SIMON PROPERTY GROUP INC /DE/
Form 10-Q
November 05, 2009

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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, 2009

SIMON PROPERTY GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

001-14469
(Commission File No.)

046-268599
(I.R.S. Employer Identification No.)

225 West Washington Street
Indianapolis, Indiana 46204
(Address of principal executive offices)

(317) 636-1600
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ý **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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). **Yes** ý **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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

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

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

As of September 30, 2009, Simon Property Group, Inc. had 283,301,181 shares of common stock, par value $0.0001 per share and 8,000 shares of Class B common stock, par value $0.0001 per share outstanding.

Simon Property Group, Inc. and Subsidiaries

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Simon Property Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	September 30, 2009	December 31, 2008
	Unaudited	*As Adjusted*
ASSETS:		
Investment properties, at cost	**$ 25,405,801**	$ 25,205,715
Less accumulated depreciation	**6,837,803**	6,184,285
	18,567,998	19,021,430
Cash and cash equivalents	**3,745,693**	773,544
Tenant receivables and accrued revenue, net	**352,638**	414,856
Investment in unconsolidated entities, at equity	**1,507,483**	1,663,886
Deferred costs and other assets	**1,166,792**	1,028,333
Note receivable from related party	**636,000**	520,700
Total assets	**$ 25,976,604**	$ 23,422,749
LIABILITIES:		
Mortgages and other indebtedness	**$ 18,669,121**	$ 18,042,532
Accounts payable, accrued expenses, intangibles, and deferred revenues	**1,050,269**	1,086,248
Cash distributions and losses in partnerships and joint ventures, at equity	**443,081**	380,730
Other liabilities and accrued dividends	**182,722**	155,151
Total liabilities	**20,345,193**	19,664,661
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	**150,261**	276,608
Series I 6% convertible perpetual preferred stock, 19,000,000 shares authorized, 7,603,537 and 7,590,264 issued and outstanding, respectively, at liquidation value	**380,177**	379,513
EQUITY:		
Stockholders' equity		
Capital stock (750,000,000 total shares authorized, $.0001 par value, 237,996,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock):		
Series J 8 3/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding, with a liquidation value of $39,847	**45,786**	46,032
Common stock, $.0001 par value, 400,004,000 shares authorized, 287,424,297 and 235,691,040 issued, respectively	**29**	24

Class B common stock, $.0001 par value, 12,000,000 shares authorized, 8,000 issued and outstanding		
Capital in excess of par value	**7,391,338**	5,410,147
Accumulated deficit	**(2,872,685)**	(2,491,929)
Accumulated other comprehensive loss	**(15,158)**	(165,066)
Common stock held in treasury at cost, 4,123,116 and 4,379,396 shares, respectively	**(176,885)**	(186,210)
Total stockholders' equity	**4,372,425**	2,612,998
Noncontrolling interests	**728,548**	488,969
Total equity	**5,100,973**	3,101,967
Total liabilities and equity	**$ 25,976,604**	$ 23,422,749

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Statements of Operations and Comprehensive Income
(Dollars in thousands, except per share amounts)

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008 As Adjusted	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008 As Adjusted
REVENUE:				
Minimum rent	**$ 570,100**	$ 567,938	**$ 1,709,147**	$ 1,684,819
Overage rent	**19,806**	26,295	**45,799**	60,782
Tenant reimbursements	**268,611**	266,616	**784,905**	776,667
Management fees and other revenues	**29,988**	33,350	**90,694**	101,249
Other income	**36,427**	41,395	**116,491**	130,322
Total revenue	**924,932**	935,594	**2,747,036**	2,753,839
EXPENSES:				
Property operating	**113,815**	127,515	**326,798**	352,187
Depreciation and amortization	**250,151**	235,915	**758,173**	700,575
Real estate taxes	**79,854**	84,101	**251,173**	254,071
Repairs and maintenance	**19,151**	20,392	**61,925**	75,258
Advertising and promotion	**23,226**	22,942	**61,555**	64,054
(Recovery of) provision for credit losses	**(745)**	4,004	**19,336**	17,367
Home and regional office costs	**26,899**	34,322	**79,732**	108,766
General and administrative	**4,509**	5,035	**13,867**	15,432
Impairment charge			**140,478**	
Other	**15,895**	18,016	**52,908**	51,964
Total operating expenses	**532,755**	552,242	**1,765,945**	1,639,674
OPERATING INCOME	**392,177**	383,352	**981,091**	1,114,165
Interest expense	**(257,881)**	(239,955)	**(728,360)**	(702,207)
Loss on extinguishment of debt				(20,330)
Income tax benefit (expense) of taxable REIT subsidiaries	**238**	(972)	**2,904**	(1,576)
Income from unconsolidated entities	**4,655**	17,312	**15,694**	13,060
CONSOLIDATED NET INCOME	**139,189**	159,737	**271,329**	403,112
Net income attributable to noncontrolling interests	**27,103**	35,644	**60,177**	91,818
Preferred dividends	**6,539**	11,284	**19,597**	33,980
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	**$ 105,547**	$ 112,809	**$ 191,555**	$ 277,314
BASIC EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	**$ 0.38**	$ 0.50	**$ 0.73**	$ 1.23
DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	**$ 0.38**	$ 0.50	**$ 0.73**	$ 1.23
Consolidated net income	**$ 139,189**	$ 159,737	**$ 271,329**	$ 403,112
Unrealized (loss) income on interest rate hedge agreements	**4,883**	2,838	**(6,346)**	(3,781)
Net (loss) on derivative instruments reclassified from accumulated other comprehensive income (loss) into interest expense	**(3,769)**	(6,739)	**(10,816)**	(3,514)
Currency translation adjustments	**5,928**	(3,640)	**695**	(11,328)

Changes in available-for-sale securities and other		**38,362**		13,185		**204,965**		7,843
Comprehensive income		**184,593**		165,381		**459,827**		392,332
Comprehensive income attributable to noncontrolling interests		**35,549**		37,681		**98,767**		90,448
Comprehensive income attributable to common stockholders	**$**	**149,044**	$	127,700	**$**	**361,060**	$	301,884

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows
(Dollars in thousands)

	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008 *As Adjusted*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	**$ 271,329**	$ 403,112
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	**765,325**	686,852
Impairment charge	**140,478**	
Straight-line rent	**(20,376)**	(26,050)
Equity in income of unconsolidated entities	**(15,694)**	(13,060)
Distributions of income from unconsolidated entities	**75,883**	84,296
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	**83,518**	24,195
Deferred costs and other assets	**(38,415)**	(26,901)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	**79,236**	82,920
Net cash provided by operating activities	**1,341,284**	1,215,364
CASH FLOWS FROM INVESTING ACTIVITIES:		
Funding of loans to related parties	**(120,000)**	(8,000)
Repayments on loans to related parties	**4,700**	25,300
Capital expenditures, net	**(313,124)**	(668,239)
Investments in unconsolidated entities	**(16,569)**	(66,315)
Purchase of marketable and non-marketable securities	**(132,984)**	(355,994)
Sale of marketable and non-marketable securities	**44,446**	8,459
Distributions of capital from unconsolidated entities and other	**162,827**	191,508
Net cash used in investing activities	**(370,704)**	(873,281)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock and other	**1,639,376**	9,452
Purchase of limited partner units		(14,361)
Preferred stock redemptions	**(87,689)**	(1,845)
Distributions to noncontrolling interest holders in properties	**(21,668)**	(18,131)
Contributions from noncontrolling interest holders in properties	**2,798**	1,835
Preferred distributions of the Operating Partnership	**(10,451)**	(13,398)
Preferred dividends and distributions to stockholders	**(107,692)**	(640,210)
Distributions to limited partners	**(18,737)**	(154,932)
Mortgage and other indebtedness proceeds, net of transaction costs	**3,121,880**	4,109,078
Mortgage and other indebtedness principal payments	**(2,516,248)**	(3,475,437)
Net cash provided by (used in) financing activities	**2,001,569**	(197,949)
INCREASE IN CASH AND CASH EQUIVALENTS	**2,972,149**	144,134
CASH AND CASH EQUIVALENTS, beginning of period	**773,544**	501,982
CASH AND CASH EQUIVALENTS, end of period	**$ 3,745,693**	$ 646,116

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Condensed Notes to Consolidated Financial Statements

(Unaudited)

(Dollars in thousands, except share and per share amounts and where indicated in millions or billions)

1. Organization

Simon Property Group, Inc. is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code. Simon Property Group, L.P., or the Operating Partnership, is our majority-owned partnership subsidiary that owns all of our real estate properties. In these condensed notes to the unaudited consolidated financial statements, the terms "we", "us" and "our" refer to Simon Property Group, Inc. and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of regional malls, Premium Outlet® centers, The Mills®, and community/lifestyle centers. As of September 30, 2009, we owned or held an interest in 325 income-producing properties in the United States, which consisted of 163 regional malls, 41 Premium Outlet centers, 70 community/lifestyle centers, 36 properties acquired in the 2007 acquisition of The Mills Corporation, or the Mills acquisition, and 15 other shopping centers or outlet centers in 41 states and Puerto Rico. Of the 36 properties acquired in the Mills portfolio, 16 of these properties are The Mills, 16 are regional malls, and four are community centers. We also own an interest in one parcel of land held in the United States for future development. Internationally, as of September 30, 2009, we had ownership interests in 51 European shopping centers (France, Italy and Poland), eight Premium Outlet centers in Japan, one Premium Outlet center in Mexico, one Premium Outlet center in South Korea, and three shopping centers in China. Also, through joint venture arrangements we have ownership interest in the following properties under development internationally: a 24% interest in two shopping centers in Italy and a 32.5% interest in one additional shopping center under construction in China.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements of Simon Property Group, Inc. include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, the results for the interim period ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year.

These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (GAAP) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2008 Annual Report on Form 10-K.

As of September 30, 2009, we consolidated 204 wholly-owned properties and 18 additional properties that are less than wholly-owned, but which we control or for which we are the primary beneficiary. We account for the remaining 167 properties, or the joint venture properties, using the equity method of accounting. We manage the day-to-day operations of 93 of the 167 joint venture properties, but have determined that our partner or partners have substantive participating rights with respect to the assets and operations of these joint venture properties. Our investments in joint ventures in Japan, Europe, and Asia comprise 64 of the remaining 74 properties. The international properties are managed locally by joint ventures in which we share oversight responsibility with our partner. Additionally, we account for our investment in SPG-FCM Ventures, LLC, or SPG-FCM, which acquired The Mills Corporation and its majority-owned subsidiary, The Mills Limited Partnership, collectively Mills, in April 2007, using the equity method of accounting. We have determined that SPG-FCM is not a variable interest entity (VIE) and that Farallon Capital Management, L.L.C., or Farallon, our joint venture partner, has substantive participating rights with respect to the assets and operations of SPG-FCM pursuant to the applicable partnership agreements.

We allocate net operating results of the Operating Partnership after preferred distributions to third parties and to us based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the Operating Partnership attributed to third parties are reflected in net income attributable to noncontrolling interests. Our weighted average ownership interest in the Operating Partnership was 82.1% and 79.7% for the nine months ended September 30, 2009 and 2008, respectively. As of September 30, 2009 and December 31, 2008, our ownership interest in the Operating Partnership was 83.0% and 80.4%, respectively. We adjust the limited partners' interests at the end of each period to reflect their respective interests in the Operating Partnership.

Preferred distributions of the Operating Partnership in the accompanying statements of operations and cash flows represent distributions on outstanding preferred units at the time of declaration of partnership interests held by limited partners, or preferred units, and are included in net income attributable to noncontrolling interests.

Reclassifications

We made certain reclassifications of prior period amounts in the consolidated financial statements to conform to the 2009 presentation. The reclassifications were to reflect the retrospective adoption of a newly issued accounting standard related to noncontrolling interests in consolidated financial statements and the reassessment of the classification and measurement of redeemable securities, as further described in Note 3. These reclassifications had no impact on previously reported net income available to common stockholders or earnings per share.

Subsequent Events

We have evaluated the financial statements for subsequent events through the time of the filing of this Form 10-Q.

3. Significant Accounting Policies

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates market value. Cash equivalents generally consist of commercial paper, bankers acceptances, Eurodollars, repurchase agreements and money market funds or accounts. Cash and cash equivalents, as of September 30, 2009, include a balance of $30.9 million related to our co-branded gift card programs which we do not consider available for general working capital purposes. Financial instruments that potentially subject us to concentrations of credit risk include our cash and cash equivalents and our tenant receivables. We place our cash and cash equivalents with high credit quality institutions. However, at certain times, the cash and cash equivalents deposited with any institution may be in excess of FDIC and SIPC insurance limits.

Marketable and Non-Marketable Securities

Marketable securities consist primarily of the investments of our captive insurance subsidiaries, our investment in shares of common stock of Liberty International PLC, or Liberty, our deferred compensation plan investments, and certain investments held to fund the debt service requirements of debt previously secured by investment properties that have been sold.

The types of securities included in the investment portfolio of our captive insurance subsidiaries typically include U.S. Treasury or other U.S. government securities as well as corporate debt securities with maturities ranging from 1 to 10 years. These securities are classified as available-for-sale and are valued based upon quoted market prices or other observable inputs when quoted market prices are not available. The amortized cost of debt securities, which approximates fair value, held by our captive insurance subsidiaries is adjusted for amortization of premiums and accretion of discounts to maturity. Our investment in Liberty is also accounted for as an available-for-sale security. Liberty operates regional shopping centers and is the owner of other retail assets throughout the United Kingdom, as well as certain real estate assets in the U.S. Liberty is a U.K. FTSE 100 listed company. Liberty elected to be treated as a U.K. Real Estate Investment Trust on January 1, 2007. Our interest in Liberty is adjusted to their quoted market price, including a related foreign exchange component. Changes in the values of these securities are recognized in accumulated other comprehensive income (loss) until the gain or loss is realized or until any unrealized loss is deemed to be other-than-temporary.

During the quarterly period ended June 30, 2009, we recognized a non-cash charge of $140.5 million, or $0.42 per diluted share, representing an other-than-temporary impairment in fair value below the carrying value of our investment in Liberty. As of June 30 and September 30, 2009, we owned 35.4 million shares at a weighted average cost per share of £5.74. As of June 30, and September 30, 2009, Liberty's quoted market price was £3.97 and £4.79 per

share, respectively. As a result of the significance and duration of the decline in the total share price at June 30, 2009, including currency revaluations, the decline in value was deemed an other-than-temporary impairment, which established a new cost basis of our investment in Liberty. As a result, changes in available-for-sale securities and other in the consolidated statement of operations and comprehensive income include the reclassification of $140.5 million from accumulated other comprehensive income to earnings related to this non-cash charge. Prior to the quarter ending June 30, 2009, the changes in value of our Liberty investment were reflected in other comprehensive income.For the quarter ending September 30, 2009, we resumed marking our Liberty investment to market through other comprehensive income. The resulting mark-to-market adjustment for the quarterly period ended September 30, 2009 was an increase in the value of Liberty of $37.7 million with a corresponding adjustment in other comprehensive income.

Our insurance subsidiaries are required to maintain statutory minimum capital and surplus as well as maintain a minimum liquidity ratio. Therefore, our access to this investment portfolio may be limited. Our deferred compensation plan investments are classified as trading securities and are valued based upon quoted market prices. The investments have a matching liability recorded as the amounts are fully payable to the employees who earned the compensation and who are in the deferred compensation plan. Changes in the values of these securities are recognized in earnings, but because of the matching liability the impact to net income is zero. In addition, as of September 30, 2009 and December 31, 2008, we had investments of $52.3 million and $53.4 million, respectively, which must be used to fund the debt service requirements of previously secured by investment properties sold. These investments are classified as held-to-maturity and are recorded at amortized cost as we have the ability and intent to hold these investments to maturity.

During 2008, we made an investment of $70 million in a non-marketable security that we account for under the cost method. To the extent an other-than-temporary decline in fair value is deemed to have occurred, we would adjust this investment to its estimated fair value.

The net unrealized gains as of September 30, 2009 were approximately $39.6 million and represented the valuation and related currency adjustments for our marketable securities. As of September 30, 2009, other than the adjustment related to our investment in Liberty recorded during the second quarter, we do not consider the decline in value of any of our other marketable and non-marketable securities to be an other-than-temporary impairment, as these market value declines, if any, have existed for a short period of time, and, in the case of debt securities, we have the ability and intent to hold these securities to maturity.

Fair Value Measurements

We hold marketable securities that total $476.0 million at September 30, 2009, and are considered to have Level 1 fair value inputs. In addition, we have derivative instruments which are classified as having Level 2 inputs which consist primarily of interest rate swap agreements with a gross liability balance of $16.7 million and interest rate cap agreements with a gross asset value of $3 million, which are offset by a corresponding counter position cap liability of the same amount. Level 1 fair value inputs are quoted prices for identical items in active, liquid and visible markets such as stock exchanges, and Level 2 fair value inputs are observable information for similar items in active or inactive markets, and appropriately consider counterparty creditworthiness in the valuations. See Note 6 for a discussion of fair value of debt.

Retrospective Adjustments Related to Noncontrolling Interests and Temporary Equity

Effective January 1, 2009, we adopted a newly issued accounting standard for noncontrolling interests, which requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be included within consolidated net income. This standard also requires consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. In connection with our adoption, we also reviewed and retrospectively adopted the measurement and classification provisions for redeemable securities as further discussed below. As a result, we adjusted the carrying amounts of noncontrolling redeemable interests held by third parties in certain of our properties to redemption values at each reporting date. Because holders of the noncontrolling redeemable interests in properties can require us to redeem these interests for cash, we have classified these noncontrolling redeemable interests outside of permanent equity. These adjustments increased the December 31, 2007 carrying value of these noncontrolling redeemable interests by $41.5 million, with a corresponding increase to accumulated deficit in consolidated equity. Subsequent adjustments to the carrying amounts of these noncontrolling redeemable interests in properties, to reflect the change in redemption value at the end of each reporting period, are recorded to accumulated deficit. Additionally, due to certain cash redemption features that may be deemed outside of our control, we have retained temporary equity classification for certain preferred units.

Our reassessment of the measurement and classification provisions for redeemable securities also resulted in the reclassification of our Series I 6% Convertible Perpetual Preferred Stock (Series I Preferred Stock) from permanent equity to temporary equity due to the possibility that we could be required to redeem the security for cash upon the occurrence of a change in control event, which would include a change in the majority of our directors that occurs over a two year period. The carrying amount of the Series I Preferred Stock is equal to its liquidation value, which is the amount payable upon the occurrence of such event. Lastly, the adoption also resulted in the reclassification to equity as noncontrolling nonredeemable interests the limited partners' interests in the Operating Partnership, or units, and nonredeemable noncontrolling interests in properties.

Details of the carrying amount of our noncontrolling interests that have been reclassified to permanent equity are as follows:

	As of September 30, 2009	***As of December 31, 2008***
Limited partners' common interests in the Operating Partnership	**$ 885,149**	$ 639,779
Nonredeemable noncontrolling deficit interests in properties, net	**(156,601)**	(150,810)
Total noncontrolling interests reflected in equity	**$ 728,548**	$ 488,969

As a result of these reclassifications, total equity at December 31, 2008 increased by $61.8 million from the $3.0 billion previously reported.

Further, as a result of the adoption, net income attributable to noncontrolling interests (which includes nonredeemable noncontrolling interests in consolidated properties, limited partners' interests in the Operating Partnership and preferred distributions of the Operating Partnership) is now excluded from the determination of consolidated net income. In addition, the individual components of other comprehensive income are now presented in the aggregate, with the portion attributable to noncontrolling interests deducted from comprehensive income attributable to common stockholders. Corresponding changes have also been made to the accompanying consolidated statements of cash flows. Such changes resulted in a net increase to cash flows provided by operating activities with an offsetting increase to cash flows used in financing activities related to distributions to noncontrolling interest holders in properties.

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A rollforward of noncontrolling interests is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Noncontrolling interest, beginning of period	**$ 696,063**	$ 528,366	**$ 488,969**	$ 592,978
Net income attributable to noncontrolling interests	**24,980**	31,378	**49,726**	78,420
Distributions to noncontrolling interestholders(1)	**(42,878)**	(55,582)	**(140,574)**	(171,085)
Other comprehensive income (loss) allocable to noncontrolling interests:				
Unrealized gain (loss) on interest rate hedge agreements	**1,136**	571	**(205)**	(816)
Net (loss) on derivative instruments reclassified from accumulated other comprehensive income (loss) into interest expense	**(636)**	(1,374)	**(1,932)**	(715)
Currency translation adjustments	**1,100**	(738)	**184**	(2,319)
Changes in available-for-sale securities and other	**6,846**	2,685	**40,543**	1,586
	8,446	1,144	**38,590**	(2,264)
Adjustment to limited partners' interests from increased ownership in the Operating Partnership	**(26,214)**	2,683	**161,851**	(28,074)
Units issued to limited partners	**71,162**		**145,992**	69,043
Units converted to common shares	**(3,106)**	(7,927)	**(16,079)**	(27,486)
Other	**95**	2,180	**73**	(9,290)
Noncontrolling interest, end of period	**$ 728,548**	$ 502,242	**$ 728,548**	$ 502,242

(1) The 2009 activity for the three and nine-month periods ended September 30, 2009 includes non-cash distributions of $30.4 million and $105.3 million related to distributions paid in units, respectively.

Derivative Instruments and Hedging Activities

On January 1, 2009, we adopted newly issued accounting guidance on disclosures about derivative instruments and hedging activities which amends and expands previous disclosure requirements. The guidance requires qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We use a variety of derivative financial instruments in the normal course of business to manage or hedge the risks associated with our indebtedness and interest payments. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps and caps. We require that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. As a result, there was no significant ineffectiveness from any of our derivative activities during the period. We formally designate any instrument that meets these hedging criteria as a hedge at the inception of the derivative contract.

As of September 30, 2009, we had the following outstanding interest rate derivatives related to interest rate risk:

Interest Rate Derivative	*Number of Instruments*	*Notional Amount*
Interest Rate Swaps	4	$ 695.0 million
Interest Rate Caps	3	$ 390.0 million

The carrying value of our interest rate swap agreements, at fair value, is included with other liabilities and was $15.3 million as of September 30, 2009. The interest rate cap agreements were of no net value at September 30, 2009

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and we generally do not apply hedge accounting to these arrangements. The total gross accumulated other comprehensive loss related to our derivative activities, including our share of the other comprehensive loss from joint venture properties, approximated $56.3 million as of September 30, 2009.

We are also exposed to fluctuations in foreign exchange rates on investments denominated in a foreign currency that we hold, primarily in Japan and Europe. We use currency forward agreements to manage our exposure to changes in foreign exchange rates on certain Yen-denominated receivables. Currency forward agreements involve fixing the USD-Yen exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically cash settled in US dollars for their fair value at or close to their settlement date. We entered into USD-Yen forwards during 2009 for approximately ¥3 billion that we expect to receive through April 2011 at an average exchange rate of 97.1 USD:Yen, of which approximately ¥1.6 billion remains as of September 30, 2009. The September 30, 2009 liability balance related to these forwards was $1.4 million and is included in other liabilities. We have reflected the changes in fair value for these forward contracts in earnings. The underlying currency adjustments on the foreign-denominated receivables are also reflected in income and generally offset the amounts in earnings for these forward contracts.

We have no credit-risk-related hedging or derivative activities.

4. Per Share Data

We determine basic earnings per share based on the weighted average number of shares of common stock outstanding during the period. We determine diluted earnings per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all potentially dilutive common shares were converted into shares at the earliest date possible. The following table sets forth the computation of our basic and diluted earnings per share.

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2009	*2008*	*2009*	*2008*
Net Income attributable to Common Stockholders Basic	**$ 105,547**	$ 112,809	**$ 191,555**	$ 277,314
Effect of dilutive securities:				
Impact to General Partner's interest in Operating Partnership from all dilutive securities and options	**669**	115	**32**	149
Net Income attributable to Common Stockholders Diluted	**$ 106,216**	$ 112,924	**$ 191,587**	$ 277,463
Weighted Average Shares Outstanding Basic	**281,430,338**	225,356,074	**261,355,448**	224,600,761
Effect of stock options	**336,896**	569,458	**291,433**	592,850
Effect of contingently issuable shares from stock dividends	**707,058**		**1,260,822**	
Weighted Average Shares Outstanding Diluted	**282,474,292**	225,925,532	**262,907,703**	225,193,611

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For the nine months ended September 30, 2009, potentially dilutive securities include stock options, convertible preferred stock, contingently issuable shares from stock dividends, units that are exchangeable for common stock and preferred units that are convertible into common units or exchangeable for our preferred stock. The only securities that had a dilutive effect for the three and nine months ended September 30, 2009 were stock options and contingently issuable shares from stock dividends. For the three and nine months ended September 30, 2008, the only securities that had a dilutive effect were stock options. We accrue dividends when they are declared.

5. Investment in Unconsolidated Entities

Real Estate Joint Ventures

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties, and diversify our risk in a particular property or portfolio. We held joint venture ownership interests in 103 properties in the United States as of September 30, 2009 and December 31, 2008. We also held interests in two joint ventures which owned 51 European shopping centers as of September 30, 2009 and December 31, 2008. At September 30, 2009, we also held interests in eight joint venture properties under operation in Japan, three joint venture properties in China, one joint venture property in Mexico, and one joint venture property in South Korea. We account for these joint venture properties using the equity method of accounting.

Substantially all of our joint venture properties are subject to rights of first refusal, buy-sell provisions, or other sale or marketing rights for partners which are customary in real estate joint venture agreements and the industry. Our partners in these joint ventures may initiate these provisions at any time (subject to any applicable lock up or similar restrictions), which could result in either the sale of our interest or the use of available cash or borrowings to acquire a joint venture interest from our partner.

Loans to SPG-FCM

As part of the Mills acquisition, the Operating Partnership made loans to SPG-FCM and Mills primarily at rates of LIBOR plus 270-275 basis points. These funds were used by SPG-FCM and Mills to repay loans and other obligations, including the redemption of Mills' preferred stock. As of September 30, 2009 and December 31, 2008, the outstanding balance of our remaining loan to SPG-FCM was $636.0 million and $520.7 million, respectively. During the first nine months of 2009 and 2008, we recorded approximately $6.9 million and $11.7 million in interest income (net of inter-entity eliminations), respectively, related to this loan. The loan facility bears interest at a rate of LIBOR plus 275 basis points and matures on June 8, 2010, with two available one-year extensions.

International Joint Venture Investments

European Joint Ventures. We conduct our international operations in Europe through two European joint ventures: Simon Ivanhoe S.à.r.l., or Simon Ivanhoe, and Gallerie Commerciali Italia, or GCI. The carrying amount of our total combined investment in these two joint venture investments was $226.8 million and $224.2 million as of September 30, 2009 and December 31, 2008, respectively, including all related components of accumulated other comprehensive income. The Operating Partnership has a 50% ownership in Simon Ivanhoe and a 49% ownership in GCI.

Asian Joint Ventures. We conduct our investment in the eight international Premium Outlet operations in Japan through joint ventures in which we hold a 40% ownership interest. The carrying amount of our investment in these joint ventures was $310.6 million and $312.6 million as of September 30, 2009 and December 31, 2008, respectively, including all related components of accumulated other comprehensive income. On June 1, 2007, we opened Yeoju Premium Outlets, our first Premium Outlet center in South Korea, in which we hold a 50% ownership interest. Our investment in this property was $22.5 million and $18.0 million as of September 30, 2009 and December 31, 2008, respectively, including all related components of accumulated other comprehensive income.

We also own a 32.5% interest shopping center joint venture arrangements located in China, and a 32.5% ownership in the management operation overseeing these projects, collectively referred to as Great Mall Investments, Ltd., or GMI. Currently three of the centers are open and operational, and one additional center is under construction and due for completion in late 2009. Our combined investment in GMI was approximately $57.6 million and $53.9 million as of September 30, 2009 and December 31, 2008, respectively, including the related cumulative translation adjustments.

We account for all of our international joint venture investments using the equity method of accounting.

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Summary Financial Information

Summary financial information (in thousands) of all of our joint ventures and a summary of our investment in and share of income from such joint ventures follow. We condensed into separate line items major captions of the statements of operations for joint venture interests sold or consolidated. Consolidation occurs when we acquire an additional interest in the joint venture and, as a result, gain unilateral control of the property or are determined to be the primary beneficiary. We reclassify these line items into "Discontinued Joint Venture Interests" and "Consolidated Joint Venture Interests" on the following balance sheets and statements of operations, if material, so that we may present comparative results of operations for these joint venture properties held as of September 30, 2009.

	September 30, 2009	*December 31, 2008*
BALANCE SHEETS		
Assets:		
Investment properties, at cost	**$ 21,803,214**	$ 21,472,490
Less accumulated depreciation	**4,390,644**	3,892,956
	17,412,570	17,579,534
Cash and cash equivalents	**825,816**	805,411
Tenant receivables and accrued revenue, net	**374,028**	428,322
Investment in unconsolidated entities, at equity	**243,347**	230,497
Deferred costs and other assets	**600,125**	594,578
Total assets	**$ 19,455,886**	$ 19,638,342
Liabilities and Partners' Equity:		
Mortgages and other indebtedness	**$ 16,896,737**	$ 16,686,701
Accounts payable, accrued expenses, intangibles, and deferred revenue	**926,516**	1,070,958
Other liabilities	**1,107,457**	982,254
Total liabilities	**18,930,710**	18,739,913
Preferred units	**67,450**	67,450
Partners' equity	**457,726**	830,979