MACERICH CO
Form 10-Q
August 06, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

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

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

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

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

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

YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

YES o NO x

Number of shares outstanding of the registrant s common stock, as of August 3, 2007 Common Stock, par value $.01 per share: 71,871,268 shares

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THE MACERICH COMPANY

FORM 10-Q

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THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS:		
Property, net	$ 5,914,882	$ 5,755,283
Cash and cash equivalents	49,034	269,435
Restricted cash	70,619	66,376
Marketable securities	29,469	30,019
Tenant receivables, net	116,533	117,855
Deferred charges and other assets, net	326,465	307,825
Loans to unconsolidated joint ventures	447	708
Due from affiliates	4,344	4,282
Investments in unconsolidated joint ventures	987,021	1,010,380
Total assets	$ 7,498,814	$ 7,562,163
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS EQUITY:		
Mortgage notes payable:		
Related parties	$ 227,596	$ 151,311
Others	3,062,916	3,179,787
Total	3,290,512	3,331,098
Bank and other notes payable	1,833,037	1,662,781
Accounts payable and accrued expenses	85,307	86,127
Other accrued liabilities	240,647	212,249
Preferred stock dividends payable	6,199	6,199
Total liabilities	5,455,702	5,298,454
Minority interest	342,961	387,183
Commitments and contingencies		
Class A participating convertible preferred units	213,786	213,786
Class A non-participating convertible preferred units	16,459	21,501
Series A cumulative convertible redeemable preferred stock, $.01 par value, 3,627,131 shares authorized, issued and outstanding at June 30, 2007 and December 31, 2006, respectively	98,934	98,934
Common stockholders equity:		
Common stock, $.01 par value, 145,000,000 shares authorized, 71,641,889 and 71,567,908 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	716	716
Additional paid-in capital	1,624,044	1,717,498
Accumulated deficit	(264,360)	(178,249)
Accumulated other comprehensive income	10,572	2,340
Total common stockholders equity	1,370,972	1,542,305
Total liabilities, preferred stock and common stockholders equity	$ 7,498,814	$ 7,562,163

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)
(Unaudited)

	For the Three Months Ended June 30, 2007	2006	For the Six Months Ended June 30, 2007	2006
Revenues:				
Minimum rents	$ 125,901	$ 116,591	$ 249,883	$ 238,679
Percentage rents	2,862	2,546	6,627	4,916
Tenant recoveries	68,139	60,625	135,793	122,968
Management Companies	9,599	7,369	18,353	14,626
Other	9,287	5,960	16,800	12,592
Total revenues	215,788	193,091	427,456	393,781
Expenses:				
Shopping center and operating expenses	68,774	63,998	137,395	125,842
Management Companies operating expenses	18,519	12,125	36,274	26,839
REIT general and administrative expenses	4,412	3,292	9,785	6,990
Depreciation and amortization	60,404	56,010	117,494	115,421
	152,109	135,425	300,948	275,092
Interest expense:				
Related parties	3,213	2,714	5,862	5,412
Other	59,048	65,434	123,954	131,517
	62,261	68,148	129,816	136,929
Total expenses	214,370	203,573	430,764	412,021
Minority interest in consolidated joint ventures	(27)	(541)	(1,516)	(1,004)
Equity in income of unconsolidated joint ventures	18,997	17,861	33,480	38,877
Income tax benefit (provision)	787	(218)	907	315
Gain (loss) on sale of assets	2,279		4,031	(501)
Loss on early extinguishment of debt			(877)	(1,782)
Income from continuing operations	23,454	6,620	32,717	17,665
Discontinued operations:				
(Loss) gain on sale of assets	(1,124)	25,952	(1,413)	25,952
(Loss) income from discontinued operations	(362)	3,840	(181)	7,677
Total (loss) income from discontinued operations	(1,486)	29,792	(1,594)	33,629
Income before minority interest and preferred dividends	21,968	36,412	31,123	51,294
Less: minority interest in Operating Partnership	2,398	4,770	2,865	6,230
Net income	19,570	31,642	28,258	45,064
Less: preferred dividends	6,122	5,970	12,244	11,939
Net income available to common stockholders	$ 13,448	$ 25,672	$ 16,014	$ 33,125
Earnings per common share basic:				
Income from continuing operations	$ 0.21	$ 0.01	$ 0.24	$ 0.07
Discontinued operations	(0.02)	0.35	(0.02)	0.40
Net income	$ 0.19	$ 0.36	$ 0.22	$ 0.47
Earnings per common share diluted:				
Income from continuing operations	$ 0.21	$ 0.01	$ 0.24	$ 0.07
Discontinued operations	(0.02)	0.35	(0.02)	0.40
Net income	$ 0.19	$ 0.36	$ 0.22	$ 0.47
Weighted average number of common shares outstanding:				
Basic	71,528,000	71,458,000	71,597,000	70,152,000
Diluted	84,552,000	85,023,000	84,792,000	83,807,000

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

THE MACERICH COMPANY
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS EQUITY
(Dollars in thousands, except per share data)
(Unaudited)

	Common Stock		Additional		Accumulated Other	Total Common
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Comprehensive Income	Stockholders Equity
Balance January 1, 2007	71,567,908	$ 716	$ 1,717,498	$ (178,249)	$ 2,340	$ 1,542,305
Comprehensive income:						
Net income				28,258		28,258
Reclassification of deferred losses					478	478
Interest rate swap/cap agreements					7,754	7,754
Total comprehensive income				28,258	8,232	36,490
Amortization of share and unit-based plans	212,994	2	10,262			10,264
Exercise of stock options	9,500		274			274
Employee stock purchases	4,099		259			259
Distributions paid ($1.42) per share				(102,125)		(102,125)
Preferred dividends				(12,244)		(12,244)
Conversion of Operating Partnership units and Class A non-participating convertible preferred units	654,388	6	20,542			20,548
Repurchase of common shares	(807,000)	(8)	(74,962)			(74,970)
Purchase of capped calls on convertible senior notes			(59,850)			(59,850)
Change in accounting principle due to adoption of FIN 48			(1,574)			(1,574)
Adjustment to reflect minority interest on a pro rata basis for period end ownership percentage of Operating Partnership units			11,595			11,595
Balance June 30, 2007	71,641,889	$ 716	$ 1,624,044	$ (264,360)	$ 10,572	$ 1,370,972

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

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

	For the Six Months Ended June 30, 2007	2006
Cash flows from operating activities:		
Net income available to common stockholders	$ 16,014	$ 33,125
Preferred dividends	12,244	11,939
Net income	28,258	45,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	877	1,782
(Gain) loss on sale of assets	(4,031)	501
Loss (gain) on sale of assets of discontinued operations	1,413	(25,952)
Depreciation and amortization	117,491	122,951
Amortization of net premium on mortgage and bank and other notes payable	(5,171)	(5,949)
Amortization of share and unit-based plans	7,194	4,345
Minority interest in Operating Partnership	2,865	6,230
Minority interest in consolidated joint ventures	1,516	1,397
Equity in income of unconsolidated joint ventures	(33,480)	(38,877)
Distributions of income from unconsolidated joint ventures	2,658	1,189
Changes in assets and liabilities, net of acquisitions:		
Tenant receivables, net	1,322	(8,401)
Other assets	534	14,943
Accounts payable and accrued expenses	(15,795)	(17,453)
Due from affiliates	(62)	(3,109)
Other accrued liabilities	(3,617)	(14,410)
Net cash provided by operating activities	101,972	84,251
Cash flows from investing activities:		
Acquisitions of property, development, redevelopment and property improvements	(223,477)	(341,146)
Issuance of note receivable		(10,000)
Maturities of marketable securities	724	
Deferred leasing costs	(18,870)	(10,346)
Distributions from unconsolidated joint ventures	65,426	127,016
Contributions to unconsolidated joint ventures	(16,131)	(8,800)
Repayments of loans to unconsolidated joint ventures	261	531
Proceeds from sale of assets	14,550	116,800
Restricted cash	(4,243)	(1,149)
Net cash used in investing activities	(181,760)	(127,094)
Cash flows from financing activities:		
Proceeds from mortgages and bank and other notes payable	1,460,124	521,270
Payments on mortgages and bank and other notes payable	(1,334,479)	(1,175,205)
Deferred financing costs	(873)	(1,148)
Purchase of Capped Calls	(59,850)	
Repurchase of common stock	(74,970)	
Proceeds from share and unit-based plans	533	366
Net proceeds from stock offering		746,819
Dividends and distributions	(118,854)	(146,944)
Dividends to preferred stockholders / preferred unit holders	(12,244)	(11,939)
Net cash used in financing activities	(140,613)	(66,781)
Net decrease in cash	(220,401)	(109,624)
Cash and cash equivalents, beginning of period	269,435	155,113
Cash and cash equivalents, end of period	$ 49,034	$ 45,489
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 137,960	$ 155,536
Non-cash transactions:		
Increase in other accrued liabilities and additional paid-in capital recorded upon adoption of FIN 48	$ 1,574	$
Reclassification from other accrued liabilities to additional paid-in capital recorded upon adoption of SFAS No. 123(R)	$	$ 6,000
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$ 38,486	$ 5,796

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

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

1. Organization:

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

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of June 30, 2007, the Company is the sole general partner of and holds an 85% ownership interest in The Macerich Partnership, L.P. (the Operating Partnership). The interests in the Operating Partnership are known as OP Units. OP Units not held by the Company are redeemable, subject to certain restrictions, on a one-for-one basis for the Company s common stock or cash at the Company s option.

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

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

2. Basis of Presentation:

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

The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. Investments in entities that are controlled by the Company or meet the definition of a variable interest entity in which an enterprise absorbs the majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity are consolidated; otherwise they are accounted for under the equity method and are reflected as Investments in unconsolidated joint ventures .

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The 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. The accompanying consolidated balance sheet as of December 31, 2006 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

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

Recent Accounting Pronouncements:

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

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition of previously recognized income tax benefits, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted this statement on January 1, 2007. See Note 18 Income Taxes, for the impact of the adoption of FIN 48 on the results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company is required to adopt SFAS No. 157 for the year 2008 and does not expect its adoption to have a material effect on the Company s results of operations or financial condition.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 108. SAB No. 108 establishes a framework for quantifying materiality of financial statement misstatements. The adoption of SAB No. 108 on January 1, 2007, did not have a material impact on the Company s consolidated results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115. SFAS No. 159 allows for the measurement of many financial instruments and certain other items at fair value. The Company is required

to adopt SFAS No. 159 for the year 2008. The Company is currently evaluating the impact of adoption of this statement on its results of operations and financial condition.

Fair Value of Financial Instruments

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

3. Earnings per Share:

The computation of basic earnings per share (EPS) is based on net income available to common stockholders and the weighted average number of common shares outstanding for the three and six months ended June 30, 2007 and 2006. The computation of diluted earnings per share includes the effect of dilutive securities using the if-converted method and dilutive effect of employee stock options calculated using the treasury stock method. The OP Units and MACWH, LP common units not held by the Company have been included in the diluted EPS since they may be redeemable on a one-for-one basis for common stock or cash, at the Company s option. The following table computes the basic and diluted earnings per share calculation (dollars and shares in thousands):

	For the Three Months Ended June 30,					
	2007			**2006**		
	Net Income	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Net income	$ 19,570			$ 31,642		
Less: preferred dividends(1)	6,122			5,970		
Basic EPS:						
Net income available to common stockholders	13,448	71,528	$ 0.19	25,672	71,458	$ 0.36
Diluted EPS:						
Conversion of partnership units	2,398	12,726		4,770	13,280	
Employee stock options		298			285	
Net income available to common stockholders	$ 15,846	84,552	$ 0.19	$ 30,442	85,023	$ 0.36

	For the Six Months Ended June 30, 2007			2006		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Net income	$ 28,258			$ 45,064		
Less: preferred dividends(1)	12,244			11,939		
Basic EPS:						
Net income available to common stockholders	16,014	71,597	$ 0.22	33,125	70,152	$ 0.47
Diluted EPS:						
Conversion of partnership units	2,865	12,890		6,230	13,365	
Employee stock options		305			290	
Net income available to common stockholders	$ 18,879	84,792	$ 0.22	$ 39,355	83,807	$ 0.47

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(1) Preferred dividends include convertible preferred unit dividends of $3,547 and $3,503 for the three months ended June 30, 2007 and 2006, and $7,094 and $7,006 for the six months ended June 30, 2007 and 2006, respectively.

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

	For the Three Months Ended June 30, 2007	2006	For the Six Months Ended June 30, 2007	2006
Income from continuing operations	$ 2,623	$ 101	$ 3,108	$ 850
Discontinued operations:				
(Loss) gain on sale of assets	(170)	4,067	(215)	4,152
(Loss) income from discontinued operations	(55)	602	(28)	1,228
Total	$ 2,398	$ 4,770	$ 2,865	$ 6,230

4. Investments in Unconsolidated Joint Ventures:

The following are the Company s investments in unconsolidated joint ventures. The Operating Partnership s interest in each joint venture property as of June 30, 2007 was as follows:

Joint Venture	**Partnership s Ownership %(1)**
Biltmore Shopping Center Partners LLC	50.0 %
Camelback Colonnade SPE LLC	75.0 %
Chandler Festival SPE, LLC	50.0 %
Chandler Gateway SPE LLC	50.0 %
Chandler Village Center, LLC	50.0 %
Coolidge Holding LLC	37.5 %
Corte Madera Village, LLC	50.1 %
Desert Sky Mall Tenants in Common	50.0 %
East Mesa Land, L.L.C.	50.0 %
East Mesa Mall, L.L.C. Superstition Springs Center	33.3 %
Jaren Associates #4	12.5 %
Kierland Tower Lofts, LLC	15.0 %
Macerich Northwestern Associates	50.0 %
MetroRising AMS Holding LLC	15.0 %
New River Associates Arrowhead Towne Center	33.3 %
NorthPark Land Partners, LP	50.0 %
NorthPark Partners, LP	50.0 %
Pacific Premier Retail Trust	51.0 %
PHXAZ/Kierland Commons, L.L.C.	24.5 %
Propcor Associates	25.0 %
Propcor II Associates, LLC Boulevard Shops	50.0 %
SanTan Village Phase 2 LLC	34.9 %
Scottsdale Fashion Square Partnership	50.0 %
SDG Macerich Properties, L.P.	50.0 %
The Market at Estrella Falls LLC	35.1 %
Tysons Corner Holdings LLC	50.0 %
Tysons Corner LLC	50.0 %
Tysons Corner Property Holdings II LLC	50.0 %
Tysons Corner Property Holdings LLC	50.0 %
Tysons Corner Property LLC	50.0 %
W.M. Inland, L.L.C.	50.0 %
West Acres Development, LLP	19.0 %
Westcor/Gilbert, L.L.C.	50.0 %
Westcor/Goodyear, L.L.C.	50.0 %
Westcor/Queen Creek Commercial LLC	37.6 %
Westcor/Queen Creek LLC	37.6 %
Westcor/Queen Creek Medical LLC	37.6 %
Westcor/Queen Creek Residential LLC	37.6 %
Westcor/Surprise Auto Park LLC	33.3 %
Westcor/Surprise LLC	33.3 %
Westlinc Associates Hilton Village	50.0 %
Westpen Associates	50.0 %
WM Ridgmar, L.P.	50.0 %

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

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

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	June 30, 2007	**December 31, 2006**
Assets(1):		
Properties, net	$ 4,222,099	$ 4,251,765
Other assets	442,844	429,028
Total assets	$ 4,664,943	$ 4,680,793
Liabilities and partners capital(1):		
Mortgage notes payable(2)	$ 3,541,566	$ 3,515,154
Other liabilities	153,034	140,889
The Company s capital(3)	538,123	559,172
Outside partners capital	432,220	465,578
Total liabilities and partners capital	$ 4,664,943	$ 4,680,793

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(1) These amounts include the assets and liabilities of the following significant joint ventures:

	SDG Macerich Properties, L.P.	**Pacific Premier Retail Trust**	**Tysons Corner LLC**
As of June 30, 2007:			
Total Assets	*$ 899,509*	*$ 1,019,865*	*$ 641,167*
Total Liabilities	*$ 822,096*	*$ 845,216*	*$ 368,751*
As of December 31, 2006:			
Total Assets	*$ 924,720*	*$ 1,027,132*	*$ 644,545*
Total Liabilities	*$ 823,327*	*$ 848,070*	*$ 371,360*

(2) Certain joint ventures have debt that could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of June 30, 2007 and December 31, 2006, the total amount of debt that could become recourse to the Company was $8,602 and $8,570, respectively.

(3) The Company s investment in unconsolidated joint ventures was $448,898 and $451,208 more than the underlying equity as reflected in the joint ventures financial statements as of June 30, 2007 and December 31, 2006, respectively. This represents the difference between the cost of the investment and the book value of the underlying equity of the joint venture. The Company is amortizing this difference into income on a straight-line basis, consistent with the depreciable lives on property. The amortization of this difference was $3,045 and $3,432 for the three months ended June 30, 2007 and 2006, and $6,452 and $7,015 for the six months ended June 30, 2007 and 2006, respectively.

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Three Months Ended June 30, 2007					
Revenues:					
Minimum rents	$ 22,778	$ 30,823	$ 14,754	$ 61,211	$ 129,566
Percentage rents	513	872	129	2,669	4,183
Tenant recoveries	11,756	12,782	7,364	28,674	60,576
Other	847	991	487	4,927	7,252
Total revenues	35,894	45,468	22,734	97,481	201,577
Expenses:					
Shopping center and operating expenses	14,342	13,039	6,352	35,080	68,813
Interest expense	11,589	12,329	4,172	24,569	52,659
Depreciation and amortization	7,457	7,737	5,101	21,199	41,494
Total operating expenses	33,388	33,105	15,625	80,848	162,966
Gain on sale of assets	13			772	785
Net income	$ 2,519	$ 12,363	$ 7,109	$ 17,405	$ 39,396
Company s equity in net income	$ 1,260	$ 6,294	$ 3,169	$ 8,274	$ 18,997
Three Months Ended June 30, 2006					
Revenues:					
Minimum rents	$ 23,209	$ 30,517	$ 12,554	$ 53,641	$ 119,921
Percentage rents	500	1,019	283	2,155	3,957
Tenant recoveries	11,019	12,557	6,262	25,525	55,363
Other	815	1,006	537	4,402	6,760
Total revenues	35,543	45,099	19,636	85,723	186,001
Expenses:					
Shopping center and operating expenses	14,414	12,179	6,168	31,767	64,528
Interest expense	11,273	12,860	4,309	21,367	49,809
Depreciation and amortization	7,157	7,334	5,024	16,792	36,307
Total operating expenses	32,844	32,373	15,501	69,926	150,644
Gain on sale of assets				905	905
Net income	$ 2,699	$ 12,726	$ 4,135	$ 16,702	$ 36,262
Company s equity in net income	$ 1,349	$ 6,479	$ 1,695	$ 8,338	$ 17,861

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Six Months Ended June 30, 2007					
Revenues:					
Minimum rents	$ 45,927	$ 61,708	$ 30,700	$ 121,036	$ 259,371
Percentage rents	1,726	2,457	86	4,636	8,905
Tenant recoveries	23,717	24,802	15,616	58,188	122,323
Other	1,788	1,948	917	8,511	13,164
Total revenues	73,158	90,915	47,319	192,371	403,763
Expenses:					
Shopping center and operating expenses	29,141	25,471	12,602	67,934	135,148
Interest expense	23,059	24,617	8,369	50,209	106,254
Depreciation and amortization	14,720	15,320	10,365	47,267	87,672
Total operating expenses	66,920	65,408	31,336	165,410	329,074
(Loss) gain on sale of assets	(4,751)			772	(3,979)
Net income	$ 1,487	$ 25,507	$ 15,983	$ 27,733	$ 70,710
Company s equity in net income	$ 744	$ 12,987	$ 6,522	$ 13,227	$ 33,480
Six Months Ended June 30, 2006					
Revenues:					
Minimum rents	$ 47,233	$ 61,894	$ 28,500	$ 102,080	$ 239,707
Percentage rents	1,609	2,656	240	4,848	9,353
Tenant recoveries	22,639	24,066	14,514	51,691	112,910
Other	1,612	1,868	967	9,761	14,208
Total revenues	73,093	90,484	44,221	168,380	376,178
Expenses:					
Shopping center and operating expenses	29,030	24,250	12,418	60,986	126,684
Interest expense	20,443	25,684	8,506	38,003	92,636
Depreciation and amortization	14,524	14,491	10,288	33,326	72,629
Total operating expenses	63,997	64,425	31,212	132,315	291,949
Gain on sale of assets				905	905
Net income	$ 9,096	$ 26,059	$ 13,009	$ 36,970	$ 85,134
Company s equity in net income	$ 4,547	$ 13,192	$ 5,048	$ 16,090	$ 38,877

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

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life (NML) of $129,117 and $132,170 as of June 30, 2007 and December 31, 2006, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $2,188 and $2,269 for the three months ended June 30, 2007 and 2006 and $4,367 and $4,545 for the six months ended June 30, 2007 and 2006, respectively.

5. Derivative Instruments and Hedging Activities

The Company recognizes and measures all derivatives in the consolidated financial statements at fair value. The Company uses derivative financial instruments in the normal course of business to manage or reduce its exposure to adverse fluctuations in interest rates. The Company designs its hedges to be effective in reducing the risk exposure that they are designated to hedge. Any instrument that meets the cash flow hedging criteria in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, is formally designated as a cash flow hedge at the inception of the derivative contract. On an ongoing quarterly basis, the Company adjusts its balance sheet to reflect the current fair value of its derivatives. To the extent they are effective, changes in fair value of derivatives are recorded in comprehensive income. Ineffective portions, if any, are included in net income. No ineffectiveness was recorded in net income during the three or six months ended June 30, 2007 or 2006. If any derivative instrument used for risk management does not meet the hedging criteria, it is marked-to-market each period in the consolidated statements of operations. As of June 30, 2007, three of the Company s derivative instruments were not designated as a cash flow hedge. Changes in the market value of these derivative instruments will be recorded in the consolidated statements of operations.

As of June 30, 2007 and December 31, 2006, the Company had $773 and $1,252, respectively, reflected in other comprehensive income related to treasury rate locks settled in prior years. The Company reclassified $241 and $336 for the three months ended June 30, 2007 and 2006 and $478 and $668 for the six months ended June 30, 2007 and 2006, respectively, related to treasury rate lock transactions settled in prior years from accumulated other comprehensive (loss) income to earnings. It is anticipated that an additional $488 will be reclassified during the remainder of the current year.

Interest rate swap and cap agreements are purchased by the Company from third parties to manage the risk of interest rate changes on some of the Company s floating rate debt. Payments received as a result of these agreements are recorded as a reduction of interest expense. The fair value of the instrument is included in deferred charges and other assets if the fair value is an asset or in other accrued liabilities if the fair value is a deficit. The Company recorded other comprehensive income related to the marking-to-market of interest rate swap/cap agreements of $11,447 and $4,854 for the three months ended June 30, 2007 and 2006 and $7,754 and $11,438 for the six months ended June 30, 2007 and 2006, respectively. The amount expected to be reclassified to interest expense in the next 12 months will be immaterial.

6. Property:

Property consists of the following:

	June 30, 2007	December 31, 2006
Land	$ 1,178,137	$ 1,147,464
Building improvements	4,776,347	4,743,960
Tenant improvements	244,870	231,210
Equipment and furnishings	83,943	82,456
Construction in progress	455,552	294,115
	6,738,849	6,499,205
Less accumulated depreciation	(823,967)	(743,922)
	$ 5,914,882	$ 5,755,283

Depreciation expense was $44,586 and $39,182 for the three months ended June 30, 2007 and 2006 and $87,162 and $78,655 for the six months ended June 30, 2007 and 2006, respectively.

Gain (loss) on sale of assets consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Building improvements and equipment	$	$	$ 35	$ (622)
Land and Building	2,279		3,996	121
	$ 2,279	$	$ 4,031	$ (501)

7. Marketable Securities:

Marketable securities consist of the following:

	June 30, 2007	December 31, 2006
Government debt securities, at par value	$ 31,142	31,866
Less discount	(1,673)	(1,847)
	29,469	30,019
Unrealized gain	310	514
Fair value	$ 29,779	30,533

Future contractual maturities of marketable securities at June 30, 2007 are as follows:

1 year or less	$ 1,405
1 to 5 years	3,900
5 to 10 year	25,837
	$ 31,142

The proceeds from maturities and interest receipts from the marketable securities are restricted to the service of the $27,981 note on which the Company remains obligated following the sale of Greeley Mall on July 27, 2006 (See Note 10 Bank and Other Notes Payable).

8. Deferred Charges And Other Assets:

Deferred charges and other assets are summarized as follows:

	June 30, 2007	December 31, 2006
Leasing	$ 102,039	$ 115,657
Financing	45,410	40,906
Intangible assets resulting from SFAS No. 141 allocations:		
In-place lease values	200,095	207,023
Leasing commissions and legal costs	35,455	36,177
	382,999	399,763
Less accumulated amortization(1)	(144,150)	(171,073)
	238,849	228,690
Other assets	87,616	79,135
	$ 326,465	$ 307,825

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(1) Accumulated amortization includes $84,971 and $86,172 relating to intangibles resulting from SFAS No. 141 allocations at June 30, 2007 and December 31, 2006, respectively.

The allocated values of above market leases included in other assets and the below market leases included in other accrued liabilities, related to SFAS No. 141, consist of the following:

	June 30, 2007	December 31, 2006
Above Market Leases		
Original allocated value	$ 65,752	$ 64,718
Less accumulated amortization	(34,951)	(36,058)
	$ 30,801	$ 28,660
Below Market Leases		
Original allocated value	$ 156,667	$ 150,300
Less accumulated amortization	(83,768)	(77,261)
	$ 72,899	$ 73,039

9. Mortgage Notes Payable:

Mortgage notes payable consist of the following:

	Carrying Amount of Mortgage Notes(a)					Monthly	
	June 30, 2007		December 31, 2006		Interest	Payment	Maturity
Property Pledged as Collateral	**Other**	**Related Party**	**Other**	**Related Party**	**Rate**	**Term(b)**	**Date**
Borgata(c)	$ 14,609	$	$ 14,885	$	5.39 %	$ 115	2007
Capitola Mall		40,166		40,999	7.13 %	380	2011
Carmel Plaza	26,465		26,674		8.18 %	202	2009
Casa Grande(d)	26,833		7,304		6.75 %	151	2009
Chandler Fashion Center	171,367		172,904		5.48 %	1,043	2012
Chesterfield Towne Center(e)	56,445		57,155		9.07 %	548	2024
Danbury Fair Mall	179,688		182,877		4.64 %	1,225	2011
Deptford Mall(f)	172,500		100,000		5.41 %	453	2013
Eastview Commons	8,966		9,117		5.46 %	66	2010
Eastview Mall	101,943		102,873		5.10 %	592	2014
Fiesta Mall	84,000		84,000		4.88 %	346	2015
Flagstaff Mall	37,000		37,000		4.97 %	155	2015
FlatIron Crossing	189,412		191,046		5.23 %	1,102	2013
Freehold Raceway Mall	180,600		183,505		4.68 %	1,184	2011
Fresno Fashion Fair	64,095		64,595		6.52 %	437	2008
Great Northern Mall	40,618		40,947		5.19 %	224	2013
Greece Ridge Center(g)	72,000		72,000		5.97 %	358	2008
La Cumbre Plaza(h)	30,000		30,000		6.20 %	155	2008
La Encantada(i)		78,000	51,000		5.60 %	364	2012
Marketplace Mall	39,916		40,473		5.30 %	267	2017
Northridge Mall(j)	81,826		82,514		4.84 %	453	2009
Oaks, The(k)			92,000		5.37 %		
Pacific View	89,557		90,231		7.16 %	648	2011
Panorama Mall(l)	50,000		50,000		6.16 %	257	2010
Paradise Valley Mall(m)			74,990		5.89 %		
Paradise Valley Mall	21,698		22,154		5.89 %	183	2009
Pittsford Plaza	24,941		25,278		5.02 %	160	2013
Prescott Gateway	60,000		60,000		5.78 %	289	2011
Queens Center	91,283		92,039		6.88 %	633	2009

Queens Center	109,431	109,430	110,313	110,312	7.00 %	1,501	2013
Rimrock Mall	43,146		43,452		7.45 %	320	2011
Salisbury, Center at	115,000		115,000		5.79 %	555	2016
Santa Monica Place	79,545		80,073		7.70 %	606	2010
Shoppingtown Mall	45,435		46,217		5.01 %	319	2011
South Plains Mall	59,209		59,681		8.22 %	454	2009
South Towne Center	64,000		64,000		6.61 %	357	2008
Towne Mall	15,066		15,291		4.99 %	101	2012
Twenty Ninth Street(n)	105,176		94,080		6.12 %	536	2009
Valley River Center(o)	120,000		100,000		5.59 %	559	2016
Valley View Center	125,000		125,000		5.72 %	596	2011
Victor Valley, Mall of	51,823		52,429		4.60 %	304	2008
Village Fair North	11,046		11,210		5.89 %	82	2008
Vintage Faire Mall	64,884		65,363		7.89 %	508	2010
Westside Pavilion	92,779		93,513		6.67 %	628	2008
Wilton Mall	45,614		46,604		4.79 %	349	2009
	$ 3,062,916	$ 227,596	$ 3,179,787	$ 151,311			

(a) The mortgage notes payable balances include the unamortized debt premiums (discount). Debt premiums (discount) represent the excess (deficiency) of the fair value of debt over (under) the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The interest rate represents the effective interest rate, including the debt premium (discount).

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	**June 30, 2007**	**December 31, 2006**
Borgata	*$ 98*	*$ 245*
Danbury Fair Mall	*15,537*	*17,634*
Eastview Commons	*675*	*776*
Eastview Mall	*1,877*	*2,018*
Freehold Raceway Mall	*14,089*	*15,806*
Great Northern Mall	*(177)*	*(191)*
Marketplace Mall	*1,731*	*1,813*
Paradise Valley Mall		*2*
Paradise Valley Mall	*538*	*685*
Pittsford Plaza	*941*	*1,025*
Shoppingtown Mall	*4,276*	*4,813*
Towne Mall	*511*	*558*
Victor Valley, Mall of	*216*	*377*
Village Fair North	*97*	*146*
Wilton Mall	*3,462*	*4,195*
	$ 43,871	*$ 49,902*

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

(c) This loan was paid off in full on July 11, 2007.

(d) The construction loan allows for total borrowings of up to $110,000, and bears interest at LIBOR plus a spread of 1.20% to 1.40% depending on certain conditions. The loan matures in August 2009, with two one-year extension options. At June 30, 2007 and December 31, 2006, the total interest rate was 6.75%.

(e) In addition to monthly principal and interest payments, contingent interest, as defined in the loan agreement, may be due to the extent that 35% of the amount by which the property s gross receipts exceeds a base amount. Contingent interest expense recognized by the Company was $113 and $142 for the three months ended June 30, 2007 and 2006, and $192 and $212 for the six months ended June 30, 2007 and 2006 , respectively.

(f) On May 23, 2007, the Company borrowed an additional $72,500 under the loan agreement at a fixed rate of 5.38%. The total interest rate at June 30, 2007 and December 31, 2006, was 5.41% and 5.58%, respectively.

(g) The floating rate loan bears interest at LIBOR plus 0.65%. The Company has stepped interest rate cap agreements over the term of the loan that effectively prevent LIBOR from exceeding 7.95%. At June 30, 2007 and December 31, 2006, the total interest rate was 5.97% and 6.0%, respectively. In July 2007, the loan was extended until November 6, 2008.

(h) The floating rate loan bears interest at LIBOR plus 0.88% and matures on August 9, 2007 with two one-year extension options. The Company has an interest rate cap agreement over the loan term which effectively prevents LIBOR from exceeding 7.12%. At June 30, 2007 and December 31, 2006, the total interest rate was 6.20% and 6.23%, respectively. In July 2007, the loan was extended until August 9, 2008.

(i) On March 23, 2007, the Company paid off the $51,000 interest only loan on the property. On May 15, 2007, the Company placed a new $78,000 loan on the property that bears interest at a fixed rate of 5.60% and matures on June 1, 2012.

(j) The loan bore interest at LIBOR plus 2.0% for six months and then converted at January 1, 2005 to a fixed rate loan at 4.94%. The effective interest rate over the entire term is 4.84%.

(k) The loan was paid off in full on February 2, 2007.

(l) The floating rate loan bears interest at LIBOR plus 0.85% and matures in February 2010. There is an interest rate cap agreement on this loan which effectively prevents LIBOR from exceeding 6.65%. At June 30, 2007 and December 31, 2006, the total interest rate was 6.16% and 6.23%, respectively.

(m) The loan was paid off in full on January 2, 2007.

(n) The construction loan allows for total borrowings of up to $115,000, and bears interest at LIBOR plus a spread of 1.1% to 1.25% depending on certain conditions. The loan matures in June 2009, with a one-year extension option. At June 30, 2007 and December 31, 2006, the total interest rate was 6.12% and 6.67%, respectively.

(o) Concurrent with the acquisition of this property, the Company placed a $100,000 loan that bears interest at 5.58% and matures on February 16, 2016. On January 23, 2007, the Company exercised an earn-out provision under the loan agreement and borrowed an additional $20,000 at a fixed rate of 5.64%. The total interest rate at June 30, 2007 and December 31, 2006, was 5.59% and 5.58%, respectively.

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

Total interest expense capitalized was $8,816 and $3,045 for the three months ended June 30, 2007 and 2006 and $14,115 and $6,040 and for the six months ended June 30, 2007 and 2006, respectively.

The fair value of mortgage notes payable is estimated to be approximately $3,279,540 and $3,368,727, at June 30, 2007 and December 31, 2006, respectively, based on current interest rates for comparable loans.

10. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Convertible Senior Notes

On March 16, 2007, the Company issued $950,000 in convertible senior notes (Senior Notes) that are to mature on March 15, 2012. The Senior Notes bear interest at 3.25%, payable semiannually, are senior unsecured debt of the Company and are guaranteed by the Operating Partnership. Prior to December 14, 2011, upon the occurrence of certain specified events, the Senior Notes will be convertible at the option of holder into cash, shares of the Company s common stock or a combination of cash and shares of the Company s common stock, at the election of the Company, at an initial conversion rate of 8.9702 shares per $1 principal amount. On and after December 15, 2011, the Senior Notes will be convertible at any time prior to the second business day preceding the maturity date at the option of the holder at the initial conversion rate. The initial conversion price of approximately $111.48 per share represents a 20% premium over the closing price of the Company s common stock on March 12, 2007. The initial conversion rate is subject to adjustment in certain circumstances. Holders of the Senior Notes will not have the right to require the Company to repurchase the Senior Notes prior to maturity except in connection with the occurrence of certain fundamental change transactions. The carrying value of the Senior Notes at June 30, 2007, includes an unamortized discount of $8,944 incurred at issuance and is amortized into interest expense over the term of the Senior Notes in a manner that approximates the effective interest method. As of June 30, 2007, the effective interest rate was 3.48%.

In connection with the issuance of the Senior Notes, the Company purchased two capped calls (Capped Calls) from affiliates of the initial purchasers of the Senior Notes. The Capped Calls effectively increased the conversion price of the Senior Notes to approximately $130.06, which represents a 40% premium to the March 12, 2007 closing price of $92.90 per common share of the Company. The Capped Calls are expected to generally reduce the potential dilution upon exchange of the Senior Notes in the event the market value per share of the Company s common stock, as measured under the terms of the relevant settlement date, is greater than the strike price of the Capped Calls. If, however, the market value per share of the Company s common stock exceeds $130.06 per common share, then the dilution mitigation under the Capped Calls will be capped, which means there would be dilution from exchange of the Senior Notes to the extent that the market value per share of the Company s common stock exceeds $130.06. The cost of the Capped Calls was approximately $59,850 and was recorded as a charge to Additional paid-in capital .

Line of Credit

The Company has a $1,500,000 revolving line of credit that matures on April 25, 2010 with a one-year extension option. The interest rate fluctuated from LIBOR plus 1.0% to LIBOR plus 1.35% depending on the Company s overall leverage. On July 3, 2007, the Company amended the revolving line of credit agreement. Interest rates, after amendment, will fluctuate between LIBOR plus 0.75% to LIBOR plus 1.10% depending on the Company s overall leverage. The Company has an interest rate swap agreement that effectively fixed the interest rate on $400,000 of the outstanding balance of the line of credit at 6.23% until April 25, 2011. As of June 30, 2007 and December 31, 2006, borrowings outstanding were $414,000 and $934,500 at an average interest rate, excluding the $400,000 swapped portion, of 6.47% and 6.60%, respectively.

Term Notes

On May 13, 2003, the Company issued $250,000 in unsecured notes that were to mature in May 2007 with a one-year extension option and bore interest at LIBOR plus 2.50%. These notes were repaid in full on March 16, 2007, from the proceeds of the Senior Notes offering. At December 31, 2006, all of the notes were outstanding at an interest rate of 6.94%.

On April 25, 2005, the Company obtained a five-year, $450,000 term loan bearing interest at LIBOR plus 1.50%. In November 2005, the Company entered into an interest rate swap agreement that effectively fixed the interest rate of the term loan at 6.30% from December 1, 2005 to April 25, 2010. As of June 30, 2007 and December 31, 2006, the entire term loan was outstanding with an effective interest rate of 6.30%.

On July 27, 2006, concurrent with the sale of Greeley Mall (See Note 14 Discontinued Operations), the Company provided marketable securities to replace Greeley Mall as collateral for the mortgage note payable on the property (See Note 7 Marketable Securities). As a result of this transaction, the debt was reclassified to bank and other notes payable. This note bears interest at 6.18% and matures in September 2013. As of June 30, 2007 and December 31, 2006, the note had a balance outstanding of $27,981 and $28,281, respectively. The fair value is estimated to be approximately $28,255 and $29,288 at June 30, 2007 and December 31, 2006, respectively, based on current interest rates for comparable loans.

As of June 30, 2007 and December 31, 2006, the Company was in compliance with all applicable loan covenants.

11. 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 fees were charged to unconsolidated joint ventures:

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Management Fees				
MMC	$ 2,544	$ 2,781	$ 5,106	$ 5,792
Westcor Management Companies	1,658	1,675	3,261	3,339
Wilmorite Management Companies	345	369	773	712
	$ 4,547	$ 4,825	$ 9,140	$ 9,843
Development and Leasing Fees				
MMC	$ 78	$ 231	$ 183	$ 489
Westcor Management Companies	2,712	927	4,388	1,683
Wilmorite Management Companies	22	25	50	72
	$ 2,812	$ 1,183	$ 4,621	$ 2,244

Certain mortgage notes on the properties are held by NML (See Note 9 Mortgage Notes Payable). Interest expense in connection with these notes was $3,213 and $2,715 for the three months ended June 30, 2007 and 2006, and $5,862 and $5,412 for the six months ended June 30, 2007 and 2006, respectively. Included in accounts payable and accrued expenses is interest payable to these partners of $1,116 and $793 at June 30, 2007 and December 31, 2006, respectively.

As of June 30, 2007 and December 31, 2006, the Company had loans to unconsolidated joint ventures of $447 and $708, respectively. Interest income associated with these notes was $10 and $21 for the three months ended June 30, 2007 and 2006 and $22 and $45 for the six months ended June 30, 2007 and 2006, respectively. These loans represent initial funds advanced to development stage projects prior to construction loan funding. Correspondingly, loan payables in the same amount have been accrued as an obligation by the various joint ventures.

Due from affiliates of $4,344 and $4,282 at June 30, 2007 and December 31, 2006, respectively, represents unreimbursed costs and fees due from unconsolidated joint ventures under management agreements.

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

12. Stock Repurchase Program:

On March 16, 2007, the Company repurchased 807,000 shares for $74,970 concurrent with the Senior Notes offering (See Note 10 Bank and Other Notes Payable). These shares were repurchased pursuant to the Company s stock repurchase program authorized by the Company s Board of Directors on March 9, 2007. This repurchase program ended March 16, 2007 because the maximum shares allowed to be repurchased under the program was reached.

13. Acquisitions:

The following were acquisitions completed by the Company in 2006:

Valley River:

On February 1, 2006, the Company acquired Valley River Center, an 835,694 square foot super-regional mall in Eugene, Oregon. The total purchase price was $187,500 and concurrent with the acquisition, the Company placed a $100,000 ten-year loan on the property. On January 23, 2007, the Company exercised an earn-out provision under the loan agreement and borrowed an additional $20,000. The balance of the purchase price was funded by cash and borrowings under the Company s line of credit. The results of Valley River Center s operations have been included in the Company s consolidated financial statements since the acquisition date.

Federated:

On July 26, 2006, the Company purchased 11 department stores located in 10 of its Centers from Federated Department Stores, Inc. for approximately $100,000. The purchase price consisted of a $93,000 cash payment at closing and a $7,000 cash payment on March 29, 2007 paid in connection with a development work commitment by Federated. The Company s share of the purchase price of $81,043 was funded in part from the proceeds of sales of properties and from borrowings under the Company s line of credit. The balance of the purchase price was paid by the Company s joint venture partners where four of the eleven stores are located. The purchase price allocation included in the Company s balance sheet as of June 30, 2007 and December 31, 2006 was based on information available at that time.

Deptford:

On December 1, 2006, the Company acquired Deptford Mall, a 1,039,840 square foot super-regional mall in Deptford, New Jersey. The total purchase price was $240,055. The purchase price was funded by cash and borrowings under the Company s line of credit. Subsequently in 2006, the Company placed a $100,000 six-year loan on the property. On May 23, 2007, the Company borrowed an additional $72,500

under the loan agreement. The proceeds from the two borrowings were used to pay down the Company s line of credit. The results of Deptford Mall s operations have been included in the Company s consolidated financial statements since the acquisition date. The purchase price allocation included in the Company s balance sheet as of December 31, 2006 was based on information available at that time. Subsequent adjustment to the allocation was made during the three months ended March 31, 2007 based upon the receipt of a third-party valuation report.

14. Discontinued Operations:

The following were dispositions completed by the Company in 2006:

On June 9, 2006, the Company sold Scottsdale/101 for $117,600 resulting in a gain on sale of asset of $62,633. The Company s share of the gain was $25,802 in 2006. The Company s pro rata share of the proceeds were used to pay down the Company s line of credit.

On July 13, 2006, the Company sold Park Lane Mall for $20,000 resulting in a gain on sale of asset of $5,853 in 2006.

On July 27, 2006, the Company sold Holiday Village and Greeley Mall in a combined sale for $86,800, resulting in a gain on sale of asset of $28,711 in 2006. Concurrent with the sale, the Company defeased the mortgage note payable on Greeley Mall. As a result of the defeasance, the lender s secured interest in the property was replaced with a secured interest in marketable securities (See Note 7 Marketable Securities). This transaction did not meet the criteria for extinguishment of debt under SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.

On August 11, 2006, the Company sold Great Falls Marketplace for $27,500 resulting in a gain on sale of asset of $11,826 in 2006.

The proceeds from the sale of Park Lane Mall, Holiday Village, Greeley Mall and Great Falls Marketplace were used in part to fund the Company s pro rata share of the purchase price of the Federated stores acquisition (See Note 13 Acquisitions) and pay down the Company s line of credit.

On December 29, 2006, the Company sold Citadel Mall, Northwest Arkansas Mall and Crossroads Mall in a combined sale for $373,800, resulting in a gain of $132,671 in 2006. The proceeds were used to pay down the Company s line of credit and pay off the mortgage note payable on Paradise Valley Mall (See Note 9 Mortgage Notes Payable).

The Company has classified the results of operations for the three and six months ended June 30, 2007 and 2006 for all of the above dispositions as discontinued operations.

Loss on sale of assets from discontinued operations of $1,124 and $1,413 for the three and six months ended June 30, 2007, consisted of additional costs related to properties sold in 2006.

Revenues and (loss) income were as follows:

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Revenues:				
Scottsdale/101	$ 26	$ 2,044	$ 42	$ 4,641
Park Lane Mall	2	676	14	1,401
Holiday Village	68	1,229	133	2,470
Greeley Mall	(2)	2,028	(3)	3,900
Great Falls Marketplace		667		1,328
Citadel Mall	(38)	3,977	47	8,155
Northwest Arkansas Mall	9	3,231	33	6,522
Crossroads Mall	(63)	2,936	(26)	5,844
	$ 2	$ 16,788	$ 240	$ 34,261
(Loss) income from discontinued operations:				
Scottsdale/101	$	$ 304	$ 3	$ 311
Park Lane Mall	2	(54)	19	95
Holiday Village	51	491	114	976
Greeley Mall	(253)	382	(258)	677
Great Falls Marketplace		393	1	802
Citadel Mall	(194)	461	(134)	1,125
Northwest Arkansas Mall	17	836	23	1,727
Crossroads Mall	15	1,027	51	1,964
	$ (362)	$ 3,840	$ (181)	$ 7,677

15. Commitments and Contingencies:

The Company has certain properties that are subject to non-cancelable operating ground leases. The leases expire at various times through 2097, 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 agreements. Ground rent expenses were $851 and $835 for the three months ended June 30, 2007 and 2006, and $1,717 and $2,114 for the six months ended June 30, 2007 and 2006, respectively. No contingent rent was incurred in either period.

As of June 30, 2007 and December 31, 2006, the Company was contingently liable for $6,262 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. In addition, the Company has a $24,000 letter of credit that serves as collateral to a liability assumed in the acquisition of Shoppingtown Mall in 2005.

16. 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. The share-based compensation plans provide for grants of stock awards, stock options, operating partnership units and phantom stock units. In addition, the Company has established an Employee Stock Purchase Plan to allow employees to purchase the Company s common stock at a discount.

On January 1, 2006, the Company adopted SFAS No. 123(R), Share-Based Payment, to account for its share and unit-based compensation plans using the modified-prospective method. Accordingly, prior period amounts have not been restated. Under SFAS No. 123(R), an equity instrument is not recorded to common stockholders equity until the related compensation expense is recorded over the requisite service period of the award. The Company records compensation cost on a straight-line basis for awards, excluding the market-indexed awards under the Long-Term Incentive Plan (LTIP). Compensation cost for the market-indexed LTIP awards are recognized under the graded attribution method.

Prior to the adoption of SFAS No. 123(R), and in accordance with the previous accounting guidance, the Company recognized compensation expense and an increase to additional paid in capital for the fair value of vested stock awards and stock options. In addition, the Company recognized compensation expense and a corresponding liability for the fair value of vested stock units issued under the Eligible Directors Deferred Compensation/Phantom Stock Plan.

The following summarizes the compensation cost under share-based plans:

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
LTIP	$ 2,054	$	$ 4,044	$
Stock awards	3,229	2,985	5,996	5,987
Phantom stock	223	(63)	290	266
	$ 5,506	$ 2,922	$ 10,330	$ 6,253

The following table summarizes the activity of LTIP awards:

	Number of Units	**Weighted Average Grant Date Fair Value**
Balance at January 1, 2007	215,709	$ 52.18
Granted	57,258	$ 64.35
Vested		$
Forfeited		$
Balance at June 30, 2007	272,967	$ 54.73

As of June 30, 2007, there was $10,211 of unrecognized compensation cost related to non-vested LTIP units, which is expected to be recognized over the three year period ending December 31, 2009.

The following table summarizes the activity of non-vested stock awards:

	Number of Shares	**Weighted Average Grant Date Fair Value**
Balance at January 1, 2007	392,294	$ 61.06
Granted	150,057	$ 92.36
Vested	(201,311)	$ 56.89
Forfeited	(2,428)	$ 70.09
Balance at June 30, 2007	338,612	$ 77.84

The following table summarizes the activity of the non-vested phantom stock units:

	Number of Units	Weighted Average Exercise Price
Balance at January 1, 2007		$
Granted	11,353	$ 84.57
Vested	(3,330)	$ 85.04
Forfeited		$
Balance at June 30, 2007	8,023	$ 84.53

17. Cumulative Convertible Redeemable Preferred Stock:

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

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

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

18. Income Taxes:

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, 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 net 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 (including any applicable alternative minimum tax) 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 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 Internal Revenue Code. 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. The Company s primary TRSs include Macerich Management Company and Westcor Partners, L.L.C.

The income tax benefit (expense) of the TRSs is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Current	$ (8)	$ (9)	$ (17)	$ (20)
Deferred	795	(209)	924	335