

NOTES TO FINANCIAL STATEMENTS

DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS AND WHERE INDICATED AS IN MILLIONS OR BILLIONS

Properties, indebtedness of 19 of these encumbered Properties and our unsecured notes are subject to various financial performance covenants relating to leverage ratios, annual real property appraisal requirements, debt service coverage ratios, minimum net worth ratios, debt-to-market capitalization, and/or minimum equity values. Our mortgages and notes payable may be prepaid but are generally subject to prepayment of a yield-maintenance premium or defeasance. As of December 31, 2003, we are in compliance with all our debt covenants.

Mortgages and Other Notes. The net book value of our 76 encumbered Properties was \$4.5 billion at December 31, 2003. The balance of fixed and variable rate mortgage notes was \$4.2 billion as of December 31, 2003 and of this amount \$4.0 billion is nonrecourse to us. The fixed-rate mortgages generally require monthly payments of principal and/or interest. The interest rates of variable-rate mortgages are typically based on LIBOR.

Some of the limited partner Unitholders guarantee a portion of our consolidated debt through foreclosure guarantees. In total, 53 limited partner Unitholders provide guarantees of foreclosure of \$354.8 million of our consolidated debt at 12 consolidated Properties. In each case, the loans were made by unrelated third party institutional lenders and the guarantees are for the benefit of each lender. In the event of foreclosure of the mortgaged property, the proceeds from the sale of the property are first applied against the amount of the guarantee and also reduce the amount payable under the guarantee. To the extent the sale proceeds from the disposal of the property do not cover the amount of the guarantee, then the Unitholder is liable to pay the difference between the sale proceeds and the amount of the guarantee so that the entire amount guaranteed to the lender is satisfied. The debt is non-recourse to us and our affiliates.

On April 1, 2003, we paid off, using available cash flow, a \$34.0 million variable rate mortgage, at LIBOR plus 150 basis points, that encumbered one consolidated Property. In addition, we refinanced another consolidated mortgaged Property with a \$100.0 million 4.60% fixed rate mortgage that matures on July 1, 2013. The previous mortgage had a balance of \$85.5 million at a weighted average fixed rate of 7.16% and was to mature on December 31, 2003.

On August 20, 2003, in connection with our acquisition of Stanford Shopping Center, see Note 4, we secured a \$220.0 million, 3.60% fixed rate, interest only, five year mortgage. We borrowed \$110.0 million from our Credit Facility and used available working capital to fund the remainder of the acquisition.

On November 14, 2003, we secured a \$550.0 million leasehold financing encumbering Forum Shops at a fixed-rate of 4.78% due December 1, 2010. This replaced the existing \$175.0 million mortgage that had an initial maturity of May 2004 and was effectively fixed at an average interest rate of 6.67% including interest rate protection agreements. The financing generated excess proceeds of \$370.8 million that we used to unencumber one asset, to reduce borrowings on our Credit Facility and for general corporate purposes.

Unsecured Notes. We have \$735.0 million of unsecured notes that are structurally senior in right of payment to holders of other unsecured notes to the extent of the assets and related cash flows of certain Properties. These unsecured notes have a weighted average interest rate of 7.51% and weighted average maturities of 5.5 years. Certain of the unsecured notes are guaranteed by the Operating Partnership.

On March 18, 2003, we issued two tranches of senior unsecured notes to institutional investors pursuant to Rule 144A totaling \$500.0 million at a weighted average fixed interest rate of 5.11%. Subsequently, we exchanged notes that had been registered under the Securities Act of 1933 for the Rule 144A notes. The exchange notes and the Rule 144A notes have the same economic terms and conditions. The first tranche is \$300.0 million at a fixed interest rate of 4.875% due March 18, 2010 and the second tranche is \$200.0 million at a fixed interest rate of 5.45% due March 15, 2013. The net proceeds from this offering were \$498.7 million, of which \$440.0 million was used to reduce borrowings on our \$1.25 billion unsecured credit facility (the "Credit Facility").

On April 1, 2003, we paid off \$100.0 million of 7.05% unsecured notes that matured on that date with the remaining portion of the proceeds from the senior unsecured notes mentioned above and available working capital. On June 15, 2003, we paid off \$375.0 million of 6.625% unsecured notes that matured on that date with borrowings from our Credit Facility.

On November 15, 2003, we exchanged with the institutional holder of our \$100.0 million of 6.75% Putable Asset Trust Securities (PATS), which had a call option settlement feature on that date, \$113.1 million Floating Rate Mandatory Extension Notes (MAXES) due November 15, 2014. The MAXES bear interest during the first year at LIBOR plus 80 basis points. The exchange of the PATS for the MAXES did not result in a significant modification of the terms in the debt arrangement.