MACERICH CO
Form 10-Q
November 03, 2014

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 September 30, 2014
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 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 ninety (90) days.
YES x NO o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve (12) months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 as of October 31, 2014 of the registrant's common stock, par value $0.01 per share: 140,715,832 shares

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

	September 30, 2014	December 31, 2013
ASSETS:		
Property, net	$7,570,636	$7,621,766
Cash and cash equivalents	58,479	69,715
Restricted cash	14,121	16,843
Tenant and other receivables, net	107,968	99,497
Deferred charges and other assets, net	492,697	533,058
Loans to unconsolidated joint ventures	3,361	2,756
Due from affiliates	31,422	30,132
Investments in unconsolidated joint ventures	927,424	701,483
Total assets	$9,206,108	$9,075,250
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	$265,269	$269,381
Others	4,118,969	4,145,809
Total	4,384,238	4,415,190
Bank and other notes payable	546,301	167,537
Accounts payable and accrued expenses	89,659	76,941
Other accrued liabilities	317,515	363,158
Distributions in excess of investments in unconsolidated joint ventures	253,673	252,192
Co-venture obligation	75,669	81,515
Total liabilities	5,667,055	5,356,533
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, $0.01 par value, 250,000,000 shares authorized, 140,920,484 and 140,733,683 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,409	1,407
Additional paid-in capital	3,930,317	3,906,148
Accumulated deficit	(740,906)	(548,806)
Total stockholders' equity	3,190,820	3,358,749
Noncontrolling interests	348,233	359,968
Total equity	3,539,053	3,718,717
Total liabilities and equity	$9,206,108	$9,075,250

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

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

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Revenues:				
Minimum rents	$150,395	$145,259	$451,248	$422,492
Percentage rents	4,072	4,111	9,295	10,609
Tenant recoveries	90,059	87,218	264,909	247,857
Management Companies	8,352	10,742	25,248	31,193
Other	10,614	10,824	31,638	35,184
Total revenues	263,492	258,154	782,338	747,335
Expenses:				
Shopping center and operating expenses	85,352	83,349	257,583	240,635
Management Companies' operating expenses	21,508	23,036	65,185	69,003
REIT general and administrative expenses	5,339	5,955	17,339	18,672
Depreciation and amortization	89,741	88,436	266,199	264,032
	201,940	200,776	606,306	592,342
Interest expense:				
Related parties	3,671	3,745	11,069	11,289
Other	44,132	45,858	128,872	138,371
	47,803	49,603	139,941	149,660
Loss (gain) on extinguishment of debt, net	46	6	405	(1,938)
Total expenses	249,789	250,385	746,652	740,064
Equity in income of unconsolidated joint ventures	16,935	35,161	44,607	145,477
Co-venture expense	(2,144)	(2,053)	(6,175)	(6,232)
Income tax benefit	689	543	3,759	2,263
Gain (loss) on remeasurement, sale or write down of assets, net	9,561	8,249	(1,504)	12,279
Income from continuing operations	38,744	49,669	76,373	161,058
Discontinued operations:				
(Loss) gain on the disposition of assets, net	—	(7,767)	—	134,145
(Loss) income from discontinued operations	—	(1,077)	—	2,967
Total (loss) income from discontinued operations	—	(8,844)	—	137,112
Net income	38,744	40,825	76,373	298,170
Less net income attributable to noncontrolling interests	2,830	2,702	6,552	22,958
Net income attributable to the Company	$35,914	$38,123	$69,821	$275,212
Earnings per common share attributable to Company—basic:				
Income from continuing operations	$0.25	$0.33	$0.49	$1.05
Discontinued operations	—	(0.06)	—	0.92
Net income attributable to common stockholders	$0.25	$0.27	$0.49	$1.97
Earnings per common share attributable to Company—diluted:				
Income from continuing operations	$0.25	$0.33	$0.49	$1.05
Discontinued operations	—	(0.06)	—	0.92
Net income attributable to common stockholders	$0.25	$0.27	$0.49	$1.97
Weighted average number of common shares outstanding:				
Basic	140,916,000	140,712,000	140,859,000	139,219,000

Diluted	141,060,000	140,773,000	140,975,000	139,320,000

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

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

	Stockholders' Equity Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	140,733,683	$1,407	$3,906,148	$(548,806)	$3,358,749	$359,968	$3,718,717
Net income	—	—	—	69,821	69,821	6,552	76,373
Amortization of share and unit-based compensation plans	101,511	1	30,102	—	30,103	—	30,103
Employee stock purchases	13,957	—	645	—	645	—	645
Distributions paid ($1.86) per share	—	—	—	(261,921)	(261,921)	—	(261,921)
Distributions to noncontrolling interests	—	—	—	—	—	(24,285)	(24,285)
Other	—	—	(343)	—	(343)	—	(343)
Conversion of noncontrolling interests to common shares	71,333	1	983	—	984	(984)	—
Redemption of noncontrolling interests	—	—	(157)	—	(157)	(79)	(236)
Adjustment of noncontrolling interest in Operating Partnership	—	—	(7,061)	—	(7,061)	7,061	—
Balance at September 30, 2014	140,920,484	$1,409	$3,930,317	$(740,906)	$3,190,820	$348,233	$3,539,053

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 Nine Months Ended September 30, 2014	2013
Cash flows from operating activities:		
Net income	$76,373	$298,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on extinguishment of debt	405	(1,938)
Loss (gain) on remeasurement, sale or write down of assets, net	1,504	(12,279)
Gain on the disposition of assets, net from discontinued operations	—	(134,145)
Depreciation and amortization	273,765	285,933
Amortization of net premium on mortgage notes payable	(4,056)	(5,502)
Amortization of share and unit-based plans	25,217	13,913
Straight-line rent adjustment	(4,440)	(6,201)
Amortization of above and below-market leases	(5,730)	(4,745)
Provision for doubtful accounts	3,452	3,231
Income tax benefit	(3,759)	(2,263)
Equity in income of unconsolidated joint ventures	(44,607)	(145,477)
Distributions of income from unconsolidated joint ventures	886	8,538
Co-venture expense	6,175	6,232
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	(1,416)	4,314
Other assets	(7,011)	7,088
Due from affiliates	(1,290)	(1,901)
Accounts payable and accrued expenses	780	10,355
Other accrued liabilities	(19,342)	5,533
Net cash provided by operating activities	296,906	328,856
Cash flows from investing activities:		
Acquisitions of property	(15,233)	(492,577)
Development, redevelopment, expansion and renovation of properties	(129,750)	(158,682)
Property improvements	(32,375)	(21,752)
Issuance of notes receivable	—	(13,330)
Collections on notes receivable	3,169	8,347
Proceeds from maturities of marketable securities	—	23,769
Deferred leasing costs	(19,402)	(21,774)
Distributions from unconsolidated joint ventures	55,688	596,669
Contributions to unconsolidated joint ventures	(257,963)	(66,772)
Collection of/loans to unconsolidated joint ventures, net	(605)	609
Proceeds from sale of assets	51,350	327,059
Restricted cash	2,722	52,892
Net cash (used in) provided by investing activities	(342,399)	234,458

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

	For the Nine Months Ended September 30,	
	2014	2013
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	580,967	2,239,853
Payments on mortgages, bank and other notes payable	(229,099)	(2,694,945)
Deferred financing costs	(1,126)	(11,053)
Net proceeds from stock offerings	—	171,121
Proceeds from share and unit-based plans	645	558
Redemption of noncontrolling interests	(236)	(1,022)
Contribution from noncontrolling interests	—	4,127
Contingent consideration paid	(18,667)	—
Dividends and distributions	(286,206)	(261,142)
Distributions to co-venture partner	(12,021)	(14,496)
Net cash provided by (used in) financing activities	34,257	(566,999)
Net decrease in cash and cash equivalents	(11,236)	(3,685)
Cash and cash equivalents, beginning of period	69,715	65,793
Cash and cash equivalents, end of period	$ 58,479	$ 62,108
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 136,233	$ 156,446
Non-cash investing and financing transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$ 50,817	$ 23,666
Acquisition of properties by assumption of mortgage note payable and other accrued liabilities	$ —	$ 109,858
Assumption of mortgage note payable and other liabilities from unconsolidated joint ventures	$ —	$ 54,271
Mortgage notes payable settled by deed-in-lieu of foreclosure	$ —	$ 84,000
Acquisition of property in exchange for investment in unconsolidated joint venture	$ 15,767	$ —
Notes receivable issued in connection with sale of property	$ 9,603	$ —
Application of deposit to acquire property	$ —	$ 30,000
Conversion of noncontrolling interests to common shares	$ 984	$ 12,984

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/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 September 30, 2014, 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 collectively referred to herein as the "Management Companies."

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

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("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 in which the Company has a controlling financial interest or entities that meet the definition of a variable interest entity 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 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 are consolidated; otherwise they are accounted for under the equity method of accounting and are reflected as investments in unconsolidated joint ventures.

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

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for the interim periods have been made. The preparation of consolidated 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 consolidated 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, 2013 has been derived from the audited financial statements but does not include all disclosures required by GAAP.

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)
2. Summary of Significant Accounting Policies: (Continued)

Recent Accounting Pronouncements:
On April 10, 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-08, which amends the definition of discontinued operations and requires additional disclosures for disposal transactions that do not meet the revised discontinued operations criteria. ASU 2014-08 is required to be adopted for fiscal years beginning after December 15, 2014, with early adoption permitted. The Company's early adoption of this pronouncement on January 1, 2014 did not have a material impact on the Company's 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 three and nine months ended September 30, 2014 and 2013 (shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator				
Income from continuing operations	$38,744	$49,669	$76,373	$161,058
(Loss) income from discontinued operations	—	(8,844)	—	137,112
Net income attributable to noncontrolling interests	(2,830)	(2,702)	(6,552)	(22,958)
Net income attributable to the Company	35,914	38,123	69,821	275,212
Allocation of earnings to participating securities	(122)	(80)	(373)	(257)
Numerator for basic and diluted earnings per share—net income attributable to common stockholders	$35,792	$38,043	$69,448	$274,955
Denominator				
Denominator for basic earnings per share—weighted average number of common shares outstanding	140,916	140,712	140,859	139,219
Effect of dilutive securities:(1)				
Share and unit-based compensation plans	144	61	116	101
Denominator for diluted earnings per share—weighted average number of common shares outstanding	141,060	140,773	140,975	139,320
Earnings per common share—basic:				
Income from continuing operations	$0.25	$0.33	$0.49	$1.05
Discontinued operations	—	(0.06)	—	0.92
Net income attributable to common stockholders	$0.25	$0.27	$0.49	$1.97
Earnings per common share—diluted:				
Income from continuing operations	$0.25	$0.33	$0.49	$1.05
Discontinued operations	—	(0.06)	—	0.92
Net income attributable to common stockholders	$0.25	$0.27	$0.49	$1.97

(1) Diluted EPS excludes 184,304 convertible preferred units for the three and nine months ended September 30, 2014 and 2013 as their impact was antidilutive.
Diluted EPS excludes 10,110,716 and 9,621,313 Operating Partnership units ("OP Units") for the three months ended September 30, 2014 and 2013, respectively, and 10,072,321 and 9,920,197 OP Units for the nine months ended September 30, 2014 and 2013, respectively, as their impact was antidilutive.

4. Investments in Unconsolidated Joint Ventures:

The Company has made the following recent investments and dispositions relating to its unconsolidated joint ventures:

On May 29, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center Office, a 582,000 square foot office building in Redmond, Washington, for $185,000, resulting in a gain on the sale of assets of $89,157 to the joint venture. The Company's share of the gain was $44,424, which was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On June 12, 2013, the Company's joint venture in Pacific Premier Retail LP sold Kitsap Mall, an 846,000 square foot regional shopping center in Silverdale, Washington, for $127,000, resulting in a gain on the sale of assets of $55,150 to the joint venture. The Company's share of the gain was $28,127, which was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On August 1, 2013, the Company's joint venture in Pacific Premier Retail LP sold Redmond Town Center, a 695,000 square foot community center in Redmond, Washington, for $127,000, resulting in a gain on the sale of assets of $38,447 to the joint venture. The Company's share of the gain was $18,251, which was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On September 17, 2013, the Company’s joint venture in Camelback Colonnade, a 619,000 square foot community center in Phoenix, Arizona, was restructured. As a result of the restructuring, the Company’s ownership interest in Camelback Colonnade decreased from 73.2% to 67.5%. Prior to the restructuring, the Company had accounted for its investment in Camelback Colonnade under the equity method of accounting due to substantive participation rights held by the outside partners. Upon completion of the restructuring, these substantive participation rights were terminated and the Company obtained voting control of the joint venture. This transaction is referred to herein as the "Camelback Colonnade Restructuring." Since the date of the restructuring, the Company has included Camelback Colonnade in its consolidated financial statements (See Note 13—Acquisitions).

On October 8, 2013, the Company's joint venture in Ridgmar Mall, a 1,273,000 square foot regional shopping center in Fort Worth, Texas, sold the property for $60,900, resulting in a gain on the sale of assets of $6,243 to the joint venture. The Company's share of the gain was $3,121, which was included in equity in income from joint ventures. The cash proceeds from the sale were used to pay off the $51,657 mortgage loan on the property and the remaining $9,243, net of closing costs, was distributed to the partners. The Company used its share of the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 24, 2013, the Company acquired the remaining 33.3% ownership interest in Superstition Springs Center, a 1,082,000 square foot regional shopping center in Mesa, Arizona, that it did not own for $46,162. The purchase price was funded by a cash payment of $23,662 and the assumption of the third party's pro rata share of the mortgage note payable on the property of $22,500. Prior to the acquisition, the Company had accounted for its investment in Superstition Springs Center under the equity method. Since the date of acquisition, the Company has included Superstition Springs Center in its consolidated financial statements (See Note 13—Acquisitions).

On June 4, 2014, the Company acquired the remaining 49.0% ownership interest in Cascade Mall, a 593,000 square foot regional shopping center in Burlington, Washington, that it did not own for a cash payment of $15,233. The Company purchased Cascade Mall from its joint venture in Pacific Premier Retail LP. Prior to the acquisition, the Company had accounted for its investment in Cascade Mall under the equity method. Since the date of acquisition, the Company has included Cascade Mall in its consolidated financial statements (See Note 13—Acquisitions).

On July 30, 2014, the Company formed a joint venture with Pennsylvania Real Estate Investment Trust to redevelop The Gallery, a 1,405,000 square foot regional shopping center in Philadelphia, Pennsylvania. The Company invested

$106,800 for a 50% interest in the joint venture, which was funded by borrowings under its line of credit.

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)
4. Investments in Unconsolidated Joint Ventures: (Continued)

On August 28, 2014, the Company sold its 30% ownership interest in Wilshire Boulevard, a 40,000 square foot freestanding store in Santa Monica, California, for a total sales price of $17,100, resulting in a gain on the sale of assets of $9,033, which was included in gain (loss) on remeasurement, sale or write down of assets, net. The sales price was funded by a cash payment of $15,386 and the assumption of the Company's share of the mortgage note payable on the property of $1,714. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

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:

	September 30, 2014	December 31, 2013
Assets(1):		
Properties, net	$3,798,082	$3,435,737
Other assets	305,649	295,719
Total assets	$4,103,731	$3,731,456
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	$3,420,951	$3,518,215
Other liabilities	242,861	202,444
Company's capital (deficit)	200,943	(25,367)
Outside partners' capital	238,976	36,164
Total liabilities and partners' capital	$4,103,731	$3,731,456
Investments in unconsolidated joint ventures:		
Company's capital (deficit)	$200,943	$(25,367)
Basis adjustment(3)	472,808	474,658
	$673,751	$449,291
Assets—Investments in unconsolidated joint ventures	$927,424	$701,483
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(253,673)	(252,192)
	$673,751	$449,291

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)
4. Investments in Unconsolidated Joint Ventures: (Continued)

(1) These amounts include the assets and liabilities of the following joint ventures as of September 30, 2014 and December 31, 2013:

	Pacific Premier Retail LP	Tysons Corner LLC
As of September 30, 2014:		
Total Assets	$ 736,872	$ 340,973
Total Liabilities	$ 813,400	$ 873,896
As of December 31, 2013:		
Total Assets	$ 775,012	$ 356,871
Total Liabilities	$ 812,725	$ 887,413

(2) Certain mortgage notes payable could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of September 30, 2014 and December 31, 2013, a total of $33,540 could become recourse debt to the Company. As of September 30, 2014 and December 31, 2013, the Company had an indemnity agreement from a joint venture partner for $16,770 of the guaranteed amount.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of $703,589 and $712,455 as of September 30, 2014 and December 31, 2013, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates—Broadway Plaza. Interest expense on these borrowings was $9,645 and $7,920 for the three months ended September 30, 2014 and 2013, respectively, and $28,992 and $21,717 for the nine months ended September 30, 2014 and 2013, respectively.

(3) 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 $948 and $3,860 for the three months ended September 30, 2014 and 2013, respectively, and $3,227 and $9,753 for the nine months ended September 30, 2014 and 2013, respectively.

THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)
4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	Pacific Premier Retail LP	Tysons Corner LLC	Other Joint Ventures	Total
Three Months Ended September 30, 2014				
Revenues:				
Minimum rents	$25,095	$15,542	$61,522	$102,159
Percentage rents	653	115	3,683	4,451
Tenant recoveries	11,495	11,757	26,235	49,487
Other	962	678	9,523	11,163
Total revenues	38,205	28,092	100,963	167,260
Expenses:				
Shopping center and operating expenses	9,959	9,694	37,384	57,037
Interest expense	9,643	8,107	17,651	35,401
Depreciation and amortization	8,199	5,162	24,006	37,367
Total operating expenses	27,801	22,963	79,041	129,805
Loss on remeasurement, sale or write down of assets, net	(732)	—	(6)	(738)
Net income	$9,672	$5,129	$21,916	$36,717
Company's equity in net income	$4,379	$988	$11,568	$16,935
Three Months Ended September 30, 2013				
Revenues:				
Minimum rents	$27,426	$15,344	$59,940	$102,710
Percentage rents	572	(12)	2,938	3,498
Tenant recoveries	12,115	11,304	28,361	51,780
Other	1,086	510	8,143	9,739
Total revenues	41,199	27,146	99,382	167,727
Expenses:				
Shopping center and operating expenses	12,231	9,818	35,926	57,975
Interest expense	10,251	3,801	21,062	35,114
Depreciation and amortization	9,067	4,568	22,688	36,323
Total operating expenses	31,549	18,187	79,676	129,412
Gain (loss) on remeasurement, sale or write down of assets, net	38,432	—	(328)	38,104
Gain on extinguishment of debt	—	14	—	14
Net income	$48,082	$8,973	$19,378	$76,433
Company's equity in net income	$21,567	$2,919	$10,675	$35,161

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4. Investments in Unconsolidated Joint Ventures: (Continued)

	Pacific Premier Retail LP	Tysons Corner LLC	Other Joint Ventures	Total
Nine Months Ended September 30, 2014				
Revenues:				
Minimum rents	$76,829	$47,516	$173,710	$298,055
Percentage rents	1,862	719	7,915	10,496
Tenant recoveries	34,614	35,140	75,606	145,360
Other	3,652	2,294	25,821	31,767
Total revenues	116,957	85,669	283,052	485,678
Expenses:				
Shopping center and operating expenses	31,772	29,374	101,522	162,668
Interest expense	29,572	23,590	56,717	109,879
Depreciation and amortization	25,747	14,520	66,768	107,035
Total operating expenses	87,091	67,484	225,007	379,582
Loss on remeasurement, sale or write down of assets, net	(7,044)	—	(66)	(7,110)
Net income	$22,822	$18,185	$57,979	$98,986
Company's equity in net income	$9,865	$4,357	$30,385	$44,607
Nine Months Ended September 30, 2013				
Revenues:				
Minimum rents	$91,779	$46,526	$180,870	$319,175
Percentage rents	2,155	734	7,176	10,065
Tenant recoveries	40,555	34,025	82,261	156,841
Other	3,980	2,080	26,923	32,983
Total revenues	138,469	83,365	297,230	519,064
Expenses:				
Shopping center and operating expenses	40,948	26,819	106,887	174,654
Interest expense	33,118	7,825	66,108	107,051
Depreciation and amortization	30,697	13,499	67,808	112,004
Total operating expenses	104,763	48,143	240,803	393,709
Gain on remeasurement, sale or write down of assets, net	182,781	—	373	183,154
Gain on extinguishment of debt	—	14	—	14
Net income	$216,487	$35,236	$56,800	$308,523
Company's equity in net income	$105,684	$12,957	$26,836	$145,477

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

(Dollars in thousands, except per share amounts)

5. Property:

Property consists of the following:

	September 30, 2014	December 31, 2013
Land	$ 1,713,298	$ 1,707,005
Buildings and improvements	6,508,764	6,555,212
Tenant improvements	545,336	537,754
Equipment and furnishings	144,950	152,198
Construction in progress	346,914	229,169
	9,259,262	9,181,338
Less accumulated depreciation	(1,688,626)	(1,559,572)
	$ 7,570,636	$ 7,621,766

Depreciation expense was $68,663 and $68,589 for the three months ended September 30, 2014 and 2013, respectively, and $205,158 and $200,222 for the nine months ended September 30, 2014 and 2013, respectively.

The gain (loss) on remeasurement, sale or write down of assets, net, was $9,561 and $8,249 for the three months ended September 30, 2014 and 2013, respectively, and $(1,504) and $12,279 for the nine months ended September 30, 2014 and 2013, respectively.

The gain (loss) on remeasurement, sale or write down of assets, net, for the three and nine months ended September 30, 2013 includes the remeaurement gain of $36,341 on the Camelback Colonnade Restructuring (See Note 13—Acquisitions).

The gain (loss) on remeasurement, sale or write down of assets, net, for the three and nine months ended September 30, 2014 includes the $9,033 gain on the sale of the Company's 30% ownership interest in Wilshire Boulevard, a 40,000 square foot freestanding store in Santa Monica, California (See Note 4—Investments in Unconsolidated Joint Ventures). In addition, the gain (loss) on remeasurement, sale or write down of assets, net, for the nine months ended September 30, 2014 includes the loss of $1,602 on the sales of Rotterdam Square, a 585,000 square foot regional shopping center in Schenectady, New York; Somersville Towne Center, a 348,000 square foot regional shopping center in Antioch, California; and Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida.

The gain (loss) on remeasurement, sale or write down of assets, net, includes the impairment losses of $238 and $27,972 for the three months ended September 30, 2014 and 2013, respectively, and $8,754 and $27,972 for the nine months ended September 30, 2014 and 2013, respectively. The impairment losses were due to the reduction of the estimated holding periods of former Mervyn's stores and Great Northern Mall.

The remaining gain (loss) on remeasurement, sale or write down of assets, net, of $766 and $(120) for the three months ended September 30, 2014 and 2013, respectively, and $(181) and $3,910 for the nine months ended September 30, 2014 and 2013, respectively, are primarily due to the sale of other assets and the write-off of development costs.

6. Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of $4,224 and $2,878 at September 30, 2014 and December 31, 2013, respectively. Also included in tenant and other receivables, net, are accrued percentage rents of $3,130 and $9,824 at September 30, 2014 and December 31, 2013, respectively, and a deferred rent receivable due to straight-line rent adjustments of $56,943 and $53,380 at September 30, 2014 and December 31, 2013, respectively.

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6. Tenant and Other Receivables, net: (Continued)

On March 17, 2014, in connection with the sale of Lake Square Mall (See Note 5—Property), the Company issued a note receivable for $6,500 that bears interest at an effective rate of 6.5% and matures on March 17, 2018 ("LSM Note A") and a note receivable for $3,103 that bore interest at 5.0% and was to mature on December 31, 2014 ("LSM Note B"). On September 2, 2014, the balance of LSM Note B was paid in full. The balance of LSM Note A at September 30, 2014 was $6,461 and is collateralized by a trust deed on Lake Square Mall.

7. Deferred Charges and Other Assets, net:

Deferred charges and other assets, net, consist of the following:

	September 30, 2014	December 31, 2013
Leasing	$227,151	$223,038
Financing	50,896	51,695
Intangible assets:		
In-place lease values	185,832	205,651
Leasing commissions and legal costs	46,982	50,594
Above-market leases	111,941	118,770
Deferred tax assets	35,115	31,356
Deferred compensation plan assets	33,784	30,932
Other assets	69,598	65,793
	761,299	777,829
Less accumulated amortization(1)	(268,602)	(244,771)
	$492,697	$533,058

(1) Accumulated amortization includes $95,529 and $89,141 relating to in-place lease values, leasing commissions and legal costs at September 30, 2014 and December 31, 2013, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $11,850 and $12,173 for the three months ended September 30, 2014 and 2013, respectively, and $35,948 and $40,263 for the nine months ended September 30, 2014 and 2013, respectively.

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

	September 30, 2014	December 31, 2013
Above-Market Leases		
Original allocated value	$111,941	$118,770
Less accumulated amortization	(53,781)	(46,912)
	$58,160	$71,858
Below-Market Leases(1)		
Original allocated value	$182,593	$187,537
Less accumulated amortization	(88,838)	(79,271)
	$93,755	$108,266

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

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8. Mortgage Notes Payable:
Mortgage notes payable at September 30, 2014 and December 31, 2013 consist of the following:

	Carrying Amount of Mortgage Notes(1)						
	September 30, 2014		December 31, 2013				
Property Pledged as Collateral	Related Party	Other	Related Party	Other	Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
Arrowhead Towne Center	$—	$230,552	$—	$236,028	2.76 %	$1,131	2018
Camelback Colonnade	—	48,233	—	49,120	2.16 %	178	2015
Chandler Fashion Center(5)	—	200,000	—	200,000	3.77 %	625	2019
Danbury Fair Mall	114,994	114,993	117,120	117,120	5.53 %	1,538	2020
Deptford Mall	—	198,785	—	201,622	3.76 %	947	2023
Deptford Mall	—	14,354	—	14,551	6.46 %	101	2016
Eastland Mall	—	168,000	—	168,000	5.79 %	811	2016
Fashion Outlets of Chicago(6)	—	117,350	—	91,383	2.95 %	259	2017
Fashion Outlets of Niagara Falls USA	—	122,053	—	124,030	4.89 %	727	2020
Flagstaff Mall	—	37,000	—	37,000	5.03 %	151	2015
FlatIron Crossing	—	263,144	—	268,000	3.90 %	1,393	2021
Freehold Raceway Mall(5)	—	230,255	—	232,900	4.20 %	1,132	2018
Fresno Fashion Fair	78,427	78,427	79,391	79,390	6.76 %	1,104	2015
Great Northern Mall(7)	—	34,747	—	35,484	6.54 %	234	2015
Green Acres Mall	—	315,126	—	319,850	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	483,251	—	490,548	3.67 %	2,229	2019
Northgate Mall(8)	—	64,000	—	64,000	3.03 %	128	2017
Oaks, The	—	211,224	—	214,239	4.14 %	1,064	2022
Pacific View	—	133,869	—	135,835	4.08 %	668	2022
Santa Monica Place	—	231,638	—	235,445	2.99 %	1,004	2018
SanTan Village Regional Center	—	134,523	—	136,629	3.14 %	589	2019
South Plains Mall(9)	—	71,725	—	99,833	4.78 %	383	2015
Superstition Springs Center	—	68,158	—	68,395	1.98 %	138	2016
Towne Mall	—	22,707	—	22,996	4.48 %	117	2022
Tucson La Encantada	71,848	—	72,870	—	4.23 %	368	2022
Valley Mall	—	41,571	—	42,155	5.85 %	280	2016
Valley River Center	—	120,000	—	120,000	5.59 %	558	2016
Victor Valley, Mall of(10)	—	115,000	—	90,000	4.00 %	380	2024
Vintage Faire Mall	—	98,006	—	99,083	5.81 %	586	2015
Westside Pavilion	—	150,278	—	152,173	4.49 %	783	2022
	$265,269	$4,118,969	$269,381	$4,145,809			

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8. Mortgage Notes Payable: (Continued)

(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 and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method.

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	September 30, 2014	December 31, 2013
Arrowhead Towne Center	$12,337	$14,642
Camelback Colonnade	1,233	2,120
Deptford Mall	(10)	(14)
Fashion Outlets of Niagara Falls USA	5,646	6,342
Superstition Springs Center	658	895
Valley Mall	(154)	(219)
	$19,710	$23,766

(2) The interest rate disclosed represents the effective interest rate, including the debt premiums (discounts) 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 a co-venture arrangement (See Note 10—Co-Venture Arrangement).

(6) The construction loan on the property allows for borrowings of up to $140,000, bears interest at LIBOR plus 2.50% and matures on March 5, 2017, including extension options. At September 30, 2014 and December 31, 2013, the total interest rate was 2.95% and 2.96%, respectively.

(7) On March 24, 2014, the loan was extended to January 1, 2015.

(8) The loan bears interest at LIBOR plus 2.25% and matures on March 1, 2017. At September 30, 2014 and December 31, 2013, the total interest rate was 3.03% and 3.04%, respectively.

(9) On February 7, 2014, the Company paid off in full one of the two loans on the property, which resulted in a loss of $359 on the early extinguishment of debt.

(10) On August 28, 2014, the Company replaced the existing loan on the property with a new loan that bears interest at an effective interest rate of 4.00% and matures on September 1, 2024. The replacement of the existing loan resulted in a loss of $46 on the early extinguishment of debt.

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

Most of the Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company. As of September 30, 2014 and December 31, 2013, a total of $72,175 and $77,192, respectively, of the mortgage notes payable could become recourse to the Company.

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

Total interest expense capitalized was $3,930 and $2,887 for the three months ended September 30, 2014 and 2013, respectively, and $9,513 and $8,227 during the nine months ended September 30, 2014 and 2013, respectively.

Related party mortgage notes payable are amounts due to affiliates of NML. See Note 16—Related Party Transactions for interest expense associated with loans from NML.

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8. Mortgage Notes Payable: (Continued)

The estimated fair value (Level 2 measurement) of mortgage notes payable at September 30, 2014 and December 31, 2013 was $4,452,658 and $4,500,177, respectively, based on current interest rates for comparable loans. The method for computing 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.

9. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Line of Credit:

The Company has a $1,500,000 revolving line of credit that initially bore interest at LIBOR plus a spread of 1.75% to 3.0%, depending on the Company's overall leverage levels, and was to mature on May 2, 2015 with a one-year extension option. The line of credit had the ability to be expanded, depending on certain conditions, up to a total facility of $2,000,000 less the outstanding balance of the $125,000 unsecured term loan as described below.

On August 6, 2013, the Company's line of credit was amended and extended. The amended facility provides for an interest rate of LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage level, and matures on August 6, 2018. Based on the Company's leverage level as of September 30, 2014, the borrowing rate on the facility was LIBOR plus 1.38%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total facility of $2,000,000 (without giving effect to the $125,000 unsecured term loan described below).

As of September 30, 2014 and December 31, 2013, borrowings under the line of credit were $410,000 and $30,000, respectively, at an average interest rate of 1.81% and 1.85%, respectively. The estimated fair value (Level 2 measurement) of the line of credit at September 30, 2014 and December 31, 2013 was $387,244 and $28,214, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Term Loan:

On December 8, 2011, the Company obtained a $125,000 unsecured term loan under the line of credit that bears interest at LIBOR plus a spread of 1.95% to 3.20%, depending on the Company's overall leverage level, and matures on December 8, 2018. Based on the Company's current leverage level as of September 30, 2014, the borrowing rate was LIBOR plus 1.95%. As of September 30, 2014 and December 31, 2013, the total interest rate was 2.25% and 2.51%, respectively. The estimated fair value (Level 2 measurement) of the term loan at September 30, 2014 and December 31, 2013 was $119,636 and $120,802, 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 bears interest at 5.25% and matures on March 29, 2016. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At September 30, 2014 and December 31, 2013, the note had a balance of $11,301 and $12,537, respectively. The estimated fair value (Level 2 measurement) of the note at September 30, 2014 and December 31, 2013 was $11,699 and $13,114, respectively, based on current interest rates for comparable notes. The method for computing 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 September 30, 2014 and December 31, 2013, the Company was in compliance with all applicable financial loan covenants.

10. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Freehold Raceway Mall and Chandler Fashion Center.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing 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 amount of $168,154, representing the net cash proceeds received from the third party. The co-venture obligation is increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner. The co-venture obligation was $75,669 and $81,515 at September 30, 2014 and December 31, 2013, respectively.

11. 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 at the end of each period to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of September 30, 2014 and December 31, 2013. The remaining 7% limited partnership interest as of September 30, 2014 and December 31, 2013 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 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 10 trading days ending on the respective balance sheet date. Accordingly, as of September 30, 2014 and December 31, 2013, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $647,988 and $587,917, respectively.

The Company issued common and 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.

12. Stockholders' Equity:

On August 17, 2012, the Company entered into an equity distribution agreement ("2012 Distribution Agreement") with a number of sales agents (the "2012 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 “2012 ATM Shares”). Sales of the 2012 ATM Shares, could have been made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at the market” offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company agreed to pay each sales agent a commission that was not to exceed, but could have been lower than, 2% of the gross proceeds of the 2012 ATM Shares sold through such sales agent under the 2012 Distribution Agreement.

During the year ended December 31, 2012, the Company sold 2,961,903 shares of common stock under the 2012 ATM Program in exchange for aggregate gross proceeds of $177,896 and net proceeds of $175,649 after commissions and other transaction costs. During the year ended December 31, 2013, the Company sold 2,456,956 shares of common stock under the 2012 ATM Program in exchange for aggregate gross proceeds of $173,011 and net proceeds of $171,102 after commissions and other transaction costs. The proceeds from the sales were used to pay down the

Company's line of credit.

(Dollars in thousands, except per share amounts)

12. Stockholders' Equity: (Continued)

On August 20, 2014, the Company terminated and replaced the 2012 ATM Program with a new ATM Program (the "2014 ATM Program") to 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 "Shares"). The terms of the 2014 ATM Program are substantially the same as the 2012 ATM Program.

The Company did not sell any shares under the ATM Programs during the nine months ended September 30, 2014. As of September 30, 2014, $500,000 of the Shares were available to be sold under the 2014 ATM Program. The unsold 2012 ATM Shares are no longer available for issuance. Actual future sales of the Shares under the 2014 ATM Program will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. The Company has no obligation to sell the Shares under the 2014 ATM Program.

13. Acquisitions:

Fashion Outlets of Niagara Falls USA:

On July 22, 2011, the Company acquired the Fashion Outlets of Niagara Falls USA, a 517,000 square foot outlet center in Niagara Falls, New York. The purchase and sale agreement included contingent consideration payable to AWE/Talisman, the former owner of the property and a related party (See Note 16—Related Party Transactions), based on the performance of the Fashion Outlets of Niagara Falls USA from the acquisition date through July 21, 2014 that increased the purchase price above the initial $200,000. During the nine months ended September 30, 2014, the Company paid $18,667 in full settlement of the contingent consideration liability.

Green Acres Mall:

On January 24, 2013, the Company acquired Green Acres Mall, a 1,791,000 square foot regional shopping center in Valley Stream, New York, for a purchase price of $500,000. A purchase deposit of $30,000 was funded during the year ended December 31, 2012, and the remaining $470,000 was funded upon closing of the acquisition. The cash payment made at the time of closing was provided by the placement of a mortgage note payable on the property that allowed for borrowings of up to $325,000 and from borrowings under the Company's line of credit. Concurrent with the acquisition, the Company borrowed $100,000 on the loan. On January 31, 2013, the Company exercised its option to borrow the remaining $225,000 on the loan. The acquisition was completed to acquire another prominent shopping center in the New York metropolitan area.

The following is a summary of the allocation of the fair value of Green Acres Mall:

Property	$ 477,673
Deferred charges	45,130
Other assets	19,125
Total assets acquired	541,928
Other accrued liabilities	41,928
Total liabilities assumed	41,928
Fair value of acquired net assets	$ 500,000

The Company determined that the purchase price represented the fair value of the assets acquired and liabilities assumed.

Since the date of acquisition, the Company has included Green Acres Mall in its consolidated financial statements.

(Dollars in thousands, except per share amounts)

Green Acres Adjacent:

On April 25, 2013, the Company acquired a 19 acre parcel of land adjacent to Green Acres Mall for $22,577. The payment was provided by borrowings from the Company's line of credit. The acquisition was completed to allow for future expansion of Green Acres Mall.

Camelback Colonnade Restructuring:

On September 17, 2013, the Company’s joint venture in Camelback Colonnade was restructured. As a result of the restructuring, the Company’s ownership interest in Camelback Colonnade decreased from 73.2% to 67.5%. Prior to the restructuring, the Company had accounted for its investment in Camelback Colonnade under the equity method of accounting due to substantive participation rights held by the outside partners. Upon completion of the restructuring, these substantive participation rights were terminated and the Company obtained voting control of the joint venture (See Note 4—Investments in Unconsolidated Joint Ventures).

The following is a summary of the allocation of the fair value of Camelback Colonnade:

Property	$98,160
Deferred charges	8,284
Cash and cash equivalents	1,280
Restricted cash	1,139
Tenant receivables	615
Other assets	380
Total assets acquired	109,858
Mortgage note payable	49,465
Accounts payable	54
Other accrued liabilities	4,752
Total liabilities assumed	54,271
Fair value of acquired net assets (at 100% ownership)	$55,587

The Company recognized the following remeasurement gain on the Camelback Colonnade Restructuring:

Fair value of existing ownership interest (at 73.2% ownership)	$41,690
Carrying value of investment	(5,349)
Gain on remeasurement	$36,341

Since the date of the restructuring, the Company has included Camelback Colonnade in its consolidated financial statements.

Superstition Springs Center:

On October 24, 2013, the Company acquired the remaining 33.3% ownership interest in Superstition Springs Center that it did not own for $46,162. The purchase price was funded by a cash payment of $23,662 and the assumption of the third party's pro rata share of the mortgage note payable on the property of $22,500. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Superstition Springs Center. The acquisition was completed in order to gain 100% ownership and control over this asset.

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13. Acquisitions: (Continued)

The following is a summary of the allocation of the fair value of Superstition Springs Center:

Property	$114,373
Deferred charges	12,353
Cash and cash equivalents	8,894
Tenant receivables	51
Other assets	11,535
Total assets acquired	147,206
Mortgage note payable	68,448
Accounts payable	119
Other accrued liabilities	7,637
Total liabilities assumed	76,204
Fair value of acquired net assets (at 100% ownership)	$71,002

The Company determined that the purchase price represented the fair value of the additional ownership interest in Superstition Springs Center that was acquired.

Fair value of existing ownership interest (at 66.7% ownership)	$47,340
Carrying value of investment	(32,476)
Gain on remeasurement	$14,864

The following is the reconciliation of the purchase price to the fair value of the acquired net assets:

Purchase price	$46,162
Less debt assumed	(22,500)
Carrying value of investment	32,476
Remeasurement gain	14,864
Fair value of acquired net assets (at 100% ownership)	$71,002

Since the date of acquisition, the Company has included Superstition Springs Center in its consolidated financial statements.

Cascade Mall:

On June 4, 2014, the Company acquired the remaining 49.0% ownership interest in Cascade Mall that it did not own for $15,233. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Cascade Mall. The acquisition was completed in order to obtain 100% ownership and control over this asset.

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13. Acquisitions: (Continued)

The following is a summary of the allocation of the fair value of Cascade Mall:

Property	$28,924
Deferred charges	6,660
Other assets	202
Total assets acquired	35,786
Other accrued liabilities	4,786
Total liabilities assumed	4,786
Fair value of acquired net assets (at 100% ownership)	$31,000

The Company determined that the purchase price represented the fair value of the additional ownership interest in Cascade Mall that was acquired.

The following is the reconciliation of the purchase price to the fair value of the acquired net assets:

Purchase price	$15,233
Carrying value of investment	15,767
Fair value of acquired net assets (at 100% ownership)	$31,000

Since the date of acquisition, the Company has included Cascade Mall in its consolidated financial statements. The property has generated incremental revenue of $2,337 and incremental earnings of $667 during the nine months ended September 30, 2014.

Pro Forma Results of Operations:

The following unaudited pro forma financial information for the three and nine months ended September 30, 2014 and 2013 assumes all of the above transactions took place on January 1, 2013:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Pro forma revenue (1)	$263,492	$267,091	$785,038	$773,343
Pro forma income from continuing operations (1)	$38,744	$13,492	$73,847	$122,976

(1) This unaudited pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had these transactions occurred on January 1, 2013, and may not be indicative of future operating results. The Company has excluded remeasurement gains and acquisition costs from these pro forma results as they are considered significant non-recurring adjustments directly attributable to these transactions.

14. Discontinued Operations:

On May 31, 2013, the Company sold Green Tree Mall, a 793,000 square foot regional shopping center in Clarksville, Indiana, for $79,000, resulting in a gain on the sale of assets of $59,767. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On June 4, 2013, the Company sold Northridge Mall, an 890,000 square foot regional shopping center in Salinas, California, and Rimrock Mall, a 603,000 square foot regional shopping center in Billings, Montana. The properties were sold in a combined transaction for $230,000, resulting in a gain on the sale of assets of $82,151. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On September 11, 2013, the Company sold a former Mervyn's store in Milpitas, California for $12,000, resulting in a loss on the sale of assets of $2,633. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On September 30, 2013, the Company conveyed Fiesta Mall, a 933,000 square foot regional shopping center in Mesa, Arizona, to the mortgage note lender by a deed-in-lieu of foreclosure. As a result of the conveyance, the Company recognized a gain on the extinguishment of debt of $1,401, which is included in (loss) gain on the disposition of assets, net.

On October 15, 2013, the Company sold a former Mervyn's store in Midland, Texas for $5,700, resulting in a loss on the sale of assets of $2,031. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 23, 2013, the Company sold a former Mervyn's store in Grand Junction, Colorado for $5,430, resulting in a gain on the sale of assets of $1,695. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On December 4, 2013, the Company sold a former Mervyn's store in Livermore, California for $10,475, resulting in a loss on the sale of assets of $5,257. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On December 11, 2013, the Company sold Chesterfield Towne Center, a 1,016,000 square foot regional shopping center in Richmond, Virginia, and Centre at Salisbury, an 862,000 square foot regional shopping center in Salisbury, Maryland, in a combined transaction for $292,500, resulting in a gain on the sale of assets of $151,467. The sales price was funded by a cash payment of $67,763, the assumption of the $109,737 mortgage note payable on Chesterfield Towne Center and the assumption of the $115,000 mortgage note payable on Centre at Salisbury. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

The Company has classified the results of operations and the gain or loss on all of the above dispositions as discontinued operations for the three and nine months ended September 30, 2013.

Revenues from discontinued operations were $10,926 and $47,427 for the three and nine months ended September 30, 2013, respectively. Total (loss) income from discontinued operations was $(8,844) and $137,112 for the three and nine months ended September 30, 2013, respectively.

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 2098, subject in some cases to options to extend the terms of the leases. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Ground rent expense was $2,667 and $2,580 for the three months ended September 30, 2014 and 2013, respectively, and $8,044 and $7,881 for the nine months ended September 30, 2014 and 2013, respectively. No contingent rent was incurred during the three and nine months ended September 30, 2014 or 2013.

As of September 30, 2014 and December 31, 2013, the Company was contingently liable for $18,388 and $18,862, respectively, 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 agreements. At September 30, 2014, the Company had $39,522 in outstanding obligations which it believes will be settled in the next twelve months.

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16. Related Party Transactions:

Certain unconsolidated joint ventures and third-parties 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Management Fees	$4,613	$5,286	$14,328	$16,286
Development and Leasing Fees	3,046	3,810	8,424	8,284
	$7,659	$9,096	$22,752	$24,570

Certain mortgage notes on the properties are held by NML (See Note 8—Mortgage Notes Payable). Interest expense in connection with these notes was $3,671 and $3,745 for the three months ended September 30, 2014 and 2013, respectively, and $11,069 and $11,289 for the nine months ended September 30, 2014 and 2013, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of $1,322 and $1,240 at September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014 and December 31, 2013, the Company had loans to unconsolidated joint ventures of $3,361 and $2,756, respectively. Interest income associated with these notes was $53 and $58 for the three months ended September 30, 2014 and 2013, respectively, and $162 and $178 for the nine months ended September 30, 2014 and 2013, respectively. These loans represent initial funds advanced to development stage projects prior to construction loan funding. Accordingly, loan payables in the same amount have been accrued as an obligation by the various joint ventures.

Due from affiliates includes $5,897 and $3,822 of unreimbursed costs and fees due from unconsolidated joint ventures under management agreements at September 30, 2014 and December 31, 2013, respectively.

Due from affiliates at September 30, 2014 and December 31, 2013 also includes two notes receivable from principals of AWE/Talisman that bear interest at 5.0% and mature based on the refinancing or sale of Fashion Outlets of Chicago, or certain other specified events. The notes are collateralized by the principals' interests in Fashion Outlets of Chicago. AWE/Talisman is considered a related party because it has an ownership interest in Fashion Outlets of Chicago. The combined balance on these notes was $14,071 and $13,603 at September 30, 2014 and December 31, 2013, respectively. The combined interest income earned on these notes was $156 and $157 for the three months ended September 30, 2014 and 2013, respectively, and $467 for the nine months ended September 30, 2014 and 2013.

In addition, due from affiliates at September 30, 2014 and December 31, 2013 includes a note receivable of $11,454 and $12,707, respectively, from RED/303 LLC ("RED") that bears interest at 5.25% and matures on March 29, 2016. Interest income earned on this note was $154 and $176 for the three months ended September 30, 2014 and 2013, respectively, and $468 and $356 for the nine months ended September 30, 2014 and 2013, respectively. RED is considered a related party because it is a partner in a joint venture development project. The note is collateralized by RED's membership interest in a development agreement.

17. Share and Unit-Based Plans:

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 distributions based on the dividend

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17. Share and Unit-Based Plans: (Continued)

amount paid on the common stock of the Company to the extent distributions are required. The LTIP may include market-indexed awards, service-based awards and fully-vested awards.

On January 1, 2014, the Company granted 272,930 market-indexed LTIP Units to seven executive officers at a weighted average grant date fair value of $45.34 per LTIP Unit. The new grants vest over a service period ending December 31, 2014. 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 market-indexed LTIP Units are equally divided between two types of awards. The terms of both types of awards are the same, except one award has an additional 3% absolute Total Return requirement, which if it is not met, then the LTIP Units will not vest.

The fair value of the market-indexed LTIP Units was 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, was assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion Process modeling is commonly used in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value based on the stock price's expected volatility and current market interest rates. The volatilities of the returns on the stock price of the Company and the peer group REITs were estimated based on a one-year look-back period. The expected growth rate of the stock prices over the derived service period was determined with consideration of the risk free rate as of the grant date.

On January 1, 2014, the Company also granted 70,042 service-based LTIP Units to the seven executive officers at a weighted average grant date fair value of $58.89 per LTIP Unit. The service-based LTIP Units will vest in equal annual installments over a service period ending December 31, 2016.

On March 7, 2014, the Company granted 246,471 fully-vested LTIP Units to the seven executive officers at a weighted average grant date price of $60.25 as their 2013 performance bonus.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
LTIP Units	$3,465	$4,743	$25,133	$12,393
Stock awards	84			