Delaware limited liability company, Macerich Management Company, a California corporation, Macerich Arizona Partners LLC, a single member Arizona limited liability company, Macerich Arizona Management LLC, a single member Delaware limited liability company, Macerich Partners of Colorado LLC, a single member Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are owned by the Company and 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. Investments in entities in which the Company has a controlling financial interest or entities that meet the definition of a variable interest entity (“VIE”) in which the Company has, as a result of ownership, contractual or other financial interests, both the power to direct activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE are consolidated; otherwise they are accounted for under the equity method of accounting and are reflected as investments in unconsolidated joint ventures.

The Company’s sole significant asset is its investment in the Operating Partnership and as a result, substantially all of the Company’s assets and liabilities represent the assets and liabilities of the Operating Partnership. In addition, the Operating Partnership has investments in a number of VIEs.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**2. Summary of Significant Accounting Policies: (Continued)**

The Operating Partnership's VIEs included the following assets and liabilities:

	December 31,	
	2019	2018
<b>Assets:</b>		
Property, net .....	\$254,071	\$263,511
Other assets .....	30,049	23,001
Total assets .....	\$284,120	\$286,512
<b>Liabilities:</b>		
Mortgage notes payable .....	\$219,140	\$125,273
Other liabilities .....	32,101	32,503
Total liabilities .....	\$251,241	\$157,776

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

The following table presents a reconciliation of the beginning of period and end of period cash, cash equivalents and restricted cash reported on the Company's consolidated balance sheets to the totals shown on its consolidated statements of cash flows:

	2019	2018	2017
<b>Beginning of period</b>			
Cash and cash equivalents .....	\$102,711	\$ 91,038	\$ 94,046
Restricted cash .....	46,590	52,067	49,951
Cash, cash equivalents and restricted cash .....	\$149,301	\$143,105	\$143,997
<b>End of period</b>			
Cash and cash equivalents .....	\$100,005	\$102,711	\$ 91,038
Restricted cash .....	14,211	46,590	52,067
Cash, cash equivalents and restricted cash .....	\$114,216	\$149,301	\$143,105

*Cash and Cash Equivalents and Restricted Cash:*

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 loan and other agreements.

*Revenues:*

Leasing revenue includes minimum rents, percentage rents, tenant recoveries and other leasing income. Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases. 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." Minimum rents were increased by \$10,533, \$11,755

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

and \$8,597 due to the straight-line rent adjustment during the years ended December 31, 2019, 2018 and 2017, 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 as revenues 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 4% of the gross monthly rental revenue of the properties managed.

*Property:*

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

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

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

*Capitalization of Costs:*

The Company capitalizes costs incurred in redevelopment, development, renovation and improvement of properties. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. These capitalized costs include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs. Capitalized indirect costs are allocated to development and redevelopment activities based on the square footage of the portion of the building not held available for immediate occupancy. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once work has been completed on a vacant space, project costs are no longer capitalized. For projects with extended lease-up periods, the Company ends the capitalization when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the construction is substantially complete.



**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

*Investment in Unconsolidated Joint Ventures:*

The Company accounts for its investments in joint ventures using the equity method of accounting unless the Company has a controlling financial interest in the joint venture or the joint venture meets the definition of a variable interest entity in which the Company is the primary beneficiary through both its power to direct activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. Although the Company has a greater than 50% interest in Corte Madera Village, LLC, Macerich HHF Centers LLC, New River Associates LLC and Pacific Premier Retail LLC, the Company does not have controlling financial interests in these joint ventures due to the substantive participation rights of the outside partners in these joint ventures and, therefore, accounts for its investments in these joint ventures using the equity method of accounting.

Equity method investments are initially recorded on the balance sheet at cost and are subsequently adjusted to reflect the Company's proportionate share of net earnings and losses, distributions received, additional contributions and certain other adjustments, as appropriate. The Company separately reports investments in joint ventures when accumulated distributions have exceeded the Company's investment, as distributions in excess of investments in unconsolidated joint ventures. The net investment of certain joint ventures is less than zero because of financing or operating distributions that are usually greater than net income, as net income includes charges for depreciation and amortization.

*Acquisitions:*

The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an "as if vacant" methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. 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. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company's relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs and capitalizes costs associated with asset acquisitions.

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

*Deferred Charges:*

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the lease agreement using the straight-line method. As these deferred leasing costs represent productive assets incurred in connection with the Company's leasing arrangements at the Centers, the related cash flows are classified as investing activities within the accompanying Consolidated Statements of Cash Flows. Costs relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method.

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

Deferred leasing costs . . . . .	1 - 15 years
Deferred financing costs . . . . .	1 - 15 years

*Accounting for Impairment:*

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.

The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.

*Share and Unit-based Compensation Plans:*

The cost of share and unit-based compensation awards is measured at the grant date based on the calculated fair value of the awards and is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the awards.

*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 interest rate swap and cap agreements (collectively, “interest rate agreements”) 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 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 are recorded in comprehensive income.

Amounts paid (received) as a result of interest rate agreements are recorded as an addition (reduction) to (of) interest expense.

If any derivative instrument used for risk management does not meet the hedging criteria, it is marked-to-market each period with the change in value included in the consolidated statements of operations.

*Income Taxes:*

The Company elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 1994. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its taxable income to its stockholders. It is management’s current intention to adhere to these requirements and maintain the Company’s REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, then it will be subject to federal income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income, if any.

Each partner is taxed individually on its share of partnership income or loss, and accordingly, no provision for federal and state income tax is provided for the Operating Partnership in the consolidated financial statements. The Company’s taxable REIT subsidiaries (“TRSs”) are subject to corporate level income taxes, which are provided for in the Company’s consolidated financial statements.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets and liabilities of the TRSs relate primarily to differences in the book and tax bases of property and to operating loss carryforwards for federal and state income tax purposes. A valuation allowance for deferred tax assets is provided if the Company believes it is more likely than not that all or some portion of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent on the Company generating sufficient taxable income in future periods.

*Segment Information:*

The Company currently operates in one business segment, the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers. Additionally, the Company operates in one geographic area, the United States.

*Fair Value of Financial Instruments:*

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

The fair values of interest rate agreements are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below or rose above the strike rate of the interest rate agreements. The variable interest rates used in the calculation of projected receipts on the interest rate agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

The Company records its financing arrangement obligation at fair value on a recurring basis with changes in fair value being recorded as interest expense in the Company's consolidated statements of operations. The fair value is determined based on a discounted cash flow model, with the significant unobservable inputs including the discount rate, terminal capitalization rate and market rents. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in these inputs may result in a significantly higher or lower fair value measurement.

*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 \$250. 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 the years ended December 31, 2019, 2018 or 2017.

*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.

*Shareholder Activism Costs:*

During the year ended December 31, 2018, the Company incurred \$19,369 in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

*Recent Accounting Pronouncements:*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue From Contracts With Customers (ASC 606)," which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While the standard specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. The standard applies to the Company's recognition of management companies and other revenues. The Company's adoption of the standard on January 1, 2018 did not have an impact on the pattern of revenue recognition for management companies and other revenues.

Additionally, under ASC 606, the Company changed its accounting for its joint venture in Chandler Freehold from a co-venture arrangement to a financing arrangement (See Note 12—Financing

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**2. Summary of Significant Accounting Policies: (Continued)**

Arrangement). Upon adoption of the standard on January 1, 2018, the Company replaced its \$31,150 distributions in excess of co-venture obligation with a financing arrangement obligation of \$393,709 on its consolidated balance sheets. This resulted in the recognition of a \$424,859 increase in the Company's accumulated deficit as a cumulative effect adjustment under the modified retrospective method of adoption.

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") 842 "Leases", under the modified retrospective method. The new standard amended the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). In connection with the adoption of the new lease standard, the Company elected to use the transition packages of practical expedients for implementation provided by the FASB, which included (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date, (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized, and (iv) application of the standard as of the adoption date rather than to all periods presented.

The new standard requires the Company to reduce leasing revenue for credit losses associated with lease receivables. In addition, straight-line rent receivables are written off when the Company believes there is uncertainty regarding a tenant's ability to complete the term of the lease. As a result, the Company recognized a cumulative effect adjustment of \$2,203 upon adoption for the write off of straight-line rent receivables of tenants that were in litigation or bankruptcy. The standard also requires that the provision for bad debts relating to leases be presented as a reduction of leasing revenue. For the years ended December 31, 2018 and 2017, the provision for bad debts is included in shopping center and operating expenses.

The standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Initial direct costs include the salaries and related costs for employees directly working on leasing activities. Prior to January 1, 2019, these costs were capitalizable and therefore the new lease standard resulted in certain of these costs being expensed as incurred. For comparison purposes, the Company has reclassified leasing expenses that were included in management companies' operating expenses to leasing expenses for the years ended December 31, 2018 and 2017, to conform to the presentation for the year ended December 31, 2019. Upon the adoption of the new standard, the Company elected the practical expedient to not separate non-lease components, most significantly certain common area maintenance recoveries, from the associated lease components, resulting in the Company presenting all revenues associated with leases as leasing revenue on its consolidated statements of operations. For comparison purposes, the Company has reclassified minimum rents, percentage rents, tenant recoveries and other leasing income to leasing revenue for the years ended December 31, 2018 and 2017, to conform to the presentation for the year ended December 31, 2019.

The standard requires lessees to classify its leases as either finance or operating leases. The lessee records a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than twelve months, regardless of their lease classification. Upon adoption, the Company recognized initial ROU assets and corresponding lease liabilities of \$109,299, representing the discounted value of future lease payments required for leases classified as operating leases. In addition, the Company reclassified \$59,736 from deferred charges and other assets, net, \$5,978 from accounts payable and accrued expenses and

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**2. Summary of Significant Accounting Policies: (Continued)**

\$4,342 from other accrued liabilities, relating to existing intangible assets and straight-line rent liabilities. The Company's lease liabilities were increased at adoption by \$15,268 for lease liabilities associated with finance leases that were previously included in other accrued liabilities. See Note 8—Leases, for further disclosure on the Company's adoption of the new standard.

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities," which aims to (i) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and (ii) reduce the complexity of and simplify the application of hedge accounting by preparers. The standard is effective for the Company beginning January 1, 2019. The Company's adoption of this standard did not have a significant impact on its consolidated financial statements.

**3. Earnings Per Share ("EPS"):**

The following table reconciles the numerator and denominator used in the computation of earnings per share for the years ended December 31 (shares in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Numerator</b>			
Net income .....	\$102,554	\$ 68,972	\$161,673
Net income attributable to noncontrolling interests .....	<u>(5,734)</u>	<u>(8,952)</u>	<u>(15,543)</u>
Net income attributable to the Company .....	96,820	60,020	146,130
Allocation of earnings to participating securities .....	<u>(1,190)</u>	<u>(1,106)</u>	<u>(757)</u>
Numerator for basic and diluted EPS—net income attributable to common stockholders .....	<u>\$ 95,630</u>	<u>\$ 58,914</u>	<u>\$145,373</u>
<b>Denominator</b>			
Denominator for basic EPS—weighted average number of common shares outstanding .....	141,340	141,142	141,877
Effect of dilutive securities(1) Share and unit based compensation .....	<u>—</u>	<u>2</u>	<u>36</u>
Denominator for diluted EPS—weighted average number of common shares outstanding .....	<u>141,340</u>	<u>141,144</u>	<u>141,913</u>
<b>EPS—net income attributable to common stockholders:</b>			
Basic .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>
Diluted .....	<u>\$ 0.68</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>

(1) Diluted EPS excludes 90,619 convertible preferred units for the years ended December 31, 2019, 2018 and 2017, as their impact was antidilutive.

Diluted EPS excludes 10,415,291, 10,360,390 and 10,416,321 Operating Partnership units ("OP Units") for the years ended December 31, 2019, 2018 and 2017, respectively, as their effect was antidilutive.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**4. Investments in Unconsolidated Joint Ventures:**

The following are the Company's direct or indirect investments in various unconsolidated joint ventures with third parties. The Company's direct or indirect ownership interest in each joint venture as of December 31, 2019 was as follows:

<u>Joint Venture</u>	<u>Ownership %(1)</u>
443 Wabash MAB LLC .....	50.0%
AM Tysons LLC .....	50.0%
Biltmore Shopping Center Partners LLC .....	50.0%
CAM-CARSON LLC—Los Angeles Premium Outlets .....	50.0%
Coolidge Holding LLC .....	37.5%
Corte Madera Village, LLC .....	50.1%
Country Club Plaza KC Partners LLC .....	50.0%
Fashion District Philadelphia—Various Entities .....	50.0%
Goodyear Peripheral LLC .....	41.7%
HPP-MAC WSP, LLC—One Westside .....	25.0%
Jaren Associates #4 .....	12.5%
Kierland Commons Investment LLC .....	50.0%
Macerich HHF Broadway Plaza LLC—Broadway Plaza .....	50.0%
Macerich HHF Centers LLC—Various Properties .....	51.0%
MS Portfolio LLC .....	50.0%
New River Associates LLC—Arrowhead Towne Center .....	60.0%
North Bridge Chicago LLC .....	50.0%
One Scottsdale Investors LLC .....	50.0%
Pacific Premier Retail LLC—Various Properties .....	60.0%
Propcor II Associates, LLC—Boulevard Shops .....	50.0%
Scottsdale Fashion Square Partnership .....	50.0%
TM TRS Holding Company LLC .....	50.0%
Tysons Corner LLC .....	50.0%
Tysons Corner Hotel I LLC .....	50.0%
Tysons Corner Property Holdings II LLC .....	50.0%
Tysons Corner Property LLC .....	50.0%
West Acres Development, LLP .....	19.0%
Westcor/Surprise Auto Park LLC .....	33.3%
WMAP, L.L.C.—Atlas Park, The Shops at .....	50.0%

(1) The Company's ownership interest in this table reflects its direct or indirect legal ownership interest. Legal ownership may, at times, not equal the Company's economic interest in the listed entities because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests. Substantially all of the Company's joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or



**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**4. Investments in Unconsolidated Joint Ventures: (Continued)**

remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds.

The Company has made the following investments, dispositions and financings in unconsolidated joint ventures during the years ended December 31, 2019, 2018 and 2017:

On March 17, 2017, the Company's joint venture in Country Club Plaza sold an ownership interest in an office building for \$78,000, resulting in a gain on sale of assets of \$4,580. The Company's pro rata share of the gain on sale of assets of \$2,290 was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 14—Stockholders' Equity).

On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold an ownership interest in an office building for \$61,500, resulting in a gain on sale of assets of \$13,078. The Company's pro rata share of the gain on sale of assets of \$6,539 was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 14—Stockholders' Equity).

On December 14, 2017, the Company's joint venture in Westcor/Queen Creek LLC sold land for \$30,491, resulting in a gain on sale of assets of \$14,853. The Company's share of the gain on sale was \$5,436, which was included in equity in income of unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

On February 16, 2018, the Company's joint venture in Fashion District Philadelphia sold its ownership interest in an office building for \$41,800, resulting in a gain on sale of assets of \$5,545. The Company's pro rata share of the gain on the sale of assets of \$2,773 was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute Westside Pavilion, a 680,000 square foot regional shopping center in Los Angeles, California in exchange for \$142,500. From March 1, 2018 to August 31, 2018, the Company accounted for its interest in the property as a collaborative arrangement (See Note 15—Collaborative Arrangement). On August 31, 2018, the Company completed the sale of the 75% ownership interest in the property to Hudson Pacific Properties, resulting in a gain on sale of assets of \$46,242. The sales price was funded by a cash payment of \$36,903 and the assumption of a pro rata share of the mortgage note payable on the property of \$105,597. Concurrent with the sale of the ownership interest, the joint venture defeased the loan on the property by providing \$149,175 portfolio of marketable securities as replacement collateral in lieu of the property. The Company funded its \$37,294 share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property. Upon completion of the sale of the ownership interest in the property, the Company has accounted for its remaining ownership interest in the property, also referred to as One Westside, under the equity method of accounting.

On July 6, 2018, the Company's joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for \$49,100, resulting in a gain on sale of assets

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

of \$12,598. The Company's share of the gain of \$2,996 was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the \$24,118 mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second stage.

On July 25, 2019, the Company's joint venture in Fashion District Philadelphia amended the existing term loan on the joint venture to allow for additional borrowings up to \$100,000 at LIBOR plus 2%. Concurrent with the amendment, the joint venture borrowed an additional \$26,000. On August 16, 2019, the joint venture borrowed an additional \$25,000. The Company used its share of the additional proceeds to pay down its line of credit and for general corporate purposes.

On September 12, 2019, the Company's joint venture in Tysons Tower placed a new \$190,000 loan on the property that bears interest at an effective rate of 3.38% and matures on November 11, 2029. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On December 18, 2019, the Company's joint venture in One Westside placed a \$414,600 construction loan on the redevelopment project. The loan bears interest at LIBOR plus 1.70%, which can be reduced to LIBOR plus 1.50% upon the completion of certain conditions, and matures on December 18, 2024. This loan is expected to fund the joint venture's remaining cost to complete the project.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

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

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

	<b>2019</b>	<b>2018</b>
Assets(1):		
Property, net .....	\$ 9,424,591	\$9,241,003
Other assets .....	772,116	703,861
Total assets .....	\$10,196,707	\$9,944,864
Liabilities and partners' capital(1):		
Mortgage and other notes payable .....	\$ 6,144,685	\$6,050,930
Other liabilities .....	565,412	388,509
Company's capital .....	1,904,145	1,913,475
Outside partners' capital .....	1,582,465	1,591,950
Total liabilities and partners' capital .....	\$10,196,707	\$9,944,864
Investment in unconsolidated joint ventures:		
Company's capital .....	\$ 1,904,145	\$1,913,475
Basis adjustment(2) .....	(492,350)	(535,808)
	\$ 1,411,795	\$1,377,667
Assets—Investments in unconsolidated joint ventures .....	1,519,697	\$1,492,655
Liabilities—Distributions in excess of investments in unconsolidated joint ventures .....	(107,902)	(114,988)
	\$ 1,411,795	\$1,377,667

(1) These amounts include the assets of \$2,932,401 and \$3,047,851 of Pacific Premier Retail LLC (the "PPR Portfolio") as of December 31, 2019 and 2018, respectively, and liabilities of \$1,732,976 and \$1,859,637 of the PPR Portfolio as of December 31, 2019 and 2018, respectively.

(2) The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was \$18,834, \$12,793 and \$16,562 for the years ended December 31, 2019, 2018 and 2017, respectively.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

**Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:**

	<u>PPR Portfolio</u>	<u>Other Joint Ventures</u>	<u>Total</u>
<i>Year Ended December 31, 2019</i>			
Revenues:			
Leasing revenue .....	\$187,789	\$712,860	\$900,649
Other .....	1,598	49,184	50,782
Total revenues .....	<u>189,387</u>	<u>762,044</u>	<u>951,431</u>
Expenses:			
Shopping center and operating expenses .....	37,528	250,598	288,126
Leasing expenses .....	1,598	6,695	8,293
Interest expense .....	67,354	150,111	217,465
Depreciation and amortization .....	100,490	273,565	374,055
Total operating expenses .....	<u>206,970</u>	<u>680,969</u>	<u>887,939</u>
Loss on sale of assets .....	(452)	(380)	(832)
Net (loss) income .....	<u>\$(18,035)</u>	<u>\$ 80,695</u>	<u>\$ 62,660</u>
Company's equity in net (loss) income .....	<u>\$ (590)</u>	<u>\$ 49,098</u>	<u>\$ 48,508</u>
<i>Year Ended December 31, 2018</i>			
Revenues:			
Leasing revenue .....	186,924	727,328	914,252
Other .....	905	41,420	42,325
Total revenues .....	<u>187,829</u>	<u>768,748</u>	<u>956,577</u>
Expenses:			
Shopping center and operating expenses .....	39,283	246,652	285,935
Interest expense(1) .....	67,117	145,915	213,032
Depreciation and amortization .....	97,885	248,778	346,663
Total operating expenses .....	<u>204,285</u>	<u>641,345</u>	<u>845,630</u>
(Loss) gain on sale of assets .....	(140)	14,471	14,331
Net (loss) income .....	<u>\$(16,596)</u>	<u>\$141,874</u>	<u>\$125,278</u>
Company's equity in net (loss) income .....	<u>\$ (16)</u>	<u>\$ 71,789</u>	<u>\$ 71,773</u>

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

	<u>PPR Portfolio</u>	<u>Other Joint Ventures</u>	<u>Total</u>
<i>Year Ended December 31, 2017</i>			
Revenues:			
Leasing revenue .....	\$190,186	\$719,406	\$909,592
Other .....	<u>1,848</u>	<u>37,018</u>	<u>38,866</u>
Total revenues .....	<u>192,034</u>	<u>756,424</u>	<u>948,458</u>
Expenses:			
Shopping center and operating expenses .....	41,340	243,271	284,611
Interest expense(1) .....	67,053	131,714	198,767
Depreciation and amortization .....	<u>101,625</u>	<u>250,921</u>	<u>352,546</u>
Total operating expenses .....	<u>210,018</u>	<u>625,906</u>	<u>835,924</u>
(Loss) gain on sale of assets .....	<u>(36)</u>	<u>33,861</u>	<u>33,825</u>
Net (loss) income .....	<u>\$(18,020)</u>	<u>\$164,379</u>	<u>\$146,359</u>
Company's equity in net (loss) income .....	<u>\$ (453)</u>	<u>\$ 85,999</u>	<u>\$ 85,546</u>

(1) Interest expense includes \$20,197 and \$17,898 for the years ended December 31, 2018 and 2017, respectively, related to mortgage notes payable to an affiliate of Northwestern Mutual Life ("NML") (See Note 18—Related Party Transactions).

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

**5. Derivative Instruments and Hedging Activities:**

The Company uses an interest rate cap and four interest rate swap agreements to manage the interest rate risk of its floating rate debt. The Company recorded other comprehensive loss related to the marking-to-market of derivative instruments of \$4,585, \$4,424 and \$42 during the years ended December 31, 2019, 2018 and 2017, respectively. The fair value of the Company's derivatives was \$(9,051) and \$(4,466) at December 31, 2019 and 2018, respectively.

The following derivatives were outstanding at December 31, 2019:

<u>Property</u>	<u>Notional Amount</u>	<u>Product</u>	<u>LIBOR Rate</u>	<u>Maturity</u>	<u>Fair Value</u>	
					<u>December 31, 2019</u>	<u>December 31, 2018</u>
Santa Monica Place .....	\$300,000	Cap	4.00%	12/9/2020	\$ —	\$ (53)
The Macerich Partnership, L.P. ....	\$400,000	Swaps	2.85%	9/30/2021	\$(9,051)	\$(4,413)

The above derivative instruments were designated as hedging instruments with an aggregate fair value (Level 2 measurement) and were included in other accrued liabilities. The fair value of the Company's interest rate derivatives was determined using discounted cash flow analysis on the expected cash flows of

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**5. Derivative Instruments and Hedging Activities: (Continued)**

each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its interest rate swap. As a result, the Company determined that its interest rate cap and swap valuations in their entirety are classified in Level 2 of the fair value hierarchy.

**6. Property, net:**

Property, net at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Land .....	\$ 1,520,678	\$ 1,506,678
Buildings and improvements .....	6,389,458	6,288,308
Tenant improvements .....	726,533	678,110
Equipment and furnishings(1) .....	230,215	206,398
Construction in progress .....	126,165	199,326
	<u>8,993,049</u>	<u>8,878,820</u>
Less accumulated depreciation .....	<u>(2,349,536)</u>	<u>(2,093,044)</u>
	<u>\$ 6,643,513</u>	<u>\$ 6,785,776</u>

(1) Equipment and furnishings and accumulated depreciation include the cost and accumulated amortization of ROU assets in connection with finance leases at December 31, 2019 (See Note 8—Leases).

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 was \$287,846, \$275,236 and \$277,917, respectively.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**6. Property, net: (Continued)**

The (loss) gain on sale or write down of assets, net for the years ended December 31, 2019, 2018 and 2017 consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property sales(1) .....	\$ —	\$ 45,931	\$ 74,174
Write-down of assets(2) .....	(16,285)	(82,745)	(23,154)
Land sales .....	4,376	4,989	1,564
Non-real estate disposition .....	—	—	(10,138)
	<u>\$(11,909)</u>	<u>\$(31,825)</u>	<u>\$ 42,446</u>

- (1) Property sales during the year ended December 31, 2018 includes a \$46,242 gain on the sale of a 75% ownership interest in One Westside (See Note 4—Investments in Unconsolidated Joint Ventures) and a loss of \$311 on the sale of Promenade at Casa Grande (See Note 16—Dispositions). Gain on sale of properties during the year ended December 31, 2017 includes a gain of \$59,577 on the sale of Cascade Mall and Northgate Mall (See Note 16—Dispositions) and \$14,597 on the sale of 500 North Michigan Avenue (See Note 16—Dispositions).
- (2) Includes impairment losses of \$36,338 on SouthPark Mall, \$7,907 on La Cumbre Plaza, \$7,494 on two freestanding stores, \$1,697 on Southridge Center and \$1,043 on Promenade at Casa Grande during the year ended December 31, 2018 and \$12,036 on Southridge Center and \$10,072 on Promenade at Casa Grande during the year ended December 31, 2017. The impairment losses were due to the reduction of the estimated holding periods of the properties. The remaining balances represent the write off of development costs.

The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of impairment charges recorded for the years ended December 31, 2018 and 2017 as described above:

<u>Years ended December, 31</u>	<u>Total Fair Value Measurement</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2018 .....	\$104,700	\$—	\$104,700	\$—
2017 .....	\$ 38,000	\$—	38,000	\$—

The fair value relating to impairments that were based on sales contracts were classified within Level 2 of the fair value hierarchy.

**7. Tenant and Other Receivables, net:**

Included in tenant and other receivables, net is an allowance for doubtful accounts of \$4,836 and \$2,919 at December 31, 2019 and 2018, respectively. Also included in tenant and other receivables, net are accrued percentage rents of \$9,618 and \$8,949 at December 31, 2019 and 2018, respectively, and a deferred rent receivable due to straight-line rent adjustments of \$82,214 and \$72,456 at December 31, 2019 and 2018, respectively.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**7. Tenant and Other Receivables, net: (Continued)**

On March 17, 2014, in connection with the sale of Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida, the Company issued a note receivable for \$6,500 that bore interest at an effective rate of 6.5% and was to mature on March 17, 2018. The note was collected in full on October 20, 2017.

**8. Leases:**

*Lessor Leases:*

The Company leases its Centers under agreements that are classified as operating leases. These leases generally include minimum rents, percentage rents and recoveries of real estate taxes, insurance and other shopping center operating expenses. Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases. 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 as revenues on a straight-line basis over the term of the related leases.

The following table summarizes the components of leasing revenue for the years ended December 31, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Leasing revenue—fixed payments .....	\$647,876	\$659,991	\$677,503
Leasing revenue—variable payments .....	210,998	224,005	244,649
	<u>\$858,874</u>	<u>\$883,996</u>	<u>\$922,152</u>

The following table summarizes the future rental payments to the Company:

2020 .....	\$ 490,510
2021 .....	418,884
2022 .....	364,768
2023 .....	315,868
2024 .....	250,216
Thereafter .....	741,235
	<u>\$2,581,481</u>

*Lessee Leases:*

The Company has certain properties that are subject to non-cancelable operating leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. In addition, the Company has four finance leases that expire at various times through 2022.



**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**8. Leases: (Continued)**

The following table summarizes the lease costs for the the year ended December 31, 2019:

Operating lease costs .....	\$17,070
Finance lease costs:	
Amortization of ROU assets .....	1,882
Interest on lease liabilities .....	596
	<u>\$19,548</u>

The following table summarizes the future rental payments required under the leases as of December 31, 2019:

<u>Year ending</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2020 .....	\$ 17,149	\$ 2,106
2021 .....	17,004	10,441
2022 .....	16,867	2,418
2023 .....	11,055	—
2024 .....	9,068	—
Thereafter .....	131,347	—
Total undiscounted rental payments .....	202,490	14,965
Less imputed interest .....	(102,085)	(1,169)
Total lease liabilities .....	<u>\$ 100,405</u>	<u>\$13,796</u>

The Company's weighted average remaining lease term of its operating and finance leases at December 31, 2019 was 31 and 1.6 years, respectively. The Company's weighted average incremental borrowing rate of its operating and finance leases at December 31, 2019 was 7.7% and 4.2%, respectively.

**9. Deferred Charges and Other Assets, net:**

Deferred charges and other assets, net at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Leasing .....	\$ 202,540	\$ 226,885
Intangible assets:		
In-place lease values(1) .....	78,171	94,966
Leasing commissions and legal costs(1) .....	20,518	23,508
Above-market leases .....	59,916	140,889
Deferred tax assets .....	30,757	32,197
Deferred compensation plan assets .....	55,349	45,857
Other assets .....	60,475	75,497
	507,726	639,799
Less accumulated amortization(2) .....	(229,860)	(249,396)
	<u>\$ 277,866</u>	<u>\$ 390,403</u>

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**9. Deferred Charges and Other Assets, net: (Continued)**

- (1) The amortization of these intangible assets for the next five years and thereafter is as follows:

<u>Year Ending December 31,</u>	
2020 .....	\$ 7,921
2021 .....	6,255
2022 .....	4,719
2023 .....	3,436
2024 .....	2,276
Thereafter .....	7,760
	<u>\$32,367</u>

- (2) Accumulated amortization includes \$66,322 and \$72,286 relating to in-place lease values, leasing commissions and legal costs at December 31, 2019 and 2018, respectively. Amortization expense for in-place lease values, leasing commissions and legal costs was \$13,821, \$13,635 and \$19,958 for the years ended December 31, 2019, 2018 and 2017, respectively.

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

	<u>2019</u>	<u>2018</u>
<i>Above-Market Leases</i>		
Original allocated value .....	\$ 59,916	\$140,889
Less accumulated amortization .....	<u>(35,737)</u>	<u>(49,847)</u>
	<u>\$ 24,179</u>	<u>\$ 91,042</u>
<i>Below-Market Leases(1)</i>		
Original allocated value .....	\$ 90,790	\$108,330
Less accumulated amortization .....	<u>(53,727)</u>	<u>(56,345)</u>
	<u>\$ 37,063</u>	<u>\$ 51,985</u>

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

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**9. Deferred Charges and Other Assets, net: (Continued)**

The allocated values of above and below-market leases will be amortized into minimum rents on a straight-line basis over the individual remaining lease terms. The amortization of these values for the next five years and thereafter is as follows:

<u>Year Ending December 31,</u>	<u>Above Market</u>	<u>Below Market</u>
2020 .....	\$ 5,328	\$ 6,882
2021 .....	4,677	5,344
2022 .....	4,055	4,374
2023 .....	3,685	3,617
2024 .....	2,691	3,348
Thereafter .....	3,743	13,498
	<u>\$24,179</u>	<u>\$37,063</u>

**10. Mortgage Notes Payable:**

Mortgage notes payable at December 31, 2019 and 2018 consist of the following:

<u>Property Pledged as Collateral</u>	<u>Carrying Amounts of Mortgage Notes(1)</u>		<u>Effective Interest Rate(2)</u>	<u>Monthly Debt Service(3)</u>	<u>Maturity Date(4)</u>
	<u>2019</u>	<u>2018</u>			
Chandler Fashion Center(5)(6) .....	\$ 255,174	\$ 199,972	4.18%	\$ 875	2024
Danbury Fair Mall .....	194,718	202,158	5.53%	1,538	2020
Fashion Outlets of Chicago(7) .....	299,112	199,622	4.61%	1,145	2031
Fashion Outlets of Niagara Falls USA(8) .....	106,398	109,651	4.89%	727	2020
Freehold Raceway Mall(5) .....	398,379	398,212	3.94%	1,300	2029
Fresno Fashion Fair .....	323,659	323,460	3.67%	971	2026
Green Acres Commons(9) .....	128,926	128,006	4.40%	416	2021
Green Acres Mall .....	277,747	284,686	3.61%	1,447	2021
Kings Plaza Shopping Center(10) .....	535,097	437,120	3.71%	1,629	2030
Oaks, The .....	187,142	192,037	4.14%	1,064	2022
Pacific View .....	118,202	121,362	4.08%	668	2022
Queens Center .....	600,000	600,000	3.49%	1,744	2025
Santa Monica Place(11) .....	297,817	297,069	3.34%	772	2022
SanTan Village Regional Center(12) .....	219,140	121,585	4.34%	788	2029
Towne Mall .....	20,284	20,733	4.48%	117	2022
Tucson La Encantada .....	63,682	65,361	4.23%	368	2022
Victor Valley, Mall of .....	114,733	114,675	4.00%	380	2024
Vintage Faire Mall .....	252,389	258,207	3.55%	1,256	2026
	<u>\$4,392,599</u>	<u>\$4,073,916</u>			

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**10. Mortgage Notes Payable: (Continued)**

- (1) The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were \$16,042 and \$13,053 at December 31, 2019 and 2018, respectively.
- (2) The interest rate disclosed represents the effective interest rate, including the impact of debt premium and deferred finance costs.
- (3) The monthly debt service represents the payment of principal and interest.
- (4) The maturity date assumes that all extension options are fully exercised and that the Company does not opt to refinance the debt prior to these dates. These extension options are at the Company's discretion, subject to certain conditions, which the Company believes will be met.
- (5) A 49.9% interest in the loan has been assumed by a third party in connection with the Company's joint venture in Chandler Freehold (See Note 12—Financing Arrangement).
- (6) On June 27, 2019, the Company replaced the existing loan on the property with a new \$256,000 loan that bears interest at an effective rate of 4.18% and matures on July 5, 2024.
- (7) On January 10, 2019, the Company replaced the existing loan on the property with a new \$300,000 loan that bears interest at an effective rate of 4.61% and matures on February 1, 2031.
- (8) The loan includes an unamortized debt premium of \$773 and \$1,701 at December 31, 2019 and 2018, respectively. The debt premiums represent the excess of the fair value of the loan over the principal value of the loan assumed at acquisition and is amortized into interest expense over the remaining term of the loan in a manner that approximates the effective interest method.
- (9) The loan bears interest at LIBOR plus 2.15%. At December 31, 2019 and 2018, the total interest rate was 4.40% and 5.06%, respectively.
- (10) On December 3, 2019, the Company replaced the existing loan on the property with a new \$540,000 loan that bears interest at an effective rate of 3.71% and matures on January 1, 2030.
- (11) The loan bears interest at LIBOR plus 1.35%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2021 (See Note 5—Derivative Instruments and Hedging Activities). At December 31, 2019 and 2018, the total interest rate was 3.34% and 4.01%, respectively.
- (12) On June 3, 2019, the Company's joint venture in SanTan Village Regional Center replaced the existing loan on the property with a new \$220,000 loan that bear interest at an effective rate of 4.34% and matures on July 1, 2029.

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

As of December 31, 2019, all of the Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company.

The Company expects all loan maturities during the next twelve months will be refinanced, restructured, and/or paid off from the Company's line of credit or with cash on hand.

Total interest expense capitalized during the years ended December 31, 2019, 2018 and 2017 was \$9,614, \$15,422 and \$13,160, respectively.

The estimated fair value (Level 2 measurement) of mortgage notes payable at December 31, 2019 and 2018 was \$4,427,790 and \$4,082,448, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**10. Mortgage Notes Payable: (Continued)**

The future maturities of mortgage notes payable are as follows:

Year Ending December 31,	
2020 .....	\$ 325,133
2021 .....	418,239
2022 .....	674,340
2023 .....	6,895
2024 .....	378,120
Thereafter .....	<u>2,605,141</u>
	4,407,868
Debt premium .....	773
Deferred finance cost, net .....	<u>(16,042)</u>
	<u>\$4,392,599</u>

The future maturities reflected above reflect the extension options that the Company believes will be exercised.

**11. Bank and Other Notes Payable:**

Bank and other notes payable at December 31, 2019 and 2018 consist of the following:

*Line of Credit:*

The Company has a \$1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of \$2,000,000.

Based on the Company's leverage level as of December 31, 2019, the borrowing rate on the facility was LIBOR plus 1.55%. The Company has four interest rate swap agreements that effectively convert a total of \$400,000 of the outstanding balance from floating rate debt of LIBOR plus 1.55% to fixed rate debt of 4.30% until September 30, 2021 (See Note 5—Derivative Instruments and Hedging Activities). As of December 31, 2019 and 2018, borrowings under the line of credit, were \$820,000 and \$910,000, respectively, less unamortized deferred finance costs of \$2,623 and \$5,145, respectively, at a total interest rate of 3.92% and 4.20%, respectively. As of December 31, 2019 and 2018, the Company's availability under the line of credit for additional borrowings was \$679,719 and \$589,719, respectively. The estimated fair value (Level 2 measurement) of the line of credit at December 31, 2019 and 2018 was \$826,280 and \$912,163, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

*Prasada Note:*

On March 29, 2013, the Company issued a \$13,330 note payable that bore interest at 5.25% and was to mature on May 30, 2021. The note payable was collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. On October 7, 2019, the loan was paid off. At December 31, 2018, the note had a balance of \$3,689. The estimated fair value (Level 2 measurement)

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**11. Bank and Other Notes Payable: (Continued)**

of the note at December 31, 2018 was \$3,690, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.

As of December 31, 2019 and 2018, the Company was in compliance with all applicable financial loan covenants.

**12. Financing Arrangement:**

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Chandler Fashion Center, a 1,318,000 square foot regional shopping center in Chandler, Arizona, and Freehold Raceway Mall, a 1,673,000 square foot regional shopping center in Freehold, New Jersey, referred to herein as Chandler Freehold. As a result of the Company having certain rights under the agreement to repurchase the assets of Chandler Freehold, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction was initially accounted for as a co-venture arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the net cash proceeds received from the third party less costs allocated to a warrant. The co-venture obligation was increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner.

Upon adoption of ASC 606 on January 1, 2018, the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement. Accordingly, the Company replaced its \$31,150 distributions in excess of co-venture obligation with a financing arrangement liability of \$393,709 on its consolidated balance sheets. This resulted in the recognition of a \$424,859 increase in the Company's accumulated deficit as a cumulative effect adjustment under the modified retrospective method of adoption. As a result of adopting ASC 606, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

During the years ended December 31, 2019 and 2018, the Company incurred interest (income) expense in connection with the financing arrangement as follows:

	<b>2019</b>	<b>2018</b>
Distributions of the partner's share of net income . . . . .	\$ 7,184	\$ 9,079
Distributions in excess of the partner's share of net income . . . . .	6,939	6,376
Adjustment to fair value of financing arrangement obligation . . .	(76,640)	(15,225)
	\$(62,517)	\$ 230

The fair value (Level 3 measurement) of the financing arrangement obligation at December 31, 2019 and 2018 was based upon a terminal capitalization rate of 5.0% and 4.8%, respectively, a discount rate of 6.0% and 5.8%, respectively, and market rents per square foot of \$35 to \$115. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in these

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**12. Financing Arrangement: (Continued)**

inputs may result in a significantly higher or lower fair value measurement. Distributions to the partner, excluding distributions of excess loan proceeds, and changes in fair value of the financing arrangement obligation are recognized as interest (income) expense in the Company's consolidated statements of operations.

On June 27, 2019, the Company replaced the existing mortgage note payable on Chandler Fashion Center with a new \$256,000 loan (See Note 10—Mortgage Notes Payable). In connection with the refinancing transaction, the Company distributed \$27,945 of the excess loan proceeds to its joint venture partner, which was recorded as a reduction to the financing arrangement obligation.

**13. Noncontrolling Interests:**

The Company allocates net income of the Operating Partnership based on the weighted-average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership periodically to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of December 31, 2019 and 2018. The remaining 7% limited partnership interest as of December 31, 2019 and 2018 was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of registered or unregistered stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value \$0.01 per share, as reported on the New York Stock Exchange for the ten trading days ending on the respective balance sheet date. Accordingly, as of December 31, 2019 and 2018, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was \$277,524 and \$448,116, respectively.

The Company issued common and cumulative preferred units of MACWH, LP in April 2005 in connection with the acquisition of the Wilmorite portfolio. The common and preferred units of MACWH, LP are redeemable at the election of the holder, the Company may redeem them for cash or shares of the Company's stock at the Company's option, and they are classified as permanent equity.

Included in permanent equity are outside ownership interests in various consolidated joint ventures. The joint ventures do not have rights that require the Company to redeem the ownership interests in either cash or stock.

**14. Stockholders' Equity:**

*2017 Stock Buyback Program:*

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to \$500,000 of its outstanding common shares as market conditions and the Company's liquidity warrant. Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated share repurchase transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, except per share amounts)**

**14. Stockholders' Equity: (Continued)**

During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for \$221,428, representing an average price of \$61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See Note 16—Dispositions), its share of the proceeds from the sale of ownership interests in office buildings at Country Club Plaza and Fashion District Philadelphia (See Note 4—Investments in Unconsolidated Joint Ventures) and from borrowings under its line of credit. There were no repurchases during the years ended December 31, 2019 or 2018.

*At-The-Market Stock Offering Program (“ATM Program”):*

On August 20, 2014, the Company entered into an equity distribution agreement with a number of sales agents (the “ATM Program”) to issue and sell, from time to time, shares of common stock, par value \$0.01 per share, having an aggregate offering price of up to \$500,000. The ATM Program expired by its terms in August 2017. No shares were sold under the ATM Program.

**15. Collaborative Arrangement:**

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute One Westside in exchange for a cash payment of \$142,500. The Company completed the transfer on August 31, 2018.

During the period from March 1, 2018 to August 31, 2018, the Company accounted for the operations of One Westside as a collaborative arrangement. Both partners shared operating control of the property and the Company was reimbursed by the outside partner for 75% of the carrying cost of the property, which were defined in the agreement as operating expenses in excess of revenues, debt service and capital expenditures. Accordingly, the Company reduced minimum rents, percentage rents, tenant recoveries, other revenue, shopping center and operating expenses and interest expense by its partner's 75% share and recorded a receivable due from its partner, which was settled upon completion of the transfer of the property. In addition, the Company was reimbursed by its partner for its 75% share of mortgage loan principal payments and capital expenditures during the period. Since completion of the transfer, the Company has accounted for its investment in One Westside under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures).

**16. Dispositions:**

On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for \$170,000, resulting in a gain on the sale of assets of \$59,577. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See Note 14—Stockholders' Equity).

On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois for \$86,350, resulting in a gain on sale of assets of \$14,597. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.



**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**16. Dispositions: (Continued)**

On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona, for \$26,000, resulting in a loss on sale of assets of \$311. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

**17. Commitments and Contingencies:**

As of December 31, 2019, the Company was contingently liable for \$40,814 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the relevant agreement. At December 31, 2019, the Company had \$4,194 in outstanding obligations, which it believes will be settled in the next twelve months.

**18. Related Party Transactions:**

Certain unconsolidated joint ventures have engaged the Management Companies to manage the operations of the Centers. Under these arrangements, the Management Companies are reimbursed for compensation paid to on-site employees, leasing agents and project managers at the Centers, as well as insurance costs and other administrative expenses. The following are fees charged to unconsolidated joint ventures for the years ended December 31:

	2019	2018	2017
Management fees . . . . .	\$18,748	\$19,752	\$19,105
Development and leasing fees . . . . .	16,056	14,412	15,558
	\$34,804	\$34,164	\$34,663

Certain mortgage notes on the properties are held by NML. NML was considered a related party due to its ownership interest in Broadway Plaza until it sold its ownership interest in the property to a third party on October 12, 2018. Interest expense in connection with these notes, during the period that NML was a related party, was \$6,653 and \$8,731 for the years ended December 31, 2018 and 2017, respectively.

Interest (income) expense from related party transactions also includes \$(62,517) and \$230 for the years ended December 31, 2019 and 2018, respectively, in connection with the Financing Arrangement (See Note 12—Financing Arrangement).

Due from affiliates includes \$6,157 and \$6,385 of unreimbursed costs and fees due from unconsolidated joint ventures under management agreements at December 31, 2019 and 2018, respectively.

In addition, due from affiliates at December 31, 2018 included a note receivable from RED/303 LLC (“RED”) that bore interest at 5.25% and was to mature on May 30, 2021. Interest income earned on this note was \$141, \$224 and \$268 for the years ended December 31, 2019, 2018 and 2017, respectively. The balance on this note receivable was \$3,689 at December 31, 2018. On October 7, 2019, the note was collected in full. RED was considered a related party because it was a partner in a joint venture development project. The note was collateralized by RED’s interest in a development agreement.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**18. Related Party Transactions: (Continued)**

Also included in due from affiliates at December 31, 2018 was a note receivable from Lennar Corporation that bore interest at LIBOR plus 2% and was to mature upon the completion of certain milestones in connection with the planned development of Fashion Outlets of San Francisco. The balance on this note, including interest, was \$75,107 at December 31, 2018. As a result of those milestones not being completed, the Company elected to terminate the development agreement and the note was collected in full on February 13, 2019. Interest income earned on this note was \$1,112, \$3,152 and \$2,513 for the years ended December 31, 2019, 2018 and 2017, respectively. Lennar Corporation was considered a related party because it had an ownership interest in the project.

**19. Share and Unit-based Plans:**

The Company has established share and unit-based compensation plans for the purpose of attracting and retaining executive officers, directors and key employees.

**2003 Equity Incentive Plan:**

The 2003 Equity Incentive Plan (“2003 Plan”) authorizes the grant of stock awards, stock options, stock appreciation rights, stock units, stock bonuses, performance-based awards, dividend equivalent rights and OP Units or other convertible or exchangeable units. As of December 31, 2019, stock awards, stock units, LTIP Units (as defined below), stock appreciation rights (“SARs”) and stock options have been granted under the 2003 Plan. All stock options or other rights to acquire common stock granted under the 2003 Plan have a term of 10 years or less. These awards were generally granted based on the performance of the Company and the employees. None of the awards have performance requirements other than a service condition of continued employment unless otherwise provided. All awards are subject to restrictions determined by the Company’s compensation committee. The aggregate number of shares of common stock that may be issued under the 2003 Plan is 19,825,428 shares. As of December 31, 2019, there were 6,056,813 shares available for issuance under the 2003 Plan.

*Stock Units:*

The stock units represent the right to receive upon vesting one share of the Company’s common stock for one stock unit. The value of the stock units was determined by the market price of the Company’s common stock on the date of the grant. The following table summarizes the activity of non-vested stock units during the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year . . . . .	129,457	\$64.21	151,355	\$73.32	148,428	\$78.53
Granted . . . . .	160,932	37.44	87,983	58.79	86,827	66.46
Vested . . . . .	(85,157)	62.84	(108,991)	74.04	(81,205)	75.62
Forfeited . . . . .	(5,245)	51.48	(890)	68.81	(2,695)	69.57
Balance at end of year . . . . .	<u>199,987</u>	\$43.59	<u>129,457</u>	\$64.21	<u>151,355</u>	\$73.32

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**19. Share and Unit-based Plans: (Continued)**

*SARs:*

Upon exercise, the recipients received unrestricted common shares for the appreciation in value of the SARs from the grant date to the exercise date.

The following table summarizes the activity of SARs awards during the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Balance at beginning of year .....	—	\$—	235,439	\$53.83	284,146	\$53.85
Granted .....	—	—	—	—	—	—
Exercised .....	—	—	(235,439)	53.83	(48,707)	53.95
Balance at end of year .....	<u>—</u>	<u>\$—</u>	<u>—</u>	<u>\$ —</u>	<u>235,439</u>	<u>\$53.83</u>

*Long-Term Incentive Plan Units:*

Under the Long-Term Incentive Plan (“LTIP”), each award recipient is issued a form of operating partnership units (“LTIP Units”) in the Operating Partnership. Upon the occurrence of specified events and subject to the satisfaction of applicable vesting conditions, LTIP Units (after conversion into OP Units) are ultimately redeemable for common stock of the Company, or cash at the Company’s option, on a one-unit for one-share basis. LTIP Units receive cash dividends based on the dividend amount paid on the common stock of the Company. The LTIP may include both market-indexed awards and service-based awards.

The market-indexed LTIP Units vest over the service period of the award based on the percentile ranking of the Company in terms of total return to stockholders (the “Total Return”) per common stock share relative to the Total Return of a group of peer REITs, as measured at the end of the measurement period.

The fair value of the service-based LTIP Units was determined by the market price of the Company’s common stock on the date of the grant. The fair value of the market-indexed LTIP Units are estimated on the date of grant using a Monte Carlo Simulation model. The stock price of the Company, along with the stock prices of the group of peer REITs (for market-indexed awards), is assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion is a common assumption when modeling in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value and take any value greater than zero. The volatilities of the returns on the share price of the Company and the peer group REITs were estimated based on a look-back period. The expected growth rate of the stock prices over the “derived service period” is determined with consideration of the risk free rate as of the grant date.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**19. Share and Unit-based Plans: (Continued)**

The Company has granted the following LTIP units during the years ended December 31, 2019, 2018 and 2017:

<u>Grant Date</u>	<u>Units</u>	<u>Type</u>	<u>Fair Value per LTIP Unit</u>	<u>Vest Date</u>
1/1/2017 .....	66,079	Service-based	\$70.84	12/31/2019
1/1/2017 .....	297,849	Market-indexed	\$47.15	12/31/2019
3/3/2017 .....	134,742	Service-based	\$66.57	3/3/2017
6/1/2017 .....	1,522	Service-based	\$58.31	5/29/2020
6/1/2017 .....	6,714	Market-indexed	\$39.66	5/29/2020
	<u>506,906</u>			
1/1/2018 .....	65,466	Service-based	\$65.68	12/31/2020
1/1/2018 .....	291,326	Market-indexed	\$44.28	12/31/2020
1/29/2018 .....	13,632	Service-based	\$66.02	2/1/2022
1/29/2018 .....	1,893	Service-based	\$66.02	12/31/2020
1/29/2018 .....	7,775	Market-indexed	\$48.23	12/31/2020
3/2/2018 .....	99,407	Service-based	\$59.04	3/2/2018
4/26/2018 .....	89,637	Service-based	\$55.78	4/26/2018
	<u>569,136</u>			
1/1/2019 .....	81,732	Service-based	\$43.28	12/31/2021
1/1/2019 .....	250,852	Market-indexed	\$29.25	12/31/2021
9/1/2019 .....	4,393	Service-based	\$28.53	8/31/2022
9/1/2019 .....	6,454	Market-indexed	\$19.42	8/31/2022
	<u>343,431</u>			

The fair value of the market-indexed LTIP Units (Level 3) were estimated on the date of grant using a Monte Carlo Simulation model that based on the following assumptions:

<u>Grant Date</u>	<u>Risk Free Interest Rate</u>	<u>Expected Volatility</u>
1/1/2017 .....	1.49%	20.75%
6/1/2017 .....	1.45%	21.40%
1/1/2018 .....	1.98%	23.38%
1/29/2018 .....	2.25%	23.86%
1/1/2019 .....	2.46%	23.52%
9/1/2019 .....	1.42%	24.91%

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**19. Share and Unit-based Plans: (Continued)**

The following table summarizes the activity of the non-vested LTIP Units during the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year . . . . .	661,578	\$48.38	636,632	\$52.36	322,572	\$58.18
Granted . . . . .	343,431	32.40	569,136	51.78	506,906	55.33
Vested . . . . .	(76,306)	59.27	(253,625)	61.17	(192,846)	69.93
Forfeited . . . . .	(312,484)	46.55	(290,565)	52.58	—	—
Balance at end of year . . . . .	<u>616,219</u>	\$39.04	<u>661,578</u>	\$48.38	<u>636,632</u>	\$52.36

*Stock Options:*

On May 30, 2017, the Company granted 25,000 non-qualified stock options with a grant date fair value of \$10.02 that vested on May 30, 2019. The Company measured the value of each option awarded using the Black-Scholes Option Pricing Model based upon the following assumptions: volatility of 30.19%, dividend yield of 4.93%, risk free rate of 2.08%, current value of \$57.55 and an expected term of 8 years.

The following table summarizes the activity of stock options for the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at beginning of year . . . . .	35,565	\$57.32	35,565	\$57.32	10,565	\$56.77
Granted . . . . .	—	—	—	—	25,000	57.55
Exercised . . . . .	—	—	—	—	—	—
Balance at end of year . . . . .	<u>35,565</u>	\$57.32	<u>35,565</u>	\$57.32	<u>35,565</u>	\$57.32

**Directors' Phantom Stock Plan:**

The Directors' Phantom Stock Plan offers non-employee members of the board of directors ("Directors") the opportunity to defer their cash compensation and to receive that compensation in common stock rather than in cash after termination of service or a predetermined period. Compensation generally includes the annual retainers payable by the Company to the Directors. Deferred amounts are generally credited as units of phantom stock at the beginning of each three-year deferral period by dividing the present value of the deferred compensation by the average fair market value of the Company's common stock at the date of award. Compensation expense related to the phantom stock awards was determined by the amortization of the value of the stock units on a straight-line basis over the applicable service period. The stock units (including dividend equivalents) vest as the Directors' services (to which the

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**19. Share and Unit-based Plans: (Continued)**

fees relate) are rendered. Vested phantom stock units are ultimately paid out in common stock on a one-unit for one-share basis. To the extent elected by a Director, stock units receive dividend equivalents in the form of additional stock units based on the dividend amount paid on the common stock. The aggregate number of phantom stock units that may be granted under the Directors' Phantom Stock Plan is 500,000. As of December 31, 2019, there were 134,638 stock units available for grant under the Directors' Phantom Stock Plan.

The following table summarizes the activity of the non-vested phantom stock units for the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Stock Units	Weighted Average Grant Date Fair Value	Stock Units	Weighted Average Grant Date Fair Value	Stock Units	Weighted Average Grant Date Fair Value
Balance at beginning of year . . .	—	\$ —	4,054	\$79.82	5,845	\$81.47
Granted . . . . .	23,690	40.26	10,380	49.55	8,760	68.93
Vested . . . . .	(16,474)	38.94	(12,193)	54.40	(10,551)	71.69
Forfeited . . . . .	—	—	(2,241)	77.91	—	—
Balance at end of year . . . . .	<u>7,216</u>	<u>\$43.29</u>	<u>—</u>	<u>\$ —</u>	<u>4,054</u>	<u>\$79.82</u>

**Employee Stock Purchase Plan (“ESPP”):**

The ESPP authorizes eligible employees to purchase the Company's common stock through voluntary payroll deductions made during periodic offering periods. Under the ESPP common stock is purchased at a 15% discount from the lesser of the fair value of common stock at the beginning and end of the offering period. A maximum of 750,000 shares of common stock is available for purchase under the ESPP. The number of shares available for future purchase under the plan at December 31, 2019 was 356,822.

**Compensation:**

The following summarizes the compensation cost under the share and unit-based plans for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Stock units . . . . .	\$ 4,598	\$ 6,355	\$ 6,045
LTIP units . . . . .	11,372	26,311	30,161
Stock options . . . . .	51	125	85
Phantom stock units . . . . .	702	760	714
	<u>\$16,723</u>	<u>\$33,551</u>	<u>\$37,005</u>

The Company capitalized share and unit-based compensation costs of \$4,691, \$6,184 and \$6,206 for the years ended December 31, 2019, 2018 and 2017, respectively.

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**19. Share and Unit-based Plans: (Continued)**

The fair value of the stock awards and stock units that vested during the years ended December 31, 2019, 2018 and 2017 was \$3,577, \$6,479 and \$5,257, respectively. Unrecognized compensation costs of share and unit-based plans at December 31, 2019 consisted of \$1,647 from LTIP Units, \$2,949 from stock units and \$0 from stock options.

**20. Employee Benefit Plans:**

*401(k) Plan:*

The Company has a defined contribution retirement plan that covers its eligible employees (the “Plan”). The Plan is a defined contribution retirement plan covering eligible employees of the Macerich Property Management Company, LLC and participating affiliates. This Plan includes The Macerich Company Common Stock Fund as a new investment alternative under the Plan with 650,000 shares of common stock reserved for issuance under the Plan. In accordance with the Plan, the Company makes matching contributions equal to 100 percent of the first three percent of compensation deferred by a participant and 50 percent of the next two percent of compensation deferred by a participant. During the years ended December 31, 2019, 2018 and 2017, these matching contributions made by the Company were \$3,346, \$3,422 and \$3,481, respectively. Contributions and matching contributions to the Plan by the plan sponsor and/or participating affiliates are recognized as an expense of the Company in the period that they are made.

*Deferred Compensation Plans:*

The Company has established deferred compensation plans under which executives and key employees of the Company may elect to defer receiving a portion of their cash compensation otherwise payable in one calendar year until a later year. The Company may, as determined by the Board of Directors in its sole discretion prior to the beginning of the plan year, credit a participant’s account with a matching amount equal to a percentage of the participant’s deferral. The Company contributed \$814, \$813 and \$1,069 to the plans during the years ended December 31, 2019, 2018 and 2017, respectively. Contributions are recognized as compensation in the periods they are made.

**21. Income Taxes:**

For income tax purposes, distributions paid to common stockholders consist of ordinary income, capital gains, unrecaptured Section 1250 gain and return of capital or a combination thereof. The following table details the components of the distributions, on a per share basis, for the years ended December 31, 2019, 2018 and 2017:

	2019(1)		2018(1)		2017	
Ordinary income	\$1.32	44.2%	\$1.91	64.3%	\$1.98	69.0%
Capital gains	0.64	21.2%	0.05	1.7%	0.51	17.8%
Unrecaptured Section 1250 gain	—	—%	—	—%	0.38	13.2%
Return of capital	1.04	34.6%	1.01	34.0%	—	—%
Dividends paid	<u>\$3.00</u>	<u>100.0%</u>	<u>\$2.97</u>	<u>100.0%</u>	<u>\$2.87</u>	<u>100.0%</u>

**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**21. Income Taxes: (Continued)**

(1) The 2019 and 2018 taxable ordinary dividends are treated as “qualified REIT dividends” for purposes of Internal Revenue Code Section 199A.

The Company has made Taxable REIT Subsidiary elections for all of its corporate subsidiaries other than its Qualified REIT Subsidiaries. The elections, effective for the year beginning January 1, 2001 and future years, were made pursuant to Section 856(l) of the Code.

The income tax provision of the TRSs for the years ended December 31, 2019, 2018 and 2017 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current .....	\$ (150)	\$ 413	\$ 185
Deferred .....	(1,439)	3,191	(15,779)
Income tax (expense) benefit .....	<u>\$(1,589)</u>	<u>\$3,604</u>	<u>\$(15,594)</u>

The income tax provision of the TRSs for the years ended December 31, 2019, 2018 and 2017 are reconciled to the amount computed by applying the Federal Corporate tax rate as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Book (income) loss for TRSs .....	<u>\$(2,062)</u>	<u>\$19,525</u>	<u>\$ 2,094</u>
Tax at statutory rate on earnings from continuing operations before income taxes .....	\$ (433)	\$ 4,100	\$ 712
Change in tax rates .....	—	—	(14,189)
State taxes .....	(280)	513	109
Other .....	<u>(876)</u>	<u>(1,009)</u>	<u>(2,226)</u>
Income tax (expense) benefit .....	<u>\$(1,589)</u>	<u>\$ 3,604</u>	<u>\$(15,594)</u>

The Tax Cuts and Jobs Act of 2017 (“TCJA”), signed into law on December 22, 2017, adjusted the federal corporate tax income rate to 21%. FASB Accounting Standards Codification Topic 740 requires deferred tax assets and liabilities to be measured at the enacted rate expected to apply when temporary differences are to be realized or settled. Accordingly, the Company remeasured its ending deferred tax asset and reduced the value by \$14,189 for the year ended December 31, 2017. Additionally, GAAP requires that all adjustments resulting from tax rate changes be recorded to the income statement. Therefore, the Company recorded a \$14,189 deferred tax expense for the year ended December 31, 2017 related to the revaluation of its deferred tax assets and liabilities.

The net operating loss (“NOL”) carryforwards for NOLs generated through the 2017 tax year are scheduled to expire through 2037, beginning in 2025. Pursuant to the TCJA, NOLs generated in 2018 and subsequent tax years carryforward indefinitely subject to the 80% of taxable income limitation.



**THE MACERICH COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, except per share amounts)

**21. Income Taxes: (Continued)**

The tax effects of temporary differences and carryforwards of the TRSs included in the net deferred tax assets at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Net operating loss carryforwards .....	\$22,338	\$25,751
Property, primarily differences in depreciation and amortization, the tax basis of land assets and treatment of certain other costs ..	6,784	4,524
Other .....	<u>1,635</u>	<u>1,922</u>
Net deferred tax assets .....	<u>\$30,757</u>	<u>\$32,197</u>

For the years ended December 31, 2019, 2018 and 2017 there were no unrecognized tax benefits.

The tax years 2016 through 2018 remain open to examination by the taxing jurisdictions to which the Company is subject. The Company does not expect that the total amount of unrecognized tax benefit will materially change within the next 12 months.

**22. Quarterly Financial Data (Unaudited):**

The following is a summary of quarterly results of operations for the years ended December 31, 2019 and 2018:

	<u>2019 Quarter Ended</u>				<u>2018 Quarter Ended</u>			
	<u>Dec 31</u>	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>	<u>Dec 31</u>	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>
Revenues .....	\$241,841	\$231,127	\$227,972	\$226,522	\$246,874	\$242,198	\$234,545	\$236,734
Net income (loss) attributable to the Company .....	\$ 26,891	\$ 46,371	\$ 15,734	\$ 7,824	\$ 11,749	\$ 74,028	\$ 7,816	\$(33,573)
Net income (loss) attributable to common stockholders per share-basic .....	\$ 0.19	\$ 0.33	\$ 0.11	\$ 0.05	\$ 0.08	\$ 0.52	\$ 0.05	\$ (0.24)
Net income (loss) attributable to common stockholders per share-diluted .....	\$ 0.19	\$ 0.33	\$ 0.11	\$ 0.05	\$ 0.08	\$ 0.52	\$ 0.05	\$ (0.24)

**23. Subsequent Events:**

On January 31, 2020, the Company announced a dividend/distribution of \$0.75 per share for common stockholders and OP Unit holders of record on February 21, 2020. All dividends/distributions will be paid 100% in cash on March 3, 2020.

**THE MACERICH COMPANY**  
**Schedule III—Real Estate and Accumulated Depreciation**

December 31, 2019  
(Dollars in thousands)

Shopping Centers/Entities	Initial Cost to Company		Gross Amount at Which Carried at Close of Period				Total	Accumulated Depreciation	Total Cost Net of Accumulated Depreciation		
	Land	Building and Improvements	Equipment and Furnishings	Capitalized Subsequent Acquisition	Land	Building and Improvements				Equipment and Furnishings	
Chandler Fashion Center	\$ 24,188	\$ 223,143	\$ —	\$ 28,847	\$ 24,188	\$ 245,798	\$ 6,192	\$ —	\$ 276,178	\$ 119,086	\$ 157,092
Danbury Fair Mall	130,367	316,951	—	126,366	142,751	419,228	10,357	1,348	573,684	168,324	405,360
Desert Sky Mall	9,447	37,245	12	5,925	9,082	41,304	2,243	—	52,629	13,348	39,281
Eastland Mall	22,050	151,605	—	11,949	21,400	162,087	2,117	—	185,604	39,109	146,495
Estrella Falls	10,550	—	—	72,292	10,524	14,265	—	58,053	82,842	3,083	79,759
Fashion Outlets of Chicago	—	—	—	271,689	40,575	225,564	4,615	935	271,689	69,616	202,073
Fashion Outlets of Niagara Falls USA	18,581	210,139	—	106,071	22,936	309,508	2,284	63	334,791	86,070	248,721
The Marketplace at Flagstaff	—	—	—	45,839	—	45,839	—	—	45,839	25,320	20,519
Freehold Raceway Mall	164,986	362,841	—	127,095	168,098	476,605	9,865	354	654,922	206,014	448,908
Fresno Fashion Fair	17,966	72,194	—	49,086	17,966	117,086	2,595	1,599	139,246	59,862	79,384
Green Acres Mall	156,640	321,034	—	192,815	179,274	477,334	10,646	3,235	670,489	133,725	536,764
Inland Center	8,321	83,550	—	30,458	10,291	111,540	351	147	122,329	23,371	98,958
Kings Plaza Shopping Center	209,041	485,548	20,000	278,300	209,041	725,672	55,924	2,252	992,889	123,795	869,094
La Cumbre Plaza	18,122	21,492	—	15,558	13,856	40,054	375	887	55,172	24,311	30,861
Macerich Management Co.	1,150	10,475	26,562	68,215	3,878	17,803	82,502	2,219	106,402	58,890	47,512
MACWH, LP	—	25,771	—	13,241	11,557	27,455	—	—	39,012	10,542	28,470
NorthPark Mall	7,746	74,661	—	14,270	7,745	88,348	584	—	96,677	24,202	72,475
Oaks, The	32,300	117,156	—	268,713	56,387	357,661	3,581	540	418,169	164,549	253,620
Pacific View	8,697	8,696	—	137,802	7,854	145,604	1,737	—	155,195	76,064	79,131
Paradise Valley Mall	33,445	128,485	—	30,568	36,027	152,420	2,815	1,236	192,498	83,546	108,952
Queens Center	251,474	1,039,922	—	53,224	256,786	1,082,499	5,331	4	1,344,620	150,749	1,193,871
Santa Monica Place	26,400	105,600	—	348,573	48,374	422,736	6,710	2,753	480,573	143,965	336,608
San Tan Adjacent Land	29,414	—	—	8,280	26,902	—	—	10,792	37,694	—	37,694
SanTan Village Regional Center	7,827	—	—	213,089	5,921	213,348	1,647	—	220,916	100,092	120,824
SouthPark Mall	7,035	38,215	—	(7,993)	2,899	33,857	447	54	37,257	15,207	22,050
Southridge Center	6,764	—	—	8,174	2,295	12,329	139	175	14,938	6,915	8,023
Stonewood Center	4,948	302,527	—	12,002	4,935	314,127	415	—	319,477	50,479	268,998
Supersition Springs Center	10,928	112,718	—	12,350	10,928	124,173	895	—	135,996	24,683	111,313
Supersition Springs Power Center	1,618	4,420	—	349	1,618	4,698	71	—	6,387	2,153	4,234
Tangerine (Marana), The Shops at	36,158	—	—	(7,622)	16,922	—	—	11,614	28,536	—	28,536
The Macerich Partnership, L.P.	—	2,534	—	5,107	—	247	7,365	29	7,641	1,220	6,421
Towne Mall	6,652	31,184	—	5,105	6,877	35,596	369	99	42,941	16,888	26,053
Tucson La Encantada	12,800	19,699	—	58,005	12,800	75,755	732	1,217	90,504	45,861	44,643

See accompanying report of independent registered public accounting firm.

THE MACERICH COMPANY

Schedule III—Real Estate and Accumulated Depreciation (Continued)

December 31, 2019

(Dollars in thousands)

Shopping Centers/Entities	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period			Total Cost Net of Accumulated Depreciation	
	Land	Building and Improvements	Equipment and Furnishings	Land	Building and Improvements	Equipment and Furnishings	Construction in Progress	Total	Accumulated Depreciation
Valley Mall	16,045	26,098	—	13,952	15,616	40,188	291	56,095	12,395
Valley River Center	24,854	147,715	—	33,159	24,854	174,489	1,739	205,728	66,288
Victor Valley, Mall of	15,700	75,230	—	54,374	20,080	123,291	1,933	145,304	58,624
Vintage Faire Mall	14,902	60,532	—	60,162	17,647	116,161	1,788	135,596	75,818
Wilton Mall	19,743	67,855	—	27,482	19,810	93,935	1,264	115,080	44,946
Other freestanding stores	5,926	31,785	—	11,621	5,927	43,109	296	49,332	20,255
Other land and development properties	33,795	—	—	18,383	26,057	4,278	—	52,178	171
	\$1,406,580	\$4,717,020	\$46,574	\$2,822,875	\$1,520,678	\$7,115,991	\$230,215	\$8,993,049	\$2,349,536
									\$6,643,513

See accompanying report of independent registered public accounting firm.

**THE MACERICH COMPANY**

**Schedule III—Real Estate and Accumulated Depreciation (Continued)**

**December 31, 2019**

**(Dollars in thousands)**

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

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

The changes in total real estate assets for the three years ended December 31, 2019 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balances, beginning of year .....	\$8,878,820	\$9,127,533	\$9,209,211
Additions .....	176,690	246,719	202,280
Dispositions and retirements .....	<u>(62,461)</u>	<u>(495,432)</u>	<u>(283,958)</u>
Balances, end of year .....	<u>\$8,993,049</u>	<u>\$8,878,820</u>	<u>\$9,127,533</u>

The aggregate cost of the property included in the table above for federal income tax purposes was \$8,446,407 (unaudited) at December 31, 2019.

The changes in accumulated depreciation for the three years ended December 31, 2019 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balances, beginning of year .....	\$2,093,044	\$2,018,303	\$1,851,901
Additions .....	287,846	275,236	277,917
Dispositions and retirements .....	<u>(31,354)</u>	<u>(200,495)</u>	<u>(111,515)</u>
Balances, end of year .....	<u>\$2,349,536</u>	<u>\$2,093,044</u>	<u>\$2,018,303</u>

See accompanying report of independent registered public accounting firm.

## EXHIBIT INDEX

Exhibit Number	Description
2.1	Master Agreement, dated November 14, 2014, by and among Pacific Premier Retail LLC, MACPT LLC, Macerich PPR GP LLC, Queens JV LP, Macerich Queens JV LP, Queens JV GP LLC, 1700480 Ontario Inc. and the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 14, 2014).
3.1	Articles of Amendment and Restatement of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964)) (Filed in paper—hyperlink is not required pursuant to Rule 105 of Regulation S-T).
3.1.1	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995) (Filed in paper—hyperlink is not required pursuant to Rule 105 of Regulation S-T).
3.1.2	Articles Supplementary of the Company (with respect to the first paragraph) (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
3.1.3	Articles Supplementary of the Company (Series D Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002).
3.1.4	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-3, as amended (No. 333-88718)).
3.1.5	Articles of Amendment of the Company (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
3.1.6	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date February 5, 2009).
3.1.7	Articles of Amendment of the Company (increased authorized shares) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
3.1.8	Articles of Amendment of the Company (to eliminate the supermajority vote requirement to amend the charter and to clarify a reference in Article NINTH) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 2014).
3.1.9	Articles Supplementary (election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 17, 2015).
3.1.10	Articles Supplementary (designation of Series E Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 18, 2015).
3.1.11	Articles Supplementary (reclassification of Series E Preferred Stock to preferred stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 7, 2015).
3.1.12	Articles Supplementary (repeal of election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 28, 2015).

Exhibit Number	Description
3.1.13	Articles Supplementary (opting out of provisions of Subtitle 8 of Title 3 of the Maryland General Corporate Law (MUTA Provisions)) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 24, 2019).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 24, 2019).
4.1	Description of the Company's Securities
4.2	Form of Common Stock Certificate (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, as amended, event date November 10, 1998).
4.3	Form of Preferred Stock Certificate (Series D Preferred Stock) (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-3 (No. 333-107063)).
10.1	Amended and Restated Limited Partnership Agreement for the Operating Partnership dated as of March 16, 1994 (incorporated by reference as an exhibit to the Company's 1996 Form 10-K).
10.1.1	Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated June 27, 1997 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date June 20, 1997).
10.1.2	Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated November 16, 1997 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.1.3	Fourth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated February 25, 1998 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.1.4	Fifth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated February 26, 1998 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.1.5	Sixth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated June 17, 1998 (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
10.1.6	Seventh Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated December 23, 1998 (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
10.1.7	Eighth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated November 9, 2000 (incorporated by reference as an exhibit to the Company's 2000 Form 10-K).
10.1.8	Ninth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated July 26, 2002 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K event date July 26, 2002).
10.1.9	Tenth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated October 26, 2006 (incorporated by reference as an exhibit to the Company's 2006 Form 10-K).

Exhibit Number	Description
10.1.10	Eleventh Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership dated as of March 16, 2007 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 16, 2007).
10.1.11	Twelfth Amendment to the Amended and Restated Limited Partnership Agreement of the Operating Partnership dated as of April 30, 2009 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
10.1.12	Thirteenth Amendment to the Amended and Restated Limited Partnership Agreement of the Operating Partnership dated as of October 29, 2009 (incorporated by reference as an exhibit to the Company's 2009 Form 10-K).
10.1.13	Form of Fourteenth Amendment to Amended and Restated Limited Partnership Agreement for the Operating Partnership (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 25, 2005).
10.2*	Amended and Restated Deferred Compensation Plan for Executives (2003) (incorporated by reference as an exhibit to the Company's 2003 Form 10-K).
10.2.1*	Amendment Number 1 to Amended and Restated Deferred Compensation Plan for Executives (October 30, 2008) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.2.2*	Amendment Number 2 to Amended and Restated Deferred Compensation Plan for Executives (May 1, 2011) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).
10.2.3*	Amendment Number 3 to Amended and Restated Deferred Compensation Plan for Executives (September 27, 2012) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.3*	Amended and Restated Deferred Compensation Plan for Senior Executives (2003) (incorporated by reference as an exhibit to the Company's 2003 Form 10-K).
10.3.1*	Amendment Number 1 to Amended and Restated Deferred Compensation Plan for Senior Executives (October 30, 2008) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.3.2*	Amendment Number 2 to Amended and Restated Deferred Compensation Plan for Senior Executives (May 1, 2011) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10—Q for the quarter ended June 30, 2011).
10.3.3*	Amendment Number 3 to Amended and Restated Deferred Compensation Plan for Senior Executives (September 27, 2012) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.4*	Eligible Directors' Deferred Compensation/Phantom Stock Plan (as amended and restated as of January 1, 2013) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
10.5*	Amended and Restated 2013 Deferred Compensation Plan for Executives effective (January 1, 2016) (incorporated by reference as an exhibit to the Company's 2015 Form 10-K).

Exhibit Number	Description
10.6	Deferred Compensation Plan Amended and Restated Trust Agreement between the Company and Wells Fargo Bank, National Association, effective as of June 17, 2019 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.7	Registration Rights Agreement, dated as of March 16, 1994, among the Company and Mace Siegel, Dana K. Anderson, Arthur M. Coppola and Edward C. Coppola (incorporated by reference as an exhibit to the Company's 1994 Form 10-K) (Filed in paper—hyperlink is not required pursuant to Rule 105 of Regulation S-T).
10.8	Registration Rights Agreement, dated as of March 16, 1994, between the Company and The Northwestern Mutual Life Insurance Company (incorporated by reference as an exhibit to the Company's 1994 Form 10-K) (Filed in paper—hyperlink is not required pursuant to Rule 105 of Regulation S-T).
10.9	Registration Rights Agreement dated as of December 18, 2003 by the Operating Partnership, the Company and Taubman Realty Group Limited Partnership (Registration rights assigned by Taubman to three assignees) (incorporated by reference as an exhibit to the Company's 2003 Form 10-K).
10.10	Incidental Registration Rights Agreement dated March 16, 1994 (incorporated by reference as an exhibit to the Company's 1994 Form 10-K) (Filed in paper—hyperlink is not required pursuant to Rule 105 of Regulation S-T).
10.11	Incidental Registration Rights Agreement dated as of July 21, 1994 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.12	Incidental Registration Rights Agreement dated as of August 15, 1995 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.13	Incidental Registration Rights Agreement dated as of December 21, 1995 (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.14	List of Omitted Incidental/Demand Registration Rights Agreements (incorporated by reference as an exhibit to the Company's 1997 Form 10-K).
10.15	Redemption, Registration Rights and Lock-Up Agreement dated as of July 24, 1998 between the Company and Harry S. Newman, Jr. and LeRoy H. Brettin (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
10.16	Form of Indemnification Agreement between the Company and its executive officers and directors (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.17	Form of Registration Rights Agreement with Series D Preferred Unit Holders (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002).
10.17.1	List of Omitted Registration Rights Agreements (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002).
10.18	Registration Rights Agreement between the Company and 1700480 Ontario Inc. dated as of November 14, 2014 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 14, 2014).



Exhibit Number	Description
10.19	Second Amended and Restated Credit Agreement, dated as of July 6, 2016, by and among the Company, The Macerich Partnership, L.P., Deutsche Bank AG New York Branch, as administrative agent; Deutsche Bank Securities Inc., JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, Goldman Sachs Bank USA and U.S.Bank National Association, as joint lead arrangers and joint bookrunning managers; JPMorgan Chase Bank, N.A., Wells Fargo Bank, National Association, Goldman Sachs Bank USA and U.S.Bank National Association, N.A. as co-syndication agents, PNC Bank, National Association, as documentation agent, and various lenders party thereto (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 6, 2016).
10.20	Guaranty, dated as of July 6, 2016, by the Company in favor of Deutsche Bank AG New York Branch, as administrative agent (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 6, 2016).
10.21	Tax Matters Agreement (Wilmorite) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 25, 2005).
10.22*	2003 Equity Incentive Plan, as amended and restated as of May 26, 2016 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 26, 2016).
10.22.1*	Amended and Restated Cash Bonus/Restricted Stock/Stock Unit and LTIP Unit Award Program under the 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2010 Form 10-K).
10.22.2*	Form of Restricted Stock Award Agreement under 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.22.3*	Form of Stock Unit Award Agreement under 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2014 Form 10-K).
10.22.4*	Form of Employee Stock Option Agreement under 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.22.5*	Form of Non-Qualified Stock Option Grant under 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.22.6*	Form of Restricted Stock Award Agreement for Non-Management Directors (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.22.7*	Form of Stock Unit Award Agreement under 2003 Equity Incentive Plan for Non-Employee Directors (incorporated by reference as an exhibit to the Company's 2015 Form 10-K).
10.22.8*	Form of Stock Appreciation Right under 2003 Equity Incentive Plan (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
10.22.9*	Form of LTIP Unit Award Agreement under 2003 Equity Incentive Plan (service-based) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
10.22.10*	Form of LTIP Unit Award Agreement under 2003 Equity Incentive Plan (performance-based) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).

Exhibit Number	Description
10.22.11*	Form of LTIP Unit Award Agreement under 2003 Equity Incentive Plan (fully-vested) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.23*	Amendment and Restatement of the Employee Stock Purchase Plan (as amended and restated as of June 1, 2013) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
10.23.1*	First Amendment to Amended and Restated Employee Stock Purchase Plan (October 23, 2014) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.23.2*	Second Amendment to Amended and Restated Employee Stock Purchase Plan (July 25, 2019) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.24*	Change in Control Severance Pay Plan for Executive Vice Presidents (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q fo Change in Control Severance Pay Plan for Executive Vice Presidents (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
10.25*	Change in Control Severance Pay Plan for Senior Executives (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017).
10.26*	Separation Agreement and Release of Claims between the Company and Thomas J. Lease dated February 22, 2018 (includes form of Consulting Agreement between the Company and Mr. Lease) (incorporated by reference as an exhibit to the Company's 2017 Form 10-K).
10.27*	Change in Control Agreement between the Company and Ann C. Menard, effective February 24, 2018 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.28*	Amended and Restated Offer of Employment between the Company and Ann C. Menard, effective April 30, 2018 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.28.1*	First Amendment to Amended and Restated Offer of Employment between the Company and Ann C. Menard, effective January 1, 2020) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended SeFirst Amendment to Amended and Restated Offer of Employment between the Company and Ann C. Menard, effective January 1, 2020) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.29*	Employment Agreement between the Company and Thomas E. O'Hern, effective April 26, 2018 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).

Exhibit Number	Description
10.29.1*	First Amendment to Employment Agreement between the Company and Thomas E. O'Hern, effective January 1, 2020 (First Amendment to Employment Agreement between the Company and Thomas E. O'Hern, effective January 1, 2020 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.30*	Letter regarding Consulting Agreement between the Company and Arthur M. Coppola, effective December 31, 2018 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date December 31, 2018).
10.31*	Employment Agreement between the Company and William P. Voegele, effective September 1, 2019 (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.32	2005 Amended and Restated Agreement of Limited Partnership of MACWH, LP dated as of April 25, 2005 (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 25, 2005).
10.33	Registration Rights Agreement dated as of April 25, 2005 among the Company and the persons names on Exhibit A thereto (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date April 25, 2005).
21.1	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm (KPMG LLP)
31.1	Section 302 Certification of Thomas E. O'Hern, Chief Executive Officer and Director
31.2	Section 302 Certification of Scott W. Kingsmore, Chief Financial Officer
32.1**	Section 906 Certifications of Thomas E. O'Hern and Scott W. Kingsmore
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*).

\* Represents a management contract, or compensatory plan, contract or arrangement required to be filed pursuant to Regulation S-K.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2020.

### THE MACERICH COMPANY

By           /s/ THOMAS E. O'HERN            
Thomas E. O'Hern  
*Chief Executive Officer and Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>          /s/ THOMAS E. O'HERN          </u> Thomas E. O'Hern	Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2020
<u>          /s/ EDWARD C. COPPOLA          </u> Edward C. Coppola	President and Director	February 25, 2020
<u>          /s/ PEGGY ALFORD          </u> Peggy Alford	Director	February 25, 2020
<u>          /s/ JOHN H. ALSCHULER          </u> John H. Alschuler	Director	February 25, 2020
<u>          /s/ ERIC K. BRANDT          </u> Eric K. Brandt	Director	February 25, 2020
<u>          /s/ STEVEN R. HASH          </u> Steven R. Hash	Chairman of Board of Directors	February 25, 2020
<u>          /s/ DANIEL J. HIRSCH          </u> Daniel J. Hirsch	Director	February 25, 2020

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
/s/ DIANA M. LAING Diana M. Laing	Director	February 25, 2020
/s/ STEVEN L. SOBOROFF Steven L. Soboroff	Director	February 25, 2020
/s/ ANDREA M. STEPHEN Andrea M. Stephen	Director	February 25, 2020
/s/ SCOTT W. KINGSMORE Scott W. Kingsmore	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)	February 25, 2020
/s/ CHRISTOPHER J. ZECCHINI Christopher J. Zecchini	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2020

**LIST OF SUBSIDIARIES**

443 WABASH MA OWNER LLC, a Delaware limited liability company  
801-GALLERY ASSOCIATES, L.P., a Pennsylvania limited partnership  
801-GALLERY C-3 ASSOCIATES, L.P., a Delaware limited partnership  
801-GALLERY GP, LLC, a Pennsylvania limited liability company  
801 MARKET VENTURE GP LLC, a Delaware limited liability company  
AM TYSONS LLC, a Delaware limited liability company  
BILTMORE SHOPPING CENTER PARTNERS LLC, an Arizona limited liability company  
BROOKLYN KINGS PLAZA LLC, a Delaware limited liability company  
CAM-CARSON LLC, a Delaware limited liability company  
COOLIDGE HOLDING LLC, an Arizona limited liability company  
CORTE MADERA VILLAGE, LLC, a Delaware limited liability company  
COUNTRY CLUB PLAZA KC PARTNERS LLC, a Delaware limited liability company  
DANBURY MALL, LLC, a Delaware limited liability company  
DESERT SKY MALL LLC, a Delaware limited liability company  
EAST MESA ADJACENT LLC, a Delaware limited liability company  
EAST MESA MALL, L.L.C., a Delaware limited liability company  
FASHION OUTLETS II LLC, a Delaware limited liability company  
FASHION OUTLETS OF CHICAGO EXPANSION LLC, a Delaware limited liability company  
FASHION OUTLETS OF CHICAGO LLC, a Delaware limited liability company  
FIFTH WALL VENTURES, L.P., a Delaware limited partnership  
FIFTH WALL VENTURES II, L.P., a Cayman Islands limited partnership  
FIFTH WALL VENTURES RETAIL FUND, L.P., a Delaware limited partnership  
FOC ADJACENT LLC, a Delaware limited liability company  
FREE RACE MALL REST., L.P., a New Jersey limited partnership  
FREEHOLD CHANDLER HOLDINGS LP, a Delaware limited partnership  
GOODYEAR PERIPHERAL LLC, an Arizona limited liability company  
GREEN ACRES ADJACENT LLC, a Delaware limited liability company  
HPP-MAC WSP, LLC, a Delaware limited liability company  
KIERLAND COMMONS INVESTMENT LLC, a Delaware limited liability company  
KINGS PLAZA ENERGY LLC, a Delaware limited liability company  
KINGS PLAZA GROUND LEASE LLC, a Delaware limited liability company  
MACERICH ARIZONA MANAGEMENT LLC, a Delaware limited liability company

MACERICH ARIZONA PARTNERS LLC, an Arizona limited liability company  
MACERICH BUENAVENTURA LIMITED PARTNERSHIP, a California limited partnership  
MACERICH FARGO ASSOCIATES, a California general partnership  
MACERICH FRESNO ADJACENT LP, a Delaware limited partnership  
MACERICH FRESNO LIMITED PARTNERSHIP, a California limited partnership  
MACERICH HHF BROADWAY PLAZA LLC, a Delaware limited liability company  
MACERICH HHF CENTERS LLC, a Delaware limited liability company  
MACERICH HOLDINGS LLC, a Delaware limited liability company  
MACERICH INLAND LP, a Delaware limited partnership  
MACERICH INVESTMENTS LLC, a Delaware limited liability company  
MACERICH JANSS MARKETPLACE HOLDINGS LLC, a Delaware limited liability company  
MACERICH LA CUMBRE 9.45 AC LLC, a Delaware limited liability company  
MACERICH LA CUMBRE GP LLC, a Delaware limited liability company  
MACERICH LA CUMBRE LP, a Delaware limited partnership  
MACERICH MANAGEMENT COMPANY, a California corporation  
MACERICH NIAGARA LLC, a Delaware limited liability company  
MACERICH NORTH PARK MALL LLC, a Delaware limited liability company  
MACERICH OAKS LP, a Delaware limited partnership  
MACERICH PARTNERS OF COLORADO LLC, a Colorado limited liability company  
MACERICH PPR CORP., a Maryland corporation  
MACERICH PROPERTY MANAGEMENT COMPANY, LLC, a Delaware limited liability company  
MACERICH SMP LP, a Delaware limited partnership  
MACERICH SOUTH PARK MALL LLC, a Delaware limited liability company  
MACERICH SOUTHRIDGE MALL LLC, a Delaware limited liability company  
MACERICH STONEWOOD CORP., a Delaware corporation  
MACERICH TYSONS LLC, a Delaware limited liability company  
MACERICH VALLEY RIVER CENTER LLC, a Delaware limited liability company  
MACERICH VICTOR VALLEY LP, a Delaware limited partnership  
MACERICH VINTAGE FAIRE LIMITED PARTNERSHIP, a Delaware limited partnership  
MACJ, LLC, a Delaware limited liability company  
MACPT LLC, a Delaware limited liability company  
MACW FREEHOLD, LLC, a Delaware limited liability company  
MACWH, LP, a Delaware limited partnership  
MACW MALL MANAGEMENT, INC., a New York corporation

MACW PROPERTY MANAGEMENT, LLC, a New York limited liability company  
MACW TYSONS, LLC, a Delaware limited liability company  
MS PORTFOLIO LLC, a Delaware limited liability company  
MVRC HOLDING LLC, a Delaware limited liability company  
MW INVESTMENT GP CORP., a Delaware corporation  
NEW RIVER ASSOCIATES LLC, a Delaware limited liability company  
NORTH BRIDGE CHICAGO LLC, a Delaware limited liability company  
ONE SCOTTSDALE INVESTORS LLC, a Delaware limited liability company  
PACIFIC PREMIER RETAIL LLC, a Delaware limited liability company  
PARADISE VALLEY MALL SPE LLC, a Delaware limited liability company  
PM GALLERY LP, a Delaware limited partnership  
PROPCOR II ASSOCIATES, LLC, an Arizona limited liability company  
QUEENS CENTER REIT LLC, a Delaware limited liability company  
QUEENS CENTER SPE LLC, a Delaware limited liability company  
RAILHEAD ASSOCIATES, L.L.C., an Arizona limited liability company  
SCOTTSDALE FASHION SQUARE PARTNERSHIP, an Arizona general partnership  
SM EASTLAND MALL, LLC, a Delaware limited liability company  
SM VALLEY MALL, LLC, a Delaware limited liability company  
THE MACERICH PARTNERSHIP, L.P., a Delaware limited partnership  
THE WESTCOR COMPANY LIMITED PARTNERSHIP, an Arizona limited partnership  
THE WESTCOR COMPANY II LIMITED PARTNERSHIP, an Arizona limited partnership  
TM TRS HOLDING COMPANY LLC, a Delaware limited liability company  
TOWNE MALL, L.L.C., a Delaware limited liability company  
TWC TUCSON, LLC, an Arizona limited liability company  
TYSONS CORNER LLC, a Virginia limited liability company  
TYSONS CORNER HOTEL I LLC, a Delaware limited liability company  
TYSONS CORNER PROPERTY HOLDINGS II LLC, a Delaware limited liability company  
TYSONS CORNER PROPERTY LLC, a Virginia limited liability company  
VALLEY STREAM GREEN ACRES LLC, a Delaware limited liability company  
WESTCOR/GOODYEAR, L.L.C., an Arizona limited liability company  
WESTCOR GOODYEAR RSC LLC, an Arizona limited liability company  
WESTCOR MARANA LLC, an Arizona limited liability company  
WESTCOR/PARADISE RIDGE, L.L.C., an Arizona limited liability company  
WESTCOR REALTY LIMITED PARTNERSHIP, a Delaware limited partnership



WESTCOR SANTAN ADJACENT LLC, a Delaware limited liability company

WESTCOR SANTAN VILLAGE LLC, a Delaware limited liability company

WESTCOR SURPRISE CPC LLC, an Arizona limited liability company

WESTCOR SURPRISE RSC LLC, an Arizona limited liability company

WESTCOR/SURPRISE LLC, an Arizona limited liability company

WILTON MALL, LLC, a Delaware limited liability company

WMAP, L.L.C., a Delaware limited liability company

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
The Macerich Company:

We consent to the incorporation by reference in the registration statements (Nos. 333-219872, 333-107063, and 333-121630) on Form S-3 and (Nos. 333-00584, 333-42309, 333-42303, 333-69995, 333-108193, 333-120585, 333-161371, 333-186915, 333-186916, and 333-211816) on Form S-8 of The Macerich Company of our reports dated February 25, 2020, with respect to the consolidated balance sheets of The Macerich Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule III – Real Estate and Accumulated Depreciation, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of The Macerich Company.

Our report dated February 25, 2020 includes an explanatory paragraph related to The Macerich Company's change in method of accounting for leases as of January 1, 2019 due to the adoption of FASB Accounting Standards Codification Topic 842 (ASC 842), *Leases*.

Our report dated February 25, 2020 also includes an explanatory paragraph related to The Macerich Company's change in method of accounting for certain historical property sales as of January 1, 2018 due to the adoption of FASB Accounting Standards Update 2014-09, *Revenue from Contracts With Customers (ASC 606)*.

/s/ KPMG LLP

Los Angeles, California  
February 25, 2020

## SECTION 302 CERTIFICATION

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

1. I have reviewed this report on Form 10-K for the year ended December 31, 2019 of The Macerich Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- e. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS E. O'HERN

Chief Executive Officer and Director

Date: February 25, 2020

## SECTION 302 CERTIFICATION

I, Scott W. Kingsmore, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2019 of The Macerich Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- e. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

/s/ SCOTT W. KINGSMORE

*Executive Vice President and  
Chief Financial Officer*

**THE MACERICH COMPANY (The Company)**  
**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned, Thomas E. O'Hern and Scott W. Kingsmore, the Chief Executive Officer and Chief Financial Officer, respectively, of The Macerich Company (the "Company"), pursuant to 18 U.S.C. §1350, each hereby certify that, to the best of his knowledge:

- (i) the Annual Report on Form 10-K for the year ended December 31, 2019 of the Company (the "Report") fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

/s/ THOMAS E. O'HERN

\_\_\_\_\_  
*Chief Executive Officer and Director*

/s/ SCOTT W. KINGSMORE

\_\_\_\_\_  
*Executive Vice President and  
Chief Financial Officer*

## **Forward-Looking Information**

Information set forth in this Annual Report contains “forward-looking statements” (within the meaning of the federal securities laws, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended), which reflect the Company’s expectations regarding future events and plans. Generally, the words “expects,” “anticipates,” “assumes,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “should,” “could,” “continues,” variations of such words and similar expressions identify forward-looking statements. The forward-looking statements speak only as of the date of this Annual Report and involve a number of known and unknown assumptions, risks, uncertainties and other factors, which may be difficult to predict and beyond the control of the Company, which could cause actual results to differ materially from those contained in the forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the impact of COVID-19 on our business and the business of our tenants and the economy generally and other risks and uncertainties detailed in the risks identified in Part I, Item 1A. Risk Factors within this Annual Report and in our other filings made with the United States Securities and Exchange Commission. The Company disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of changes in underlying assumptions or factors, new information, future events or otherwise, except as may be required by law.

