PROSPECTUS SUPPLEMENT

(To Prospectus dated November 21, 1996)

$300,000,000

# SIMON DEBARTOLO GROUP, L.P.

LOGO

## MEDIUM-TERM NOTES
## DUE NINE MONTHS OR MORE FROM DATE OF ISSUE

---

Simon DeBartolo Group, L.P. (the "Operating Partnership") may offer from time to time up to $300,000,000 aggregate initial offering price, or the equivalent thereof in one or more foreign or composite currencies, of its Medium-Term Notes Due Nine Months or More from Date of Issue (the "Notes"). Such aggregate initial offering price is subject to reduction as a result of the sale by the Operating Partnership of other Debt Securities described in the accompanying Prospectus. Each Note will mature on any day nine months or more from the date of issue, as specified in the applicable pricing supplement hereto (each, a "Pricing Supplement"), and may be subject to redemption at the option of the Operating Partnership or repayment at the option of the Holder thereof, in each case, in whole or in part, prior to its Stated Maturity Date, if specified in the applicable Pricing Supplement. In addition, each Note will be denominated and/or payable in United States dollars or a foreign or composite currency, as specified in the applicable Pricing Supplement. The Notes, other than Foreign Currency Notes, will be issued in minimum denominations of $1,000 and integral multiples thereof, unless otherwise specified in the applicable Pricing Supplement, while Foreign Currency Notes will be issued in the minimum denominations specified in the applicable Pricing Supplement. Further, Simon Property Group, L.P., a Delaware limited partnership and a subsidiary partnership of the Operating Partnership (the "Guarantor"), will guarantee (the "Guarantee") the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to, the Notes, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration or otherwise.

(continued on next page)

SEE "RISK FACTORS" COMMENCING ON PAGE S-3 FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES OFFERED HEREBY.

---

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT, THE PROSPECTUS OR ANY PRICING SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | PRICE TO PUBLIC(1) | AGENTS' DISCOUNTS AND COMMISSIONS(1)(2) | PROCEEDS TO OPERATING PARTNERSHIP(1)(3) |
|---|---|---|---|
| Per Note........................... | 100% | .125%-.750% | 99.875%-99.250% |
| Total(4)........................... | $300,000,000 | $375,000-$2,250,000 | $299,625,000-$297,750,000 |

(1) Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chase Securities Inc., Lehman Brothers Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, NationsBanc Capital Markets, Inc., Salomon Brothers Inc and UBS Securities LLC (the "Agents"), individually or in a syndicate, may purchase Notes, as principal, from the Operating Partnership for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Agent or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price. Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission applicable to an agency sale (as described below) of a Note of identical maturity. If agreed to by the Operating Partnership and an Agent, such Agent may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. The Operating Partnership will pay a commission to an Agent, ranging from .125% to .750% of the principal amount of a Note, depending upon its stated maturity, sold through an Agent. Commissions with respect to Notes with stated maturities in excess of 30 years that are sold through such Agent will be negotiated between the Operating Partnership and such Agent at the time of such sale. See "Plan of Distribution."

(2) The Operating Partnership, the Guarantor and certain of their affiliates have agreed to indemnify the Agents against, and to provide contribution with respect to, certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Plan of Distribution."

(3) Before deducting expenses payable by the Operating Partnership estimated at $300,000.

(4) Or the equivalent thereof in one or more foreign or composite currencies.

------------------------

The Notes are being offered on a continuing basis by the Operating Partnership to or through the Agents. Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be listed on any securities exchange. There is no assurance that the Notes offered hereby will be sold or, if sold, that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. The Operating Partnership reserves the right to cancel or modify the offer made hereby without notice. The Operating Partnership or an Agent, if it solicits the offer on an agency basis, may reject any offer to purchase Notes in whole or in part. See "Plan of Distribution."

------------------------

MERRILL LYNCH & CO.

CHASE SECURITIES INC.

LEHMAN BROTHERS

J.P. MORGAN & CO.

MORGAN STANLEY & CO.
INCORPORATED

NATIONSBANC CAPITAL MARKETS, INC.

SALOMON BROTHERS INC

UBS SECURITIES

------------------------

The date of this Prospectus Supplement is May 15, 1997.

(continued from previous page)

The Operating Partnership may issue Notes that bear interest at fixed rates ("Fixed Rate Notes") or at floating rates ("Floating Rate Notes"). The applicable Pricing Supplement will specify whether a Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note and whether the rate of interest thereon is determined by reference to one or more of the CD Rate, the CMT Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR, the Prime Rate or the Treasury Rate (each, an "Interest Rate Basis"), or any other interest rate basis or formula, as adjusted by any Spread and/or Spread Multiplier. Interest on each Floating Rate Note will accrue from its date of issue and, unless otherwise specified in the applicable Pricing Supplement, will be payable monthly, quarterly, semiannually or annually in arrears, as specified in the applicable Pricing Supplement, and on the Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement. Interest on each Fixed Rate Note will accrue from its date of issue and, unless otherwise specified in the applicable Pricing Supplement, will be payable semiannually in arrears on May 15 and November 15 of each year and on the Maturity Date. The Operating Partnership may also issue Discount Notes, Indexed Notes and Amortizing Notes (as hereinafter defined). See "Description of Notes."

The interest rate, or formula for the determination of the interest rate, if any, applicable to each Note and the other variable terms thereof will be established by the Operating Partnership on the date of issue of such Note and will be specified in the applicable Pricing Supplement. Interest rates or formulas and other terms of Notes are subject to change by the Operating Partnership, but no such change will affect any Note previously issued or as to which an offer to purchase has been accepted by the Operating Partnership.

Each Note will be issued in book-entry form (a "Book-Entry Note") or in fully registered certificated form (a "Certificated Note"), as specified in the applicable Pricing Supplement. Each Book-Entry Note will be represented by one or more fully registered global securities (the "Global Securities") deposited with or on behalf of The Depository Trust Company (or such other depositary identified in the applicable Pricing Supplement) (the "Depositary") and registered in the name of the Depositary or the Depositary's nominee. Interests in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary (with respect to its participants) and the Depositary's participants (with respect to beneficial owners). Except in limited circumstances, Book-Entry Notes will not be exchangeable for Certificated Notes.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE NOTES. SUCH TRANSACTIONS MAY INCLUDE THE PURCHASE OF NOTES PRIOR TO THE PRICING OF THE OFFERING FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE NOTES, THE PURCHASE OF NOTES FOLLOWING THE PRICING OF THE OFFERING TO COVER A SYNDICATE SHORT POSITION IN THE NOTES OR FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE NOTES, AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

# RISK FACTORS

This Prospectus Supplement does not describe all of the risks of an investment in Notes, whether resulting from such Notes being denominated or payable in or determined by reference to a currency or composite currency other than United States dollars or to one or more interest rate, currency or other indices or formulas, or otherwise. The Operating Partnership and each Agent disclaim any responsibility to advise prospective investors of such risks as they exist at the date of this Prospectus Supplement or as they change from time to time. Prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in such Notes and the suitability of investing in such Notes in light of their particular circumstances. Such Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions or transactions involving the applicable interest rate or currency index or other indices or formulas. Prospective investors should carefully consider, among other factors, the matters described below.

## STRUCTURE RISKS

An investment in Notes indexed, as to principal, premium, if any, and/or interest, if any, to one or more interest rate, currency (including exchange rates and swap indices between currencies or composite currencies) or other indices or formulas, either directly or inversely, entails significant risks that are not associated with similar investments in a conventional fixed rate or floating rate debt security. Such risks include, without limitation, the possibility that such indices or formulas may be subject to significant changes, that no interest will be payable in respect of such Notes or will be payable at a rate lower than one applicable to a conventional fixed rate or floating rate debt security issued by the Operating Partnership at the same time, that repayment of the principal and/or premium, if any, in respect of such Notes may occur at times other than that expected by the Holders (as defined in the accompanying Prospectus), and that the Holders could lose all or a substantial portion of principal and/or premium, if any, payable with respect to such Notes on the Maturity Date (as defined under "Description of Notes -- General"). Such risks depend on a number of interrelated factors, including economic, financial and political events, over which the Operating Partnership has no control. Additionally, if the formula used to determine the amount of principal, premium, if any, and/or interest, if any, payable with respect to such Notes contains a multiplier or leverage factor, the effect of any change in the applicable index or indices or formula or formulas will be magnified. In recent years, values of certain indices and formulas have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in the value of any particular index or formula that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Any optional redemption feature of Notes might affect the market value of such Notes. Since the Operating Partnership may be expected to redeem such Notes when prevailing interest rates are relatively low, Holders generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the current interest rate on such Notes.

The Notes will not have an established trading market when issued, and there can be no assurance of a secondary market for the Notes or the liquidity of the secondary market if one develops. See "Plan of Distribution."

The secondary market, if any, for Notes will be affected by a number of factors independent of the creditworthiness of the Operating Partnership and the value of the applicable index or indices or formula or formulas, including the complexity and volatility of each such index or formula, the method of calculating the principal, premium, if any, and/or interest, if any, in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the amount of other debt securities linked to such index or formula and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of such Notes. In addition, certain Notes may be designed for specific investment objectives or strategies and, therefore, may have a more limited secondary market and experience more price volatility than conventional debt securities. Holders may not be able to sell such Notes readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Notes unless such investor understands and is able to bear the risk that such Notes may not be readily saleable, that the value of such Notes will fluctuate over time and that such fluctuations may be significant.

EXCHANGE RATES AND EXCHANGE CONTROLS

An investment in Foreign Currency Notes (as defined under "Description of Notes -- General") entails significant risks that are not associated with a similar investment in a debt security denominated and payable in United States dollars. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the United States dollar and the Specified Currency (as defined under "Description of Notes -- General") and the possibility of the imposition or modification of exchange controls by the applicable governments or monetary authorities. Such risks generally depend on factors over which the Operating Partnership has no control, such as economic, financial and political events and the supply and demand for the applicable currencies or composite currencies. In addition, if the formula used to determine the amount of principal, premium, if any, and/or interest, if any, payable with respect to Foreign Currency Notes contains a multiplier or leverage factor, the effect of any change in the applicable currencies or composite currencies will be magnified. In recent years, rates of exchange between the United States dollar and foreign or composite currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the Specified Currency applicable to a Foreign Currency Note against the United States dollar would result in a decrease in the United States dollar-equivalent yield of such Foreign Currency Note, in the United States dollar-equivalent value of the principal and premium, if any, payable on the Maturity Date of such Foreign Currency Note, and, generally, in the United States dollar-equivalent market value of such Foreign Currency Note.

Governments or monetary authorities have imposed from time to time, and may in the future impose or revise, exchange controls at or prior to the date on which any payment of principal of, or premium, if any, or interest, if any, on, a Foreign Currency Note is due, which could affect exchange rates as well as the availability of the Specified Currency on such date. Even if there are no exchange controls, it is possible that the Specified Currency would not be available on the applicable payment date due to other circumstances beyond the control of the Operating Partnership. In such cases, the Operating Partnership will be entitled to satisfy its obligations in respect of such Foreign Currency Note in United States dollars. See "Special Provisions Relating to Foreign Currency Notes -- Availability of Specified Currency."

CREDIT RATINGS

The credit ratings assigned to the Operating Partnership's medium-term note program may not reflect the potential impact of all risks related to structure and other factors on the value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in the Notes and the suitability of investing in such Notes in light of their particular circumstances.

## DESCRIPTION OF NOTES

The Notes will be issued as a series of Debt Securities under an Indenture, dated as of November 26, 1996, as amended or supplemented from time to time, among the Operating Partnership, Simon Property Group, L.P. (the "Guarantor"), as guarantor, and The Chase Manhattan Bank, as trustee (the "Trustee"), as supplemented by the Third Supplemental Indenture, dated as of May 15, 1997 between the Operating Partnership, the Guarantor and the Trustee (together, the "Indenture"). The Indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to, the Notes, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration or otherwise. See "-- The Guarantee." The following summary of certain provisions of the Notes and the Indenture does not purport to be complete and is qualified in its entirety by reference to the actual provisions of the Notes and the Indenture. Capitalized terms used but not defined herein shall have the meanings given to them in the accompanying Prospectus, the Notes or the

Indenture, as the case may be. The term "Debt Securities," as used in this Prospectus Supplement, refers to all debt securities, including the Notes, issued and issuable from time to time under the Indenture. The following description of Notes will apply to each Note offered hereby unless otherwise specified in the applicable Pricing Supplement.

GENERAL

All Debt Securities, including the Notes, issued and to be issued under the Indenture will be direct, unsecured general obligations of the Operating Partnership and will rank pari passu with each other and with all other unsecured and unsubordinated indebtedness of the Operating Partnership from time to time outstanding. The Indenture does not limit the aggregate initial offering price of Debt Securities that may be issued thereunder and Debt Securities may be issued thereunder from time to time in one or more series up to the aggregate initial offering price from time to time authorized by the Operating Partnership for each series. As of the date of this Prospectus Supplement, the Operating Partnership has issued $250,000,000 aggregate initial offering price of Debt Securities and $100,000,000 aggregate initial offering price of unregistered 6.75% Notes due November 15, 2010, all of which is outstanding as of such date. The Notes will be effectively subordinated to (i) the prior claims of each secured mortgage lender to any specific Portfolio Property which secures such lender's mortgage and (ii) any claims of creditors of entities wholly or partly owned, directly or indirectly, by the Operating Partnership. Subject to certain limitations set forth in the Indenture, and as described under "-- Certain Covenants -- Limitations on Incurrence of Debt" below, the Indenture will permit the Operating Partnership to incur additional secured and unsecured indebtedness. The Operating Partnership may, from time to time, without the consent of the Holders of the Notes, provide for the issuance of Notes or other Debt Securities under the Indenture in addition to the $300,000,000 aggregate initial offering price of Notes offered hereby.

The Notes are currently limited to up to $300,000,000 aggregate initial offering price, or the equivalent thereof in one or more foreign or composite currencies. The Notes will be offered on a continuous basis and will mature on any day nine months or more from its date of issue (the "Stated Maturity Date"), as specified in the applicable Pricing Supplement, unless the principal thereof (or any installment of principal thereof) becomes due and payable prior to the Stated Maturity Date, whether by the declaration of acceleration of maturity, notice of redemption at the option of the Operating Partnership, if applicable, notice of the Holder's option to elect repayment, if applicable, or otherwise (the Stated Maturity Date or such prior date, as the case may be, is herein referred to as the "Maturity Date" with respect to the principal of such Note repayable on such date). Unless otherwise specified in the applicable Pricing Supplement, interest-bearing Notes will either be Fixed Rate Notes or Floating Rate Notes, as specified in the applicable Pricing Supplement. The Operating Partnership may also issue Discount Notes, Indexed Notes and Amortizing Notes (as such terms are hereinafter defined).

Unless otherwise specified in the applicable Pricing Supplement, the Notes will be denominated in, and payments of principal, premium, if any, and/or interest, if any, in respect thereof will be made in, United States dollars. The Notes also may be denominated in, and payments of principal, premium, if any, and/or interest, if any, in respect thereof may be made in, one or more foreign or composite currencies ("Foreign Currency Notes"). See "Special Provisions Relating to Foreign Currency Notes -- Payment of Principal, Premium, if any, and Interest, if any." The currency or composite currency in which a particular Note is denominated (or, if such currency or composite currency is no longer legal tender for the payment of public and private debts, such other currency or composite currency of the relevant country which is then legal tender for the payment of such debts) is herein referred to as the "Specified Currency" with respect to such Note. References herein to "United States dollars", "U.S. dollars" or "$" are to the lawful currency of the United States of America (the "United States").

Unless otherwise specified in the applicable Pricing Supplement, purchasers are required to pay for the Notes in the applicable Specified Currencies. At the present time, there are limited facilities in the United States for the conversion of United States dollars into foreign or composite currencies and vice versa, and commercial banks do not generally offer non-United States dollar checking or savings account facilities in the United States. The Agent from or through which a Foreign Currency Note is purchased may be prepared to arrange for the conversion of United States dollars into the applicable Specified Currency in order to enable the purchaser to pay for such Foreign Currency Note, provided that a request is made to such Agent on or prior to the fifth Business Day (as hereinafter defined) preceding the date of delivery of such Foreign Currency Note, or by such other day as determined by such Agent. Each such conversion will be made by such Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchaser of each such Foreign Currency Note. See "Special Provisions Relating to Foreign Currency Notes."

Interest rates offered by the Operating Partnership with respect to the Notes may differ depending upon, among other factors, the aggregate principal amount of Notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. Interest rates or formulas and other terms of Notes are subject to change by the Operating Partnership from time to time, but no such change will affect any Note previously issued or as to which an offer to purchase has been accepted by the Operating Partnership.

Each Note will be issued as a Book-Entry Note represented by one or more fully registered Global Securities or as a fully registered Certificated Note. The minimum denominations of each Note other than a Foreign Currency Note will be $1,000 and integral multiples thereof, unless otherwise specified in the applicable Pricing Supplement, while the minimum denominations of each Foreign Currency Note will be specified in the applicable Pricing Supplement.

Payments of principal of, and premium, if any, and interest, if any, on, Book-Entry Notes will be made by the Operating Partnership through the Trustee to the Depositary. See "-- Book-Entry Notes." In the case of Certificated Notes, payment of principal and premium, if any, due on the Maturity Date will be made in immediately available funds upon presentation and surrender thereof at the office or agency maintained by the Operating Partnership for such purpose in the Borough of Manhattan, The City of New York (or, in the case of any repayment on an Optional Repayment Date, upon presentation of such Certificated Note and a duly completed election form in accordance with the provisions described below), currently the corporate trust office of the Trustee located initially at 55 Water Street, North Building, 2nd Floor, Room 234, New York, New York 10041. Payment of interest due on the Maturity Date of each Certificated Note will be made to the person to whom payment of the principal and premium, if any, shall be made. Payment of interest due on each Certificated Note on any Interest Payment Date (as hereinafter defined) other than the Maturity Date will be made at the office or agency referred to above maintained by the Operating Partnership for such purpose or, at the option of the Operating Partnership, may be made by check mailed to the address of the Holder entitled thereto as such address shall appear in the Security Register of the Operating Partnership. Notwithstanding the foregoing, a Holder of $10,000,000 (or, if the Specified Currency is other than United States dollars, the equivalent thereof in such Specified Currency) or more in aggregate principal amount of Certificated Notes (whether having identical or different terms and provisions) will be entitled to receive interest payments, if any, on any Interest Payment Date other than the Maturity Date by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the Trustee not less than 15 days prior to such Interest Payment Date. Any such wire transfer instructions received by the Trustee shall remain in effect until revoked by such Holder. For special payment terms applicable to Foreign Currency Notes, see "Special Provisions Relating to Foreign Currency Notes -- Payment of Principal, Premium, if any, and Interest, if any."

As used herein, "Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that, with respect to Foreign Currency Notes the payment of which is to be made in a currency or composite currency other than United States dollars, such day is also not a day on which banking institutions are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as hereinafter defined) of the country issuing the Specified Currency (unless the Specified Currency is European Currency Units ("ECU"), in which case such day is also not a day that appears as an ECU non-settlement day on the display designated as "ISDE" on the Reuter Monitor Money Rates Service (or is not a day designated as an ECU non-settlement day by the ECU Banking

Association) or, if ECU non-settlement days do not appear on that page (and are not so designated), a day that is not a day on which payments in ECU cannot be settled in the international interbank market); provided, further, that, with respect to Notes as to which LIBOR is an applicable Interest Rate Basis, such day is also a London Business Day (as hereinafter defined). "London Business Day" means any day on which dealings in the Designated LIBOR Currency (as hereinafter defined) are transacted in the London interbank market.

"Principal Financial Center" means (i) the capital city of the country issuing the Specified Currency (except as described in the immediately preceding paragraph with respect to ECU) or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates (or, in the case of ECU, Luxembourg), except, in each case, that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders, Italian lire, Swiss francs and ECU's, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Frankfurt, Amsterdam, Milan (solely in the case of clause (i) above) Zurich, and Luxembourg, respectively.

Book-Entry Notes may be transferred or exchanged only through the Depositary. See "-- Book-Entry Notes." Registration of transfer or exchange of Certificated Notes will be made at the office or agency maintained by the Operating Partnership for such purpose in the Borough of Manhattan, The City of New York, currently the corporate trust office of the Trustee located at 55 Water Street, North Building, 2nd Floor, Room 234, New York, New York 10041. No service charge will be made by the Operating Partnership or the Trustee for any such registration of transfer or exchange of Notes, but the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith (other than exchanges pursuant to the Indenture not involving any transfer).

The defeasance and covenant defeasance provisions contained in the Indenture shall apply to the Notes.

Notwithstanding any provisions described in this Prospectus Supplement to the contrary, if a Note specifies that an Addendum is attached thereto or that "Other/Additional Provisions" apply, such Note will be subject to the terms specified in such Addendum or "Other/Additional Provisions," as the case may be, and will be described in the applicable Pricing Supplement.

REDEMPTION AT THE OPTION OF THE OPERATING PARTNERSHIP

Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to any sinking fund. The Notes will be redeemable at the option of the Operating Partnership prior to the Stated Maturity Date only if an Initial Redemption Date is specified in the applicable Pricing Supplement. If so specified, the Notes will be subject to redemption at the option of the Operating Partnership on any date on and after the applicable Initial Redemption Date in whole or from time to time in part in increments of $1,000 or such other minimum denomination specified in such Pricing Supplement (provided that any remaining principal amount thereof shall be at least $1,000 or such minimum denomination), at the applicable Redemption Price (as hereinafter defined), together with unpaid interest accrued thereon to the date of redemption, on written notice given to the Holders thereof not more than 60 nor less than 30 calendar days prior to the date of redemption and in accordance with the provisions of the Indenture. "Redemption Price", with respect to a Note, means an amount equal to the Initial Redemption Percentage specified in the applicable Pricing Supplement (as adjusted by the Annual Redemption Percentage Reduction, if applicable) multiplied by the unpaid principal amount to be redeemed. The Initial Redemption Percentage, if any, applicable to a Note shall decline at each anniversary of the Initial Redemption Date by an amount equal to the applicable Annual Redemption Percentage Reduction, if any, until the Redemption Price is equal to 100% of the unpaid principal amount to be redeemed. For a discussion of the redemption of Discount Notes, see "-- Discount Notes."

REPAYMENT AT THE OPTION OF THE HOLDER

The Notes will be repayable by the Operating Partnership at the option of the Holders thereof prior to the Stated Maturity Date only if one or more Optional Repayment Dates are specified in the applicable Pricing Supplement. If so specified, the Notes will be subject to repayment at the option of the Holders thereof on any

Optional Repayment Date in whole or from time to time in part in increments of $1,000 or such other minimum denomination specified in the applicable Pricing Supplement (provided that any remaining principal amount thereof shall be at least $1,000 or such other minimum denomination), at a repayment price equal to 100% of the unpaid principal amount to be repaid, together with unpaid interest accrued thereon to the date of repayment. For any Note to be repaid, such Note must be received, together with the form thereon entitled "Option to Elect Repayment" duly completed, by the Trustee at its office maintained for such purpose in the Borough of Manhattan, The City of New York, currently the corporate trust office of the Trustee located at 55 Water Street, North Building, 2nd Floor, Room 234, New York, New York 10041 (or such other address of which the Operating Partnership shall from time to time notify the Holders), not more than 60 nor less than 30 calendar days prior to the date of repayment. Exercise of such repayment option by the Holder will be irrevocable. For a discussion of the repayment of Discount Notes, see "-- Discount Notes."

Only the Depositary may exercise the repayment option in respect of Global Securities representing Book-Entry Notes. Accordingly, Beneficial Owners (as hereinafter defined) of Global Securities that desire to have all or any portion of the Book-Entry Notes represented by such Global Securities repaid must instruct the Participant (as hereinafter defined) through which they own their interest to direct the Depositary to exercise the repayment option on their behalf by delivering the related Global Security and duly completed election form to the Trustee as aforesaid. In order to ensure that such Global Security and election form are received by the Trustee on a particular day, the applicable Beneficial Owner must so instruct the Participant through which it owns its interest before such Participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, Beneficial Owners should consult the Participants through which they own their interest for the respective deadlines for such Participants. All instructions given to Participants from Beneficial Owners of Global Securities relating to the option to elect repayment shall be irrevocable. In addition, at the time such instructions are given, each such Beneficial Owner shall cause the Participant through which it owns its interest to transfer such Beneficial Owner's interest in the Global Security or Securities representing the related Book-Entry Notes, on the Depositary's records, to the Trustee. See "-- Book-Entry Notes."

If applicable, the Operating Partnership will comply with the requirements of Section 14(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14e-1 of the rules promulgated thereunder, and any other securities laws or regulations in connection with any such repayment.

The Operating Partnership may at any time purchase Notes at any price or prices in the open market or otherwise. Notes so purchased by the Operating Partnership may, at the discretion of the Operating Partnership, be held, resold or surrendered to the Trustee for cancellation.

## INTEREST

### General

Unless otherwise specified in the applicable Pricing Supplement, each interest-bearing Note will bear interest from its date of issue at the rate per annum, in the case of a Fixed Rate Note, or pursuant to the interest rate formula, in the case of a Floating Rate Note, in each case as specified in the applicable Pricing Supplement, until the principal thereof is paid or duly made available for payment. Unless otherwise specified in the applicable Pricing Supplement, interest payments in respect of Fixed Rate Notes and Floating Rate Notes will be made in an amount equal to the interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid or duly made available for payment with respect to the applicable Note) to but excluding the applicable Interest Payment Date or the Maturity Date, as the case may be (each, an "Interest Period").

Interest on Fixed Rate Notes and Floating Rate Notes will be payable in arrears on each Interest Payment Date and on the Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, the first payment of interest on any such Note originally issued between a Record Date (as hereinafter defined) and the related Interest Payment Date will be made on the Interest Payment Date immediately following the next succeeding Record Date to the Holder on such next succeeding Record Date. Unless otherwise specified in the applicable Pricing Supplement, a "Record Date" shall be the fifteenth calendar day (whether or not a Business Day) immediately preceding the related Interest Payment Date.

Fixed Rate Notes

Unless otherwise specified in the applicable Pricing Supplement interest on Fixed Rate Notes will be payable on May 15 and November 15 of each year (each, an "Interest Payment Date" with respect to Fixed Rate Notes) and on the Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date or the Maturity Date of a Fixed Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date or the Maturity Date, as the case may be, to the date of such payment on the next succeeding Business Day.

Floating Rate Notes

Interest on Floating Rate Notes will be determined by reference to the applicable Interest Rate Basis or Interest Rate Bases, which may, as described below, include (i) the CD Rate, (ii) the CMT Rate, (iii) the Commercial Paper Rate, (iv) the Eleventh District Cost of Funds Rate, (v) the Federal Funds Rate, (vi) LIBOR, (vii) the Prime Rate, (viii) the Treasury Rate, or (ix) such other Interest Rate Basis or interest rate formula as may be specified in the applicable Pricing Supplement, provided, however, that the interest rate in effect on a Floating Rate Note for the period, if any, from the date of issue to the first Interest Reset Date (as hereinafter defined) will be the Initial Interest Rate; provided, further, that with respect to a Floating Rate/Fixed Rate Note the interest rate in effect for the period commencing on the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date. The applicable Pricing Supplement will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a "Regular Floating Rate Note," a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note", the Fixed Rate Commencement Date, if applicable, Fixed Interest Rate, if applicable, Interest Rate Basis or Bases, Initial Interest Rate, if any, Initial Interest Reset Date, Interest Reset Dates, Interest Payment Period and Dates, Index Maturity, Maximum Interest Rate and/or Minimum Interest Rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If one or more of the applicable Interest Rate Bases is LIBOR or the CMT Rate, the applicable Pricing Supplement will also specify the Designated LIBOR Currency, and Designated LIBOR Page or the Designated CMT Maturity Index and Designated CMT Telerate Page, respectively, as such terms are defined below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

(i) Unless such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note," or as having an Addendum attached or having "Other/Additional Provisions" apply, in each case relating to a different interest rate formula, such Floating Rate Note will be designated as a "Regular Floating Rate Note" and, except as described below or in the applicable Pricing Supplement, will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the Initial Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the Initial Interest Reset Date will be the Initial Interest Rate.

(ii) If such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the Initial Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that (y) the interest rate in effect for the period, if any, from the date of issue to the Initial Interest Reset Date will be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If such Floating Rate Note is designated as an "Inverse Floating Rate Note," then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest at the Fixed Interest Rate minus the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that, unless otherwise specified in the applicable Pricing Supplement, the interest rate thereon will not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the Initial Interest Reset Date will be the Initial Interest Rate.

The "Spread" is the number of basis points to be added to or subtracted from the related Interest Rate Basis or Bases applicable to such Floating Rate Note. The "Spread Multiplier" is the percentage of the related Interest Rate Basis or Bases applicable to such Floating Rate Note by which such Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Floating Rate Note. The "Index Maturity" is the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Bases will be calculated.

Unless otherwise specified in the applicable Pricing Supplement, the interest rate with respect to each Interest Rate Basis will be determined in accordance with the applicable provisions below. Except as set forth above or in the applicable Pricing Supplement, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as hereinafter defined) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The applicable Pricing Supplement will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually or on such other specified basis (each, an "Interest Reset Period") and the dates on which such rate of interest will be reset (each, an "Interest Reset Date"). Unless otherwise specified in the applicable Pricing Supplement, the Interest Reset Dates will be, in the case of Floating Rate Notes which reset: (i) daily, each Business Day; (ii) weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week, except as described below); (iii) monthly, the third Wednesday of each month (with the exception of monthly reset Floating Rate Notes as to which the Eleventh District Cost of Funds Rate is an applicable Interest Rate Basis, which will reset on the first calendar day of the month); (iv) quarterly, the third Wednesday of March, June, September and December of each year; (v) semiannually, the third Wednesday of the two months specified in the applicable Pricing Supplement; and (vi) annually, the third Wednesday of the month specified in the applicable Pricing Supplement; provided however, that, with respect to Floating Rate/Fixed Rate Notes, the rate of interest thereon will not reset after the applicable Fixed Rate Commencement Date. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

The interest rate applicable to each Interest Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent as of the applicable Interest Determination Date and calculated on or prior to the Calculation Date (as hereinafter defined), except with respect to LIBOR and the

Eleventh District Cost of Funds Rate, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding the applicable Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as hereinafter defined); and the "Interest Determination Date" with respect to LIBOR will be the second London Business Day immediately preceding the applicable Interest Reset Date, unless the Designated LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. With respect to the Treasury Rate, the "Interest Determination Date" will be the day in the week in which the applicable Interest Reset Date falls on which day Treasury Bills (as hereinafter defined) are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the "Interest Determination Date" will be such preceding Friday; provided, further, that if the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day. The "Interest Determination Date" pertaining to a Floating Rate Note the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Notwithstanding the foregoing, a Floating Rate Note may also have either or both of the following: (i) a Maximum Interest Rate, or ceiling, that may accrue during any Interest Period and (ii) a Minimum Interest Rate, or floor, that may accrue during any Interest Period. In addition to any Maximum Interest Rate that may apply to any Floating Rate Note, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Except as provided below or in the applicable Pricing Supplement, interest will be payable, in the case of Floating Rate Notes which reset: (i) daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the applicable Pricing Supplement; (ii) quarterly, on the third Wednesday of March, June, September and December of each year; (iii) semiannually, on the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; and (iv) annually, on the third Wednesday of the month of each year specified in the applicable Pricing Supplement (each, an "Interest Payment Date" with respect to Floating Rate Notes) and, in each case, on the Maturity Date. If any Interest Payment Date other than the Maturity Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date of a Floating Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and interest will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after the Maturity Date to the date of such payment on the next succeeding Business Day.

All percentages resulting from any calculation on Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all amounts used in or resulting from such calculation on Floating Rate Notes will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign or composite currency, to the nearest unit (with one-half cent or unit being rounded upwards).

With respect to each Floating Rate Note, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the applicable Interest Period. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360, in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate, or by the actual number of days in the year in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for Floating Rate Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only the applicable Interest Rate Basis specified in the applicable Pricing Supplement applied.

Unless otherwise specified in the applicable Pricing Supplement, The Chase Manhattan Bank will be the "Calculation Agent." Upon request of the Holder of any Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such Floating Rate Note. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the Maturity Date, as the case may be.

Unless otherwise specified in the applicable Pricing Supplement, the Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions.

CD Rate. Unless otherwise specified in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CD Rate (a "CD Rate Interest Determination Date"), the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)," or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such CD Rate Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers in negotiable United States dollar certificates of deposit in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent after consultation with the Operating Partnership for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined as of such CD Rate Interest Determination Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

CMT Rate. Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such CMT Rate

Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the weekly or monthly average, as specified in the applicable Pricing Supplement, for the week or the month, as applicable, ended immediately preceding the week or the month, as applicable, in which the related CMT Rate Interest Determination Date occurs. If such rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519). If such rate is no longer published or is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (which may include the Agents or their affiliates) (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent after consultation with the Operating Partnership and eliminating the highest quotation (or, in the event of quotation equality, one of the highest) and the lowest quotation (or, in the event of quotation equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent is unable to obtain three such Treasury Note quotations, the CMT Rate on such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent after consultation with the Operating Partnership and eliminating the highest quotation (or, in the event of quotation equality, one of the highest) and the lowest quotation (or, in the event of quotation equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least $100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers so selected by the Calculation Agent are quoting as mentioned herein, the CMT Rate determined as of such CMT Rate Interest Determination Date will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service (or any successor service) on the page specified in the applicable Pricing Supplement (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052 for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated or, if no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be 2 years.

Commercial Paper Rate. Unless otherwise specified in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Rate Interest Determination Date"), the Money Market Yield (as hereinafter defined) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published in H.15(519) under the heading "Commercial Paper." In the event that such rate is not published by 3:00 P.M., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be the Money Market Yield of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Index Maturity specified in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers so selected by the Calculation Agent after consultation with the Operating Partnership are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Period for which interest is being calculated.

Eleventh District Cost of Funds Rate. Unless otherwise specified in the applicable Pricing Supplement, "Eleventh District Cost of Funds Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate (an "Eleventh District Cost of Funds Rate Interest Determination Date"), the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate on such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date. If the FHLB of San Francisco fails to announce the Index on or prior to such Eleventh District Cost of Funds Rate Interest Determination Date for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh

District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

Federal Funds Rate. Unless otherwise specified in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Rate Interest Determination Date"), the rate on such date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent after consultation with the Operating Partnership prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

LIBOR. Unless otherwise specified in the applicable Pricing Supplement, "LIBOR" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency having the Index Maturity specified in such Pricing Supplement, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page as of 11:00 A.M., London time, on such LIBOR Interest Determination Date, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable Pricing Supplement as the method for calculating LIBOR, the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified in such Pricing Supplement, commencing on the applicable Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as applicable, LIBOR on such LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include affiliates of the Agents) in the London interbank market, as selected by the Calculation Agent after consultation with the Operating Partnership, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity specified in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include affiliates of the Agents) in such Principal

Financial Center selected by the Calculation Agent after consultation with the Operating Partnership for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity specified in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency or composite currency specified in the applicable Pricing Supplement as to which LIBOR shall be calculated or, if no such currency or composite currency is specified in the applicable Pricing Supplement, the Designated LIBOR Currency shall be United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the display on the Reuters Monitor Money Rates Service (or any successor service) on the page specified in such Pricing Supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable Pricing Supplement as the method for calculating LIBOR, the display on the Dow Jones Telerate Service (or any successor service) on the page specified in such Pricing Supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

Prime Rate. Unless otherwise specified in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Prime Rate (a "Prime Rate Interest Determination Date"), the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan." If such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page (as hereinafter defined) as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks (which may include affiliates of the Agents) in The City of New York selected by the Calculation Agent after consultation with the Operating Partnership. If fewer than four such quotations are so provided, then the Prime Rate shall be the arithmetic mean of four prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided such quotations and by a reasonable number of substitute banks or trust companies (which may include affiliates of the Agents) necessary in order to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any State thereof, each having total equity capital of at least $500 million and being subject to supervision or examination by Federal or State authority, selected by the Calculation Agent after consultation with the Operating Partnership to provide such rate or rates; provided, however, that if the banks or trust companies so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen USPRIME1 Page" means the display on the Reuters Monitor Money Rates Service (or any successor service) on the "USPRIME1" page (or such other page as may replace the USPRIME1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

Treasury Rate. Unless otherwise specified in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined by reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"), the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable Pricing Supplement, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the auction average rate of such Treasury Bills (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the Auction of Treasury Bills having the Index Maturity specified in the applicable Pricing Supplement are not reported as provided by 3:00 P.M., New York City time, on the related Calculation Date, or if no such Auction is held, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers (which may include the Agents or their affiliates) selected by the Calculation Agent after consultation with the Operating Partnership, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

OTHER/ADDITIONAL PROVISIONS; ADDENDUM

Any provisions with respect to the Notes, including the specification and determination of one or more Interest Rate Bases, the calculation of the interest rate applicable to a Floating Rate Note, the Interest Payment Dates, the Stated Maturity Date, any redemption or repayment provisions or any other term relating thereto, may be modified and/or supplemented as specified under "Other/Additional Provisions" on the face thereof or in an Addendum relating thereto, if so specified on the face thereof and described in the applicable Pricing Supplement.

DISCOUNT NOTES

The Operating Partnership may offer Notes ("Discount Notes") from time to time that have an Issue Price (as specified in the applicable Pricing Supplement) that is less than 100% of the principal amount thereof (i.e. par) by more than a percentage equal to the product of 0.25% and the number of full years to the Stated Maturity Date. Discount Notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. The difference between the Issue Price of a Discount Note and par is referred to herein as the "Discount." In the event of redemption, repayment or acceleration of maturity of a Discount Note, the amount payable to the Holder of such Discount Note will be equal to the sum of (i) the Issue Price (increased by any accruals of Discount) and, in the event of any redemption of such Discount Note (if applicable), multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable) and (ii) any unpaid interest accrued thereon to the date of such redemption, repayment or acceleration of maturity, as the case may be.

Unless otherwise specified in the applicable Pricing Supplement, for purposes of determining the amount of Discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for a Discount Note, such Discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as hereinafter defined), corresponds to the shortest period between Interest Payment Dates for the applicable Discount Note (with ratable accruals within a compounding period), a coupon rate equal to the initial coupon rate applicable to such Discount Note and an assumption that the maturity of such Discount Note will not be accelerated. If the period from the date of issue to the initial Interest Payment Date for a Discount Note (the "Initial Period") is shorter than the compounding period for such Discount Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable Discount may differ from the accrual of original issue discount for purposes of the Internal Revenue Code of 1986, as amended (the "Code"), certain Discount Notes may not be treated as having original issue discount within the meaning of the Code, and Notes other than Discount Notes may be treated as issued with original issue discount for federal income tax purposes. See "Certain United States Federal Income Tax Considerations."

## INDEXED NOTES

The Operating Partnership may from time to time offer Notes ("Indexed Notes") with the amount of principal, premium and/or interest payable in respect thereof to be determined with reference to the price or prices of specified commodities or stocks, to the exchange rate of one or more designated currencies (including a composite currency such as the ECU) relative to an indexed currency or to other items, in each case as specified in the applicable Pricing Supplement. In certain cases, Holders of Indexed Notes may receive a principal payment on the Maturity Date that is greater than or less than the principal amount of such Indexed Notes depending upon the relative value on the Maturity Date of the specified indexed item. Information as to the method for determining the amount of principal, premium, if any, and/or interest, if any, payable in respect of Indexed Notes, certain historical information with respect to the specified indexed item and any material tax considerations associated with an investment in Indexed Notes will be specified in the applicable Pricing Supplement. See also "Risk Factors."

## AMORTIZING NOTES

The Operating Partnership may from time to time offer Notes ("Amortizing Notes") with the amount of principal thereof and interest thereon payable in installments over the term of such Notes. Unless otherwise specified in the applicable Pricing Supplement, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of Amortizing Notes will be specified in the applicable Pricing Supplement, including a table setting forth repayment information for such Amortizing Notes.

## CERTAIN COVENANTS

Limitations on Incurrence of Debt. The Operating Partnership will not, and will not permit any Subsidiary (as defined below) to, incur any Debt (as defined below), other than intercompany debt (representing Debt to which the only parties are Simon DeBartolo Group, Inc. (the "Company"), the Operating Partnership and any of their Subsidiaries (but only so long as such Debt is held solely by any of the Company, the Operating Partnership and any Subsidiary) that is subordinate in right of payment to the Notes), if, immediately after giving effect to the incurrence of such additional Debt, the aggregate principal amount of all outstanding Debt would be greater than 60% of the sum of (i) the Operating Partnership's Adjusted Total Assets (as defined below) as of the end of the fiscal quarter prior to the incurrence of such additional Debt and (ii) any increase in Adjusted Total Assets from the end of such quarter including, without limitation, any pro forma increase from the application of the proceeds of such additional Debt.

In addition to the foregoing limitation on the incurrence of Debt, the Operating Partnership will not, and will not permit any Subsidiary to, incur any Debt secured by any mortgage, lien, pledge, encumbrance or security interest of any kind upon any of the property of the Operating Partnership or any Subsidiary ("Secured Debt"), whether owned at the date of the Indenture or thereafter acquired, if, immediately after giving effect to the incurrence of such additional Secured Debt, the aggregate principal amount of all outstanding Secured Debt is greater than 55% of the sum of (i) the Operating Partnership's Adjusted Total Assets as of the end of the fiscal quarter prior to the incurrence of such additional Secured Debt and (ii) any increase in Adjusted Total Assets from the end of such quarter including, without limitation, any pro forma increase from the application of the proceeds of such additional Secured Debt.

In addition to the foregoing limitations on the incurrence of Debt, the Operating Partnership will not, and will not permit any Subsidiary to, incur any Debt if the ratio of Annualized EBITDA After Minority Interest to Interest Expense (in each case as defined below) for the period consisting of the four consecutive fiscal quarters most recently ended prior to the date on which such additional Debt is to be incurred shall have been less than 1.75 to 1 on a pro forma basis after giving effect to the incurrence of such Debt and to the application of the proceeds therefrom, and calculated on the assumption that (i) such Debt and any other Debt incurred since the first day of such four-quarter period had been incurred, and the proceeds therefrom had been applied (to whatever purposes such proceeds had been applied as of the date of calculation of such ratio), at the beginning of such period, (ii) any other Debt that has been repaid or retired since the first day of such four-quarter period had been repaid or retired at the beginning of such period (except that, in making such computation, the amount of Debt under any revolving credit facility shall be computed based upon the average daily balance of such Debt during such period), (iii) any income earned as a result of any assets having been placed in service since the end of such four-quarter period had been earned, on an annualized basis, during such period, and (iv) in the case of any acquisition or disposition by the Operating Partnership, any Subsidiary or any unconsolidated joint venture in which the Operating Partnership or any Subsidiary owns an interest, of any assets since the first day of such four-quarter period, including, without limitation, by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition and any related repayment of Debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

For purposes of the foregoing provisions regarding the limitations on the incurrence of Debt, Debt shall be deemed to be "incurred" by the Company, the Operating Partnership, its Subsidiaries or by any unconsolidated joint venture, whenever the Company, the Operating Partnership, any Subsidiary, or any unconsolidated joint venture, as the case may be, shall create, assume, guarantee or otherwise become liable in respect thereof.

Maintenance of Unencumbered Assets. The Operating Partnership is required to maintain Unencumbered Assets (as defined below) of not less that 150% of the aggregate outstanding principal amount of the Unsecured Debt (as defined below) of the Operating Partnership.

As used herein:

"Adjusted Total Assets" as of any date means the sum of (i) the amount determined by multiplying the sum of the shares of common stock of the Company issued in the initial public offering of the Company ("IPO") and the units of the Operating Partnership not held by the Company outstanding on the date of the IPO, by $22.25 (the "IPO Price"), (ii) the principal amount of the outstanding consolidated debt of the Company on the date of the IPO, less any portion applicable to minority interests, (iii) the Operating Partnership's allocable portion, based on its ownership interest, of outstanding indebtedness of unconsolidated joint ventures on the date of the IPO, (iv) the purchase price or cost of any real estate assets acquired (including the value, at the time of such acquisition, of any units of the Operating Partnership or shares of common stock of the Company issued in connection therewith) or developed after the IPO by the Operating Partnership or any Subsidiary, less any portion attributable to minority interests, plus the Operating Partnership's allocable portion, based on its ownership interest, of the purchase price or cost of any real estate assets acquired or developed after the IPO by any unconsolidated joint venture, (v) the value of the Merger (as defined in the accompanying Prospectus) compiled as the sum of (a) the purchase price including all related closing costs and (b) the value of all outstanding indebtedness less any portion attributable to minority interests, including the Operating Partnership's allocable share, based on its ownership interest, of outstanding indebtedness of unconsolidated joint ventures at the Merger Date (as defined in the accompanying Prospectus), and (vi) working capital of the Operating Partnership; subject, however, to reduction by the amount of the proceeds of any real estate assets disposed of after the IPO by the Operating Partnership or any Subsidiary, less any portion applicable to minority interests, and by the Operating Partnership's allocable portion, based on its ownership interest, of the proceeds of any real estate assets disposed of after the IPO by unconsolidated joint ventures.

"Annualized EBITDA" means earnings before interest, taxes, depreciation and amortization for all properties with other adjustments as are necessary to exclude the effect of items classified as extraordinary items in accordance with generally accepted accounting principles, adjusted to reflect the assumption that (i) any income earned as a result of any assets having been placed in service since the end of such period had been earned, on an annualized basis, during such period, and (ii) in the case of any acquisition or disposition by the Operating Partnership, any Subsidiary or any unconsolidated joint venture in which the Operating Partnership or any Subsidiary owns an interest, of any assets since the first day of such period, such acquisition or disposition and any related repayment of Debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition.

"Annualized EBITDA After Minority Interest" means Annualized EBITDA after distributions to third party joint venture partners.

"Debt" means any indebtedness of the Operating Partnership and its Subsidiaries on a consolidated basis, less any portion attributable to minority interests, plus the Operating Partnership's allocable portion, based on its ownership interest, of indebtedness of unconsolidated joint ventures, in respect of (i) borrowed money evidenced by bonds, notes, debentures or similar instruments, as determined in accordance with generally accepted accounting principles, (ii) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on property owned by the Operating Partnership or any Subsidiary directly, or indirectly through unconsolidated joint ventures, as determined in accordance with generally accepted accounting principles, (iii) reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued or amounts representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable, and (iv) any lease of property by the Operating Partnership or any Subsidiary as lessee which is reflected in the Operating Partnership's consolidated balance sheet as a capitalized lease or any lease of property by an unconsolidated joint venture as lessee which is reflected in such joint venture's balance sheet as a capitalized lease, in each case, in accordance with generally accepted accounting principles; provided, that Debt also includes, to the extent not otherwise included, any obligation by the Operating Partnership or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise, items of indebtedness of another person (other than the Operating Partnership or any Subsidiary) described in clauses (i) through (iv) above (or, in the case of any such obligation made jointly with another person, the Operating Partnership's or Subsidiary's allocable portion of such obligation based on its ownership interest in the related real estate assets).

"Interest Expense" includes the Operating Partnership's pro rata share of joint venture interest expense and is reduced by amortization of debt issuance costs.

"Subsidiary" means a corporation, partnership, joint venture, limited liability company or other entity, a majority of the outstanding voting stock, partnership interests or membership interests, as the case may be, of which is owned or controlled, directly or indirectly, by the Operating Partnership or by one or more other Subsidiaries of the Operating Partnership and, for purposes of this definition, shall include the Guarantor. For the purposes of this definition, "voting stock" means stock having voting power for the election of directors, or trustees, as the case may be, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Unencumbered Annualized EBITDA After Minority Interest" means Annualized EBITDA After Minority Interest less any portion thereof attributable to assets serving as collateral for Secured Debt.

"Unencumbered Assets" as of any date shall be equal to Adjusted Total Assets as of such date multiplied by a fraction, the numerator of which is Unencumbered Annualized EBITDA After Minority Interest and the denominator of which is Annualized EBITDA After Minority Interest.

"Unsecured Debt" means Debt which is not secured by any mortgage, lien, pledge, encumbrance or security interest of any kind.

Reference is made to the section entitled "Description of Debt Securities -- Certain Covenants" in the accompanying Prospectus for a description of additional covenants applicable to the Notes. Compliance with the covenants described herein and such additional covenants with respect to the Notes generally may not be waived by the Board of Directors of the general partners of the Operating Partnership, or by the Trustee unless the Holders of at least a majority in principal amount of all outstanding Notes consent to such waiver; provided, however, that the defeasance and covenant defeasance provisions of the Indenture described under "Description of Debt Securities -- Discharge" and "-- Defeasance and Covenant Defeasance" in the accompanying Prospectus will apply to the Notes and the Guarantee, including with respect to the covenants described in this Prospectus Supplement.

BOOK-ENTRY NOTES

The Operating Partnership has established a depositary arrangement with The Depository Trust Company with respect to the Book-Entry Notes, the terms of which are summarized below. Any additional or differing terms of the depositary arrangement with respect to the Book-Entry Notes will be described in the applicable Pricing Supplement.

Upon issuance, all Book-Entry Notes of up to $200,000,000 aggregate principal amount bearing interest (if any) at the same rate or pursuant to the same formula and having the same date of issue, currency of denomination and payment, Interest Payment Dates (if any), Stated Maturity Date, redemption provisions (if any), repayment provisions (if any) and other terms will be represented by a single Global Security. Each Global Security representing Book-Entry Notes will be deposited with, or on behalf of, the Depositary and will be registered in the name of the Depositary or a nominee of the Depositary. No Global Security may be transferred except as a whole by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or such nominee to a successor of the Depositary or a nominee of such successor.

So long as the Depositary or its nominee is the registered owner of a Global Security, the Depositary or its nominee, as the case may be, will be the sole Holder of the Book-Entry Notes represented thereby for all purposes under the Indenture. Except as otherwise provided below, the Beneficial Owners (as defined below) of the Global Security or Securities representing Book-Entry Notes will not be entitled to receive physical delivery of Certificated Notes and will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing Book-Entry Notes shall be exchangeable or transferable. Accordingly, each Beneficial Owner must rely on the procedures of the Depositary and, if such Beneficial Owner is not a Participant (as defined below), on the procedures of the Participant through which such Beneficial Owner owns its interest in order to exercise any rights of a Holder under such Global Security or the Indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. The above restrictions and laws may impair the ability to transfer beneficial interests in a Global Security representing Book-Entry Notes.

Unless otherwise specified in the applicable Pricing Supplement, each Global Security representing Book-Entry Notes will be exchangeable for Certificated Notes of like tenor and terms and of differing authorized denominations in a like aggregate principal amount, only if (i) the Depositary notifies the Operating Partnership that it is unwilling or unable to continue as Depositary for the Global Securities or the Operating Partnership becomes aware that the Depositary has ceased to be a clearing agency registered under the Exchange Act and, in any such case, the Operating Partnership shall not have appointed a successor to the Depositary within 60 days thereafter, (ii) the Operating Partnership, in its sole discretion, determines that the Global Securities shall be exchangeable for Certificated Notes or (iii) an Event of Default under the Indenture shall have occurred and be continuing with respect to the Notes. Upon any such exchange, the Certificated Notes shall be registered in the names of the Beneficial Owners of the Global Security or Securities representing Book-Entry Notes, which names shall be provided by the Depositary's relevant Participants (as identified by the Depositary) to the Trustee.

The following is based on information furnished by the Depositary:

The Depositary will act as securities depository for the Book-Entry Notes. The Book-Entry Notes will be issued as fully registered securities registered in the name of Cede & Co. (the Depositary's partnership nominee). One fully registered Global Security will be issued for each issue of Book-Entry Notes, each in the aggregate principal amount of such issue, and will be deposited with the Depositary. If, however, the aggregate principal amount of any issue exceeds $200,000,000, one Global Security will be issued with respect to each $200,000,000 of principal amount and an additional Global Security will be issued with respect to any remaining principal amount of such issue.

The Depositary is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary holds securities that its participants ("Participants") deposit with the Depositary. The Depositary also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants of the Depositary ("Direct Participants") include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations and certain other organizations. The Depositary is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Depositary's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to the Depositary and its Participants are on file with the Securities and Exchange Commission.

Purchases of Book-Entry Notes under the Depositary's system must be made by or through Direct Participants, which will receive a credit for such Book-Entry Notes on the Depositary's records. The ownership interest of each actual purchaser of each Book-Entry Note represented by a Global Security ("Beneficial Owner") is in turn to be recorded on the records of Direct Participants and Indirect Participants. Beneficial Owners will not receive written confirmation from the Depositary of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participants through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in a Global Security representing Book-Entry Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners of a Global Security representing Book-Entry Notes will not receive Certificated Notes representing their ownership interests therein, except in the event that use of the book-entry system for such Book-Entry Notes is discontinued.

To facilitate subsequent transfers, all Global Securities representing Book-Entry Notes which are deposited with, or on behalf of, the Depositary are registered in the name of the Depositary's nominee, Cede & Co. The deposit of Global Securities with, or on behalf of, the Depositary and their registration in the name of Cede & Co. effect no change in beneficial ownership. The Depositary has no knowledge of the actual Beneficial Owners of the Global Securities representing the Book-Entry Notes; the Depositary's records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depositary to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither the Depositary nor Cede & Co. will consent or vote with respect to the Global Securities representing the Book-Entry Notes. Under its usual procedures, the Depositary mails an Omnibus Proxy to the Operating Partnership as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Book-Entry Notes are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and/or interest, if any, payments on the Global Securities representing the Book-Entry Notes will be made in immediately available funds to the Depositary. The Depositary's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with their respective holdings shown on the Depositary's records unless the Depositary has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of the Depositary, the Trustee or the Operating Partnership, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and/or interest, if any, to the Depositary is the responsibility of the Operating Partnership and the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of the Depositary, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

If applicable, redemption notices shall be sent to Cede & Co. If less than all of the Book-Entry Notes of like tenor and terms are being redeemed, the Depositary's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

A Beneficial Owner shall give notice of any election to have its Book-Entry Notes repaid by the Operating Partnership, through its Participant, to the Trustee, and shall effect delivery of such Book-Entry Notes by causing the Direct Participant to transfer the Participant's interest in the Global Security or Securities representing such Book-Entry Notes, on the Depositary's records, to the Trustee. The requirement for physical delivery of Book-Entry Notes in connection with a demand for repayment will be deemed satisfied when the ownership rights in the Global Security or Securities representing such Book-Entry Notes are transferred by Direct Participants on the Depositary's records.

The Depositary may discontinue providing its services as securities depository with respect to the BookEntry Notes at any time by giving reasonable notice to the Operating Partnership or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificated Notes are required to be printed and delivered.

The Operating Partnership may decide to discontinue use of the system of book-entry transfers through the Depositary (or a successor securities depository). In that event, Certificated Notes will be printed and delivered.

The information in this section concerning the Depositary and the Depositary's system has been obtained from sources that the Operating Partnership believes to be reliable, but the Operating Partnership takes no responsibility for the accuracy thereof.

THE GUARANTEE

The Guarantor will guarantee (the "Guarantee") the due and punctual payment of principal of, premium, if any, interest on, and any other amounts payable with respect to, the Notes, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration, or otherwise, in accordance with the terms of the Notes and the Indenture. Pursuant to the Indenture, (i) the Trustee may exercise its rights thereunder on behalf of the Holders and (ii) the Guarantor has agreed that it shall take no action which would cause the Operating Partnership to violate any covenant or agreement under the Indenture. The Guarantee will terminate upon the consummation of the reorganizational transactions pursuant to which the Operating Partnership is expected to own directly all of the assets and partnership interests then owned by the Guarantor. However, there can be no assurance that such reorganizational transactions will be so effected. See "The Operating Partnership" in the accompanying Prospectus. No partner (whether limited or general) of the Guarantor will have any liability for any obligations of the Guarantor under the Guarantee.

Except as provided by the Guarantee, Holders of the Notes will have no claims, with respect to any payments in connection with the Notes, against the assets of any Subsidiary of the Operating Partnership. Any such claim that such Holders may make will have to be made indirectly through the equity interest that the Operating Partnership has in its Subsidiaries, and will thus be structurally subordinated to the claims of creditors of the Subsidiaries. As a result of the Guarantee, Holders of the Notes, upon exercising their rights with respect to the Guarantee against the Guarantor, will be considered creditors of the Guarantor and their claims will rank pari passu with those of other unsecured and unsubordinated creditors of the Guarantor and will not be structurally subordinated to such creditors.

## SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

### GENERAL

Unless otherwise specified in the applicable Pricing Supplement, Foreign Currency Notes will not be sold in, or to residents of, the country issuing the applicable currency. The information set forth in this Prospectus Supplement is directed to prospective purchasers who are United States residents and, with respect to Foreign Currency Notes, is by necessity incomplete. The Operating Partnership and the Agents disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of, and premium, if any, and interest, if any, on, Foreign Currency Notes. Such persons should consult their own financial and legal advisors with regard to such matters. See "Risk Factors -- Exchange Rates and Exchange Controls."

### PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST, IF ANY

Unless otherwise specified in the applicable Pricing Supplement, the Operating Partnership is obligated to make payments of principal of, and premium, if any, and interest, if any, on, a Foreign Currency Note in the Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of such debts). Any such amounts payable by the Operating Partnership in the Specified Currency will be converted by the exchange rate agent named in the applicable Pricing Supplement (the "Exchange Rate Agent") into United States dollars for payment to Holders unless otherwise specified below or in the applicable Pricing Supplement or unless the Holder of such Foreign Currency Note elects, in the manner hereinafter described, to receive such amounts in the Specified Currency.

Any United States dollar amount to be received by a Holder of a Foreign Currency Note will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent) selected by the Exchange Rate Agent and approved by the Operating Partnership for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of such Specified Currency payable to all Holders of Foreign Currency Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holders of such Foreign Currency Notes by deductions from such payments. If three such bid quotations are not available, payments will be made in the Specified Currency unless the Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of the Operating Partnership.

Holders of Foreign Currency Notes may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest, if any, in the Specified Currency by submitting a written request for such payment to the Trustee at its corporate trust office in The City of New York on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. Holders of Foreign Currency Notes may elect to receive all or a specified portion of all future payments in the Specified Currency and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be. Holders of Foreign Currency Notes to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the Specified Currency may be made.

Unless otherwise specified in the applicable Pricing Supplement, if the Specified Currency is other than United States dollars, a Beneficial Owner of the related Global Security or Securities which elects to receive payments of principal, premium, if any, and/or interest, if any, in the Specified Currency must notify the Participant through which it owns its interest on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be, of such Beneficial Owner's election. Such Participant must notify the Depositary of such election on or prior to the third Business Day after such Record Date or at least twelve calendar days prior to the Maturity Date, as the case may be, and the Depositary will notify the Trustee of such election on or prior to the fifth Business Day after such Record Date or at least ten calendar days prior to the Maturity Date, as the case may be. If complete instructions are received by the Participant from the Beneficial Owner and forwarded by the Participant to the Depositary, and by the Depositary to the Trustee, on or prior to such dates, then such Beneficial Owner will receive payments in the Specified Currency.

Payments of the principal of, and premium, if any, and/or interest, if any, on, Foreign Currency Notes which are to be made in United States dollars will be made in the manner specified herein with respect to Notes denominated in United States dollars. See "Description of Notes -- General." Payments of interest, if any, on Foreign Currency Notes which are to be made in the Specified Currency on an Interest Payment Date other than the Maturity Date will be made by check mailed to the address of the Holders of such Foreign Currency Notes as they appear in the Security Register, subject to the right to receive such interest payments by wire transfer of immediately available funds under the circumstances described under "Description of Notes -- General." Payments of principal of, and premium, if any, and/or interest, if any, on, Foreign Currency Notes which are to be made in the Specified Currency on the Maturity Date will be made by wire transfer of immediately available funds to an account with a bank designated at least fifteen calendar days prior to the Maturity Date by each Holder thereof, provided that such bank has appropriate facilities therefor and that the applicable Foreign Currency Note is presented and surrendered at the office or agency maintained by the Operating Partnership for such purpose in the Borough of Manhattan, The City of New York, currently the corporate trust office of the Trustee located at 55 Water Street, North Building, 2nd Floor, Room 234, New York, New York 10041, in time for the Trustee to make such payments in such funds in accordance with its normal procedures.

## AVAILABILITY OF SPECIFIED CURRENCY

Except as set forth below, if the Specified Currency for a Foreign Currency Note is not available for the required payment of principal, premium, if any, and/or interest, if any, in respect thereof due to the imposition of exchange controls or other circumstances beyond the control of the Operating Partnership, the Operating Partnership will be entitled to satisfy its obligations to the Holder of such Foreign Currency Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below), computed by the Exchange Rate Agent, on the second Business Day prior to such payment or, if such Market

Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate, or as otherwise specified in the applicable Pricing Supplement.

If the Specified Currency for a Foreign Currency Note is a composite currency that is not available for the required payment of principal, premium, if any, and/or interest, if any, in respect thereof due to the imposition of exchange controls or other circumstances beyond the control of the Operating Partnership, the Operating Partnership will be entitled to satisfy its obligations to the Holder of such Foreign Currency Note by making such payment in United States dollars on the basis of the equivalent of the composite currency in United States dollars. The component currencies of the composite currency for this purpose (the "Component Currencies") shall be the currency amounts that were components of the composite currency as of the last day on which the composite currency was used. The equivalent of the composite currency in United States dollars shall be calculated by aggregating the United States dollar equivalents of the Component Currencies. The United States dollar equivalent of each of the Component Currencies shall be determined by the Exchange Rate Agent on the basis of the Market Exchange Rate on the second Business Day prior to the required payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate for each such Component Currency, or as otherwise specified in the applicable Pricing Supplement.

If the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of the currency as a Component Currency shall be divided or multiplied in the same proportion. If two or more Component Currencies are consolidated into a single currency, the amounts of those currencies as Component Currencies shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Component Currencies expressed in such single currency. If any Component Currency is divided into two or more currencies, the amount of the original Component Currency shall be replaced by the amounts of such two or more currencies, the sum of which shall be equal to the amount of the original Component Currency.

The "Market Exchange Rate" for a Specified Currency other than United States dollars means the noon dollar buying rate in The City of New York for cable transfers for such Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances where the required payment is in a Specified Currency other than United States dollars will not constitute an Event of Default under the Indenture with respect to the Notes.

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holders of the Foreign Currency Notes.

JUDGMENTS

The Notes will be governed by and construed in accordance with the laws of the State of New York. If an action based on Foreign Currency Notes were commenced in a court of the United States, it is likely that such court would grant judgment relating to such Foreign Currency Notes only in United States dollars. It is not clear, however, whether, in granting such judgment, the rate of conversion into United States dollars would be determined with reference to the date of default, the date of entry of the judgment or some other date. Under current New York law, a state court in the State of New York rendering a judgment in respect of a Foreign Currency Note would be required to render such judgment in the Specified Currency, and such foreign currency judgment would be converted into United States dollars at the exchange rate prevailing on the date of entry of such judgment. Accordingly, the Holder of such Foreign Currency Note would be subject to exchange rate fluctuations between the date of entry of such foreign currency judgment and the time the amount of such foreign currency judgment is paid to such Holder in United States dollars and converted by such Holder into the Specified Currency. It is not certain, however, whether a non-New York state court would follow the same rules and procedures with respect to conversions of foreign currency judgments.

The Operating Partnership will indemnify the Holder of any Note against any loss incurred by such Holder as a result of any judgment or order being given or made for any amount due under such Note and such judgment or order requiring payment in a currency or composite currency (the "Judgment Currency") other than the Specified Currency, and as a result of any variation between (i) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the Holder of such Note, on the date of payment of such judgment or order, is able to purchase the Specified Currency with the amount of the Judgment Currency actually received by such Holder, as the case may be.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates) or possible differing interpretations. It deals only with Notes held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate or trust the income of which is subject to United States Federal income taxation regardless of its source or (iv) any other person whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder.

### U.S. HOLDERS

#### Payments of Interest

Payments of interest on a Note generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

#### Original Issue Discount

The following summary is a general discussion of the United States Federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Notes issued with original issue discount ("Original Issue Discount Notes"). The following summary is based upon final Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") on January 27, 1994, as amended on June 11, 1996, under the original issue discount provisions of the Code.

For United States Federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as hereinafter defined) prior to maturity, multiplied by the weighted average maturity of such Note). The issue price of each Note in an issue of Notes equals the first price at which a substantial amount of such Notes has been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Note is the sum of all payments provided by the Note other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or "qualified floating rate" as discussed below. In addition, under the OID Regulations, if a Note bears interest for one or more accrual periods at a rate below the rate applicable for the remaining term of such Note (e.g., Notes with teaser rates or interest holidays), and if the greater of either the resulting foregone interest on such Note or any "true" discount on such Note (i.e., the excess of the Note's stated principal amount over its issue price) equals or exceeds a specified de minimis amount, then the stated interest payments on the Note would not be treated as qualified stated interest payments.

Payments of qualified stated interest on a Note are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder of an Original Issue Discount Note must include original issue discount in income as ordinary interest for United States Federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the daily portions of original issue discount with respect to such Original Issue Discount Note for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Original Issue Discount Note. The "daily portion" of original issue discount on any Original Issue Discount Note is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Original Issue Discount Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Original Issue Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period is the sum of the issue price of the Original Issue Discount Note plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Original Issue Discount Note that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Original Issue Discount Note after the purchase date other than payments of qualified stated interest, will be considered to have purchased the Original Issue Discount Note at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such Original Issue Discount Note for any taxable year (or portion thereof in which the U.S. Holder holds the Original Issue Discount Note) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

Under the OID Regulations, Floating Rate Notes and Indexed Notes ("Variable Notes") are subject to special rules whereby a Variable Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Note by more than a specified de minimis amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Note is denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate under the OID Regulations unless such cap or floor is fixed throughout the term of the Note. An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based upon objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as dividends, profits or the value of the issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). Despite the foregoing, a variable rate of interest on a Variable Note will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Variable Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Note's term. A "qualified inverse floating rate" is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The OID Regulations also provide that if a Variable Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the Variable Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

If a Variable Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument" under the OID Regulations and if interest on such Note is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on such Note will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" under the OID Regulations will generally not be treated as having been issued with original issue discount unless the Variable Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a de minimis amount as discussed above. The amount of qualified stated interest and the amount of original issue discount, if any, that accrues during an accrual period on such Variable Note is determined under the rules applicable to fixed rate debt instruments by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

In general, any other Variable Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Variable Note. The OID Regulations generally require that such a Variable Note be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Note. In the case of a Variable Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Note provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Note as of the Variable Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Note is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of original issue discount and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general original issue discount rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Note will account for such original issue discount and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. Each accrual period appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Note during the accrual period.

If a Variable Note does not qualify as a "variable rate debt instrument" under the OID Regulations, then the Variable Note would be treated as a contingent payment debt obligation. U.S. Holders should be aware that on June 11, 1996 the Treasury Department issued final regulations (the "CPDI Regulations") concerning the proper United States Federal income tax treatment of contingent payment debt instruments. In general, the CPDI Regulations cause the timing and character of income, gain or loss reported on a contingent payment debt instrument to substantially differ from the timing and character of income, gain or loss reported on a contingent payment debt instrument under general principles of prior United States Federal income tax law. Specifically, the CPDI Regulations generally require a U.S. Holder of such an instrument to include contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the CPDI Regulations, any gain recognized by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument will be treated as ordinary income and all or a portion of any loss realized could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). The proper United States Federal income tax treatment of Variable Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement. Furthermore, any other special United States Federal income tax considerations, not otherwise discussed herein, which are applicable to any particular issue of Notes will be discussed in the applicable Pricing Supplement.

Certain of the Notes (i) may be redeemable at the option of the Operating Partnership prior to their stated maturity (a "call option") and/or (ii) may be repayable at the option of the holder prior to their stated maturity (a "put option"). Notes containing such features may be subject to rules that differ from the general rules discussed above. Investors intending to purchase Notes with such features should consult their own tax advisors, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Notes.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

The OID Regulations contain certain special rules that generally allow any reasonable method to be used in determining the amount of original issue discount allocable to a short initial accrual period (if all other accrual periods are of equal length) and require that the amount of original issue discount allocable to the final accrual period equal the excess of the amount payable at the maturity of the Original Issue Discount Note (other than any payment of qualified stated interest) over the Original Issue Discount Note's adjusted issue price as of the beginning of such final accrual period. In addition, if an interval between payments of qualified stated interest on an Original Issue Discount Note contains more than one accrual period, then the amount of qualified stated interest payable at the end of such interval is allocated pro rata (on the basis of their relative lengths) between the accrual periods contained in the interval.

### Short-Term Notes

Notes that have a fixed maturity of one year or less ("Short-Term Notes") will be treated as having been issued with original issue discount equal to the excess of the stated redemption price at maturity on the short-term Note over the taxpayer's basis in such obligation. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Note will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for United States Federal income tax purposes under the accrual method, and certain other holders including banks and dealers in securities, are required to accrue original issue discount on a Short-Term Note on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

### Market Discount

If a U.S. Holder purchases a Note, other than an Original Issue Discount Note, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an Original Issue Discount Note, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Note at a "market discount," unless such market discount is less than a specified de minimis amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an Original Issue Discount Note, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in income and is treated as having accrued on such Note at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding. Once made, with respect to a Note, such election is irrevocable with respect to that Note.

A U.S. Holder may be required to defer the deduction of a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Note with market discount until the maturity of the Note or certain earlier dispositions, because a current deduction is only allowed to the extent of the amount of income included in gross income with respect to the Note plus the amount by which any remaining interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Note and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for United States Federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

### Premium

If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Note with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Note and may offset interest otherwise required to be included in respect of the Note during any taxable year by the amortized amount of such excess for the taxable year. However, if the Note may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium. Any election to amortize bond premium applies to all taxable debt instruments then owned and thereafter acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

### Disposition of a Note

Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note were held for more than one year.

## NOTES DENOMINATED, OR IN RESPECT OF WHICH INTEREST IS PAYABLE, IN A FOREIGN CURRENCY

As used herein, "Foreign Currency" means a currency or composite currency other than U.S. dollars.

### Payments of Interest in a Foreign Currency

CASH METHOD. A U.S. Holder who uses the cash method of accounting for United States Federal income tax purposes and who receives a payment of interest on a Note (other than original issue discount or market discount) will be required to include in income the U.S. dollar value of the Foreign Currency payment (determined on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Foreign Currency.

ACCRUAL METHOD. A U.S. Holder who uses the accrual method of accounting for United States Federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount and reduced by amortizable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other debt obligations held by the U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder should consult a tax advisor before making the above election. A U.S. Holder will recognize exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognized will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale and Retirement of Notes

A U.S. Holder who purchases a Note with previously owned Foreign Currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the Foreign Currency and the U.S. dollar fair market value of the Foreign Currency used to purchase the Note, determined on the date of purchase.

Except as discussed above with respect to Short-Term Notes, upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and such U.S. Holder's adjusted tax basis in the Note. Such gain or loss generally will be capital gain or loss (except to the extent of any accrued market discount not previously included in the U.S. Holder's income) and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held by such U.S. Holder for more than one year. To the extent the amount realized represents accrued but unpaid interest, however, such amounts must be taken into account as interest income, with exchange gain or loss computed as described in "Payments of Interest in a Foreign Currency" above. If a U.S. Holder receives Foreign Currency on such a sale, exchange or retirement the amount realized will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the Note is disposed of (or deemed disposed of as a result of a material change in the terms of such Note). In the case of a Note that is denominated in Foreign Currency and is traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the Foreign Currency payment at the spot rate of exchange on the settlement date of the sale. A U.S. Holder's adjusted tax basis in a Note will equal the cost of the Note to such holder, increased by the amounts of any market discount or original issue discount previously included in income by the holder with respect to such Note and reduced by any amortized acquisition or other premium and any principal payments received by the holder. A U.S. Holder's tax basis in a Note, and the amount of any subsequent adjustments to such holder's tax basis, will be the U.S. dollar value of the Foreign Currency amount paid for such Note, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.

Gain or loss realized upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of the Note, determined on the date such payment is received or the Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Such Foreign Currency gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange or retirement of the Note.

Original Issue Discount

In the case of an Original Issue Discount Note or Short-Term Note, (i) original issue discount is determined in units of the Foreign Currency, (ii) accrued original issue discount is translated into U.S. dollars as described in "Payments of Interest in a Foreign Currency -- Accrual Method" above and (iii) the amount of Foreign Currency gain or loss on the accrued original issue discount is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into U.S. dollars at the rate of exchange on the date of such receipt, with the amount of original issue discount accrued, as translated above.

## Premium and Market Discount

In the case of a Note with market discount, (i) market discount is determined in units of the Foreign Currency, (ii) accrued market discount taken into account upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Note (other than accrued market discount required to be taken into account currently) is translated into U.S. dollars at the exchange rate on such disposition date (and no part of such accrued market discount is treated as exchange gain or loss) and (iii) accrued market discount currently includable in income by a U.S. Holder for any accrual period is translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period, and the exchange gain or loss is determined upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Note in the manner described in "Payments of Interest in a Foreign Currency -- Accrual Method" above with respect to computation of exchange gain or loss on accrued interest.

With respect to a Note issued with amortizable bond premium, such premium is determined in the relevant Foreign Currency and reduces interest income in units of the Foreign Currency. Although not entirely clear, a U.S. Holder should recognize exchange gain or loss equal to the difference between the U.S. dollar value of the bond premium amortized with respect to a period, determined on the date the interest attributable to such period is received, and the U.S. dollar value of the bond premium determined on the date of the acquisition of the Note.

## Exchange of Foreign Currencies

A U.S. Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Note equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. Any gain or loss realized by a U.S. Holder on a sale or other disposition of Foreign Currency (including its exchange for U.S. dollars or its use to purchase Notes) will be ordinary income or loss.

## NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal, premium (if any) or interest (including original issue discount, if any) on a Note, unless such non-U.S. Holder is a direct or indirect 10% or greater shareholder of the Operating Partnership, a controlled foreign corporation related to the Operating Partnership or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the last United States payor in the chain of payment prior to payment to a non-U.S. Holder (the "Withholding Agent") must have received in the year in which a payment of interest or principal occurs, or in either of the two preceding calendar years, a statement that (i) is signed by the beneficial owner of the Note under penalties of perjury, (ii) certifies that such owner is not a U.S. Holder and (iii) provides the name and address of the beneficial owner. The statement may be made on an IRS Form W-8 or a substantially similar form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Note is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of the IRS Form W-8 or the substitute form provided by the beneficial owner to the organization or institution. The Treasury Department is considering implementation of further certification requirements aimed at determining whether the issuer of a debt obligation is related to holders thereof.

Generally, a non-U.S. Holder will not be subject to Federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Notes will not be includable in the estate of a non-U.S. Holder unless the individual is a direct or indirect 10% or greater shareholder of the Operating Partnership or, at the time of such individual's death, payments in respect of the Notes would have been effectively connected with the conduct by such individual of a trade or business in the United States.

BACKUP WITHHOLDING

Backup withholding of United States Federal income tax at a rate of 31% may apply to payments made in respect of the Notes to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Notes to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Note to (or through) a broker, the broker must withhold 31% of the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Holder, certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Such a sale must also be reported by the broker to the IRS, unless either (i) the broker determines that the seller is an exempt recipient or (ii) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the IRS.

## PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Operating Partnership to or through Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Chase Securities Inc., Lehman Brothers Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, NationsBanc Capital Markets, Inc., Salomon Brothers Inc and UBS Securities LLC (the "Agents"). The Agents, individually or in a syndicate, may purchase Notes, as principal, from the Operating Partnership from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Agent or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price. If agreed to by the Operating Partnership and an Agent, such Agent may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. The Operating Partnership will pay a commission to an Agent, ranging from .125% to .750% of the principal amount of each Note, depending upon its stated maturity, sold through such Agent as an agent of the Operating Partnership. Commissions with respect to Notes with stated maturities in excess of 30 years that are sold through an Agent as an agent of the Operating Partnership will be negotiated between the Operating Partnership and such Agent at the time of such sale.

Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission applicable to an agency sale of a Note of identical maturity. An Agent may sell Notes it has purchased from the Operating Partnership as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Agent may allow, and such dealers may reallow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold on a fixed offering price basis), the concession and the reallowance may be changed.

The Operating Partnership has reserved the right to sell the Notes through one or more other agents or to other persons as principal. In any such events, the names of the other agents or principals will be set forth in the applicable Pricing Supplement.

The Operating Partnership reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject offers in whole or in part (whether placed directly with the Operating Partnership or through an Agent). Each Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

Unless otherwise specified in the applicable Pricing Supplement, payment of the purchase price of the Notes will be required to be made in immediately available funds in the Specified Currency in The City of New York on the date of settlement. See "Description of Notes -- General."

Upon issuance, the Notes will not have an established trading market. The Notes will not be listed on any securities exchange. The Agents may from time to time purchase and sell Notes in the secondary market, but the Agents are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or that there will be liquidity in the secondary market if one develops. From time to time, the Agents may make a market in the Notes, but the Agents are not obligated to do so and may discontinue any market-making activity at any time.

Until the distribution of the Notes is completed, rules of the Securities and Exchange Commission may limit the ability of the Agents to bid for and purchase Notes. As an exception to these rules, the Agents are permitted to engage in certain transactions that stabilize the price of the Notes. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes.

If the Agents create a short position in the Notes in connection with the offering, (i.e., if they sell more Notes than are set forth on the cover page of this Prospectus Supplement), they may reduce that short position by purchasing Notes in the open market.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases. The imposition of a penalty bid might have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in the offering.

The Agents also may impose a penalty bid on certain Agents. This means that if the Agents purchase Notes in the open market to reduce the Agents' short position or to stabilize the price of the Notes, they may reclaim the amount of the selling concession from the Agents who sold those Notes as part of the offering.

Neither the Operating Partnership nor any of the Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Operating Partnership nor any of the Agents makes any representation that the Agents will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Operating Partnership and certain of its affiliates have agreed to indemnify the Agents against, and to provide contribution with respect to, certain liabilities (including liabilities under the Securities Act). The Operating Partnership has agreed to reimburse the Agents for certain other expenses.

Merrill Lynch and certain of the other Agents have, from time to time, provided, and may continue to provide in the future, various investing banking, commercial banking and/or financial advisory services to Simon DeBartolo Group, Inc. (the "Company"), the Operating Partnership, the Guarantor and certain of their affiliates, for which certain customary compensation has been, and will be, received. Merrill Lynch has acted as representative of various underwriters in connection with public offerings of the Company's Common Stock and Preferred Stock in 1993, 1995 and 1996 and of the Operating Partnership's Debt Securities in 1996. Also, in connection with the Merger (as defined in the accompanying Prospectus), the Company has agreed to pay Merrill Lynch a fee of approximately $4 million for financial advisory services provided by Merrill Lynch and Morgan Stanley & Co. Incorporated ("Morgan Stanley") was paid a fee of approximately $3.875 million by DeBartolo Realty Corporation ("DRC") for financial advisory services provided to DRC by Morgan Stanley. The Chase Manhattan Bank, which serves as the Trustee and the Calculation Agent, is an affiliate of Chase Securities Inc., one of the Agents. Morgan Guaranty Trust Company of New York, an affiliate of J.P. Morgan Securities Inc., one of the Agents, The Chase Manhattan Bank, an affiliate of Chase Securities Inc., one of the Agents, and Union Bank of Switzerland, New York Branch, an affiliate of UBS Securities LLC, one of the Agents, are lead agents and lenders under the Operating Partnership's and the Guarantor's $750 million unsecured, three-year credit facility.

From time to time, the Operating Partnership may issue and sell other Debt Securities described in the accompanying Prospectus, and the amount of Notes offered hereby is subject to reduction as a result of such sales.

## LEGAL MATTERS

The legality of the Notes offered hereby and the description of Federal income tax matters contained in this Prospectus Supplement will be passed upon for the Operating Partnership by Baker & Daniels, Indianapolis, Indiana. Certain legal matters will be passed upon for the Agents by Rogers & Wells, New York, New York. Baker & Daniels and Rogers & Wells will rely on (i) the opinions of Piper & Marbury, LLP, Baltimore, Maryland, as to matters of Maryland law and (ii) the opinions of Vorys, Sater, Seymour and Pease, Columbus, Ohio, as to matters of Ohio law.

PROSPECTUS

$750,000,000

SIMON DEBARTOLO GROUP, L.P.
DEBT SECURITIES

------------------------

Simon DeBartolo Group, L.P. (the "Operating Partnership") may from time to time offer in one or more series unsecured non-convertible investment grade debt securities ("Debt Securities") with an aggregate public offering price of up to $750,000,000 (or its equivalent in another currency based on the exchange rate at the time of sale) in amounts, at prices and on terms to be set forth in one or more supplements to this Prospectus (each a "Prospectus Supplement"). The Operating Partnership is a subsidiary of Simon DeBartolo Group, Inc. (the "Company") and is the Company's primary operating partnership following the consummation on August 9, 1996 of the merger of DeBartolo Realty Corporation with a subsidiary of the Company. Simon Property Group, L.P., a Delaware limited partnership and a subsidiary partnership of the Operating Partnership, will guarantee (the "Guarantee") the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to, the Debt Securities, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration or otherwise, and as set forth in the applicable Prospectus Supplement with respect to such Debt Securities.

The specific terms of the Debt Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and will include a specific title, aggregate principal amount, currency, form (which may be registered or bearer, or certificated or global), authorized denominations, maturity, rate (or manner of calculation thereof) and time of payment of interest, terms for redemption at the option of the Operating Partnership or repayment at the option of the holder, terms for sinking fund payments, covenants and any initial public offering price.

The applicable Prospectus Supplement will also contain information, where applicable, concerning material United States federal income tax considerations relating to, and any listing on a securities exchange of, the Debt Securities covered by such Prospectus Supplement.

The Debt Securities may be offered directly, through agents designated from time to time by the Operating Partnership, or to and through underwriters or dealers. If any agents, dealers or underwriters are involved in the sale of any of the Debt Securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying Prospectus Supplement. See "Plan of Distribution." No Debt Securities may be sold without delivery of a Prospectus Supplement describing the method and terms of the offering of such series of Debt Securities.

The Debt Securities will be direct, unsecured obligations of the Operating Partnership and will, unless otherwise described in the applicable Prospectus Supplement, rank equally with all other unsecured and unsubordinated indebtedness of the Operating Partnership. On September 30, 1996, the total outstanding debt of the Operating Partnership including its pro rata share of joint venture debt was approximately $3,986.3 million, 92% of which was secured debt. Except as otherwise described in the applicable Prospectus Supplement, the Indenture pursuant to which the Debt Securities are issued does not limit the amount of other indebtedness of the Operating Partnership that may rank equally with or senior to the Debt Securities.

------------------------



------------------------

The date of this Prospectus is November 21, 1996.

AVAILABLE INFORMATION

Simon DeBartolo Group, Inc. (the "Company") is the holder of approximately a 99.99% interest in SD Property Group, Inc., which is the managing general partner of the Operating Partnership. Simon Property Group, L.P. ("SPG, LP") is a subsidiary partnership of the Operating Partnership. The Company is the general partner of SPG, LP. The Company and SPG, LP are and, following the effectiveness of the registration statement of which this Prospectus is a part, the Operating Partnership will be, subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, the Company and SPG, LP file and the Operating Partnership may be required to file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company and SPG, LP can be inspected and copied, at the prescribed rates, at the public reference facilities of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at 7 World Trade Center, Suite 1300, New York, New York 10048, and Northwestern Atrium Center, 500 W. Madison Street, Chicago, Illinois 60661. The Company's Common Stock is traded on the New York Stock Exchange ("NYSE"). Reports and other information concerning the Company may be inspected at the principal office of the NYSE at 20 Broad Street, New York, New York 10005.

The Company, SPG, LP and the Operating Partnership will provide without charge to each person to whom a copy of this Prospectus is delivered, upon written or oral request, a copy of any or all of the documents incorporated herein by reference (other than exhibits to such documents). Written requests for such copies should be addressed to National City Center, 115 West Washington Street, Suite 15 East, Indianapolis, Indiana 46204, Attn: Investor Relations, telephone number (317) 685-7330.

This Prospectus constitutes a part of a Registration Statement on Form S-3 (the "Registration Statement") filed by the Operating Partnership and SPG, LP with the Commission under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Debt Securities offered hereby. This Prospectus omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto, in accordance with the rules and regulations of the Commission. For further information concerning the Operating Partnership, SPG, LP and the Debt Securities offered hereby, reference is hereby made to the Registration Statement and the exhibits and schedules filed therewith, which may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and copies of which may be obtained from the Commission at prescribed rates. The Commission maintains a World Wide Web Site (http://www.sec.gov) that contains such material regarding issuers that file electronically with the Commission. This Registration Statement has been so filed and may be obtained at such site. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

Certain information, including, but not limited to, information relating to the Operating Partnership's and SPG, LP's properties, principal security holders, management, executive compensation, certain relationships and related transactions and legal proceedings that would be required to be disclosed in a prospectus included in a registration statement on Form S-11, has been omitted from this Prospectus because such information is not materially different from the information contained in the Company's and SPG, LP's periodic reports, proxy statements and other information filed by the Company and SPG, LP with the Commission.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents of the Company and SPG, LP which have been filed with the Commission are hereby incorporated by reference in this Prospectus.

1. The Company's Registration Statement on Form S-4 (Registration No. 333-06933);

2. The Company's Proxy Statement dated June 28, 1996, relating to the annual and special meeting of stockholders held on August 7, 1996;

3. The Company's Annual Report on Form 10-K for the year ended December 31, 1995, as amended by Form 10-K/A-1;

4. The Company's Quarterly Reports on Form 10-Q for the calendar quarters ended March 31, 1996, as amended by Form 10-Q/A, June 30, 1996 and September 30, 1996, as amended by Form 10-Q/A;

5. The Company's Current Reports on Form 8-K filed on March 21, April 1, May 17, August 12, August 14, August 26, September 18, and September 27, 1996;

6. SPG, LP's Annual Report on Form 10-K for the year ended December 31, 1995, as amended by Forms 10-K/A-1 and 10-K/A-2;

7. SPG, LP's Quarterly Reports on Form 10-Q for the calendar quarters ended March 31, June 30 and September 30, 1996, as amended by Form 10-Q/A; and

8. SPG, LP's Current Report on Form 8-K filed on August 26, 1996, as amended on August 28, 1996, and on October 21, 1996.

The Exchange Act filing numbers of the Company and SPG, LP are 1-12618 and 33-98364, respectively.

Each document filed by the Company, SPG, LP or the Operating Partnership subsequent to the date of this Prospectus pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act and prior to termination of the offering of all Debt Securities to which this Prospectus relates shall be deemed to be incorporated by reference in this Prospectus and shall be part hereof from the date of filing of such document. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus (in the case of a statement in a previously-filed document incorporated or deemed to be incorporated by reference herein), in any accompanying Prospectus Supplement relating to a specific offering of Debt Securities or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any accompanying Prospectus Supplement. Subject to the foregoing, all information appearing in this Prospectus and each accompanying Prospectus Supplement is qualified in its entirety by the information appearing in the documents incorporated by reference.

The foregoing documents of the Company and SPG, LP filed under the Exchange Act have been incorporated by reference herein because they contain information concerning business, properties, operations and management of the Operating Partnership through which the Company conducts its operations.

THE OPERATING PARTNERSHIP

Simon DeBartolo Group, L.P. (the "Operating Partnership") is a subsidiary partnership of Simon DeBartolo Group, Inc. (the "Company") (formerly known as Simon Property Group, Inc. ("SPG")), and is the primary operating partnership of the Company as a result of the merger of DeBartolo Realty Corporation ("DRC") with a subsidiary of the Company. Such merger and related transactions thereto (the "Merger") were consummated on August 9, 1996 (the "Merger Date"), at which time DRC became an approximately 99.99% owned subsidiary of the Company and was renamed SD Property Group, Inc. (the "Managing General Partner"). The Managing General Partner and the Company are both general partners of the Operating Partnership, but the Managing General Partner is the sole managing general partner of the Operating Partnership. As part of the Merger, the Company, as general partner of Simon Property Group, L.P. ("SPG, LP" and, together with the Operating Partnership, the "Partnerships"), and as owner of 61.1% of the then outstanding partnership units in SPG, LP, transferred to the Operating Partnership 10.6% of such partnership units then outstanding and an additional 49.5% interest in the profits (but not the capital) of SPG, LP in exchange for 37.3% of the partnership interests in the Operating Partnership pursuant to a Contribution Agreement, dated June 25, 1996, and a related Instrument of Assignment, dated August 9, 1996. All of the limited partners of SPG, LP contributed another 38.9% of the then outstanding partnership units in SPG, LP to the Operating Partnership pursuant to similar contribution agreements and related instruments of assignment. Therefore in total, the Operating Partnership acquired a 49.5% limited partnership interest in, and an additional 49.5% interest in the profits of, SPG, LP. See "The Merger." Following certain redemptions of the Company's interest in SPG, LP completed since the Merger, the Company owns a 40.8% partnership interest in the capital of SPG, LP and the Operating Partnership owns a 58.2% special limited partnership in, and an additional 40.8% interest in the profits of, SPG, LP.

The Company is the parent of the Managing General Partner and owned effectively as of the Merger Date a controlling 61.4% equity interest in the Operating Partnership. As of the Merger Date, Melvin Simon, Herbert Simon, David Simon and certain of their affiliates, including certain other Simon family members and estates, trusts and other entities established for their benefit (collectively, the "Simons"), effectively owned a 21.7% equity interest in the Operating Partnership, and the estate of Edward J. DeBartolo, Edward J. DeBartolo, Jr., M. Denise DeBartolo York, The Edward J. DeBartolo Corporation, an Ohio corporation ("EJDC"), and certain of their affiliates, including certain other DeBartolo family members and estates and trusts established for their benefit (collectively, the "DeBartolos"), effectively owned a 14.2% equity interest in the Operating Partnership.

After the Merger, SPG, LP continues to hold interests in certain properties and is a party to various agreements binding on itself and on subsidiary partnerships of which it is the general partner. These agreements require the continued existence of SPG, LP and the consents necessary under these agreements to permit the combination of SPG, LP and the Operating Partnership were not obtained at the time of the Merger. To date, all of the required consents have been obtained. As a result thereof, it is currently expected that subsequent to the first anniversary of the date of the Merger, reorganizational transactions will be effected so that the Operating Partnership will directly own all of the assets and partnership interests now owned by SPG, LP. Prior to such proposed reorganizational transactions, holders of the Debt Securities to be offered hereby will not, as a result of the Guarantee be structurally subordinated to holders of unsecured and unsubordinated indebtedness of SPG, LP but will rank pari passu with them. After the proposed reorganizational transactions, holders of the Debt Securities will remain pari passu with holders of such indebtedness. However, there can be no assurance that such reorganizational transactions will be so effected.

As of September 30, 1996, on a combined basis: the Operating Partnership owns or holds interests in a diversified portfolio of 183 income producing properties (the "Portfolio Properties"), including 112 super-regional and regional malls, 65 community shopping centers, two specialty retail centers and four mixed-use properties located in 33 states; the Portfolio Properties contain an aggregate of more than 111 million square feet of gross leasable area ("GLA"), of which approximately 65 million square feet is GLA owned by the Partnerships ("Owned GLA"); more than 3,600 different retailers occupy approximately 12,000 stores in the Portfolio Properties; total estimated retail sales at the Portfolio Properties approached $16 billion in fiscal 1995; the Operating Partnership has interests in seven properties under construction in the United States aggregating approximately six million square feet of GLA, and owns land held for future development. The Operating Partnership, together with its affiliated management companies (collectively, the "Management Companies"), manage over 127 million square feet of GLA of retail and mixed-use properties.

As of November 14, 1996, the Operating Partnership and the Management Companies had approximately 8,000 employees. The Operating Partnership's executive offices are located at National City Center, 115 West Washington Street, Suite 15 East, Indianapolis, Indiana 46204, and its telephone number is (317) 636-1600.

The following chart depicts the organizational and ownership structure of the Operating Partnership and certain affiliates:

- ---------------

(1) The Simons own less than 1% of the outstanding shares of common stock of the Company and all of the Class B common stock of the Company.

(2) The DeBartolos own less than 1% of the outstanding common stock of the Company and all of the Class C common stock of the Company.

(3) The Company owns over 99.9% of the common stock of SD Property Group, Inc. and, both directly and indirectly through its ownership of the SD Property Group, Inc., owns at November 14, 1996 61.3% interest in the Operating Partnership and, as general partner, owns 1% of the partnership units in SPG, LP and a 40.8% interest in the capital of SPG, LP.

(4) The former limited partners of the Operating Partnership and SPG, LP as a group (including the Simons and the DeBartolos) own a 38.7% beneficial interest in the Operating Partnership, of which the Simons own 21.9% and the DeBartolos own 14.1%.

(5) The Operating Partnership owns at November 14, 1996 58.2% special limited partnership interest in, and an additional 40.8% interest in the profits of, SPG, LP.

(6) Properties owned by SPG, LP will be held as they were held in the pre-merger structure. Later acquired properties will be held by, and future operations will be conducted through, the Operating Partnership. It is currently expected that subsequent to the first anniversary of the date of the Merger, reorganizational

(continued)

transactions will be effected so that the Operating Partnership will directly own all of the assets and partnership interests now owned by SPG, LP. However, there can be no assurance that such reorganizational transactions will be so effected.

(7) SPG, LP will guarantee the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to, the Notes, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration or otherwise. See "Description of the Debt Securities -- The Guarantee."

## THE MERGER

On August 9, 1996, the merger and other related transactions, pursuant to the agreement and plan of merger among Simon Property Group, Inc. ("SPG"), an acquisition subsidiary of SPG and DeBartolo Realty Corporation ("DRC"), were consummated (the "Merger"). Pursuant to the Merger, SPG acquired all the outstanding shares of common stock of DRC (55,712,529 shares) through the acquisition subsidiary, at an exchange ratio of 0.68 share of SPG common stock for each share of DRC common stock (the "Exchange Ratio"). A total of 37,884,520 shares of SPG common stock were issued by the Company, through the acquisition subsidiary, to the DRC shareholders. DRC and the acquisition subsidiary merged, with DRC as the surviving entity and becoming a 99.9% subsidiary of SPG. This portion of the transaction was valued at approximately $923.4 million, based upon the number of DRC shares of common stock acquired (55,712,529 shares), the Exchange Ratio and the last reported sales price per share of SPG's common stock on August 9, 1996 ($24.375). In connection therewith, SPG changed its name to Simon DeBartolo Group, Inc. (the "Company") and DRC changed its name to SD Property Group, Inc. (the "Managing General Partner").

In connection with the Merger, the general and limited partners of the operating partnership of SPG, Simon Property Group, L.P. ("SPG, LP"), contributed 49.5% (47,442,212 units) of the total outstanding units of partnership interest in SPG, LP to the operating partnership of DRC, DeBartolo Realty Partnership, L.P. ("DRP, LP") in exchange for 47,442,212 units of partnership interest in DRP, LP, whose name has since been changed to Simon DeBartolo Group, L.P. ("SDG, LP"). The Company retained a 50.5% partnership interest (48,400,614 units) in SPG, LP but assigned its rights to receive distributions of profits on 49.5% (47,442,212 units) of the outstanding units of partnership interest in SPG, LP to SDG, LP. The limited partners of DRP, LP approved the contribution made by the partners of SPG, LP and simultaneously exchanged their 38% (34,203,623 units) partnership interest in DRP, LP, adjusted for the Exchange Ratio, for a smaller partnership interest in SDG, LP. The exchange of the limited partners' 38% partnership interest in DRP, LP for units of partnership interest in SDG, LP has been accounted for as an acquisition of minority interest by the Company and is valued based on the estimated fair value of the consideration issued (approximately $566.9 million). The units of partnership interest in SDG, LP may under certain circumstances be exchangeable for stock of the Company on a one-for-one basis. Therefore, the value of the acquisition of the DRP, LP limited partners' interest acquired was based upon the number of DRP, LP units of partnership interest exchanged (34,203,623 units), the Exchange Ratio and the last reported sales price per share of SPG's common stock on August 9, 1996 ($24.375). The limited partners of SPG, LP received a 23.7% partnership interest in SDG, LP (37,282,628 units) for the contribution of their 38.9% partnership interest in SPG, LP (37,282,628 units) to SDG, LP. The interests transferred by the partners of SPG, LP to DRP, LP have been appropriately reflected at historical costs.

Upon completion of the Merger, the Company became a general partner of SDG, LP with 36.9% (57,605,796 units) of the outstanding partnership units in SDG, LP and the Managing General Partner became the managing general partner of SDG, LP with 24.3% (37,873,965 units in SPG, LP) of the outstanding partnership units in SDG, LP. The Company remained the sole general partner of SPG, LP with 1% of the outstanding partnership units (958,429 units) and 49.5% interest in the capital of SPG, LP, and SDG, LP became a special limited partner in SPG, LP with 49.5% (47,442,212 units) of the outstanding partnership units in SPG, LP and an additional 49.5% interest in the profits of SPG, LP. SPG, LP did not acquire any interest in SDG, LP. Upon completion of the Merger, the Company directly and indirectly owned a controlling 61.2% (95,479,761 units) partnership interest in SDG, LP.

For financial reporting purposes, the completion of the Merger resulted in a reverse acquisition by the Company, using the purchase method of accounting, directly or indirectly, of 100% of the net assets of DRP, LP for consideration valued at $1.523 billion, including related transaction costs. Although the Company was the accounting acquirer, SDG, LP (formerly DRP, LP) became the primary operating partnership through which the future business of the Company will be conducted, As a result of the Merger, the Company's initial operating partnership, SPG, LP, became a subsidiary of SDG, LP. However, because the Company was the accounting acquirer and upon completion of the Merger acquired majority control of SDG, LP, SPG, LP is the predecessor to SDG, LP for financial reporting purposes. Accordingly the financial statements and ratios disclosed by SDG, LP for the post-merger periods will reflect the reverse acquisition of DRP, LP by the Company using the purchase method of accounting and for all pre-merger comparative periods, the financial statements and ratios disclosed by SDG, LP will reflect the financial statements and ratios of SPG, LP as the predecessor to SDG, LP for financial reporting purposes.

It is currently expected that subsequent to the first anniversary of the date of the Merger, reorganizational transactions will be effected so that SDG, LP will directly own all of the assets and partnership interests now owned by SPG, LP. However, there can be no assurance that such reorganizational transactions will be so effected. See "The Operating Partnership."

In connection with the Merger, M.S. Management Associates, Inc., a SPG management company, purchased from The Edward J. DeBartolo Corporation all of the voting stock (665 shares of common stock) of DeBartolo Properties Management, Inc., a DRC management company, for $2.5 million in cash. SDG, LP continues to hold substantially all of the economic interest in DeBartolo Properties Management, Inc. The Company holds substantially all of the economic interest in M.S. Management Associates, Inc., while the voting stock are held by the Simons and their affiliates.

For an organizational chart of the Company after the Merger, see page 5.

## USE OF PROCEEDS

Except as otherwise provided in the applicable Prospectus Supplement, proceeds to the Operating Partnership from the sale of the Debt Securities offered hereby will be added to the working capital of the Operating Partnership and will be available for general purposes, which may include the repayment of indebtedness, the financing of capital commitments and possible future acquisitions associated with the continued expansion of the Partnerships' business.

## RATIO OF EARNINGS TO FIXED CHARGES

SDG, LP's ratio of earnings to fixed charges for the nine months ended September 30, 1996 and 1995 was 1.50x and 1.64x, respectively, and for the fiscal years ended December 31, 1995 and 1994 was 1.67x and 1.43x, respectively. From the commencement of its operations on December 20, 1993 through December 31, 1993, the ratio of earnings to fixed charges for SPG, LP was 3.36x. SPG, LP is for financial reporting purposes the predecessor to the Operating Partnership. See "The Merger."

For purposes of computing the ratio of earnings to fixed charges, earnings have been calculated by adding fixed charges, excluding capitalized interest, to income (loss) from continuing operations including income from minority interests which have fixed charges, and including distributed operating income from unconsolidated joint ventures instead of income from unconsolidated joint ventures. Fixed charges consist of interest costs, whether expensed or capitalized, the interest component of rental expense and amortization of debt issuance costs.

Prior to the commencement of business by SPG, LP in December 1993, the predecessor of SPG, LP maintained a different ownership and equity structure. The predecessor's operating properties have historically generated positive net cash flow. The financial statements of the predecessor show net income for the period January 1, 1993 through December 19, 1993, and net losses for the fiscal years ended December 31, 1992 and 1991. The ratio of earnings to fixed charges for the period January 1, 1993 through December 19, 1993 was 1.11x. As a consequence of the net losses for the fiscal years ended December 31, 1992 and 1991, the computation of the ratio of earnings to fixed charges for these fiscal years indicates that earnings were inadequate to cover fixed charges by approximately $12.8 million and $18.7 million, respectively.

The new capitalization of the Company effected in December 1993 in connection with its initial public offering permitted the Company to deleverage significantly, resulting in an improved ratio of earnings to fixed charges subsequent to its commencement of operations.

# DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under an Indenture (the "Indenture"), among the Operating Partnership, SPG, LP, as guarantor, and The Chase Manhattan Bank, as trustee. The Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part and is available for inspection at the corporate trust office of the trustee at 450 West 33rd Street, 15th Floor, New York, New York 10001, or as described above under "Available Information." The Indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended (the "TIA"). The statements made hereunder or in any Prospectus Supplement relating to the Indenture and the Debt Securities to be issued thereunder are summaries of certain provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture and such Debt Securities. All section references appearing herein are to sections of the Indenture, and capitalized terms used but not defined herein shall have the respective meanings set forth in the Indenture.

The Debt Securities to be offered hereby and in any applicable Prospectus Supplement will be "investment grade" securities, meaning at the time of the offering of such Debt Securities, at least one nationally recognized statistical rating organization (as defined in the Exchange Act) has rated such Debt Securities in one of its generic rating categories which signifies investment grade (typically the four highest rating categories, within which there may be sub-categories or gradations indicating relative standing, signify investment grades). An investment grade rating is not a recommendation to buy, sell or hold securities, is subject to revision or withdrawal at any time by the assigning entity, and should be evaluated independently of any other rating.

In connection with the first takedown proposed to be made by the Operating Partnership from the shelf registration statement of which this Prospectus forms a part, the Company has entered into a forward treasury lock agreement, pursuant to which the Company and the counterparty to the agreement have agreed to exchange payments with respect to a notional principal amount of $100 million based on how a specified interest rate on U.S. Treasuries will have varied from a base rate of 6.307% on November 22, 1996. The Company will either receive or make a payment, depending on whether such specified interest rate is above or below 6.307%. In connection with future takedowns under the registration statement, the Operating Partnership may enter into interest rate protection agreements which hedge the interest rate exposure associated with such future debt offerings.

## GENERAL

The Debt Securities will be direct, unsecured obligations of the Operating Partnership and, unless otherwise described in the applicable Prospectus Supplement, will rank equally with all other unsecured and unsubordinated indebtedness of the Operating Partnership. No partner (whether limited or general, including the Company and the Managing General Partner) of the Operating Partnership has any obligation for payment of principal of (and premium, if any) and interest, if any, on, or any other amount with respect to, the Debt Securities (Section 1602). At September 30, 1996, the total outstanding debt of the Operating Partnership including its pro rata share of joint venture debt was approximately $3,986.3 million, 92% of which was secured debt. Except as otherwise described in the applicable Prospectus Supplement, the Indenture does not limit the amount of other indebtedness of the Operating Partnership that may rank equally with or senior to the Debt Securities. The Debt Securities may be issued without limit as to aggregate principal amount, in one or more series, in each case as established from time to time in or pursuant to authority granted by a resolution of the Board of Directors of the Managing General Partner, as the managing general partner of the Operating Partnership or as established in one or more indentures supplemental to the Indenture. All Debt Securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the holders of the Debt Securities of such series, for issuances of additional Debt Securities of such series (Section 301).

The Indenture provides that there may be more than one trustee (the "Trustee") thereunder, each with respect to one or more series of Debt Securities. Any Trustee under the Indenture may resign or be removed with respect to one or more series of Debt Securities, and a successor Trustee may be appointed to act with respect to such series (Section 608). In the event that two or more persons are acting as Trustee with respect to different series of Debt Securities, each such Trustee shall be a trustee of a trust under the Indenture separate and apart from the trust administered by any other Trustee (Section 609), and, except as otherwise indicated herein, any action described herein to be taken by a Trustee may be taken by each such Trustee with respect to, and only with respect to, the one or more series of Debt Securities for which it is Trustee under the Indenture.

Reference is made to the Prospectus Supplement relating to the series of Debt Securities being offered for the specific terms thereof, including:

(1) the title of such Debt Securities;

(2) the aggregate principal amount of such Debt Securities and any limit on such aggregate principal amount;

(3) the percentage of the principal amount at which such Debt Securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon acceleration of the maturity thereof;

(4) the date or dates, or the method for determining such date or dates, on which the principal of such Debt Securities will be payable;

(5) the rate or rates (which may be fixed or variable), or the method by which such rate or rates shall be determined, at which such Debt Securities will bear interest, if any;

(6) the date or dates, or the method for determining such date or dates, from which any interest will accrue, the dates on which any such interest will be payable, the record dates for such interest payment dates, or the method by which any such record date shall be determined, the person to whom such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(7) the place or places where the principal of (and premium, if any) and interest, if any, on such Debt Securities will be payable, such Debt Securities may be surrendered for registration of transfer or exchange and notices or demands to or upon the Operating Partnership in respect of such Debt Securities and the Indenture may be served;

(8) the period or periods within which, the price or prices at which and the terms and conditions upon which such Debt Securities may be redeemed, in whole or in part, at the option of the Operating Partnership, if the Operating Partnership is to have such an option;

(9) the obligation, if any, of the Operating Partnership to redeem, repay or purchase such Debt Securities pursuant to any sinking fund or analogous provision or at the option of a Holder thereof, and the period or periods within which, the price or prices at which and the terms and conditions upon which such Debt Securities will be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(10) if other than U.S. dollars, the currency or currencies in which such Debt Securities are denominated and payable, which may be a foreign currency or units of two or more foreign currencies or a composite currency or currencies, and the terms and conditions relating thereto;

(11) whether the amount of payments of principal of (and premium, if any) or interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, but need not be, based on a currency, currencies, currency unit or units or composite currency or currencies) and the manner in which such amounts shall be determined;

(12) the events of default or covenants of such Debt Securities, to the extent different from or in addition to those described herein;

(13) whether such Debt Securities will be issued in certificated or book-entry form;

(14) whether such Debt Securities will be in registered or bearer form and, if in registered form, the denominations thereof if other than $1,000 and any integral multiple thereof and, if in bearer form, the denominations thereof if other than $5,000, and any integral multiple thereof and the terms and conditions relating thereto;

(15) the applicability, if any, of the defeasance and covenant defeasance provisions described herein, or any modification thereof;

(16) if such Debt Securities are to be issued upon the exercise of debt warrants, the time, manner and place of such Debt Securities to be authenticated and delivered;

(17) whether and under what circumstances the Operating Partnership will pay additional amounts on such Debt Securities in respect of any tax, assessment or governmental charge and, if so, whether the Operating Partnership will have the option to redeem such Debt Securities in lieu of making such payment;

(18) with respect to any Debt Securities that provide for optional redemption or prepayment upon the occurrence of certain events (such as a change of control of the Operating Partnership), (i) the possible effects of such provisions on the market price of the Operating Partnership's securities or in deterring certain mergers, tender offers or other takeover attempts, and the intention of the Operating Partnership to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with such provisions; (ii) whether the occurrence of the specified events may give rise to cross-defaults on other indebtedness such that payment on such Debt Securities may be effectively subordinated; and (iii) the existence of any limitation on the Operating Partnership's financial or legal ability to repurchase such Debt Securities upon the occurrence of such an event (including, if true, the lack of assurance that such a repurchase can be effected) and the impact, if any, under the Indenture of such a failure, including whether and under what circumstances such a failure may constitute an Event of Default; and

(19) any other terms of such Debt Securities.

The Debt Securities may provide for less than the entire principal amount thereof to be payable upon acceleration of the maturity thereof ("Original Issue Discount Securities"). If material or applicable, special U.S. federal income tax, accounting and other considerations applicable to Original Issue Discount Securities will be described in the applicable Prospectus Supplement.

Except as described under "-- Merger, Consolidation or Sale" below or as may be set forth in any Prospectus Supplement, the Indenture does not contain any other provisions that would limit the ability of the Operating Partnership to incur indebtedness or that would afford holders of the Debt Securities protection in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the Company or the management of the Company, or any affiliate of any such party, (ii) a change of control, or (iii) a reorganization, restructuring, merger or similar transaction involving the Operating Partnership that may adversely affect the holders of the Debt Securities. In addition, subject to the limitations set forth under "-- Merger, Consolidation or Sale," the Operating Partnership may, in the future, enter into certain transactions, such as the sale of all or substantially all of its assets or the merger or consolidation of the Operating Partnership, that would increase the amount of the Operating Partnership's indebtedness or substantially reduce or eliminate the Operating Partnership's assets, which may have an adverse effect on the Operating Partnership's ability to service its indebtedness, including the Debt Securities. Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the events of default or covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Reference is made to "-- Certain Covenants" below and to the description of any additional covenants with respect to a series of Debt Securities in the applicable Prospectus Supplement. Except as otherwise described in the applicable Prospectus Supplement, compliance with such covenants generally may not be waived with respect to a series of Debt Securities unless the Holders of at least a majority in principal amount of all outstanding Debt Securities of such series consent to such waiver, except to the extent that the defeasance and covenant defeasance provisions of the Indenture described under "-- Discharge" and "-- Defeasance and Covenant Defeasance" below apply to such series of Debt Securities. See "-- Modification of the Indenture."

Debt Securities may be denominated and payable in a foreign currency or units of two or more foreign currencies or a composite currency or currencies. As more fully described in the applicable Prospectus Supplement, awards or judgments by a court in the United States in connection with a claim with respect to any Debt Securities denominated other than in United States dollars (or a judgment denominated other than in United States dollars in respect of such claims) may be converted into United States dollars at a rate of exchange prevailing on a date determined pursuant to applicable law.

DENOMINATIONS, INTEREST, REGISTRATION AND TRANSFER

Unless otherwise described in the applicable Prospectus Supplement, the Debt Securities of any series which are registered securities, other than registered securities issued in global form (which may be of any denomination), shall be issuable in denominations of $1,000 and any integral multiple thereof and the Debt Securities which are bearer securities, other than bearer securities issued in global form (which may be of any denomination), shall be issuable in denominations of $5,000 and any integral multiple thereof (Section 302).

Unless otherwise specified in the applicable Prospectus Supplement, the principal of (and premium, if any) and interest on any series of Debt Securities in registered form will be payable at the corporate trust office of the Trustee, initially located at 450 West 33rd Street, 15th Floor, New York, New York 10001, provided that, at the option of the Operating Partnership, payment of interest may be made by check mailed to the address of the Person entitled thereto as it appears in the applicable Security Register or by wire transfer of funds to such Person at an account maintained within the United States (Sections 301, 307 and 1002).

Unless otherwise specified in the applicable Prospectus Supplement, any interest not punctually paid or duly provided for on any Interest Payment Date with respect to a Debt Security in registered form ("Defaulted Interest") will forthwith cease to be payable to the Holder on the applicable Regular Record Date and may either be paid to the Person in whose name such Debt Security is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holder of such Debt Security not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more completely described in the Indenture (Section 307).

Subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series will be exchangeable for other Debt Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations upon surrender of such Debt Securities at the corporate trust office of the Trustee referred to above. In addition, subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series may be surrendered for registration of transfer thereof at the corporate trust office of the Trustee referred to above. Every Debt Security surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer. No service charge will be made for any registration of transfer or exchange of any Debt Securities, but the Trustee or the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (Section 305). If the applicable Prospectus Supplement refers to any transfer agent (in addition to the Trustee) initially designated by the Operating Partnership with respect to any series of Debt Securities, the Operating Partnership may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that the Operating Partnership will be required to maintain a transfer agent in each place of payment for such series. The Operating Partnership may at any time designate additional transfer agents with respect to any series of Debt Securities (Section 1002).

Neither the Operating Partnership nor the Trustee shall be required (i) to issue, register the transfer of or exchange any Debt Security if such Debt Security may be among those selected for redemption during a period beginning at the opening of business 15 days before selection of the Debt Securities to be redeemed and ending at the close of business on (A) if such Debt Securities are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if such Debt Securities are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if such Debt Securities are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except, in the case of any Registered Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except that, to the extent provided with respect to such Bearer Security, such Bearer Security may be exchanged for a Registered Security of that series and of like tenor, provided that such Registered Security shall be simultaneously surrendered for redemption, or (iv) to issue, register the transfer of or exchange any Debt Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Debt Security not to be so repaid (Section 305).

MERGER, CONSOLIDATION OR SALE

The Operating Partnership or the Guarantor may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into, any other entity, provided that (a) the Operating Partnership or the Guarantor, as the case may be, shall be the continuing entity, or the successor entity (if other than the Operating Partnership or the Guarantor) formed by or resulting from any such consolidation or merger or which shall have received the transfer of such assets shall expressly assume payment of the principal of (and premium, if any) and interest on all the Debt Securities and the due and punctual performance and observance of all of the covenants and conditions contained in the Indenture; (b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Operating Partnership or the Guarantor, such successor entity or any Subsidiary as a result thereof as having been incurred by the Operating Partnership or the Guarantor, such successor entity or such Subsidiary at the time of such transaction, no Event of Default under the Indenture, and no event which, after notice or the lapse of time, or both, would become such an Event of Default, shall have occurred and be continuing; and (c) an officer's certificate and legal opinion covering such conditions shall be delivered to the Trustee (Sections 801 and 803).

CERTAIN COVENANTS

Existence. Except as permitted under "-- Merger, Consolidation or Sale" above, the Operating Partnership is required to do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (statutory and charter) and franchises; provided, however, that the Operating Partnership shall not be required to preserve any such right or franchise if it determines that the loss thereof is not disadvantageous in any material respect to the Holders of the Debt Securities (Section 1006).

Maintenance of Properties. The Operating Partnership is required to cause all of its material properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and to cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Operating Partnership may be necessary so that the business carried on in connection therewith may be properly conducted at all times; provided, however, that the Operating Partnership and its subsidiaries shall not be prevented from selling or otherwise disposing for value their respective properties in the ordinary course of business (Section 1007).

Insurance. The Operating Partnership is required to, and is required to cause each of its Subsidiaries to, keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value (subject to reasonable deductibles determined from time to time by the Operating Partnership) with financially sound and reputable insurance companies (Section 1008).

Payment of Taxes and Other Claims. The Operating Partnership is required to pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon it or any Subsidiary or upon its income, profits or property or that of any Subsidiary, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Operating Partnership or any Subsidiary; provided, however, that the Operating Partnership shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings (Section 1009).

Provision of Financial Information. The Holders of Debt Securities will be provided with copies of the annual reports and quarterly reports of the Operating Partnership. Whether or not the Operating Partnership is subject to Section 13 or 15(d) of the Exchange Act and for so long as any Debt Securities are outstanding, the Operating Partnership will, to the extent permitted under the Exchange Act, be required to file with the Commission the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to such Section 13 or 15(d) (the "Financial Statements") if the Operating Partnership were so subject, such documents to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Operating Partnership would have been required so to file such documents if the Operating Partnership were so subject. The Operating Partnership will also in any event (x) within 15 days of each Required Filing Date (i) transmit by mail to all Holders of Debt Securities, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports and quarterly reports which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (y) if filing such documents by the Operating Partnership with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder (Section 1010).

Additional Covenants. Any additional or different covenants of the Operating Partnership with respect to any series of Debt Securities will be set forth in the Prospectus Supplement relating thereto.

EVENTS OF DEFAULT, NOTICE AND WAIVER

The Indenture provides that the following events are "Events of Default" with respect to any series of Debt Securities issued thereunder: (a) default for 30 days in the payment of any installment of interest on any Debt Security of such series; (b) default in the payment of the principal of (or premium, if any, on) any Debt Security of such series at its Maturity; (c) default in making any sinking fund payment as required for any Debt Security of such series; (d) default in the performance of any other covenant of the Operating Partnership contained in the Indenture (other than a covenant added to the Indenture solely for the benefit of a series of Debt Securities issued thereunder other than such series), such default having continued for 60 days after written notice as provided in the Indenture; (e) default in the payment of an aggregate principal amount exceeding $30,000,000 of any recourse indebtedness of the Operating Partnership, however evidenced, such default having occurred after the expiration of any applicable grace period and having resulted in the acceleration of the maturity of such indebtedness, but only if such indebtedness is not discharged or such acceleration is not rescinded or annulled within 10 days after written notice as provided in the Indenture; (f) certain events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee of the Operating Partnership or any Significant Subsidiary or any of their respective property; and (g) any other Event of Default provided with respect to a particular series of Debt Securities (Section 501).

If an Event of Default under the Indenture with respect to Debt Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or, if the Debt Securities of that series of the Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms thereof) of all of the Debt Securities of that series to be due and payable immediately by written notice thereof to the Operating Partnership (and to the Trustee if given by the Holders); provided, that in the case of an Event of Default described under paragraph (f) of the preceding paragraph, acceleration is automatic. However, at any time after such acceleration with respect to Debt Securities of such series has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of Outstanding Debt Securities of such series may rescind and annul such acceleration and its consequences if (a) the Operating Partnership shall have deposited with the Trustee all amounts due otherwise than on account of such declaration, plus certain fees, expenses, disbursements and advances of the Trustee and (b) all Events of Default, other than the non-payment of accelerated principal of the Debt Securities of such series, have been cured or waived as provided in the Indenture (Section 502). The Indenture also provides that the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may waive any past default with respect to such series and its consequences, except a default (x) in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or (y) in respect of a covenant or provision contained in the Indenture that cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security affected thereby (Section 513).

The Trustee will be prepared to give notice to the Holders of Debt Securities within 90 days of a default under the Indenture unless such default has been cured or waived; provided, however, that the Trustee may withhold notice to the Holders of any series of Debt Securities of any default with respect to such series (except a default in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or in the payment of any sinking fund installment in respect of any Debt Security of such series) if a trust committee of Responsible Officers of the Trustee consider such withholding to be in the interest of such Holders (Section 601).

The Indenture provides that no Holders of Debt Securities of any series may institute any proceedings, judicial or otherwise, with respect to the Indenture or for any remedy thereunder, except in the case of failure of the Trustee, for 60 days, to act after it has received a written request to institute proceedings in respect of an Event of Default from the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series, as well as an offer of indemnity reasonably satisfactory to it (Section 507). This provision will not prevent, however, any Holder of Debt Securities from instituting suit for the enforcement of payment of the principal of (and premium, if any) and interest on such Debt Securities at the respective due dates thereof (Section 508).

Subject to provisions in the Indenture relating to its duties in case of default, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holders of any series of Debt Securities then Outstanding under the Indenture, unless such Holders shall have offered to the Trustee thereunder reasonable security or indemnity (Section 602). The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee with respect to the Debt Securities of such series. However, the Trustee may refuse to follow any direction which is in conflict with any law or the Indenture, which may involve the Trustee in personal liability or which may be unduly prejudicial to the Holders of Debt Securities of such series not joining therein (Section 512).

Within 120 days after the close of each fiscal year, each of the Operating Partnership and the Guarantor must deliver to the Trustee a certificate, signed by one of several specified officers of the Operating Partnership or the Guarantor, as the case may be, stating whether or not such officer has knowledge of any default under the Indenture and, if so, specifying each such default and the nature and status thereof (Section 1011).

## MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture will be permitted to be made only with the consent of the Holders of not less than a majority in principal amount of all Outstanding Debt Securities which are affected by such modification or amendment (voting as one class); provided, however, that no such modification or amendment may, without the consent of the Holder of each such Debt Security affected thereby: (a) change the Stated Maturity of the principal of, or premium (if any) or any installment of interest on, any such Debt Security; (b) reduce the principal amount of, or the rate or amount of interest on, or any premium payable on redemption of, any such Debt Security, or reduce the amount of principal of an Original Issue Discount Security that would be due and payable upon acceleration of the maturity thereof or that would be provable in bankruptcy, or adversely affect any right of repayment at the option of the holder of any such Debt Security; (c) change the Place of Payment, or the coin or currency, for payment of principal of, premium, if any, or interest on any such Debt Security; (d) impair the right to institute suit for the enforcement of any payment on or with respect to any such Debt Security; (e) reduce the above-stated percentage in principal amount of Outstanding Debt Securities necessary to modify or amend the Indenture, reduce the percentage of Outstanding Debt Securities of any series necessary to waive compliance with certain provisions thereof or certain defaults and consequences thereunder, or to reduce the quorum or voting requirements set forth in the Indenture; or (f) modify any of the foregoing provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the percentage required to effect such action or to provide that certain other provisions may not be modified or waived without the consent of the Holder of each Outstanding Debt Security affected thereby (Section 902).

The Indenture provides that the Holders of not less than a majority in principal amount of a series of Outstanding Debt Securities have the right to waive compliance by the Operating Partnership with certain covenants relating to such series of Debt Securities in the Indenture (Section 1013).

Modifications and amendments of the Indenture will be permitted to be made by the Operating Partnership and the Guarantor, and the Trustee without the consent of any Holder of Debt Securities for any of the following purposes: (i) to evidence the succession of another Person to the Operating Partnership or the Guarantor as obligor under the Indenture; (ii) to add to the covenants of the Operating Partnership or the Guarantor for the benefit of the Holders of all or any series of Debt Securities or to surrender any right or power conferred upon the Operating Partnership in the Indenture; (iii) to add Events of Default for the benefit of the Holders of all or any series of Debt Securities; (iv) to add or change any provisions of the Indenture to facilitate the issuance of, or to liberalize certain terms of, Debt Securities in bearer form, to change or eliminate any restrictions on payment of the principal of or premium or interest on Debt Securities, to modify the provisions relating to global Debt Securities, or to permit or facilitate the issuance of Debt Securities in uncertificated form, provided that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect; (v) to change or eliminate any provisions of the Indenture, provided that any such change or elimination shall become effective only when there are no Debt Securities Outstanding of any series created prior thereto which are entitled to the benefit of such provision or such amendment shall not apply to any then Outstanding Debt Security; (vi) to secure the Debt Securities; (vii) to establish the form or terms of Debt Securities of any series; (viii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (ix) to cure any ambiguity, defect or inconsistency in the Indenture, provided that such action shall not adversely affect the interests of Holders of Debt Securities of any series in any material respect; or (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of such Debt Securities, provided that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect (Section 901).

The Indenture provides that in determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities of a series have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of Holders of Debt Securities, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the maturity thereof, (ii) the principal amount of a Debt Security denominated in a foreign currency that shall be deemed Outstanding shall be the U.S. dollar equivalent, determined on the issue date for such Debt Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the issue date of such Debt Security of the amount determined as provided in (i) above) of such Debt Security, (iii) the principal amount of an Indexed Security that shall be deemed Outstanding shall be the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indexed Security pursuant to the Indenture, and (iv) Debt Securities owned by the Operating Partnership or any other obligor upon the Debt Securities or any affiliate of the Operating Partnership or of such other obligor shall be disregarded (Section 101).

The Indenture contains provisions for convening meetings of the Holders of Debt Securities of a series issuable, in whole or in part, as Bearer Securities (Section 1501). A meeting will be permitted to be called at any time by the Trustee, and also, upon request, by the Operating Partnership or the Holders of at least 10% in principal amount of the Outstanding Debt Securities of such series, in any such case upon notice given as provided in the Indenture (Section 1502). Except for any consent that must be given by the Holder of each Debt Security affected by certain modifications and amendments of the Indenture, any resolution presented at a meeting or adjourned meeting duly reconvened at which a quorum is present will be permitted to be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Debt Securities of that series; provided, however, that, except as referred to above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the Holders of a specified percentage in principal amount of the Outstanding Debt Securities of a series may be adopted at a meeting at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Debt Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Debt Securities of any series duly held in accordance with the Indenture will be binding on all Holders of Debt Securities of that series. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be Persons holding or representing a majority in principal amount of the Outstanding Debt Securities of a series; provided, however, that if any action is to be taken at such meeting with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which may be made, given or taken by the Holders of not less than a specified percentage in principal amount of the Outstanding Debt Securities of a series, then with respect to such action (and only such action) the Persons holding or representing such specified percentage in principal amount of the Outstanding Debt Securities of such series will constitute a quorum (Section 1504).

Notwithstanding the foregoing provisions, if any action is to be taken at a meeting of Holders of Debt Securities of any series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture expressly provides may be made, given or taken by the Holders of a specified percentage in principal amount of all Outstanding Debt Securities affected thereby, or of the Holders of such series and one or more additional series: (i) there shall be no minimum quorum requirement for such meeting and (ii) the principal amount of the Outstanding Debt Securities of such series that vote in favor of such request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under the Indenture (Section 1504).

DISCHARGE

The Operating Partnership may discharge certain obligations to Holders of any series of Debt Securities that have not already been delivered to the Trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the Trustee, in trust, funds in an amount sufficient to pay the entire indebtedness on such Debt Securities in respect of principal (and premium, if any) and interest to the date of such deposit (if such Debt Securities have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be (Section 401).

DEFEASANCE AND COVENANT DEFEASANCE

The Indenture provides that, if the provisions of Article Fourteen are made applicable to the Debt Securities of or within any series pursuant to Section 301 of the Indenture, the Operating Partnership or the Guarantor may elect either (a) to defease and be discharged from any and all obligations with respect to such Debt Securities (except for the obligation to pay Additional Amounts, if any, upon the occurrence of certain events of tax, assessment or governmental charge with respect to payments on such Debt Securities and the obligations to register the transfer or exchange of such Debt Securities, to replace temporary or mutilated, destroyed, lost or stolen Debt Securities, to maintain an office or agency in respect of such Debt Securities and to hold moneys for payment in trust) ("defeasance") (Section 1402) or (b) to be released from its obligations with respect to such Debt Securities under Sections 1006 to 1010, inclusive, of the Indenture (including the restrictions described under "-- Certain Covenants" above) and its obligations with respect to any other covenant, and any omission to comply with such obligations shall not constitute a default or an Event of Default with respect to such Debt Securities ("covenant defeasance") (Section 1403), in either case upon the irrevocable deposit by the Operating Partnership or the Guarantor, as the case may be, with the Trustee, in trust, of an amount, in such currency or currencies, currency unit or units or composite currency or currencies in which such Debt Securities are payable at Stated Maturity, or Government Obligations (as defined below), or both, applicable to such Debt Securities which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on such Debt Securities, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor (Section 1404).

Such a trust will only be permitted to be established if, among other things, the Operating Partnership or the Guarantor, as the case may be, has delivered to the Trustee an Opinion of Counsel (as specified in the Indenture) to the effect that the Holders of such Debt Securities will not recognize income, gain or loss for

U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such Opinion of Counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture (Section 1404).

"Government Obligations" means securities which are (i) direct obligations of the United States of America or the government which issued the foreign currency in which the Debt Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or such government which issued the foreign currency in which the Debt Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligations or a specific payment of interest on or principal of any such Government Obligations held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt (Section 101).

Unless otherwise provided in the applicable Prospectus Supplement, if after the Operating Partnership or the Guarantor, as the case may be, has deposited funds or Government Obligations to effect defeasance or covenant defeasance with respect to Debt Securities of any series, (a) the Holder of a Debt Security of such series is entitled to, and does, elect pursuant to the Indenture or the terms of such Debt Security to receive payment in a currency, currency unit or composite currency other than that in which such deposit has been made in respect of such Debt Security, or (b) a Conversion Event (as defined below) occurs in respect of the currency, currency unit or composite currency in which such deposit has been made, the indebtedness represented by such Debt Security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any) and interest on such Debt Security as they become due out of the proceeds yielded by converting the amount so deposited in respect of such Debt Security into a currency, currency unit or composite currency in which such Debt Security becomes payable as a result of such election or such Conversion Event based on the applicable market exchange rate (Section 1405). "Conversion Event" means the cessation of use of (i) a currency, currency unit or composite currency both by the government of the country which issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the ECU both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Community or (iii) any currency unit (or composite currency) other than the ECU for the purposes for which it was established (Section 101). Unless otherwise provided in the applicable Prospectus Supplement, all payments of principal of (and premium, if any) and interest on any Debt Security that is payable in a foreign currency that ceases to be used by its government of issuance shall be made in U.S. dollars.

In the event the Operating Partnership or the Guarantor effects covenant defeasance with respect to any Debt Securities and such Debt Securities are declared due and payable because of the occurrence of any Event of Default other than the Event of Default described in clause (d) under "-- Events of Default, Notice and Waiver" with respect to Sections 1006 to 1010, inclusive, of the Indenture (which sections would no longer be applicable to such Debt Securities) or described in clause (g) under "-- Events of Default, Notice and Waiver" with respect to any other covenant as to which there has been covenant defeasance, the amount in such currency, currency unit or composite currency in which such Debt Securities are payable, and Government Obligations on deposit with the Trustee, will be sufficient to pay amounts due on such Debt Securities at the time of their Stated Maturity but may not be sufficient to pay amounts due on such Debt Securities at the time of the acceleration resulting from such Event of Default. However, the Operating Partnership would remain liable to make payment of such amounts due at the time of acceleration.

The applicable Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above with respect to the Debt Securities of or within a particular series.

THE GUARANTEE

The Indenture provides that SPG, LP will, and as further set forth in detail in the applicable Prospectus Supplement, guarantee (the "Guarantee") the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to, the Debt Securities, when and as the same shall become due and payable, whether at a maturity date, on redemption, by declaration of acceleration or otherwise in accordance with the terms of the Debt Securities and the Indenture (Section 1701). The Indenture provides that (i) the Trustee may exercise its rights thereunder on behalf of the Holders and (ii) SPG, LP shall covenant that it shall take no action which would cause the Operating Partnership to violate any covenant, agreement or any other condition thereunder (Section 1705). The Guarantee will terminate upon the consummation of the reorganizational transactions pursuant to which the Operating Partnership is expected to own directly all of the assets and partnership interest then owned by SPG, LP (Section 1706). However, there can be no assurance that such reorganizational transactions will be so effected. See "The Operating Partnership." No partner (whether limited or general, including the Company) of SPG, LP will have any obligation for any obligations of SPG, LP under the Guarantee (Section 1707).

In the absence of the Guarantee, Holders of the Debt Securities will have no claims, with regards to any payments in connection with the Debt Securities against the assets of SPG, LP or the assets of any other Subsidiary of the Operating Partnership. Any such claim that such Holders may make will have to be made indirectly through the equity interest that the Operating Partnership has in SPG, LP (or other Subsidiaries), and will thus be structurally subordinated to the claims of creditors of SPG, LP (or other Subsidiaries). As a result of the Guarantee, Holders of the Debt Securities, upon exercising their rights with respect to the Guarantee against SPG, LP, will be considered creditors of SPG, LP and their claims will rank pari passu with those of unsecured and unsubordinated creditors of SPG, LP and will not be structurally subordinated to such creditors.

MISCELLANEOUS

No Conversion Rights. The Debt Securities will not be convertible into or exchangeable for any capital stock of the Company or equity interest in the Operating Partnership.

Global Securities. The Debt Securities of a series may be issued in whole or in part in the form of one or more global securities (the "Global Securities") that will be deposited with, or on behalf of, a depositary (the "Depositary") identified in the applicable Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to a series of Debt Securities will be described in the applicable Prospectus Supplement relating to such series.

## PLAN OF DISTRIBUTION

The Operating Partnership may sell the Debt Securities to or through underwriters, and also may sell the Debt Securities directly to one or more other purchasers or through agents. The distribution of the Debt Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

The Prospectus Supplement will set forth terms of the offering of the Debt Securities, including (i) the name of any underwriters or agents with whom the Operating Partnership has entered into arrangements with respect to the sale or issuance of Debt Securities, (ii) the initial public offering or purchase price of the Debt Securities, (iii) any underwriting discounts, commissions and other items constituting underwriter's compensation from the Operating Partnership and any other discounts, concessions or commissions allowed or reallowed or paid by any underwriters to other dealers, (iv) any commissions paid to any agents and (v) the net proceeds to the Operating Partnership. In connection with the sale of Debt Securities, underwriters may receive compensation from the Operating Partnership or from purchasers of Debt Securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of Debt Securities may be deemed to be underwriters, and any discounts or commissions they receive from the Operating Partnership, and any profit on the resale of Debt Securities they realize, may be deemed to be underwriting discounts and commissions under the Securities Act.

Under agreements the Operating Partnership may enter into, underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Operating Partnership against certain liabilities, including liabilities under the Securities Act.

Underwriters, dealers and agents may engage in transactions with, or perform services for, or be customers of, the Operating Partnership in the ordinary course of business.

Unless otherwise set forth in the Prospectus Supplement relating to the issuance of Debt Securities, the obligations of the underwriters to purchase such Debt Securities will be subject to certain conditions precedent and each of the underwriters with respect to such Debt Securities will be obligated to purchase all of the Debt Securities allocated to it if any such Debt Securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If so indicated in the applicable Prospectus Supplement, the Operating Partnership will authorize underwriters or other persons acting as the Operating Partnership's agents to solicit offers by certain institutions to purchase Debt Securities from the Operating Partnership pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by the Operating Partnership. The obligations of any purchaser under any such contract will be subject only to the condition that the purchase of the Debt Securities shall not at any time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

## LEGAL MATTERS

The validity of each issue of the Debt Securities will be passed upon for the Operating Partnership by Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Paul, Weiss, Rifkind, Wharton & Garrison will also pass upon certain tax matters. Rogers & Wells, New York, New York, will act as counsel to any underwriters, dealers or agents.

## EXPERTS

The audited financial statements and schedules of SPG incorporated by reference, and SPG, LP included, in the Registration Statement of which this Prospectus is a part, to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, and are incorporated by reference or included herein in reliance upon the authority of said firm as experts in giving said reports.

The audited financial statements and schedules of DRC incorporated by reference, and the Operating Partnership (formerly DeBartolo Realty Partnership, L.P.) included, in the Registration Statement of which this Prospectus is a part, to the extent and for the periods indicated in their reports, have been audited by Ernst & Young LLP, independent public accountants, and are incorporated by reference or included, as the case may be, herein in reliance upon the authority of said firm as experts in giving said report.

CERTAIN INFORMATION WITH RESPECT TO SIMON DEBARTOLO GROUP, L.P.

SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth certain selected financial and operating data on a historical basis for Simon DeBartolo Group, L.P. ("SDG, LP"), and its Predecessor, Simon Property Group, L.P. ("SPG, LP"). All references herein to the "Operating Partnership" are to SDG, LP or SPG, LP, as the case may be. The financial statements of SDG, LP for the post-merger periods will reflect the reverse acquisition of DeBartolo Realty Partnership, L.P. ("DRP, LP") by Simon DeBartolo Group Inc. ("SDG" or the "Company") using the purchase method of accounting and for all pre-merger comparative periods the financial statements disclosed by SDG, LP will reflect the financial statements of its Predecessor for financial reporting purposes, SPG, LP. See "The Merger." The historical financial information should be read in conjunction with the financial statements and notes thereto included herein.

| | SIMON DEBARTOLO GROUP, L.P. | SIMON PROPERTY GROUP, L.P. (SPG, LP, THE PREDECESSOR OF SDG, LP) | | | | SIMON PROPERTY GROUP (THE PREDECESSOR OF SPG, LP) | | |
|---|---|---|---|---|---|---|---|---|
| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1994 | FOR THE PERIOD FROM DECEMBER 20 TO DECEMBER 31, 1993 | FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 19, 1993 | FOR THE YEAR ENDED DECEMBER 31, 1992 | FOR THE YEAR ENDED DECEMBER 31, 1991 |
| | (IN THOUSANDS EXCEPT PER UNIT DATA, PORTFOLIO PROPERTY DATA AND RATIOS) | | | | | | | |
| OPERATING DATA:(1) | | | | | | | | |
| Total Revenue...... | $ 485,640 | $ 398,297 | $ 553,657 | $ 473,676 | $ 18,424 | $ 405,869 | $ 400,852 | $ 378,029 |
| Expenses: | | | | | | | | |
| Operating Expenses........ | 189,888 | 151,914 | 209,782 | 183,433 | 4,095 | 175,801 | 176,682 | 173,923 |
| Depreciation and Amortization.... | 88,913 | 65,212 | 92,739 | 75,945 | 2,051 | 60,243 | 58,104 | 56,033 |
| Interest Expense(2)...... | 135,346 | 112,125 | 150,224 | 150,164 | 3,548 | 156,909 | 178,075 | 159,798 |
| Income (Loss) before Extraordinary Items........... | 76,639 | 72,681 | 101,505 | 60,308 | 8,707 | 6,912 | (11,692) | (15,865) |
| Net Income (Loss).......... | $ 73,844 | $ 69,797 | $ 98,220 | $ 42,328 | $ (21,774) | $ 33,101 | $ (11,692) | $ (15,865) |
| Preferred Distributions..... | 6,286 | -- | 1,490 | -- | -- | -- | -- | -- |
| Net Income (Loss) available to unit holders........... | 67,558 | 69,797 | 96,730 | 42,328 | (21,774) | 33,101 | (11,692) | (15,865) |
| Net Income per unit before extraordinary items........... | $ 0.65 | $ 0.79 | $ 1.08 | $ 0.71 | $ 0.11 | N/A | N/A | N/A |
| Net Income per unit(3)......... | $ 0.63 | $ 0.76 | $ 1.04 | $ 0.50 | $ (0.28) | N/A | N/A | N/A |
| Distributions per unit(14)........ | $ 1.14 | $ 1.48 | $ 1.97 | $ 1.90 | -- | N/A | N/A | N/A |
| Weighted average units outstanding....... | 107,607 | 91,663 | 92,666 | 84,510 | 78,447 | N/A | N/A | N/A |
| BALANCE SHEET DATA (as of end of period): | | | | | | | | |
| Investment in Real Estate, net..... | $ 4,989,949 | $ 1,985,841 | $2,009,344 | $1,829,111 | $1,350,360 | N/A | $1,156,009 | $1,143,050 |
| Cash and cash equivalents..... | 92,575 | 72,983 | 62,721 | 105,139 | 110,625.... | N/A | 42,682 | 31,840 |
| Total Assets...... | 5,798,196 | 2,407,499 | 2,556,436 | 2,316,860 | 1,793,654 | N/A | 1,494,289 | 1,432,028 |
| Total Debt(4)..... | 3,555,123 | 1,986,072 | 1,980,759 | 1,938,091 | 1,455,884 | N/A | 1,711,778 | 1,548,292 |
| Limited Partners' Interest........ | 1,542,792 | 949,126 | 908,764 | 909,306 | 848,373 | N/A | N/A | N/A |
| Owner's Equity (Deficit)....... | $ 419,973 | $ (709,583) | $ (589,126) | $ (807,613) | $ (791,820) | N/A | $ (565,566) | $ (418,697) |
| OTHER DATA: | | | | | | | | |
| Cash flow provided by (used in): | | | | | | | | |
| Operating activities..... | $ 143,290 | $ 129,544 | $ 194,336 | $ 128,023 | N/A | N/A | N/A | N/A |
| Investing activities..... | (59,711) | (101,191) | (222,679) | (266,772) | N/A | N/A | N/A | N/A |
| Financing activities..... | (53,725) | (60,509) | (14,075) | 133,263 | N/A | N/A | N/A | N/A |
| Restated Funds from Operations (FFO) (5)....... | $ 173,482 | $ 137,287 | $ 197,909 | $ 167,761 | N/A | N/A | N/A | N/A |
| RATIO OF EARNINGS TO FIXED CHARGES OR COVERAGE DEFICIT(6)........ | 1.50x | 1.64x | 1.67x | 1.43x | 3.36x | 1.11x | $ (12,821) | $ (18,719) |
| OTHER RATIOS (as of end of period)(1): | | | | | | | | |
| Ratio of EBITDA After Minority Interest to Fixed Charges and | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Preferred Unit Distributions(7)(8)... | 2.10x | 2.14x | 2.18x | 2.18x | N/A........ | N/A | N/A | N/A |
| Ratio of Debt to Adjusted Total Assets(9)....... | 48.82% | 47.63% | 46.51% | 50.64% | N/A | N/A | N/A | N/A |
| Ratio of Secured Debt to Adjusted Total Assets(10)...... | 44.87% | 42.84% | 42.18% | 45.74% | N/A........ | N/A | N/A | N/A |
| Ratio of Unencumbered Assets to Unsecured Debt(11)........ | 6.15x | 5.49x | 5.49x | 3.84x | N/A | N/A | N/A | N/A |
| Ratio of EBITDA After Minority Interest to Interest Expense (7)(12)........... | 2.37x | 2.34x | 2.39x | 2.36x | N/A | N/A | N/A | N/A |

| | SIMON DEBARTOLO GROUP, L.P. | SIMON PROPERTY GROUP, L.P. (SPG, LP, THE PREDECESSOR OF SDG, LP) | | | | | SIMON PROPERTY GROUP (THE PREDECESSOR OF SPG, LP) | | |
|---|---|---|---|---|---|---|---|---|
| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1994 | FOR THE PERIOD FROM DECEMBER 20 TO DECEMBER 31, 1993 | FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 19, 1993 | FOR THE YEAR ENDED DECEMBER 31, 1992 | FOR THE YEAR ENDED DECEMBER 31, 1991 |
| | (IN THOUSANDS EXCEPT PER UNIT DATA, PORTFOLIO PROPERTY DATA AND RATIOS) | | | | | | | |
| PORTFOLIO DATA (as of end of period): | | | | | | | | |
| Total EBITDA(7)... | $ 390,156 | $ 315,276 | $ 437,548 | $ 386,835 | $ 346,679(13) | N/A | $ 316,535 | $ 282,326 |
| EBITDA After Minority Interest(7)..... | 313,201 | 258,185 | 357,158 | 307,372 | 256,169(13) | N/A | 227,931 | 210,634 |
| Number of Portfolio Properties at End of Period... | 183 | 120 | 122 | 119 | 114 | N/A | 110 | 108 |
| Total GLA at End of Period (thousands of square feet).... | 111,124 | 59,644 | 62,232 | 58,200 | 54,042 | N/A | 52,404 | 51,375 |

- ---------------

(1) The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season, when tenant occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve most of their temporary tenant rents during the holiday season. As a result, earnings are generally highest in the fourth quarter of each year.

(2) Interest expense for the year ended December 31, 1994 includes $27.2 million of additional non-recurring contingent interest paid in connection with the refinancing of a Portfolio Property. The property lender was entitled to participate in the appreciated market value of the Portfolio Property upon refinancing. Management does not presently expect to enter into financing arrangements with similar participation features in the future. Accordingly, management considers the payment made to the lender unusual in nature. As explained in footnote (5) below, unusual or extraordinary items are excluded for purposes of computing FFO. Accordingly, this item has been excluded from FFO in this table and elsewhere herein.

(3) Per unit data are reflected only for the periods from December 20, 1993 through September 30, 1996. Per unit data are not relevant for the historical combined financial statements of Simon Property Group, the Predecessor to SPG, LP, since such financial statements are a combined presentation of partnerships and corporations.

(4) Historical debt of the Operating Partnership as of September 30, 1996 and 1995 and December 31, 1995 includes $3,232.1 million, $1,778.1 million and $1,784.8 million, respectively, of mortgage indebtedness and $323.0 million, $208.0 million and $196.0 million, respectively, of outstanding indebtedness under the credit facilities, respectively.

(5) Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), means consolidated net income without giving effect to depreciation and amortization, gains or losses from extraordinary items, gains or losses on sales of real estate, gains or losses on investments in marketable securities and any provision/benefit for income taxes for such period, plus the allocable portion, based on ownership interest, of FFO of unconsolidated joint ventures, all determined on a consistent basis in accordance with generally accepted accounting principles. Management believes that FFO is an important and widely used measure of the operating performance of REITs which provides a relevant basis for comparison among REITs. FFO is presented to assist investors in analyzing the performance of the Operating Partnership. The Operating Partnership's method of calculating FFO may be different from the methods used by other REITs. FFO (i) does not represent cash flows from operations as defined by generally accepted accounting principles, (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities and (iii) is not an alternative to cash flows as a measure of liquidity. In March 1995, NAREIT modified its definition of FFO. The modified definition provides that amortization of deferred financing costs and depreciation of nonrental real estate assets are no longer to be added back to net income in arriving at FFO. The modified definition was adopted by the Operating Partnership beginning in 1996. Additionally the FFO for prior periods have been restated to reflect the new definition in order to make the amounts comparative.

(6) For purposes of computing the ratio of earnings to fixed charges, earnings have been calculated by adding fixed charges, excluding capitalized interest, to income (loss) from continuing operations including income from minority interests which have fixed charges, and including distributed operating income from unconsolidated joint ventures instead of income from unconsolidated joint ventures. Fixed

charges consist of interest costs, whether expensed or capitalized, the interest component of rental expense and amortization of debt issuance costs.

(7) Total EBITDA represents earnings before interest, taxes, depreciation and amortization for all properties. EBITDA After Minority Interest represents earnings before interest, taxes, depreciation and amortization for all properties after distribution to third party joint venture partners. EBITDA (i) does not represent cash flow from operations as defined by generally accepted accounting principles, (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) is not an alternative to cash flows as a measure of liquidity. Management believes that in addition to cash flows and net income, EBITDA is a useful financial performance measurement for assessing the operating performance of an equity REIT because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. To evaluate EBITDA and the trends it depicts, the components of EBITDA, such as revenues and operating expenses, should be considered. The Operating Partnership's method of calculating EBITDA may be different from the methods used by other REITs. The Company's weighted average ownership interest in the operating results for the nine months ended September 30, 1996 and 1995 was 61.2% and 59.3%, respectively, and was 60.3%, 55.2% and 52.2% during 1995, 1994 and 1993, respectively. The Company's ownership interest in the Operating Partnership was 61.5% and 60.9% at September 30, 1996 and 1995, respectively, and was 61.0% and 56.4% at December 31, 1995 and 1994, respectively.

(8) For purposes of computing the ratio of EBITDA After Minority Interest to Fixed Charges and Preferred Unit Distributions, Fixed Charges and Preferred Unit Distributions consist of interest costs, whether expensed or capitalized and including the Operating Partnership's pro rata share of joint venture interest expense, the interest component of rental expense and amortization of debt issuance costs, plus any distributions on outstanding preferred units.

(9) Debt consists of indebtedness of the Operating Partnership and its consolidated subsidiaries, less any portion attributable to minority interests, plus the Operating Partnership's allocable portion of indebtedness of unconsolidated joint ventures from borrowed money, secured indebtedness, reimbursement obligations in connection with letters of credit and capitalized leases. "Adjusted Total Assets" as of any date means the sum of (i) the amount determined by multiplying the sum of the shares of common stock of the Company issued in the initial public offering of the Company ("IPO") and the units of the Operating Partnership not held by the Company outstanding on the date of the IPO, by $22.25 (the "IPO Price"), (ii) the principal amount of the outstanding consolidated debt of the Company on the date of the IPO, less any portion applicable to minority interests, (iii) the Operating Partnership's allocable portion, based on its ownership interest, of outstanding indebtedness of unconsolidated joint ventures on the date of the IPO, (iv) the purchase price or cost of any real estate assets acquired (including the value, at the time of such acquisition, of any units of the Operating Partnership or shares of common stock of the Company issued in connection therewith) or developed after the IPO by the Operating Partnership or any Subsidiary, less any portion attributable to minority interests, plus the Operating Partnership's allocable portion, based on its ownership interest, of the purchase price or cost of any real estate assets acquired or developed after the IPO by any unconsolidated joint venture, (v) the value of the Merger compiled as the sum of (a) the purchase price including all related closing costs and (b) the value of all outstanding indebtedness less any portion attributable to minority interests, including the Operating Partnership's allocable share, based on its ownership interest, of outstanding indebtedness of unconsolidated joint ventures at the Merger date, and (vi) working capital of the Operating Partnership; subject, however, to reduction by the amount of the proceeds of any real estate assets disposed of after the IPO by the Operating Partnership or any Subsidiary, less any portion applicable to minority interests, and by the Operating Partnership's allocable portion, based on its ownership interest, of the proceeds of any real estate assets disposed of after the IPO by unconsolidated joint ventures. On a pro forma basis as of September 30, 1996, the Operating Partnership's Adjusted Total Assets were $8.17 billion.

(10) Secured Debt consists of Debt secured by a mortgage or other encumbrance on any property of the Operating Partnership or any Subsidiary.

(11) Unencumbered Assets is equal to Adjusted Total Assets multiplied by a fraction, the numerator of which is Unencumbered Annualized EBITDA After Minority Interest and the denominator of which is Annualized EBITDA After Minority Interest. Unencumbered Annualized EBITDA means Annualized

EBITDA less any portion attributable to assets serving as collateral for Secured Debt. Annualized EBITDA means earnings before interest, taxes, depreciation and amortization for all portfolio properties with other adjustments as are necessary to exclude the effect of items classified as extraordinary items in accordance with generally accepted accounting principles, adjusted to reflect the assumption that (i) any income earned as a result of any assets having been placed in service since the end of such period had been earned on an annualized basis, during such period, and (ii) in the case of an acquisition or disposition by the Operating Partnership, any Subsidiary or any unconsolidated joint venture in which the Operating Partnership or any Subsidiary owns an interest, of any assets since the first day of such period, such acquisition or disposition and any related repayment of Debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition. Annualized EBITDA After Minority Interest means Annualized EBITDA after distributions to third party joint venture partners. Unsecured Debt means Debt not secured by a mortgage or other encumbrance on any property of the Operating Partnership or any subsidiary.

(12) For purposes of computing the ratio of EBITDA After Minority Interest to Interest Expense, Interest Expense includes the Company's pro rata share, based on ownership interest, of joint venture interest expense and is reduced by amortization of debt issuance costs.

(13) Represents the combined EBITDA and EBITDA After Minority Interest of the Portfolio Properties for the full year ended December 31, 1993.

(14) In connection with the Merger, the Operating Partnership declared a special distribution of 0.1515 per unit and adjusted its distribution cycle accordingly. As a result, the third quarter distribution of 0.4925 per unit was declared on October 10, 1996 and is payable on November 22, 1996.

SIMON DEBARTOLO GROUP, LP AND SIMON PROPERTY GROUP, LP
(PREDECESSOR TO SIMON DEBARTOLO GROUP, L.P.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Selected Financial Data, and all of the financial statements and notes thereto included elsewhere herein.

GENERAL BACKGROUND

Historical results and percentage relationships set forth in Selected Financial Data are not necessarily indicative of future financial position and results of operations of Simon DeBartolo Group, L.P. or its predecessor, Simon Property Group, L.P. All references herein to the Operating Partnership refer to Simon DeBartolo Group, L.P., and its predecessor for financial reporting purposes, Simon Property Group, L.P.

The financial statement results presented for the twelve-day period from December 20, 1993 through December 31, 1993 are not indicative of the Operating Partnership's performance on an annual basis. Similarly, the results presented in the combined financial statements for the Simon Property Group (the predecessor to SPG, L.P.) cover only 353 days of 1993, the period prior to the date that the Operating Partnership acquired the assets and liabilities of the Simon Property Group. Therefore, the discussion of and results of operations and liquidity and capital resources for 1993 are presented on a combined basis to compare to the full year 1994. Management believes presentation in this manner provides a more meaningful discussion of year-to-year results.

Certain statements made in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Operating Partnership to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of prospective tenants, lease rents and the terms and availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies and technology; risks or real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

RESULTS OF OPERATIONS

The financial results reported reflect the results of Simon Property Group, L.P. through August 9, 1996 and the combined Simon DeBartolo Group, L.P. for all periods subsequent to the Merger completion on August 9, 1996 of a subsidiary of Simon Property Group, Inc. and DeBartolo Realty Corporation. This is in accordance with the purchase method of accounting utilized to record this Merger transaction. This Merger resulted in an additional 50 regional malls and 11 community shopping centers to the portfolio, of which additions, 41 regional malls and 10 community shopping centers are being accounted for on the consolidated method of accounting. The effects of this increase in the portfolio and the Merger integration costs are highlighted in the following discussion of the interim period financial comparisons.

In addition to the Merger, three other transactions (the "Property Transactions"), each resulting in the consolidation of a mall previously accounted for using the equity method of accounting, occurred and had significant effects on the comparison of the nine-month and three-month periods. Effective July 31, 1995, the Operating Partnership acquired the remaining 50% interest in Crossroads Mall. Effective September 25, 1995, the Operating Partnership acquired the remaining 55% interest in East Towne Mall. On April 11, 1996, the Operating Partnership acquired the remaining 50% economic ownership interest in Ross Park Mall.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996
VS. THE THREE MONTHS ENDED SEPTEMBER 30, 1995

Total revenue increased by $64.4 million or 46.6% for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of the Merger ($56.0 million) and the Property Transactions ($9.1 million).

Total operating expenses increased by $45.9 million, or 62.1%, for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of the Merger ($36.3 million), the Property Transactions ($4.1 million) and an increase in depreciation and amortization ($5.0 million).

Interest expense increased by $19.7 million, or 54.1% for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily as a result of the Merger ($15.0 million) and the Property Transactions ($3.7 million).

Income from unconsolidated entities increased by $3.6 million for the three months ended September 30, 1996, as compared to the same period in 1995. This is primarily due to the Merger ($2.2 million) and an increase in the Operating Partnership's pro rata share of income from M.S. Management Associates, Inc. (together with its subsidiaries, the "Management Company") ($2.3 million), partially offset by a decrease in the Operating Partnership's pro rata share of income from the pre-Merger unconsolidated joint venture properties ($0.9 million).

Simon Property Group, Inc.'s (the "Company") preferred unit requirement was $2.2 million in 1996 primarily as a result of $100 million in net proceeds received in connection with the Company's issuance of 8 1/8% Series A convertible preferred stock.

Net income available to unitholders was $24.1 million for the three months ended September 30, 1996, as compared to $24.3 million for the same period in 1995, reflecting a net decrease of $0.2 million, after Merger integration costs of $7.2 million and for the reasons described above.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996
VS. NINE MONTHS ENDED SEPTEMBER 30, 1995

Total revenue increased by $87.3 million or 21.9% for the nine months ended September 30, 1996, as compared to the same period in 1995. Of this increase, $56.0 million is a result of the Merger and $25.1 million is a result of the Property Transactions. The remaining increase is primarily the result of increases in minimum rent ($5.3 million), lease settlement income ($2.1 million), and a gain on the sale of a peripheral property ($2.6 million), partially offset by a decrease in tenant reimbursements ($5.9 million).

Total operating expenses increased by $61.7 million, or 28.4%, for the nine months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of the Merger ($36.3 million), the Property Transactions ($12.9 million) and an increase in depreciation and amortization ($10.2 million).

The gain on sale of an asset in the nine months ended September 30, 1995 ($2.4 million) relates to the sale of a minority partnership interest in land previously held for development in Denver, Colorado.

Interest expense increased by $23.2 million for the nine months ended September 30, 1996, as compared to the same period in 1995. This increase was primarily the result of the Merger ($15.0 million) and the Property Transactions ($9.5 million).

Income from unconsolidated entities increased by $4.2 million for the nine months ended September 30, 1996, as compared to the same period in 1995. This is primarily due to the Merger ($2.2 million) and an increase in the Operating Partnership's pro rata share of income from the Management Company ($2.2 million).

The Company's preferred unit requirement for the nine months ended September 30, 1996 was $6.3 million, primarily as a result of $100 million in net proceeds received in connection with the Company's issuance of 8 1/8% Series A convertible preferred stock.

Net income available to unitholders was $67.6 million for the nine months ended September 30, 1996, as compared to $69.8 million for the same period in 1995, reflecting a net decrease of $2.2 million including Merger integration costs of $7.2 million, and for the reasons described above, and was allocated first to the holders of the Preferred Units, then to the partners based on each partner's ownership interest in the Operating Partnership during the period.

YEAR ENDED DECEMBER 31, 1995 TO THE YEAR ENDED DECEMBER 31, 1994

During 1994 and 1995, the Operating Partnership acquired several new properties through purchase, acquisition and merger, and, as a result of a change in controlling interest, changed the way it accounted for several properties (using either the consolidated method of accounting or the equity method of accounting for non-controlled joint venture entities) (the "Property Transactions"). The following is a listing of such transactions: The Operating Partnership began including The Forum Shops at Caesars ("Forum") as a consolidated property due to the Operating Partnership's ability to demonstrate control effective April 1, 1994. On September 1, 1994, the Operating Partnership consolidated 15 properties as a result of the merger of MSA Realty Corporation into the Company (the "MSAR Merger"). During December 1994, the Operating Partnership acquired a 100% interest in Independence Mall, Orange Park Mall, Broadway Square and University Mall (Florida). On February 23, 1995, the Operating Partnership acquired an additional 50% interest in White Oaks Mall and is now accounting for the property using the consolidated method of accounting. Effective July 1, 1995, the Operating Partnership relinquished its ability to direct certain activities related to the control of North East Mall, and as a result is now accounting for the property using the equity method of accounting. On July 31, 1995, the Operating Partnership purchased the remaining 50% ownership in Crossroads Mall and subsequently began accounting for the property using the consolidated method of accounting. On September 25, 1995, the Operating Partnership acquired the remaining 55% ownership in East Towne Mall and subsequently began accounting for the property using the consolidated method of accounting. (See the "Liquidity and Capital Resources" discussion for additional information regarding these transactions.)

Total revenue increased by $80.0 million, or 16.9%, in 1995. Of this increase, $72.8 million is attributable to the 1995 Property Transactions, and the full-year impact in 1995 of the 1994 Property Transactions. The remaining $7.2 million increase is primarily the result of an increase in revenue resulting from increases of $1.25 and $0.18 in average base minimum rents per square foot for regional mall stores and community shopping centers as evidenced by leasing spreads for regional mall store and community shopping center leases executed during 1995 over those leases expiring in 1995 of $5.38 and $1.22 per square foot, respectively. These increases are partially offset by a decrease in overage rent resulting primarily from static sales in the portfolio and a decline of $1.8 million in overage rent at Texas border properties due to the devaluation of the Mexican peso. Management expects these properties to return to their prior performance level, as they have done historically after previous peso devaluations.

Total operating expenses increased by $43.1 million, or 16.6%, in 1995. Of this increase, $37.9 million, or 87.9%, is the result of the Property Transactions. Other than increases from the Property Transactions, total operating expenses experienced an increase of only 2.0% attributable to increased depreciation and amortization derived from an increase in investment properties.

Interest expense, excluding prior year non-recurring interest expense, increased by a net of $27.2 million, or 22.2%, to $150.2 million for 1995 as compared to $123.0 million for 1994. Of this increase, $26.5 million, or 97.4% is the result of the Property Transactions. Partially offsetting this increase is interest savings realized as a result of restructuring the Operating Partnership's credit facilities, and from using the proceeds of the Company's 6,241,854 share add-on and over-allotment offerings to reduce the debt of the Operating Partnership.

The net gain on the sale of assets in 1995 resulted from a gain on the sale of a minority partnership interest in land previously held for development in Denver, Colorado ($2.4 million), partially offset by a loss on the sale of an equity investment in Arborland Mall ($0.5 million).

Income (loss) from unconsolidated entities increased from a loss of $0.1 million in 1994 to income of $1.4 million in 1995 resulting from an increase in the Operating Partnership's share of income from partnerships and joint ventures, partially offset by an increase in its share of losses of the Management Company. The Operating Partnership's share of income from partnerships and joint ventures improved by $4.1 million from $1.0 million in 1994 to $5.1 million in 1995. This increase is primarily attributable to gains from sales of peripheral property ($3.4 million) and the change, for North East Mall, to the equity method of accounting ($1.7 million). The Operating Partnership's share of the Management Company's results declined by $2.6 million from an allocated net loss of $1.1 million for 1994 to an allocated net loss of $3.7 million for 1995. This decrease is the result of the Management Company's losses related to the settlement of a mortgage receivable and the liquidation of a partnership investment in 1995, partially offset by a $1.6 million increase in the Management Company's operating income.

Extraordinary items of $3.3 million in 1995 and $18.0 million in 1994 resulted from costs associated with the refinancing of debt.

Net income available to Unitholders increased from $42.3 million for 1994 to $96.7 million for 1995, an increase of $54.4 million, for the reasons discussed above.

YEAR ENDED DECEMBER 31, 1994 VS. COMBINED YEAR ENDED DECEMBER 31, 1993

Total revenue increased by $49.4 million, or 11.6%, to $473.7 million for 1994, as compared to $424.3 million in 1993. This increase is the result of increases in all components of revenue. The $28.2 million increase in minimum rent is a result of an overall increase in occupancy levels and the replacement of expiring tenant leases with renewal leases at higher minimum base rents ($7.2 million), the inclusion of Forum as a consolidated property ($10.3 million) and the MSAR Merger ($8.7 million). The increase in overage rent of $5.4 million to $25.5 million for 1994, as compared to $20.1 million in 1993, is attributable to an overall increase in tenant sales volume ($0.9 million) and the inclusion of Forum as a consolidated property ($4.2 million). Tenant reimbursements increased $12.4 million as a result of the increased occupancy and overall tenant recoverability of costs ($4.0 million), the inclusion of Forum as a consolidated property ($4.0 million) and the MSAR Merger ($4.0 million). The $3.4 million increase in other income is primarily attributable to the increase in interest and dividend income from the Management Company ($9.7 million), the increase in interest income from cash equivalents due to the increase in funds invested and higher interest rates ($1.1 million), the consolidation of Forum ($1.4 million) and the MSAR Merger ($1.1 million), offset in part by the sale of an anchor store in March 1993 ($8.9 million).

Total operating expenses increased by $17.2 million, or 7.1%, to $259.4 million for 1994 as compared to $242.2 million for 1993. This increase is the result of increases in depreciation and amortization, real estate taxes, repairs and maintenance, and advertising and promotion, offset by decreases in property operating expenses and other expenses. The increase in depreciation and amortization of $13.7 million is attributable to the purchase of minority partners' interest in the Predecessor with the application of the offering proceeds ($5.5 million), the inclusion of Forum as a consolidated property ($3.5 million), the MSAR Merger ($1.8 million) and additional renovation and expansion costs incurred in 1992 and 1993 at several Portfolio Properties. The increases in real estate taxes ($3.7 million) and repairs and maintenance ($2.3 million) are primarily attributable to the consolidation of Forum ($0.3 million and $1.0 million, respectively) and the MSAR Merger ($2.1 million and $0.5 million, respectively). Tenant contributions funded a substantial portion of the $2.4 million increase in advertising and promotion campaigns. The $6.7 million decrease in property operating expenses is the result of the reduction in the costs related to the self-management of wholly owned properties ($5.9 million), a decrease in insurance costs due to an overall reduction in premiums and loss occurrences ($1.7 million) and the decrease in general and administrative expenses ($3.0 million). These decreases in property operating expenses are partially offset by the inclusion of Forum as a consolidated property ($3.6 million) and the MSAR Merger ($0.5 million). The $1.3 million increase in other expenses is attributable to the inclusion of Forum as a consolidated property ($2.1 million) and public company costs ($1.2 million), offset in part by the decrease in ground rent relating to the buyout of various ground leases with the application of the offering proceeds.

Interest expense, excluding non-recurring interest expense, decreased by $37.5 million, or 23.4%, to $123.0 million for 1994 as compared to $160.5 million for 1993. This decrease is primarily the result of: (i) the application of net proceeds of the offering and the concurrent financing to reduce indebtedness ($34.4 million); and (ii) lower interest rates on debt ($12.1 million); offset by (iii) the inclusion of Forum as a consolidated property ($3.7 million), the MSAR Merger ($4.3 million) and an increase in amortization of deferred financing costs related to the refinancings ($2.5 million).

On December 1, 1994, as part of a debt restructuring and the termination of the lender's participation in future cash flow for one of the Portfolio Properties, the Operating Partnership incurred a non-recurring interest expense charge of $27.2 million. The Operating Partnership has reflected this item as a separate line in the Consolidated Statements of Operations.

Minority interest in 1994 reflects the purchase of minority partners' interest in the Predecessor with the application of the IPO proceeds and the inclusion of the minority partner's interest in Forum.

Income (loss) from unconsolidated entities improved by $2.3 million. The Operating Partnership's share of the Management Company's results improved from an allocation of a net loss of $1.4 million for 1993 to a net loss of $1.1 million for 1994. The 1994 amount is after interest and preferred dividend charges payable to the Operating Partnership of $9.1 million. There were no similar charges in 1993. The Operating Partnership's share of income from partnerships and joint ventures improved from a net loss of $1.0 million for 1993 to net income of $1.0 million for 1994. This increase is attributable to the consolidation of Forum, the MSAR Merger and land sale activity.

The extraordinary items of $18.0 million in 1994 and $4.3 million in 1993 resulted from costs associated with the early extinguishment or refinancing of debt.

Net income available to Unitholders increased from $11.3 million for 1993 to net income of $42.3 million for 1994, an increase of $31.0 million, for the reasons discussed above.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, the Operating Partnership's balance of cash and cash equivalents was $92.6 million, not including its proportionate share of cash held by the joint venture properties and the Management Company. In addition to its cash reserves, the Operating Partnership had unused capacity under its unsecured revolving credit facility totaling $427.0 million.

Offering. On September 6, 1996, the Operating Partnership filed a shelf registration statement with the Securities and Exchange Commission to provide for the offering, from time to time, of up to $750 million aggregate principal amount of unsecured debt securities of the Operation Partnership. The Operating Partnership intends to offer, immediately upon effectiveness, an aggregate of $200 million in unsecured debt securities. The proceeds of such offering will be used primarily to retire mortgage indebtedness and to paydown the unsecured revolving credit facility.

Effective December 15, 1995, SPG, LP completed a shelf registration filing for $500.0 million of non-convertible investment grade debt securities. As of September 30, 1996 SPG, LP had not offered any of these debt securities.

DeBartolo Merger. As described in the footnotes to the financial statements, on August 9, 1996 the Company assumed the outstanding consolidated indebtedness of DeBartolo Realty Partnership, L.P. Reflected in the consolidated financial statements of the Operating Partnership is $1,418.4 million from such indebtedness.

Acquisitions. On April 11, 1996, the Operating Partnership drew an additional $115.0 million on its then existing revolving credit facility primarily to finance the acquisition of the remaining economic ownership interest in Ross Park Mall ($44 million) and to retire a portion of the property's debt ($54 million).

In connection with the settlement of certain outstanding litigation, the Operating Partnership acquired on October 4, 1996 for $12.5 million an additional 20% limited partnership interest in North East Mall. At the same time, the Operating Partnership exercised its option to acquire the remaining 30% limited partnership interest in North East Mall owned by the Simons in exchange for 472,410 partnership units in the Operating Partnership, as well as the Simons' 50% general partnership interest which the Operating Partnership acquired for nominal consideration. The Simons had previously contributed to the Operating Partnership in exchange for partnership units, the right to receive distributions relating to its 50% general partnership interest. Therefore the Operating Partnership, as a result of the transactions, owns 100% of North East Mall and accounts for it using the consolidated method of accounting.

Financing and Refinancing. On February 23, 1996, the Operating Partnership borrowed the initial $100.0 million tranche of a $184.0 million two-tranche loan facility for The Forum Shops at Caesar's ("Forum") and retired the existing $89.7 million mortgage debt for Forum. The initial funding bears interest at LIBOR plus 100 basis points and matures in February 2000. The remaining proceeds are being used to provide funds for the approximately 250,000-square-foot phase II expansion of this property.

On June 28, 1996, the Operating Partnership obtained an additional $200 million unsecured, revolving credit facility. The facility bore interest at LIBOR plus 132.5 basis points and would mature in August of 1998. Terms for the facility were identical to those of the Operating Partnership's other $400 million credit facility.

On September 10, 1996, the Operating Partnership retired the DRC secured line of credit, in the amount of $112.0 million, which bore interest at LIBOR plus 175 basis points, with proceeds from SPG, LP's two unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points.

On September 27, 1996, the Company completed a $200 million public offering (the "Preferred Offering") of 8,000,000 shares of 8 3/4% Series B Cumulative Redeemable Preferred Stock, generating net proceeds of approximately $193 million. The Company contributed the proceeds of such offering to the Operating Partnership in exchange for preferred units in the Operating Partnership, which ultimately used the net proceeds to repay $142.8 million of outstanding mortgage indebtedness, $34.4 million under SPG, LP's two unsecured credit facilities, $12.5 million for the acquisition of the remaining ownership of North East Mall in Hurst, Texas and the remainder for working capital.

On September 27, 1996, the Operating Partnership obtained a $750 million, unsecured, three-year credit facility (the "Credit Facility"), with a one year extension at the option of the Operating Partnership which initially bears interest at LIBOR plus 90 basis points and retired the outstanding borrowings of SPG, LP in the aggregate principal amount of $323 million under SPG, LP's two unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points. The Credit Facility increases the Operating Partnership's available capital by $150 million.

Both the Operating Partnership and the Company anticipate in the future issuing additional debt or equity securities on a public or private basis. The Operating Partnership is currently contemplating an issuance of unsecured debt in the near future in an amount currently expected not to exceed $100 million.

During the first nine months of 1996, the Operating Partnership drew an additional $33.2 million on its construction loan for Cottonwood Mall in Albuquerque, New Mexico. As of September 30, 1996, a total of $55.6 million was outstanding on this construction loan.

Development, Expansions and Renovations. The Operating Partnership is involved in several development, expansion and renovation efforts.

The Operating Partnership is completing demolition of the existing Bakery Centre in South Miami, Florida, in preparation for the $130 million development of The Shops at Sunset Place. Pre-development efforts continue for this 75%-owned 500,000-square-foot retail and entertainment center.

Cottonwood Mall opened on July 31, 1996, in Albuquerque, New Mexico. This 1.0 million-square-foot regional mall is wholly-owned by the Operating Partnership. Cottonwood Mall is anchored by Dillard's, Foley's, JCPenney, Mervyn's, Montgomery Ward, and a 76,000-square-foot United Artists STARPORT entertainment complex, which is scheduled to open by the end of 1996.

Construction also continues on the following projects:

- A 250,000-square-foot phase II expansion of Forum, in which the Operating Partnership has a 55% ownership interest, is scheduled to open in the fall of 1997. The $90 million costs of the Forum project are being funded with a portion of a $184 million two-tranche financing facility which closed February 23, 1996.

- Ontario Mills, a 1.4 million-square-foot value-oriented regional mall in Ontario, California, in which the Operating Partnership has a 25% ownership interest, opens November 14, 1996. A $110 million construction loan on this project has been obtained on this approximately $168 million partnership venture with The Mills Corporation. The Operating Partnership funded its $15.0 million equity commitment for this project in July 1996.

- The Operating Partnership owns 50% of the Indian River Mall and a related community center, Indian River Commons. These developments are being financed with $22.0 million of partner's equity and a $52.0 million construction loan. At September 30, 1996 $36.1 million of the loan was outstanding. The mall will open November 15, 1996 and the community center in the spring of 1997.

- The Source, a 730,000-square-foot retail development project in Westbury (Long Island), New York, is expected to open in August of 1997. This new $150 million development will adjoin an existing Fortunoff store. The Operating Partnership has a total equity requirement of $31.1 million for this project. Construction Financing of $120 million closed on this property in July of 1996. The loan carries interest at LIBOR plus 170 basis points and matures on July 16, 1999. The Operating Partnership has made a $21.7 million equity investment in this 50%-owned joint venture development through September 30, 1996.

- Arizona Mills, a 1,225,000-square-foot retail development project in Tempe, Arizona, broke ground on August 1, 1996. This $183 million development is expected to open in November of 1997. A commitment has been obtained for a five-year $145 million construction loan with interest at LIBOR plus 160 basis points. The Operating Partnership has an $11.2 million equity investment and a 25% ownership interest in this joint venture development.

- Grapevine Mills, a 1,450,000-square-foot retail development project in Fort Worth, Texas, broke ground on July 10, 1996, and is expected to open in October of 1997. A commitment has been obtained for a four-year $140 million construction loan with interest at LIBOR plus 165 basis points. The Operating Partnership will have a $13.9 million equity commitment on this $188 million development project. The Operating Partnership owns 37.5% of this joint venture development.

- The Tower Shops in Las Vegas, Nevada, is an approximately $24 million, 60,000-square-foot retail development project in which the Operating Partnership owns a 50% interest. This retail development is currently under construction and is scheduled to open late in 1996. The Operating Partnership contributed its $3.2 million equity commitment in April of 1996.

Several renovation and expansion projects are currently under construction and management continues to review additional projects. It is anticipated that these projects will be financed principally with external borrowings, existing corporate credit facilities and cash flows from operations.

Debt. At September 30, 1996, the Operating Partnership had consolidated debt of $3,555.1 million, of which $2,481.6 million is fixed-rate debt and $1,073.5 million is variable-rate debt. As of September 30, 1996, the Operating Partnership had interest-rate protection agreements relating to $635.8 million of the variable-rate debt, respectively. The agreements are generally in effect until the related variable-rate debt matures.

The Operating Partnership's ratio of consolidated debt-to-market capitalization was approximately 45.2% at September 30, 1996.

Distributions. The Operating Partnership declared a distribution of $0.4925 per Unit in each of the first three quarters of 1996. In addition, a special distribution of $0.1515 per unit was declared on August 9, 1996 to align the time periods of distributions for the Company and DeBartolo Realty Corporation under the definitive merger agreement. Future distributions will be determined based on actual results of operations and cash available for distribution. Preferred distributions of $0.5078 per Series A Preferred Unit were also declared per quarter.

Capital Resources. Management anticipates that cash generated from operating performance will provide the necessary funds on a short- and long-term basis for its operating expenses, interest expense on outstanding indebtedness, recurring capital expenditures and distributions to holders of Preferred Units and Units.

Management continues to actively review and evaluate property acquisition opportunities. Management believes that funds on hand and amounts available under the Credit Facility, together with the ability to issue shares of common stock of the Company and/or Units, provide the means to finance certain acquisitions. No assurance can be given that the Operating Partnership will not be required to, or will not elect to, even if not required to, obtain funds from outside sources, including through the sale of debt or equity securities, to finance significant acquisitions, if any.

Investing and Financing Activities. Cash used in investing activities for the nine months ended September 30, 1996 was $59.7 million. Cash used in investing activities included approximately $44 million for the acquisition of the remaining economic ownership interest in Ross Park Mall, tenant allowances, capital expenditures and development related costs of $112.4 million including $31.3 million, $11.7 million, $6.1 million and $4.7 million at Cottonwood Mall, Forum, Muncie Mall and The Shops at Sunset Place, respectively; and advances to unconsolidated joint ventures totaling approximately $54.4 million, including $18.9 million, $15.0 million, $5.7 million and $3.2 million in equity contributions made to The Source, Ontario Mills, Arizona Mills and The Tower Shops, respectively, to fund development activity. Cash received in connection with the Merger and consolidation of joint venture properties was $66.7 million. Cash received from unconsolidated entities of $45.4 million included a $30.9 million return of equity from Smith Haven Mall. Additionally, a note repayment was received from M.S. Management Associates ($38.6 million). Cash used in investing activities for the nine months ended September 30, 1995 included $61.5 million for tenant allowances, capital expenditures and development related costs, a $14.6 million equity investment in Rolling Oaks Mall, and $3.1 million for the acquisition of a joint venture interest in a parcel of land to be held for development in Little Rock, Arkansas and $18.6 million for the acquisition of East Towne Mall, partially offset by $2.6 million of net proceeds from the sale of a joint venture interest in land held for development, distributions from unconsolidated entities ($4.3 million) and cash of $3.4 million included in the acquisition of interest in White Oaks Mall.

Cash used in financing activities for the nine months ended September 30, 1996 was $6.8 million less than the nine months ended September 30, 1995. The decrease in cash used in 1996 as compared to 1995 was primarily the result of $193.5 million in partnership contributions from the sale of preferred stock in 1996 partially offset by an increase of $41.7 million in distributions to Unitholders and proceeds from sales of common stock in 1995 of $142.1 million.

EBITDA-EARNINGS FROM OPERATING RESULTS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Management believes that there are several important factors that contribute to the ability of the Operating Partnership to increase rent and improve profitability of its shopping centers, including aggregate tenant sales volume, sales per square foot, occupancy levels and tenant costs. Each of these factors has a significant effect on EBITDA. Management believes that EBITDA is an effective measure of shopping center operating performance because: (i) it is industry practice to evaluate real estate properties based on operating income before interest, taxes, depreciation and amortization, which is generally equivalent to EBITDA; and (ii) EBITDA is unaffected by the debt and equity structure of the property owner. EBITDA: (i) does not represent cash flow from operations as defined by generally accepted accounting principles; (ii) should not be considered as an alternative to net income as a measure of the Operating Partnership's operating performance; (iii) is not indicative of cash flows from operating, investing and financing activities; and (iv) is not an alternative to cash flows as a measure of the Operating Partnership's liquidity.

Total EBITDA for the portfolio properties increased from $315.3 million for the nine months ended September 30, 1995 to $390.2 million for the same period in 1996, representing a growth rate of 24%. This increase is primarily attributable to the malls opened or acquired during 1995. During this period, operating profit margin decreased slightly from 63.1% to 61.4%.

FFO-FUNDS FROM OPERATIONS

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), means the consolidated net income of the Operating Partnership and its subsidiaries without giving effect to depreciation and amortization, gains or losses from extraordinary items, gains or losses on sales of real estate, gains or losses on investments in marketable securities and any provision/benefit for income taxes for such period, plus the allocable portion, based on the Operating Partnership's ownership interest, of funds from operations of unconsolidated joint ventures, all determined on a consistent basis in accordance with generally accepted accounting principles. Management believes that FFO is an important and widely used measure of the operating performance of REITs which provides a relevant basis for comparison among REITs. FFO is presented to assist investors in analyzing the performance of the Operating Partnership. FFO: (i) does not represent cash flow from operations as defined by generally accepted accounting principles; (ii) should not be considered as an alternative to net income as a measure of the Operating Partnership's operating performance or to cash flows from operating, investing and financing activities; and (iii) is not an alternative to cash flows as a measure of the Operating Partnership's liquidity. In March, 1995, NAREIT modified its definition of FFO. The modified definition provides that amortization of deferred financing costs and depreciation of non-rental real estate assets are no longer to be added back to net income in arriving at FFO. The modified definition was adopted by the Operating Partnership beginning in 1996. Additionally, the prior year FFO is being restated to reflect the new definition in order to make the amounts comparative. Under the previous definition, FFO for the three months and nine months ended September 30, 1995, would have been $52.3 million and $145.4 million, respectively.

The following summarizes FFO and reconciles net income to FFO for the periods presented:

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| | (IN THOUSANDS) | | | |
| FFO | $ 74,270 | $ 49,492 | $ 173,482 | $ 137,287 |
| Reconciliation: | | | | |
| Net Income | $ 24,085 | $ 24,310 | $ 67,558 | $ 69,797 |
| Plus: | | | | |
| Extraordinary items -- Losses on extinguishments of debt | 2,530 | 2,636 | 2,689 | 2,884 |
| Depreciation and amortization from consolidated properties | 37,469 | 21,894 | 88,507 | 64,855 |
| The Operating Partnership's share of depreciation and amortization from unconsolidated affiliates | 3,775 | 1,329 | 9,725 | 4,340 |
| Merger Integration Costs | 7,236 | N/A | 7,236 | -- |
| Less: | | | | |
| Gain on sale of asset | (88) | (677) | (88) | (2,350) |
| Minority interest portion of depreciation, amortization and extraordinary items | (737) | -- | (2,145) | (2,239) |
| FFO | $ 74,270 | $ 49,492 | $ 173,482 | $ 137,287 |

PORTFOLIO DATA

Operating statistics give effect to the merger of the Company and DeBartolo Realty Corporation and are based upon the business and properties of the Company and DRC on a combined basis.

Aggregate Tenant Sales Volume. For the nine months ended September 30, 1996 compared to the same period in 1995, total reported retail sales for mall and freestanding stores at the regional malls and all stores at the community shopping centers for GLA owned by the Operating Partnership ("Owned GLA") increased 4.4% from $5,050 million to $5,331 million. Retail sales at Owned GLA affect revenue and profitability levels because they determine the amount of minimum rent that can be charged, the percentage rent realized, and the recoverable expenses (common area maintenance, real estate taxes, etc.) the tenants can afford to pay.

Occupancy Levels. Occupancy levels for regional malls were 84.3% at both September 30, 1995 and September 30, 1996. Occupancy levels for community shopping centers decreased from 94.0% at September 30, 1995 to 92.1% at September 30, 1996. Total GLA has increased 3.0 million square feet from September 30, 1995 to September 30, 1996, primarily as a result of the October 1995 opening of Lakeline Mall, the December 1995 acquisition of Smith Haven Mall and the July 1996 opening of Cottonwood Mall.

Average Base Rents. Average base rents per square foot of mall and freestanding stores at regional mall Owned GLA increased 5.8%, from $19.08 to $20.18 as of September 30, 1996 as compared to September 30, 1995. In community shopping centers, average base rents per square foot of Owned GLA increased 3.2%, from $7.26 to $7.49 during this same period.

INFLATION

Inflation has remained relatively low during the past three years and has had a minimal impact on the operating performance of the portfolio properties. Nonetheless, substantially all of the tenants' leases contain provisions designed to lessen the impact of inflation. Such provisions include clauses enabling the Operating Partnership to receive percentage rentals based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than ten years, which may enable the Operating Partnership to replace existing leases with new leases at higher base and/or percentage rentals if rents of the existing leases are below the then-existing market rate. Substantially all of the leases, other than those for anchors, require the tenants to pay a proportionate share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Operating Partnership's exposure to increases in costs and operating expenses resulting from inflation.

However, inflation may have a negative impact on some of the Operating Partnership's other operating items. Interest and general and administrative expenses may be adversely affected by inflation as these specified costs could increase at a rate higher than rents. Also, for tenant leases with stated rent increases, inflation may have a negative effect as the stated rent increases in these leases could be lower than the increase in inflation at any given time.

OTHER

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season, when tenant occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve most of their temporary tenant rents during the holiday season. As a result of the above, earnings are generally highest in the fourth quarter of each year.

Management recognizes the retail industry is cyclical in nature and some tenants continue to experience difficulties, which is reflected in sales trends and in the bankruptcies and continued restructuring of several prominent retail organizations. Continuation of these trends could impact future earnings performance.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR (NOTE 1)

CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED AND DOLLARS IN THOUSANDS)

| | SEPTEMBER 30, 1996 | DECEMBER 31, 1995 |
|---|---|---|
| ASSETS: | | |
| Investment properties, at cost | $ 5,226,532 | $2,162,161 |
| Less -- accumulated depreciation | (236,583) | 152,817 |
| | 4,989,949 | 2,009,344 |
| Cash and cash equivalents | 92,575 | 62,721 |
| Tenant receivables and accrued revenue, net | 150,954 | 144,400 |
| Notes receivable and advances due from Management Company | 54,128 | 102,522 |
| Investment in partnerships and joint ventures, at equity | 368,225 | 113,676 |
| Deferred costs, net | 77,384 | 81,398 |
| Other assets | 64,981 | 42,375 |
| Total assets | $ 5,798,196 | $2,556,436 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| Mortgages and other notes payable | $ 3,555,123 | $1,980,759 |
| Accounts payable and accrued expenses | 199,942 | 113,131 |
| Accrued distributions | 2,223 | 48,594 |
| Cash distributions and losses in partnerships and joint ventures, at equity | 16,796 | 54,120 |
| Investment in Management Company | 13,415 | 20,612 |
| Other liabilities | 47,932 | 19,582 |
| Total liabilities | 3,835,431 | 2,236,798 |
| COMMITMENTS AND CONTINGENCIES | | |
| LIMITED PARTNERS' EQUITY INTEREST, 60,501,640 and 37,282,628 units outstanding at redemption value(Note 10) | 1,542,792 | 908,764 |
| PARTNERS' EQUITY: | | |
| Series A Preferred units, 4,000,000 authorized, issued and outstanding | 99,923 | 99,923 |
| Series B Preferred units, 8,000,000 authorized, issued and outstanding | 193,471 | -- |
| General Partner, 96,507,387 and 58,360,195 units outstanding at September 30, 1996 and December 31, 1995, respectively | 1,029,774 | 135,710 |
| Adjustment to reflect limited partners' equity interest at redemption value (Note 10) | (897,320) | (822,072) |
| Unamortized restricted stock award | (5,875) | (2,687) |
| Total partners' equity (deficit) | 419,973 | (589,126) |
| Total liabilities, limited partners' equity interest and partners' equity (deficit) | $ 5,798,196 | $2,556,436 |

The accompanying notes are an integral part of these statements.

SIMON DEBARTOLO GROUP L.P. AND PREDECESSOR (NOTE 1)

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED AND DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Minimum rent | $117,375 | $ 75,242 | $277,313 | $222,701 |
| Overage rent | 6,987 | 5,982 | 17,738 | 15,877 |
| Tenant reimbursements | 63,511 | 50,536 | 157,738 | 140,030 |
| Other income | 14,563 | 6,282 | 32,851 | 19,689 |
| Total revenue | 202,436 | 138,042 | 485,640 | 398,297 |
| EXPENSES: | | | | |
| Property operating | 35,089 | 26,647 | 85,608 | 72,623 |
| Depreciation and amortization | 37,606 | 22,015 | 88,913 | 65,212 |
| Real estate taxes | 19,676 | 13,321 | 48,040 | 39,854 |
| Repairs and maintenance | 10,006 | 5,740 | 22,546 | 16,926 |
| Advertising and promotion | 5,542 | 4,093 | 14,439 | 12,013 |
| Merger integration costs | 7,236 | -- | 7,236 | -- |
| Provision for doubtful accounts | 1,116 | (200) | 2,867 | 2,203 |
| Other | 3,450 | 2,235 | 9,152 | 8,295 |
| Total operating expenses | 119,721 | 73,851 | 278,801 | 217,126 |
| OPERATING INCOME | 82,715 | 64,191 | 206,839 | 181,171 |
| INTEREST EXPENSE | 56,212 | 36,468 | 135,346 | 112,125 |
| INCOME BEFORE MINORITY INTEREST | 26,503 | 27,723 | 71,493 | 69,046 |
| MINORITY INTEREST | (1,219) | (605) | (2,394) | (1,940) |
| GAIN ON SALE OF ASSET | 88 | -- | 88 | 2,350 |
| INCOME BEFORE UNCONSOLIDATED ENTITIES | 25,372 | 27,118 | 69,187 | 69,456 |
| INCOME FROM UNCONSOLIDATED ENTITIES | 3,467 | (172) | 7,452 | 3,225 |
| INCOME BEFORE EXTRAORDINARY ITEMS | 28,839 | 26,946 | 76,639 | 72,681 |
| EXTRAORDINARY ITEMS -- Losses on extinguishments of debt | (2,530) | (2,636) | (2,795) | (2,884) |
| NET INCOME | 26,309 | 24,310 | 73,844 | 69,797 |
| GENERAL PARTNER PREFERRED UNIT REQUIREMENT | (2,224) | -- | (6,286) | -- |
| NET INCOME AVAILABLE TO UNITHOLDERS | $ 24,085 | $ 24,310 | $ 67,558 | $ 69,797 |
| NET INCOME AVAILABLE TO UNITHOLDERS ATTRIBUTABLE TO: | | | | |
| General Partner | $ 14,784 | $ 14,774 | $ 41,350 | $ 41,368 |
| Limited Partners | 9,301 | 9,536 | 26,208 | 28,429 |
| | $ 24,085 | $ 24,310 | $ 67,558 | $ 69,797 |
| EARNINGS PER UNIT: | | | | |
| Income before extraordinary items | $ 0.20 | $ 0.28 | $ 0.65 | $ 0.79 |
| Extraordinary items | (0.02) | (0.03) | (0.02) | (0.03) |
| Net income | $ 0.18 | $ 0.25 | $ 0.63 | $ 0.76 |

The accompanying notes are an integral part of these statements.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR (NOTE 1)

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED AND DOLLARS IN THOUSANDS)

| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 | 1995 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 73,844 | $ 69,797 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 94,976 | 71,761 |
| Losses on extinguishments of debt | 2,795 | 2,888 |
| Gain on sale of asset | (88) | (2,350) |
| Straight-line rent | 1,754 | (1,237) |
| Minority interest | 2,394 | 1,940 |
| Equity in income of unconsolidated entities | (7,452) | (3,225) |
| Changes in assets and liabilities | | |
| Tenant receivables and accrued revenue | 9,034 | 3,727 |
| Deferred costs and other assets | (4,200) | (9,420) |
| Accounts payable, accrued expenses and other liabilities | (29,767) | (4,337) |
| Net cash provided by operating activities | 143,290 | 129,544 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisitions | (43,941) | (31,155) |
| Capital expenditures | (112,419) | (61,510) |
| Cash from Merger and consolidation of joint ventures | 66,736 | 4,346 |
| Proceeds from sale of asset | 399 | 2,550 |
| Investments in unconsolidated entities | (54,442) | (19,696) |
| Distributions from unconsolidated entities | 45,403 | 4,274 |
| Loan repayment from Management Company | 38,553 | |
| Net cash used in investing activities | (59,711) | (101,191) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Partnership contributions | 195,205 | 142,130 |
| Minority interest distributions | (3,810) | (2,823) |
| Partnership distributions | (171,346) | (130,643) |
| Proceeds from borrowings, net of transaction costs | 272,945 | 359,338 |
| Mortgage, bond and other payments | (346,719) | (428,511) |
| Net cash used in financing activities | (53,725) | (60,509) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 29,854 | (32,156) |
| CASH AND CASH EQUIVALENTS, beginning of period | 62,721 | 105,139 |
| CASH AND CASH EQUIVALENTS, end of period | $ 92,575 | $ 72,983 |

The accompanying notes are an integral part of these statements.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

NOTE 1 -- ORGANIZATION

On August 9, 1996, the merger and other related transactions pursuant to the agreement and plan of merger among Simon Property Group, Inc. ("SPG"), an acquisition subsidiary of SPG and DeBartolo Realty Corporation ("DRC") were consummated (the "Merger"). Pursuant to the Merger, SPG acquired all the outstanding shares of common stock of DRC (55,712,529 shares) through the acquisition subsidiary, at an exchange ratio of 0.68 share of SPG common stock for each share of DRC common stock (the "Exchange Ratio"). A total of 37,884,520 shares of SPG common stock were issued by SPG, through the acquisition subsidiary, to the DRC shareholders. DRC and the acquisition subsidiary merged, with DRC as the surviving entity and becoming a 99.9% subsidiary of SPG. This portion of the transaction was valued at approximately $923.2 million, based upon the number of DRC shares of common stock acquired (55,712,529 shares), the Exchange Ratio and the last reported sales price per share of SPG's common stock on August 9, 1996 ($24.375). In connection therewith, SPG changed its name to Simon DeBartolo Group, Inc. (the "Company") and DRC changed its name to SD Property Group, Inc. (the "Managing General Partner").

In connection with the Merger, the general and limited partners of the operating partnership of SPG, Simon Property Group, L.P. ("SPG, LP"), contributed 49.5% (47,442,212 units) of the total outstanding units of partnership interest in SPG, LP to the operating partnership of DRC, DeBartolo Realty Partnership, L.P. ("DRP, LP") in exchange for 47,442,212 units of partnership interest in DRP, LP, whose name has since been changed to Simon DeBartolo Group, L.P. ("SDG, LP"). The Company retained a 50.5% partnership interest (48,400,641 units) in SPG, LP but assigned its rights to receive distributions of profits on 49.5% (47,442,212 units) of the outstanding units of partnership interest in SPG, LP to SDG, LP. The limited partners of DRP, LP approved the contribution made by the partners of SPG, LP and simultaneously exchanged their 38.0% (34,203,623 units) partnership interest in DRP, LP, adjusted for the Exchange Ratio, for a smaller partnership interest in SDG, LP. The exchange of the limited partners' 38.0% partnership interest in DRP, LP for units of SDG, LP has been accounted for as an acquisition of minority interest by the Company and is valued based on the estimated fair value of the consideration issued (approximately $566.9 million). The units of SDG, LP may under certain circumstances be exchangeable for stock of the Company on a one-for-one basis. Therefore, the value of the acquisition of the DRP, LP limited partners' interest acquired was based upon the number of DRP, LP units exchanged (34,203,623 units), the Exchange Ratio and the last reported sales price per share of SPG's common stock on August 9, 1996 ($24.375). The limited partners of SPG, LP received a 23.7% partnership interest in SDG, LP (37,282,628 units) for the contribution of their 38.9% partnership interest in SPG, LP (37,282,628 units) to SDG, LP. The interests transferred by the partners of SPG, LP to DRP, LP have been appropriately reflected at historical costs.

Upon completion of the Merger, the Company became a general partner of SDG, LP with 36.9% (57,605,796 units) of the outstanding partnership units in SDG, LP and the Managing General Partner became the managing general partner of SDG, LP with 24.3% (37,873,965 units in SPG, LP) of the outstanding partnership units in SDG, LP. The Company remained the sole general partner of SPG, LP with 1% of the outstanding partnership units (958,429 units) and 49.5% interest in the capital of SPG, LP, and SDG, LP became a special limited partner in SPG, LP with 49.5% (47,442,212 units) of the outstanding partnership units in SPG, LP and an additional 49.5% interest in the profits of SPG, LP. SPG, LP did not acquire any interest in SDG, LP. Upon completion of the Merger, the Company directly and indirectly owned a controlling 61.2% (95,479,761 units) partnership interest in SDG, LP.

For financial reporting purposes, the completion of the Merger resulted in a reverse acquisition by the Company, using the purchase method of accounting, directly or indirectly, of 100% of the net assets of DRP, LP for consideration valued at $1.523 billion, including related transaction costs. The purchase price has been allocated to the fair value of the assets and liabilities of DRP, LP at September 30, 1996. Certain assumptions were made which management of the General Partners believes are reasonable. Management expects to

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

finalize the purchase price allocation during the fourth quarter of 1996. The final allocation is not expected to differ materially from the allocation made at September 30, 1996.

Although the Company was the accounting acquirer, SDG, LP (formerly DRP, LP) became the primary operating partnership through which the future business of the Company will be conducted, As a result of the Merger, the Company's initial operating partnership, SPG, LP, became a subsidiary of SDG, LP, with 99% of the profits allocable to SDG, LP and 1% of the profits allocable to the Company. Cash flow allocable to the Company's 1% profit interest in SDG, LP will be absorbed by public company cost and related expenses incurred by the Company. However, because the Company was the accounting acquirer and upon completion of the Merger acquired majority control of SDG, LP, SPG, LP is the predecessor to SDG, LP for financial reporting purposes. Accordingly the financial statements and ratios disclosed by SDG, LP for the post-merger periods will reflect the reverse acquisition of DRP, LP by the Company using the purchase method of accounting and for all pre-merger comparative periods, the financial statements and ratios disclosed by SDG, LP will reflect the financial statements and ratios of SPG, LP as the predecessor to SDG, LP for financial reporting purposes.

It is currently expected that subsequent to the first anniversary of the date of the Merger, reorganizational transactions will be effected so that SDG, LP will directly own all of the assets and partnership interests now owned by SPG, LP. However, there can be no assurance that such reorganizational transactions will be so effected. See "The Operating Partnership."

In connection with the Merger, M.S. Management Associates, Inc., a SPG management company, purchased from The Edward J. DeBartolo Corporation all of the voting stock (665 shares of common stock) of DeBartolo Properties Management, Inc., a DRC management company, for $2.5 million in cash. SDG, LP continues to hold substantially all of the economic interest in DeBartolo Properties Management, Inc. The Company holds substantially all of the economic interest in M.S. Management Associates, Inc., while the voting stock are held by the Simons and their affiliates. M.S. Management Associates, Inc. is accounted for using the equity method of accounting.

The following unaudited pro forma summary financial information for the nine month period ended September 30, 1996 combines the consolidated results of operations of the Operating Partnership as if the Merger had occurred on January 1, 1995 and was carried forward through September 30, 1996:

| | FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1996 | 1995 |
| Revenue | $ 694,343 | $ 645,398 |
| Net Income | $ 107,383 | $ 128,225 |
| Net Income Attributable to: | | |
| General Partners | $ 65,933 | $ 78,730 |
| Limited Partners | 41,450 | 49,495 |
| | $ 107,383 | $ 128,225 |
| Net Income per Unit | $ 0.68 | $ 0.84 |
| Weighted Average Units Outstanding | 156,925,688 | 152,806,432 |

NOTE 2 -- BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements are unaudited; however, they have been prepared in accordance with generally accepted accounting principles for interim financial information and in

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the consolidated condensed financial statements for these interim periods have been included. The results for the interim period ended September 30, 1996 are not necessarily indicative of the results to be obtained for the full fiscal year. These unaudited consolidated condensed financial statements should be read in conjunction with the December 31, 1995 audited financial statements and notes thereto included in the Simon Property Group, L.P. Annual Report on Form 10-K/A-1.

The accompanying unaudited consolidated condensed financial statements of Simon DeBartolo Group, L.P. (the "Operating Partnership") include all the accounts of the Operating Partnership and subsidiaries entities. Simon DeBartolo Group, Inc. and affiliates (the "Company"), directly or indirectly owned 61.5% and 61.0% of the Operating Partnership as of September 30, 1996 and December 31, 1995, respectively. Properties which are wholly owned or controlled by the Operating Partnership have been consolidated. All significant intercompany amounts have been eliminated.

The Operating Partnership's equity interests in certain partnerships and joint ventures which represent noncontrolling 14.7% to 50.0% ownership interests and the investment in M.S. Management Associates, Inc. (the "Management Company" -- see Note 7) are accounted for under the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions. An additional 2% ownership in one property is accounted for using the cost method.

Net income is allocated to the partners based on each partner's preferred unit preference and/or ownership interest in the Operating Partnership during the period. The Company's weighted average ownership interest in the Operating Partnership for the three months ended September 30, 1996 and 1995 was 61.3% and 60.8%, respectively. The Company's weighted average ownership interest for the nine-month periods ended September 30, 1996 and 1995 was 61.2% and 59.3%, respectively.

NOTE 3 -- RECLASSIFICATIONS

Certain reclassifications of prior period amounts have been made in the financial statements to conform to the 1996 presentation.

NOTE 4 -- CASH FLOW INFORMATION

Cash paid for interest, net of amounts capitalized, during the nine months ended September 30, 1996 was $127,464, as compared to $106,734 for the same period in 1995. Accrued and unpaid distributions as of September 30, 1996 and December 31, 1995 were $2,223, and $48,594, respectively, which includes accrued and unpaid distributions on the units of partnership interest entitled to preferential distribution of cash ("Preferred Units") of $2,223, and $1,490, respectively.

As described in Note 1 the Operating Partnership issued units in connection with the acquisition of DRC.

NOTE 5 -- PER UNIT DATA

Per unit data is based on the weighted average number of units of partnership interest ("Units") of the Operating Partnership outstanding during the period. As used herein, the term Units does not include Preferred Units. The weighted average number of Units used in the computation for the three months ended September 30, 1996 and 1995 was 131,056,267 and 95,196,569, respectively. The weighted average number of Units used in the computation for the nine months ended September 30, 1996 and 1995 was 107,607,202 and 91,663,449, respectively. Units may be exchanged for shares of common stock of the Company on a one-for-

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

one basis in certain circumstances. Additionally, Series A Preferred Units may be converted into common stock of the Company beginning in October of 1997 at an initial conversion ratio equal to 0.9524. The stock options outstanding under the Stock Option Plans and the Preferred Units have not been included in the computations of per Unit data, as they do not have a dilutive effect.

NOTE 6 -- ACQUISITION

Prior to April 11, 1996, the Operating Partnership held a 50% joint venture interest in Ross Park Mall in Pittsburgh, Pennsylvania. On April 11, 1996, the Operating Partnership acquired the remaining economic ownership interest. The purchase price included approximately $44,000 cash and the assumption of the joint venture partner's share of existing debt ($57,000). The purchase price in excess of the net assets acquired of $49,015 was allocated to investment properties. Effective April 11, 1996, the property is being accounted for using the consolidated method of accounting. It was previously accounted for using the equity method of accounting.

In connection with the settlement of certain outstanding litigation, the Operating Partnership acquired on October 4, 1996 for cash an additional 20% limited partnership interest in North East Mall. At the same time, the Operating Partnership exercised its option to acquire the remaining 30% limited partnership interest in North East Mall owned by the Simons in exchange for 472,410 units in the Operating Partnership, as well as the Simons' 50% general partnership interest which the Operating Partnership acquired for nominal consideration. The Simons had previously contributed to the Operating Partnership in exchange for units, the right to receive distributions relating to its 50% general partnership interest. Therefore, the Operating Partnership as a result of these transactions owns 100% of North East Mall and accounts for it using the consolidated method of accounting.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 7 -- INVESTMENT IN UNCONSOLIDATED ENTITIES

Summary financial information of partnerships and joint ventures accounted for using the equity method of accounting and a summary of the Operating Partnership's investment in and share of income (loss) from such partnerships and joint ventures follow:

| | PARTNERSHIPS AND JOINT VENTURES | |
|---|---|---|
| | SEPTEMBER 30, 1996 | DECEMBER 31, 1995 |
| BALANCE SHEETS | | |
| ASSETS: | | |
| Investment properties at cost, net | $ 1,763,739 | $1,156,066 |
| Cash and cash equivalents | 63,298 | 52,624 |
| Tenant receivables | 50,356 | 35,306 |
| Other assets | 45,446 | 32,626 |
| Total assets | 1,922,839 | $1,276,622 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| Mortgage and other notes payable | $ 1,071,932 | $ 410,652 |
| Accounts payable, accrued expenses and other liabilities | 159,446 | 127,322 |
| Total liabilities | 1,231,378 | 537,974 |
| Partners' equity | 691,461 | 738,648 |
| Total liabilities and partners' equity | 1,922,839 | $1,276,622 |
| THE OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 551,500 | $ 290,802 |
| PARTNERS' EQUITY: | | |
| Investment in partnerships and joint ventures, at equity | $ 368,225 | $ 113,676 |
| Cash distributions and losses in partnerships and joint ventures, at equity | (16,796) | (54,120) |
| | $ 351,429 | $ 59,556 |

| | PARTNERSHIPS AND JOINT VENTURES | | | |
|---|---|---|---|---|
| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
| STATEMENTS OF OPERATIONS | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Minimum rent | $37,295 | $19,755 | $ 91,334 | $57,606 |
| Overage rent | 2,057 | 548 | 3,746 | 1,678 |
| Tenant reimbursements | 18,487 | 10,002 | 46,000 | 28,651 |
| Other income | 2,903 | 1,757 | 9,061 | 11,064 |
| Total revenue | 60,742 | 32,062 | 150,141 | 98,999 |
| OPERATING EXPENSES: | | | | |
| Operating expenses and other | 22,888 | 11,019 | 55,737 | 32,456 |
| Depreciation and amortization | 12,273 | 5,310 | 32,859 | 15,961 |
| Total operating expenses | 35,161 | 16,329 | 88,596 | 48,417 |
| OPERATING INCOME | 25,581 | 15,733 | 61,545 | 50,582 |
| INTEREST EXPENSE | 14,555 | 6,648 | 28,689 | 21,282 |
| EXTRAORDINARY ITEMS | -- | (9) | -- | (9) |
| NET INCOME | 11,026 | 9,076 | 32,856 | 29,291 |
| THIRD PARTY INVESTORS' SHARE OF NET INCOME | 8,892 | 8,254 | 27,590 | 26,060 |
| THE OPERATING PARTNERSHIP'S SHARE OF NET INCOME | $ 2,141 | $ 822 | $ 5,275 | $ 3,231 |

The net income or net loss for each partnership and joint venture is allocated in accordance with the provisions of the applicable partnership or joint venture agreement. The allocation provisions in these

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

agreements are not always consistent with the ownership interest held by each general or limited partner or joint venturer, primarily due to partner preferences.

Summary financial information of the Management Company accounted for using the equity method of accounting and a summary of the Operating Partnership's investment in and share of income from the Management Company follow:

| | MANAGEMENT COMPANY | |
|---|---|---|
| BALANCE SHEETS | SEPTEMBER 30, 1996 | DECEMBER 31, 1995 |
| ASSETS: | | |
| Current assets | $ 62,874 | $ 40,964 |
| Undeveloped land and mortgage notes | 18,245 | 45,769 |
| Other assets | 24,889 | 13,813 |
| Total assets | $ 106,008 | $100,546 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT: | | |
| Current liabilities | $ 52,584 | $ 18,435 |
| Notes payable and advances due to the Operating Partnership at 11%, due 2008 | 71,028 | 102,522 |
| Total liabilities | 123,612 | 120,957 |
| Shareholders' deficit | (17,604) | (20,411) |
| Total liabilities and shareholders' deficit | $ 106,008 | $100,546 |
| THE OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 94,639 | $ 80,437 |
| Shareholders' deficit | $ (18,415) | $(20,612) |

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

| | MANAGEMENT COMPANY | | | |
|---|---|---|---|---|
| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
| STATEMENTS OF OPERATIONS | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Management fees | $ 4,952 | $ 4,158 | $15,122 | $15,113 |
| Development and leasing fees | 6,480 | 6,747 | 10,928 | 13,140 |
| Cost-sharing income and other | 1,935 | 1,706 | 7,237 | 5,221 |
| Total revenue | 13,367 | 12,611 | 33,287 | 33,474 |
| EXPENSES: | | | | |
| Operating expenses | 7,953 | 10,747 | 21,744 | 24,983 |
| Depreciation | 693 | 579 | 1,947 | 1,679 |
| Interest | 1,539 | 1,999 | 4,690 | 5,691 |
| Total expenses | 10,185 | 13,325 | 28,381 | 32,353 |
| NET INCOME (LOSS) | 3,182 | (714) | 4,906 | 1,121 |
| INTER-COMPANY PROFITS | (1,232) | -- | (1,232) | -- |
| NET INCOME (LOSS) AFTER INTER-COMPANY ELIMINATION | 1,950 | (714) | 3,674 | 1,121 |
| PREFERRED DIVIDENDS | 350 | 350 | 1,050 | 1,015 |
| NET INCOME (LOSS) AVAILABLE FOR COMMON SHAREHOLDERS | $ 1,600 | $(1,064) | $ 2,624 | $ 106 |
| THE OPERATING PARTNERSHIP'S SHARE OF NET INCOME (LOSS) | $ 1,326 | $ (994) | $ 2,177 | $ (6) |

The management, development and leasing activities related to the non-wholly owned and other third-party properties are conducted by the Management Company.

The Operating Partnership's share of allocated common costs were $7,524 and $5,685, respectively, for the three-month periods and $21,949 and $17,704, respectively, for the nine-month periods ended September 30, 1996 and 1995.

NOTE 8 -- DEBT

On February 23, 1996, the Operating Partnership borrowed the initial $100,000 tranche of a $184,000 two-tranche loan facility for the Forum Shops at Caesar's ("Forum") and retired the existing $89,701 mortgage debt for Forum. The initial funding bears interest at LIBOR plus 100 basis points and matures in February 2000. The remaining proceeds of the initial $100,000 tranche are being used to provide funds for the approximately 250,000-square-foot phase II expansion of this property.

On April 11, 1996, the Operating Partnership borrowed an additional $115,000 on its then existing revolving credit facility. The funds were used primarily to acquire the remaining economic ownership interest in Ross Park Mall ($44,000), and to retire a portion ($54,000) of the existing debt on Ross Park Mall.

On June 28, 1996, the Operating Partnership obtained an additional $200,000 unsecured, revolving credit facility. The facility bore interest at LIBOR plus 132.5 basis points and would mature in August of 1998. Terms for the facility were identical to those of the Operating Partnership's other $400,000 facility obtained in August of 1995.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

During the first nine months of 1996, the Operating Partnership drew an additional $33,246 million on its construction loan for Cottonwood Mall in Albuquerque, New Mexico. As of September 30, 1996, a total of $55,645 million was outstanding on the loan.

On September 10, 1996, the Operating Partnership retired the DRC secured line of credit, which bore interest at LIBOR plus 175 basis points, with proceeds from SPG, LP's two unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points.

On September 27, 1996, the Company completed a $200,000 public offering (the "Preferred Offering") of 8,000,000 shares of 8 3/4% Series B Cumulative Redeemable Preferred Stock, generating net proceeds of approximately $193,000. The Company contributed the proceeds of such offering to the Operating Partnership in exchange for preferred units in the Operating Partnership, which used the net proceeds to repay $142,800 of outstanding mortgage indebtedness and $50,200 under SPG, LP's two unsecured credit facilities.

On September 27, 1996, the Operating Partnership obtained a $750,000, unsecured, three-year credit facility (the "Credit Facility"), which will initially bear interest at LIBOR plus 90 basis points, and retired the outstanding borrowing of SPG, LP in the aggregate principal amount of $323,000 under SPG, LP's two unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points. The Credit Facility increases the Operating Partnership's available capital by $150,000.

On September 6, 1996, the Operating Partnership filed a shelf registration statement with the Securities and Exchange Commission to provide for the offering, from time to time, of up to $750,000 aggregate principal amount of unsecured debt securities of the Operating Partnership. The Operating Partnership is currently preparing to offer an aggregate of $200,000 in unsecured debt securities for sale to the public, the proceeds of which will be used primarily to retire mortgage indebtedness and to paydown the unsecured, revolving credit facility.

At September 30, 1996, the Operating Partnership had consolidated debt of $3,555,123, of which $2,481,639 was fixed-rate debt and $1,073,484 was variable-rate debt. As of September 30, 1996 and December 31, 1995, the Operating Partnership had interest-rate protection agreements related to $635,807 and $551,196 of variable-rate debt, respectively. The agreements are generally in effect until the related variable-rate debt matures. As a result of the various interest rate protection agreements, interest savings were $654 and $693 for the three months ended September 30, 1996 and 1995, respectively, and $1,935 and $2,617 for the nine months ended September 30, 1996 and 1995, respectively. The Operating Partnership's pro rata share of indebtedness of the unconsolidated joint venture properties as of September 30, 1996 and December 31, 1995 was $431,181 and $167,644, respectively.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 9 -- PARTNERS' EQUITY

The following table summarizes the change in the general partner and limited partners' equity in the Operating Partnership since December 31, 1995.

| | GENERAL PARTNER | | | | UNAMORTIZED RESTRICTED STOCK AWARD | TOTAL | LIMITED PARTNERS | |
|---|---|---|---|---|---|---|---|---|
| | PREFERRED UNITS | AMOUNTS | UNITS | AMOUNTS | | | UNITS | AMOUNTS(1) |
| Balance at December 31, 1995 | 4,000,000 | $99,923 | 58,360,195 | $(686,362) | $(2,687) | $(589,126) | 37,282,628 | $ 908,764 |
| Stock Incentive Program | -- | -- | 200,030 | 4,751 | (4,751) | -- | -- | -- |
| Amortization of stock incentive | -- | -- | -- | -- | 1,563 | 1,563 | -- | -- |
| Preferred unit contributions, net | 8,000,000 | 193,471 | -- | -- | -- | 193,471 | -- | -- |
| Adjustment to allocate net equity of the Operating Partnership | -- | -- | -- | (9,496) | -- | (9,496) | -- | 9,496 |
| Adjustment to reflect limited partners' equity interest at redemption value (Note 10) | -- | -- | -- | (75,248) | -- | (75,248) | -- | 75,248 |
| Other | -- | -- | -- | (62) | -- | (62) | -- | -- |
| Partner contributions | -- | -- | 37,947,162 | 924,075 | -- | 924,075 | 23,219,012 | 565,448 |
| Distributions | -- | (6,286) | -- | (66,554) | -- | (72,840) | -- | (42,372) |
| Net Income | -- | 6,286 | -- | 41,350 | -- | 47,636 | -- | 26,208 |
| Balance at September 30, 1996 | 12,000,000 | $293,394 | 96,507,387 | $ 132,454 | $(5,875) | $ 419,973 | 60,501,640 | $1,542,792 |

- ---------------
(1) At redemption value.

STOCK INCENTIVE PROGRAM

Two stock incentive programs are currently in effect for SDG LP.

Under the terms of the Simon Stock Incentive Program, on March 22, 1995, an aggregate of 1,000,000 shares of restricted stock was awarded to 50 executives, subject to certain performance standards and other terms of the plan. On March 22, 1995 and 1996, the board of directors of the Company approved the issuances of 144,196 and 200,030 shares of common stock, respectively to eligible executives. The value of these shares is being amortized pro-rata over the respective four year vesting period. Approximately $1,563 and $525 have been amortized for the nine-month periods ended September 30, 1996 and 1995, respectively.

Under the terms of the DeBartolo stock incentive plan, 2,108,000 shares of common stock are available for grant, subject to certain performance standards and other terms of the plan. A total of 1,865,240 shares of common stock have been approved by the compensation committee.

It is management's intent to merge the existing plans into a single plan for key employees of SDG LP.

NOTE 10 -- LIMITED PARTNERS' INTEREST

Because the Operating Partnership does not control whether cash will be used to settle the limited partners' exchange rights, the limited partners' equity has not been included in partners' equity. The consolidated condensed balance sheets reflect the limited partners' interest in the Operating Partnership, measured at redemption value.

SIMON DEBARTOLO GROUP, L.P. AND PREDECESSOR

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

On November 13, 1996, an agreement was reached between the Company and the Operating Partnership which restricts the Company's ability to cause the Operating Partnership to redeem for cash the limited partners' units without contributing cash to the Operating Partnership as partners' equity sufficient to effect the redemption. If sufficient cash is not contributed, the Company will be deemed to have elected to acquire the limited partners' units for shares of the Company's common stock. Accordingly, prospectively the limited partners' interest in SDG LP will be reflected in the consolidated balance sheet of the SDG LP as partners' equity at historical carrying value.

NOTE 11 COMMITMENTS AND CONTINGENCIES

On October 16, 1996, a complaint was filed in the Court of Common Pleas of Mahoning County, Ohio, captioned Carlo Angostinelli et al. v. DeBartolo Realty Corp. et al. The named defendants are the Managing General Partner and DeBartolo Properties Management, Inc., and the plaintiffs are 24 former employees of the defendants. In the complaint, the number of plaintiffs allege that they were recipients of deferred stock grants under the DRC 1994 Stock Incentive Plan (the "Plan") and that these grants immediately vested under the Plan's "change in control" provision as a result of the Merger. Plaintiffs assert that the defendants' refusal to issue them approximately 579,000 shares of DRC common stock, which is equivalent to approximately 394,000 shares of common stock of the Company computed at the .68 exchange ratio used in the Merger, constitutes a breach of contract and a breach of the implied covenant of good faith and fair dealing under Ohio law. Plaintiffs seek damages equal to such number of shares of DRC common stock, or cash in lieu thereof, equal to all deferred stock ever granted to them under the Plan, dividends on such stock from the time of the grants, compensatory damages for breach of the implied covenant of good faith and fair dealing, and punitive damages.

The complaint was served on the defendants on October 28, 1996, and pre-trial proceedings have not yet commenced. The Company is of the opinion that it has meritorious defenses and accordingly intends to defend this action vigorously. While it is difficult for the Company to predict the outcome of this litigation at this stage, based on the information known to the Company to date, the Company does not expect this action will have a material adverse effect on the Company.

CERTAIN INFORMATION WITH RESPECT
TO SIMON PROPERTY GROUP, L.P.

## SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth certain selected financial and operating data on a historical basis for SPG, LP, the Predecessor, for financial reporting purposes, of SDG, LP and for Simon Property Group the Predecessor of SPG, LP for the respective periods presented. The historical financial information should be read in conjunction with the financial statements and notes thereto included herein.

| | SIMON PROPERTY GROUP, L.P. (SPG, LP, THE PREDECESSOR OF SDG, LP) | | | | |
|---|---|---|---|---|---|
| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1994 | FOR THE PERIOD FROM DECEMBER 20 TO DECEMBER 31, 1993 |
| | (IN THOUSANDS EXCEPT PER UNIT DATA, PORTFOLIO PROPERTY DATA AND RATIOS) | | | | |
| OPERATING DATA: | | | | | |
| Total Revenue | $ 429,600 | $ 398,297 | $ 553,657 | $ 473,676 | $ 18,424 |
| Expenses: | | | | | |
| Operating Expenses | 164,562 | 151,914 | 209,782 | 183,433 | 4,095 |
| Depreciation and Amortization | 77,913 | 65,212 | 92,739 | 75,945 | 2,051 |
| Interest Expense(1) | 120,370 | 112,125 | 150,224 | 150,164 | 3,548 |
| Income (Loss) before Extraordinary Items | 70,229 | 72,681 | 101,505 | 60,308 | 8,707 |
| Net Income (Loss) | $ 67,434 | $ 69,797 | $ 98,220 | $ 42,328 | $ (21,774) |
| Preferred Unit Distributions | 6,094 | -- | 1,490 | -- | -- |
| Net Income (Loss) available to unit holders | 61,340 | 69,797 | 96,730 | 42,328 | (21,774) |
| Net Income per unit before extraordinary items | $ .73 | $ 0.79 | $ 1.08 | $ 0.71 | $ 0.11 |
| Net Income per unit(2) | $ .70 | $ 0.76 | $ 1.04 | $ 0.50 | $ (0.28) |
| Distributions per unit | $ 1.14 | $ 1.48 | $ 1.97 | $ 1.90 | -- |
| Weighted average units outstanding | 95,784 | 91,663 | 92,666 | 84,510 | 78,447 |
| BALANCE SHEET DATA (as of end of period): | | | | | |
| Investment in Real Estate, net | $ 2,179,373 | $ 1,985,841 | $2,009,344 | $1,829,111 | $1,350,360 |
| Cash and cash equivalents | 44,635 | 72,983 | 62,721 | 105,139 | 110,625 |
| Total Assets | 2,683,384 | 2,407,499 | 2,556,436 | 2,316,860 | 1,793,654 |
| Total Debt(3) | 2,136,651 | 1,986,072 | 1,980,759 | 1,938,091 | 1,455,884 |
| Limited Partners' Interest | -- | 949,126 | 908,764 | 909,306 | 848,373 |
| Owner's Equity (Deficit) | $ 273,553 | $ (709,583) | $ (589,126) | $ (807,613) | $ (791,820) |
| OTHER DATA: | | | | | |
| Cash flow provided by (used in): | | | | | |
| Operating activities | $ 146,641 | $ 129,544 | $ 194,336 | $ 128,023 | N/A |
| Investing activities | (116,449) | (101,191) | (222,679) | (266,772) | N/A |
| Financing activities | (48,278) | (60,509) | (14,075) | 133,263 | N/A |
| Restated Funds from Operations (FFO) (4) | $ 148,189 | $ 137,287 | $ 197,909 | $ 167,761 | N/A |
| RATIO OF EARNINGS TO FIXED CHARGES OR COVERAGE DEFICIT(5) | 1.53x | 1.64x | 1.67x | 1.43x | 3.36x |
| PORTFOLIO DATA (as of end of period): | | | | | |
| Total EBITDA(6) | $ 346,200 | $ 315,276 | $ 437,548 | $ 386,835 | $ 346,679(7) |
| EBITDA After Minority Interest(6) | 285,975 | 258,185 | 357,158 | 307,372 | 256,169(7) |
| Number of Portfolio Properties | 122 | 120 | 122 | 119 | 114 |
| Total GLA (thousands of square feet) | 63,360 | 59,644 | 62,232 | 58,200 | 54,042 |

| | SIMON PROPERTY GROUP (THE PREDECESSOR OF SPG, LP) | | |
|---|---|---|---|
| | FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 19, 1993 | FOR THE YEAR ENDED DECEMBER 31, 1992 | FOR THE YEAR ENDED DECEMBER 31, 1991 |
| OPERATING DATA: | | | |
| Total Revenue | $ 405,869 | $ 400,852 | $ 378,029 |
| Expenses: | | | |
| Operating Expenses | 175,801 | 176,682 | 173,923 |
| Depreciation and Amortization | 60,243 | 58,104 | 56,033 |
| Interest Expense(1) | 156,909 | 178,075 | 159,798 |
| Income (Loss) before Extraordinary Items | 6,912 | (11,692) | (15,865) |
| Net Income (Loss) | $ 33,101 | $ (11,692) | $ (15,865) |
| Preferred Unit Distributions | -- | -- | -- |
| Net Income (Loss) available to unit holders | 33,101 | (11,692) | (15,865) |
| Net Income per unit before extraordinary items | N/A | N/A | N/A |
| Net Income per unit(2) | N/A | N/A | N/A |
| Distributions per unit | N/A | N/A | N/A |
| Weighted average units outstanding | N/A | N/A | N/A |
| BALANCE SHEET DATA (as of end of period): | | | |
| Investment in Real Estate, net | N/A | $1,156,009 | $1,143,050 |
| Cash and cash equivalents | N/A | 42,682 | 31,840 |
| Total Assets | N/A | 1,494,289 | 1,432,028 |
| Total Debt(3) | N/A | 1,711,778 | 1,548,292 |
| Limited Partners' Interest | N/A | N/A | N/A |
| Owner's Equity (Deficit) | N/A | $ (565,566) | $ (418,697) |
| OTHER DATA: | | | |
| Cash flow provided by (used in): | | | |

| | | | |
|---|---|---|---|
| Operating activities | N/A | N/A | N/A |
| Investing activities | N/A | N/A | N/A |
| Financing activities | N/A | N/A | N/A |
| Restated Funds from Operations (FFO) (4) | N/A | N/A | N/A |
| RATIO OF EARNINGS TO FIXED CHARGES OR COVERAGE DEFICIT(5) | 1.11x | $ (12,821) | $ (18,719) |
| PORTFOLIO DATA (as of end of period): | | | |
| Total EBITDA(6) | N/A | $ 316,535 | $ 282,326 |
| EBITDA After Minority Interest(6) | N/A | 227,931 | 210,634 |
| Number of Portfolio Properties | N/A | 110 | 108 |
| Total GLA (thousands of square feet) | N/A | 52,404 | 51,375 |

- ---------------

(1) Interest expense for the year ended December 31, 1994 includes $27.2 million of additional non-recurring contingent interest paid in connection with the refinancing of a Portfolio Property. The property lender was entitled to participate in the appreciated market value of the Portfolio Property upon refinancing. Management does not presently expect to enter into financing arrangements with similar participation features in the future. Accordingly, management considers the payment made to the lender unusual in nature. As explained in footnote (4) below, unusual or extraordinary items are excluded for purposes of computing FFO. Accordingly, this item has been excluded from FFO in this table and elsewhere herein.

(2) Per unit data are reflected only for the periods from December 20, 1993 through September 30, 1996. Per unit data are not relevant for the historical combined financial statements of Simon Property Group, the Predecessor to SPG, LP, since such financial statements are a combined presentation of partnerships and corporations.

(3) Historical debt of SPG, LP as of September 30, 1996 and 1995 and December 31, 1995 includes $1,813.7 million, $1,778.1 million and $1,784.8 million, respectively, of mortgage indebtedness and $323.0 million, $208.0 million and $196.0 million, respectively, of outstanding indebtedness under credit facilities, respectively.

(4) Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), means combined net income SGP, LP without giving effect to depreciation and amortization, gains or losses from extraordinary items, gains or losses on sales of real estate, gains or losses on investments in marketable securities and any provision/benefit for income taxes for such period, plus the allocable portion, based on ownership interest of SGP, LP, of FFO of unconsolidated joint ventures, all determined on a consistent basis in accordance with generally accepted accounting principles. Management believes that FFO is an important and widely used measure of the operating performance of REITs which provides a relevant basis for comparison among REITs. FFO is presented to assist investors in analyzing the performance of SGP, LP. SGP, LP's method of calculating FFO may be different from the methods used by other REITs. FFO (i) does not represent cash flows from operations as defined by generally accepted accounting principles, (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities and (iii) is not an alternative to cash flows as a measure of liquidity. In March 1995, NAREIT modified its definition of FFO. The modified definition provides that amortization of deferred financing costs and depreciation of nonrental real estate assets are no longer to be added back to net income in arriving at FFO. The modified definition was adopted by SGP, LP beginning in 1996. Additionally the FFO for prior periods have been restated to reflect the new definition in order to make the amounts comparative.

(5) For purposes of computing the Ratio of Earnings to Fixed Charges, earnings have been calculated by adding fixed charges, excluding capitalized interest, to income (loss) from continuing operations including income from minority interests which have fixed charges, and including distributed operating income from unconsolidated joint ventures instead of income from unconsolidated joint ventures. Fixed Charges consist of interest costs, whether expensed or capitalized, the interest component of rental expense and amortization of debt issuance costs.

(6) Total EBITDA represents earnings before interest, taxes, depreciation and amortization for all properties. EBITDA After Minority Interest represents earnings before interest, taxes, depreciation and amortization for all properties after distribution to the third-party joint venture partners. EBITDA (i) does not represent cash flow from operations as defined by generally accepted accounting principles, (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) is not an alternative to cash flows as a measure of liquidity. Management believes that in addition to cash flows and net income, EBITDA is a useful financial performance measurement for assessing the operating performance of an equity REIT because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. To evaluate EBITDA and the trends it depicts, the components of EBITDA, such as revenues and operating expenses, should be considered. SGP, LP's method of calculating EBITDA may be different from the methods used by other REITs. The Company's weighted average ownership interest in the operating results of SGP, LP for the nine months ended September 30, 1996 and 1995 was 61.1% and 59.3%, respectively, and was 60.3%, 55.2% and 52.2% in 1995, 1994 and 1993, respectively. The Company's ownership interest in SPG, LP was 61.1% and 60.9% at September 30, 1996 and 1995, respectively, and was 61.0% and 56.4% at December 31, 1995 and 1994, respectively.

(7) Represents the combined EBITDA and EBITDA After Minority Interest of the properties for the full year ended December 31, 1993.

SIMON PROPERTY GROUP L.P. AND SIMON PROPERTY GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Selected Financial Data, and all of the financial statements and notes thereto included elsewhere herein.

GENERAL BACKGROUND

Simon Property Group L.P. ("SPG, LP" or the "Simon Operating Partnership") was formed in connection with the initial public offering of Simon Property Group, Inc. As a result of the merger between a subsidiary of Simon Property Group, Inc. and DeBartolo Realty Corporation ("DRC"), the Simon Operating Partnership became a subsidiary of Simon DeBartolo Group, L.P. ("SDG, LP"). The accompanying financial statements reflect the operations of the Simon Operating Partnership on a stand alone basis.

Historical results and percentage relationships set forth in Selected Financial Data are not necessarily indicative of future financial position and results of operations of the Simon Operating Partnership.

The financial statement results presented for the twelve-day period from December 20, 1993 through December 31, 1993 are not indicative of the Simon Operating Partnership's performance on an annual basis. Similarly, the results presented in the combined financial statements for the Predecessor of the Simon Operating Partnership cover only 353 days of 1993, the period prior to the date that the Simon Operating Partnership acquired the assets and liabilities of the Predecessor of the Simon Operating Partnership. Therefore, the discussion of and results of operations and liquidity and capital resources for 1993 are presented on a combined basis to compare to the full year 1994. Management believes presentation in this manner provides a more meaningful discussion of year-to-year results.

RESULTS OF OPERATIONS

Three property ownership changes (the "Property Transactions") affect the comparison of the three-month and nine-month periods. Effective July 31, 1995, the Simon Operating Partnership acquired the remaining 50% interest in Crossroads Mall and subsequently began including Crossroads in the financial statements using the consolidated method of accounting. Effective September 25, 1995, the Simon Operating Partnership acquired the remaining 55% interest in East Towne Mall and subsequently began including East Towne in the financial statements using the consolidated method of accounting. And finally, on April 11, 1996, the Simon Operating Partnership acquired the remaining 50% economic interest in Ross Park Mall and subsequently began including Ross Park in the financial statements using the consolidated method of accounting.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996 VS. THE THREE MONTHS ENDED SEPTEMBER 30, 1995

Total revenue increased by $8.4 million or 6.1% for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of the Property Transactions ($9.1) million, an increase in minimum rent ($2.4 million), and a gain on the sale of a peripheral property ($2.6 million), partially offset by a decrease in tenant reimbursements ($4.6 million).

Total operating expenses increased by $9.5 million, or 12.9%, for the three months ended September 30, 1996 as compared to the same period in 1995. This increase is primarily a result of the Property Transactions ($4.1 million) and an increase in depreciation and amortization ($5.0 million).

Interest expense increased by $4.8 million, or 13.1% for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily as a result of the Property Transactions ($3.7 million).

Income from unconsolidated entities increased by $1.5 million for the three months ended September 30, 1996, as compared to the same period in 1995. This increase is the result of an increase in the Simon Operating Partnership's pro rata share of income from M.S. Management Associates, Inc. (together with its subsidiaries, "the Management Company") ($2.3 million), partially offset by a decrease in income allocated from the nonconsolidated joint venture properties ($0.8 million).

The Company's preferred unit requirement was $2.0 million in 1996 primarily as a result of $100 million in net proceeds received in connection with the Company's issuance of 8 1/8% Series A convertible preferred stock.

Net income available to unitholders was $17.9 million for the three months ended September 30, 1996 as compared to $24.3 million for the same period in 1995, reflecting a decrease of $6.4 million, for the reasons discussed above.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 VS. THE NINE MONTHS ENDED SEPTEMBER 30, 1995

Total revenue increased by $31.3 million or 7.9% for the nine months ended September 30, 1996, as compared to the same period in 1995. Of this increase, $25.1 million is a result of the Property Transactions. The remaining increase is primarily the result of increases in minimum rent ($5.3 million), lease settlement income ($2.1 million), and a gain on the sale of peripheral property ($2.6 million), partially offset by a decrease in tenant reimbursements ($5.9 million).

Total operating expenses increased by $25.3 million, or 11.7%, for the nine months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of the Property Transactions ($13.8) and an increase in depreciation and amortization ($8.4 million).

The gain on sale of an asset in the nine months ended September 30, 1995 ($2.4 million) relates to the sale of a minority partnership interest in land previously held for development in Denver, Colorado.

Interest expense increased by $8.2 million or 7.4% for the nine months ended September 30, 1996, as compared to the same period in 1995. This increase was primarily the result of the Property Transactions ($9.5 million), partially offset by interest savings resulting from debt payments made with proceeds obtained from the Company's secondary common stock offering in April 1995 and the sale of preferred stock in October 1995.

Income from unconsolidated entities increased by $2.0 million for the nine months ended September 30, 1996, as compared to the same period in 1995. This increase is primarily the result of an increase in the Simon Operating Partnership's pro rata share of income from the Management Company ($2.2 million).

The Company's preferred unit requirement increased by $6.1 million as a result of $100 million in net proceeds received in connection with the Company's issuance of 8 1/8% Series A convertible preferred stock.

Net income available to Shareholders was $61.3 million for the nine months ended September 30, 1996, as compared to $69.8 million for the same period in 1995, reflecting a decrease of $8.5 million, for the reasons discussed above.

YEAR ENDED DECEMBER 31, 1995 TO THE YEAR ENDED DECEMBER 31, 1994

During 1994 and 1995, the Simon Operating Partnership acquired several new properties through purchase, acquisition and merger, and, as a result of a change in controlling interest, changed the way it accounted for several properties (using either the consolidated method of accounting or the equity method of accounting for non-controlled joint venture entities) (the "Property Transactions"). The following is a listing of such transactions: The Simon Operating Partnership began including The Forum Shops at Caesars ("Forum") as a consolidated property due to the Simon Operating Partnership's ability to demonstrate control effective April 1, 1994. On September 1, 1994, the Simon Operating Partnership consolidated 15 properties as a result of the merger of MSA Realty Corporation into the Company (the "MSAR Merger"). During December 1994, the Simon Operating Partnership acquired a 100% interest in Independence Mall, Orange Park Mall, Broadway Square and University Mall (Florida). On February 23, 1995, the Simon Operating Partnership acquired an additional 50% interest in White Oaks Mall and is now accounting for the property using the consolidated method of accounting. Effective July 1, 1995, the Simon Operating Partnership relinquished its ability to direct certain activities related to the control of North East Mall, and as a result is now accounting for the property using the equity method of accounting. On July 31, 1995, the Simon Operating Partnership purchased the remaining 50% ownership in Crossroads Mall and subsequently began accounting for the property using the consolidated method of accounting. On September 25, 1995, the Simon Operating Partnership acquired the remaining 55% ownership in East Towne Mall and subsequently began accounting for the property using the consolidated method of accounting. (See the "Liquidity and Capital Resources" discussion for additional information regarding these transactions.)

Total revenue by increased $80.0 million, or 16.9%, in 1995. Of this increase, $72.8 million is attributable to the 1995 Property Transactions, and the full-year impact in 1995 of the 1994 Property Transactions. The remaining $7.2 million increase is primarily the result of an increase in revenue resulting from increases of $1.25 and $0.18 in average base minimum rents per square foot for regional mall stores and community shopping centers as evidenced by leasing spreads for regional mall store and community shopping center leases executed during 1995 over those leases expiring in 1995 of $5.38 and $1.22 per square foot, respectively. These increases are partially offset by a decrease in overage rent resulting primarily from static sales in the portfolio and a decline of $1.8 million in overage rent at Texas border properties due to the devaluation of the Mexican peso. Management expects these properties to return to their prior performance level, as they have done historically after previous peso devaluations.

Total operating expenses increased by $43.1 million, or 16.6%, in 1995. Of this increase, $37.9 million, or 87.9%, is the result of the Property Transactions. Other than increases from the Property Transactions, total operating expenses experienced an increase of only 2.0% attributable to increased depreciation and amortization derived from an increase in investment properties.

Interest expense, excluding prior year non-recurring interest expense, increased by a net of $27.2 million, or 22.2%, to $150.2 million for 1995 as compared to $123.0 million for 1994. Of this increase, $26.5 million, or 97.4% is the result of the Property Transactions. Partially offsetting this increase is interest savings realized as a result of restructuring the Simon Operating Partnership's credit facilities, and from using the proceeds of the Company's add-on offering of 6,241,854 shares of common stock and over-allotment offerings to reduce the outstanding indebtedness of SPG, LP.

The net gain on the sale of assets in 1995 resulted from a gain on the sale of a minority partnership interest in land previously held for development in Denver, Colorado ($2.4 million), partially offset by a loss on the sale of an equity investment in Arborland Mall ($0.5 million).

Income (loss) from unconsolidated entities increased from a loss of $0.1 million in 1994 to income of $1.4 million in 1995 resulting from an increase in the Simon Operating Partnership's share of income from partnerships and joint ventures, partially offset by an increase in its share of losses of the Management Company. The Simon Operating Partnership's share of income from partnerships and joint ventures improved $4.1 million from $1.0 million in 1994 to $5.1 million in 1995. This increase is primarily attributable to gains from sales of peripheral property ($3.4 million) and the change to accounting for North East Mall using the equity method of accounting ($1.7 million). The Simon Operating Partnership's share of the Management Company's results declined $2.6 million from an allocated net loss of $1.1 million for 1994 to an allocated net loss of $3.7 million for 1995. This decrease is the result of the Management Company's losses related to the settlement of a mortgage receivable and the liquidation of a partnership investment in 1995, partially offset by a $1.6 million increase in the Management Company's operating income.

Extraordinary items of $3.3 million in 1995 and $18.0 million in 1994 result from costs associated with the refinancing of debt.

Net income available to Unitholders increased from $42.3 million for 1994 to $96.7 million for 1995, an increase of $54.4 million, for the reasons discussed above.

COMPARISON OF CONSOLIDATED OPERATING RESULTS FOR THE
YEAR ENDED DECEMBER 31, 1994 TO THE COMBINED YEAR ENDED DECEMBER 31, 1993

Total revenue increased by $49.4 million, or 11.6%, to $473.7 million for 1994, as compared to $424.3 million in 1993. This increase is the result of increases in all components of revenue. The $28.2 million increase in minimum rent is a result of an overall increase in occupancy levels and the replacement of expiring tenant leases with renewal leases at higher minimum base rents ($7.2 million), the inclusion of Forum as a consolidated property ($10.3 million) and the MSAR Merger ($8.7 million). The increase in overage rent of $5.4 million to $25.5 million for 1994, as compared to $20.1 million in 1993, is attributable to an overall increase in tenant sales volume ($0.9 million) and the inclusion of Forum as a consolidated property ($4.2 million). Tenant reimbursements increased $12.4 million as a result of the increased occupancy and overall tenant recoverability of costs ($4.0 million), the inclusion of Forum as a consolidated property ($4.0 million) and the MSAR Merger ($4.0 million). The $3.4 million increase in other income is primarily attributable to the increase in interest and dividend income from the Management Company ($9.7 million), the increase in interest income from cash equivalents due to the increase in funds invested and higher interest rates ($1.1 million), the consolidation of Forum ($1.4 million) and the MSAR Merger ($1.1 million), offset in part by the sale of an anchor store in March 1993 ($8.9 million).

Total operating expenses increased by $17.2 million, or 7.1%, to $259.4 million for 1994 as compared to $242.2 million for 1993. This increase is the result of increases in depreciation and amortization, real estate taxes, repairs and maintenance, and advertising and promotion, offset by decreases in property operating expenses and other expenses. The increase in depreciation and amortization of $13.7 million is attributable to the purchase of minority partners' interest in the Predecessor of SPG,LP with the application of the offering proceeds ($5.5 million), the inclusion of Forum as a consolidated property ($3.5 million), the MSAR Merger ($1.8 million) and additional renovation and expansion costs incurred in 1992 and 1993 at several Portfolio Properties. The increases in real estate taxes ($3.7 million) and repairs and maintenance ($2.3 million) are primarily attributable to the consolidation of Forum ($0.3 million and $1.0 million, respectively) and the MSAR Merger ($2.1 million and $0.5 million, respectively). Tenant contributions funded a substantial portion of the $2.4 million increase in advertising and promotion campaigns. The $6.7 million decrease in property operating expenses is the result of the reduction in the costs related to the self-management of wholly owned properties ($5.9 million), a decrease in insurance costs due to an overall reduction in premiums and loss occurrences ($1.7 million) and the decrease in general and administrative expenses ($3.0 million). These decreases in property operating expenses are partially offset by the inclusion of Forum as a consolidated property ($3.6 million) and the MSAR Merger ($0.5 million). The $1.3 million increase in other expenses is attributable to the inclusion of Forum as a consolidated property ($2.1 million) and public company costs ($1.2 million), offset in part by the decrease in ground rent relating to the buyout of various ground leases with the application of the offering proceeds.

Interest expense, excluding non-recurring interest expense, decreased by $37.5 million, or 23.4%, to $123.0 million for 1994 as compared to $160.5 million for 1993. This decrease is primarily the result of: (i) the application of net proceeds of the offering and the concurrent financing to reduce indebtedness ($34.4 million); and (ii) lower interest rates on debt ($12.1 million); offset by (iii) the inclusion of Forum as a consolidated property ($3.7 million), the MSAR Merger ($4.3 million) and an increase in amortization of deferred financing costs related to the refinancings ($2.5 million).

On December 1, 1994, as part of a debt restructuring and the termination of the lender's participation in future cash flow for one of the Portfolio Properties, the Simon Operating Partnership incurred a non-recurring interest expense charge of $27.2 million. The Simon Operating Partnership has reflected this item as a separate line in the Consolidated Statements of Operations.

Minority interest in 1994 reflects the purchase of minority partners' interest in the Predecessor of SPG,LP with the application of the IPO proceeds and the inclusion of the minority partner's interest in Forum.

Income (loss) from unconsolidated entities improved $2.3 million. The Simon Operating Partnership's share of the Management Company's results improved from an allocation of a net loss of $1.4 million for 1993 to a net loss of $1.1 million for 1994. The 1994 amount is after interest and preferred dividend charges payable to the Simon Operating Partnership of $9.1 million. There were no similar charges in 1993. The Simon Operating Partnership's share of income from partnerships and joint ventures improved from a net loss of $1.0 million for 1993 to net income of $1.0 million for 1994. This increase is attributable to the consolidation of Forum, the MSAR Merger and land sale activity.

The extraordinary items of $18.0 million in 1994 and $4.3 million in 1993 resulted from costs associated with the early extinguishment or refinancing of debt.

Net income available to Unitholders increased from $11.3 million for 1993 to net income of $42.3 million for 1994, an increase of $31.0 million, for the reasons discussed above.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, the Simon Operating Partnership's balance of cash and cash equivalents was $44.6 million, not including its proportionate share of cash held by the joint venture properties and the Management Company. In addition to its cash reserves, the Simon Operating Partnership, as a co-borrower with SDG, LP, had unused capacity under its unsecured revolving credit facility totaling $427 million.

In December 1995, a shelf registration statement for $500 million of non-convertible investment grade debt securities of SPG, LP became effective. As of September 30, 1996, no securities have been issued from this registration statement.

On September 6, 1996, Simon DeBartolo Group, L.P. ("SDG, LP") filed a shelf registration statement with the Securities and Exchange Commission to provide for the offering from time to time of up to $750 million aggregate principal amount of unsecured debt securities of SDG, LP. SDG, LP intends to offer, immediately upon effectiveness, an aggregate of $200 million in unsecured debt securities. The proceeds of which will be used primarily to retire mortgage indebtedness and to paydown the unsecured, revolving credit facility. SPG, LP will guarantee the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to the unsecured debt securities.

Acquisitions.  On April 11, 1996, the Simon Operating Partnership drew an additional $115.0 million on its other existing revolving credit facility primarily to finance the acquisition of the remaining economic ownership interest in Ross Park Mall ($44 million) and to retire a portion of the property's debt ($54 million).

Financing and Refinancing.  On February 23, 1996, the Simon Operating Partnership borrowed the initial $100.0 million tranche of a $184.0 million two-tranche loan facility for The Forum Shops at Caesar's ("Forum") and retired the existing $89.7 million mortgage debt for Forum. The initial funding bears interest at LIBOR plus 100 basis points and matures in February 2000. The remaining proceeds are being used to provide funds for the approximately 250,000-square-foot phase II expansion of this property.

On June 28, 1996, the Simon Operating Partnership obtained an additional $200 million unsecured, revolving credit facility. The facility bore interest at LIBOR plus 132.5 basis points. Terms for the facility were identical to those of the Simon Operating Partnership's other $400 million credit facility.

On September 10, 1996, the Simon Operating Partnership loaned $112 million to SDG, LP to retire the DeBartolo secured line of credit. The DeBartolo line bore interest at LIBOR plus 175 basis points.

On September 27, 1996, the Company completed a $200 million public offering (the "Preferred Offering") of 8,000,000 shares of 8 3/4% Series B Cumulative Redeemable Preferred Stock, generating net proceeds of approximately $193 million. The Company contributed the proceeds of such offering to SDG, LP in exchange for preferred units in SDG, LP, which used the net proceeds to repay $142.8 million of outstanding indebtedness, $12.5 million to purchase an additional ownership interest in the North East Mall and loaned $34.4 million to the Simon Operating Partnership which used such amounts to reduce amounts outstanding under its former unsecured credit facilities.

On September 27, 1996, the Operating Partnership obtained a $750 million, unsecured, three-year credit facility (the "Credit Facility"), which initially bears interest at LIBOR plus 90 basis points, The Operating Partnership borrowed $323 million under this facility and loaned the proceeds to the Simon Operating Partnership to retire the outstanding borrowing under two unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points.

During the first nine months of 1996, the Simon Operating Partnership drew an additional $33.2 million on its construction loan for Cottonwood Mall in Albuquerque, New Mexico. As of September 30, 1996, a total of $55.6 million was outstanding on this construction loan.

Development, Expansions and Renovations.  The Simon Operating Partnership is involved in several development, expansion and renovation efforts.

Groundbreaking has occurred on two new retail development projects. Grapevine Mills, a 1,450,000-square-foot retail development project in Fort Worth, Texas, broke ground on July 10, 1996, and is expected to open in November of 1997. A commitment has been obtained for a four-year $140 million construction loan with interest at LIBOR plus 165 basis points. The Simon Operating Partnership will have a $13.9 million equity commitment on this $188 million development project. The Simon Operating Partnership owns 37.5% of this joint venture development. Arizona Mills, a 1,225,000-square-foot retail development project in Tempe, Arizona, broke ground on August 1, 1996. This $183 million development opens in November of 1997. The Simon Operating Partnership has a $11.2 million equity investment and a 25% ownership interest in this joint venture development.

The Simon Operating Partnership is completing demolition of the existing Bakery Centre in South Miami, Florida, in preparation for the $130 million development of The Shops at Sunset Place. Pre-development efforts continue for this 75%-owned proposed 500,000-square-foot retail and entertainment center.

Cottonwood Mall opened on July 31, 1996, in Albuquerque, New Mexico. This one million-square-foot regional mall is wholly-owned by the Simon Operating Partnership. Cottonwood Mall is anchored by Dillard's, Foley's, JCPenney, Mervyn's and Montgomery Ward, and a 76,000-square foot United Artists STARPORT entertainment complex, which is scheduled to open by the end of 1996.

Construction also continues on the following projects:

- A 250,000-square-foot phase II expansion of Forum, in which the Simon Operating Partnership has a 55% ownership interest, is scheduled to open in the fall of 1997. The $90 million costs of the Forum project are being funded with a portion of a $184 million two-tranche financing facility which closed February 23, 1996.

- Ontario Mills, a 1.4 million-square-foot value-oriented regional mall in Ontario, California, in which the Simon Operating Partnership has a 25% ownership interest, is scheduled to open in November of 1996. A $110 million construction loan on this project has been obtained on this approximately $168 million partnership venture with The Mills Corporation. The Simon Operating Partnership funded its $15.0 million equity commitment for this project in July 1996.

- The Source, a 730,000-square-foot retail development project in Westbury (Long Island), New York, is expected to open in August of 1997. This new $151 million development will adjoin an existing Fortunoff store. The Simon Operating Partnership has a total equity requirement of $31.1 million for this project. Construction Financing of $120 million closed on this property in July of 1996. The loan carries interest at LIBOR plus 170 basis points and matures on July 16, 1999. The Simon Operating Partnership has made a $21.7 million equity investment in this 50%-owned joint venture development through September 30, 1993.

- The Tower Shops in Las Vegas, Nevada, is an approximately $25 million, 89,000-square-foot retail development project in which the Simon Operating Partnership owns a 50% interest. This retail development is scheduled to open late in the fall of 1996. The Simon Operating Partnership contributed its $3.2 million equity commitment in April of 1996.

Management is also considering renovation and expansion projects at various other properties. It is anticipated that these projects will be financed principally with external borrowings, existing corporate credit facilities and cash flows from operations.

Debt. At September 30, 1996, the Simon Operating Partnership had consolidated debt of $2,136.7 million, of which $1,287.0 million is fixed-rate debt and $849.7 million is variable-rate debt. As of September 30, 1996 and 1995, the Simon Operating Partnership had interest-rate protection agreements relating to $488,958 and $551,196 of variable-rate debt, respectively. The agreements are generally in effect until the related variable-rate debt matures.

The Simon Operating Partnership's ratio of consolidated debt-to-market capitalization was approximately 45.6% at September 30, 1996.

Distributions. The Simon Operating Partnership declared a distribution of $0.4925 per Unit for the first three quarters of 1996. In addition, a special distribution of $0.1515 per unit was declared on August 9, 1996 to align the time periods of distributions for the Company and DeBartolo Realty Corporation under the definitive merger agreement. Future distributions will be determined based on actual results of operations and cash available for distribution. Preferred distributions of $0.5078 per Preferred Unit were also declared per quarter during this period.

Capital Resources. Management anticipates that cash generated from operating performance will provide the necessary funds on a short- and long-term basis for its operating expenses, interest expense on outstanding indebtedness, recurring capital expenditures and distributions to holders of Preferred Units and Units.

Management continues to actively review and evaluate property acquisition opportunities. Management believes that funds on hand and amounts available under the Operating Partnership's unsecured revolving credit facility, together with the ability to issue shares of common stock of the Company and/or Units, provide the means to finance certain acquisitions. No assurance can be given that the Simon Operating Partnership will not be required to, or will not elect to, even if not required to, obtain funds from outside sources, including through the sale of debt or equity securities, to finance significant acquisitions, if any.

Investing and Financing Activities. Cash used in investing activities for the nine months ended September 30, 1996 was $116.5 million. Cash used in investing activities included approximately $44 million for the acquisition of the remaining economic ownership interest in Ross Park Mall, tenant allowances, capital expenditures and development related costs of $95.7 million including $31.3 million, $11.7 million and $4.3 million at Cottonwood Mall, Forum, and The Shops at Sunset Place, respectively; and advances to unconsolidated joint ventures totaling approximately $51.9 million, including $18.9 million, $15.0 million, $5.7 million and $3.2 million in equity contributions made to The Source, Ontario Mills, Arizona Mills and The Tower Shops, respectively, to fund development activity. Cash received from unconsolidated entities of $34.5 million included a $30.9 million return of equity from Smith Haven Mall, a note repayment was received from M.S. Management Associates, Inc, ($38.6 million). Cash used in investing activities for the nine months ended September 30, 1995 included $61.5 million for tenant allowances, capital expenditures and development related costs, a $14.6 million equity investment in Rolling Oaks Mall and $3.1 million for the acquisition of a joint venture interest in a parcel of land to be held for development in Little Rock, Arkansas, partially offset by $2.6 million of net proceeds from the sale of a joint venture interest in land held for development, distributions from unconsolidated entities ($4.3 million) and cash of $3.4 million included in the acquisition of interest in White Oaks Mall.

Cash used in financing activities for the nine months ended September 30, 1996 was $12.2 million less than the nine months ended September 30, 1995. The decrease in cash used in 1996 as compared to 1995 was primarily the result of an increase in net mortgage borrowings of $109.8 million and an advance from SDG, LP ($77.2 million), partially offset by an increase of $30.9 million in distributions to Unitholders (including $5.5 million paid to the holder of the Preferred Units representing distributions from October 27, 1995 to September 30, 1996) and proceeds from sales of common stock in 1995 of $142.1 million.

EBITDA-EARNINGS FROM OPERATING RESULTS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Management believes that there are several important factors that contribute to the ability of the Simon Operating Partnership to increase rent and improve profitability of its shopping centers, including aggregate tenant sales volume, sales per square foot, occupancy levels and tenant costs. Each of these factors has a significant effect on EBITDA. Management believes that EBITDA is an effective measure of shopping center operating performance because: (i) it is industry practice to evaluate real estate properties based on operating income before interest, taxes, depreciation and amortization, which is generally equivalent to EBITDA; and (ii) EBITDA is unaffected by the debt and equity structure of the property owner. EBITDA: (i) does not represent cash flow from operations as defined by generally accepted accounting principles; (ii) should not be considered as an alternative to net income as a measure of the Simon Operating Partnership's operating performance; (iii) is not indicative of cash flows from operating, investing and financing activities; and (iv) is not an alternative to cash flows as a measure of the Simon Operating Partnership's liquidity.

Total EBITDA for the portfolio properties increased from $315.3 million for the nine months ended September 30, 1995 to $346.2 million for the same period in 1996, representing a growth rate of 9.8%. This increase is primarily attributable to the malls opened or acquired during 1995 and 1996. During this period, operating profit margin decreased from 63.1% to 61.9%.

FFO-FUNDS FROM OPERATIONS

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), means the combined net income of the Simon Operating Partnership and its subsidiaries without giving effect to depreciation and amortization, gains or losses from extraordinary items, gains or losses on sales of real estate, gains or losses on investments in marketable securities and any provision/benefit for income taxes for such period, plus the allocable portion, based on the Simon Operating Partnership's ownership interest, of funds from operations of unconsolidated joint ventures, all determined on a consistent basis in accordance with generally accepted accounting principles. Management believes that FFO is an important and widely used measure of the operating performance of REITs which provides a relevant basis for comparison among REITs. FFO is presented to assist investors in analyzing the performance of the Operating Partnership. FFO: (i) does not represent cash flow from operations as defined by generally accepted accounting principles; (ii) should not be considered as an alternative to net income as a measure of the Simon Operating Partnership's operating performance or to cash flows from operating, investing and financing activities; and (iii) is not an alternative to cash flows as a measure of the Simon Operating Partnership's liquidity. In March, 1995, NAREIT modified its definition of FFO. The modified definition provides that amortization of deferred financing costs and depreciation of non-rental real estate assets are no longer to be added back to net income in arriving at FFO. The modified definition was adopted by the Simon Operating Partnership beginning in 1996. Additionally, the prior year FFO is being restated to reflect the new definition in order to make the amounts comparative. Under the previous definition, FFO for the three months and nine months ended September 30, 1995, would have been $52.3 million and $145.4 million, respectively.

The following summarizes FFO and reconciles net income to FFO for the periods presented:

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| (In thousands) | | | | |
| FFO | $ 48,977 | $ 49,492 | $ 148,189 | $ 137,287 |
| Reconciliation: | | | | |
| Net Income | $ 19,898 | $ 24,310 | $ 67,434 | $ 69,797 |
| Plus: | | | | |
| Extraordinary items -- Losses on extinguishments of debt | 2,424 | 2,636 | 2,689 | 2,884 |
| Depreciation and amortization from consolidated properties | 26,469 | 21,894 | 77,507 | 64,855 |
| The Simon Operating Partnership's share of depreciation and amortization from unconsolidated affiliates | 2,784 | 1,329 | 8,733 | 4,340 |
| Less: | | | | |
| Gain on sale of asset | (88) | N/A | (88) | (2,350) |
| Minority interest portion of depreciation and amortization | (478) | (677) | (1,992) | (2,239) |
| Preferred distributions | (2,032) | -- | (6,094) | -- |
| FFO | $ 48,977 | $ 49,492 | $ 148,189 | $ 137,287 |

PORTFOLIO DATA

Aggregate Tenant Sales Volume. For the nine months ended September 30, 1995 compared to the same period in 1996, total reported retail sales for mall and freestanding stores at the regional malls and all stores at the community shopping centers for GLA owned by the Simon Operating Partnership ("Owned GLA") increased 8.2% from $3,010 million to $3,256 million. Retail sales at Owned GLA affect revenue and profitability levels because they determine the amount of minimum rent that can be charged, the percentage rent realized, and the recoverable expenses (common area maintenance, real estate taxes, etc.) the tenants can afford to pay.

Occupancy Levels. Occupancy levels for regional malls increased from 85.2% at September 30, 1995 to 85.6% at September 30, 1996. Occupancy levels for community shopping centers decreased from 94.8% at September 30, 1995 to 93.1% at September 30, 1996. These decreases are the result of store closings by several retailers which filed bankruptcy in 1995 and the de-leasing efforts at two malls in anticipation of de-malling these properties. Total GLA has increased 3.7 million square feet from September 30, 1995 to September 30, 1996, primarily as a result of the 1995 opening of three new regional malls, the acquisition of Smith Haven Mall and the opening of Cottonwood Mall.

Average Base Rents. Average base rents per square foot of mall and freestanding stores at regional mall Owned GLA increased 6.3%, from $18.51 to $19.68 as of September 30, 1996 as compared to September 30, 1995. In community shopping centers, average base rents per square foot of Owned GLA increased 3.3%, from $7.25 to $7.49 during this same period.

INFLATION

Inflation has remained relatively low during the past three years and has had a minimal impact on the operating performance of the portfolio properties. Nonetheless, substantially all of the tenants' leases contain provisions designed to lessen the impact of inflation. Such provisions include clauses enabling the Simon Operating Partnership to receive percentage rentals based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than ten years, which may enable the Simon Operating Partnership to replace existing leases with new leases at higher base and/or percentage rentals if rents of the existing leases are below the then-existing market rate. Substantially all of the leases, other than those for anchors, require the tenants to pay a proportionate share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Simon Operating Partnership's exposure to increases in costs and operating expenses resulting from inflation.

However, inflation may have a negative impact on some of the Simon Operating Partnership's other operating items. Interest and general and administrative expenses may be adversely affected by inflation as these specified costs could increase at a rate higher than rents. Also, for tenant leases with stated rent increases, inflation may have a negative effect as the stated rent increases in these leases could be lower than the increase in inflation at any given time.

OTHER

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season, when tenant occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve most of their temporary tenant rents during the holiday season. As a result of the above, earnings are generally highest in the fourth quarter of each year.

Management recognizes the retail industry is cyclical in nature and some tenants continue to experience difficulties, which is reflected in sales trends and in the bankruptcies and continued restructuring of several prominent retail organizations. Continuation of these trends could impact future earnings performance.

SIMON PROPERTY GROUP, L.P.

CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED AND DOLLARS IN THOUSANDS)

| | SEPTEMBER 30, 1996 | DECEMBER 31, 1995 |
|---|---|---|
| ASSETS: | | |
| Investment properties, at cost | $ 2,392,124 | $2,162,161 |
| Less -- accumulated depreciation | 212,751 | 152,817 |
| | 2,179,373 | 2,009,344 |
| Cash and cash equivalents | 44,635 | 62,721 |
| Tenant receivables and accrued revenue, net | 143,095 | 144,400 |
| Notes receivable and advances due from Management Company | 63,978 | 102,522 |
| Investment in partnerships and joint ventures, at equity | 136,099 | 113,676 |
| Deferred costs, net | 75,531 | 81,398 |
| Other assets | 40,673 | 42,375 |
| Total assets | $ 2,683,384 | $2,556,436 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| Mortgages and other notes payable | $ 2,136,651 | $1,980,759 |
| Accounts payable and accrued expenses | 117,330 | 113,131 |
| Advance from affiliate | 77,153 | -- |
| Accrued distributions | 2,031 | 48,594 |
| Cash distributions and losses in partnerships and joint ventures, at equity | 16,796 | 54,120 |
| Investment in Management Company | 18,415 | 20,612 |
| Other liabilities | 41,455 | 19,582 |
| Total liabilities | 2,409,831 | 2,236,798 |
| COMMITMENTS AND CONTINGENCIES | | |
| LIMITED PARTNERS' EQUITY INTEREST, 37,282,628 units outstanding at redemption value (Note 9) | -- | 908,764 |
| PARTNERS' EQUITY: | | |
| Preferred units, 4,000,000 authorized, issued and outstanding | 99,923 | 99,923 |
| General Partner, 958,429 and 58,360,195 units outstanding, respectively | 1,795 | 135,710 |
| Special Limited Partners' Interest, 94,884,424 units outstanding | 177,710 | -- |
| Adjustment to reflect Limited Partners' equity interest at redemption value (Note 9) | -- | (822,072) |
| Unamortized restricted stock award | (5,875) | (2,687) |
| Total partners' equity (deficit) | 273,553 | (589,126) |
| Total liabilities, limited partners' equity interest and partners' equity (deficit) | $ 2,683,384 | $2,556,436 |

The accompanying notes are an integral part of these statements.

SIMON PROPERTY GROUP, L.P.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED AND DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Minimum rent | $ 83,109 | $ 75,242 | $243,047 | $222,701 |
| Overage rent | 5,169 | 5,982 | 15,920 | 15,877 |
| Tenant reimbursements | 49,368 | 50,536 | 143,594 | 140,030 |
| Other income | 8,750 | 6,282 | 27,039 | 19,689 |
| Total revenue | 146,396 | 138,042 | 429,600 | 398,297 |
| EXPENSES: | | | | |
| Property operating | 28,406 | 26,647 | 79,012 | 72,623 |
| Depreciation and amortization | 26,606 | 22,015 | 77,913 | 65,212 |
| Real estate taxes | 14,662 | 13,321 | 43,026 | 39,854 |
| Repairs and maintenance | 5,725 | 5,740 | 18,265 | 16,926 |
| Advertising and promotion | 4,366 | 4,093 | 13,264 | 12,013 |
| Provision for doubtful accounts | 845 | (200) | 2,596 | 2,203 |
| Other | 2,785 | 2,235 | 8,399 | 8,295 |
| Total operating expenses | 83,395 | 73,851 | 242,475 | 217,126 |
| OPERATING INCOME | 63,001 | 64,191 | 187,125 | 181,171 |
| INTEREST EXPENSE | 41,236 | 36,468 | 120,370 | 112,125 |
| INCOME BEFORE MINORITY INTEREST | 21,765 | 27,723 | 66,755 | 69,046 |
| MINORITY INTEREST | (709) | (605) | (1,884) | (1,940) |
| GAIN ON SALE OF ASSET | 88 | -- | 88 | 2,350 |
| INCOME BEFORE UNCONSOLIDATED ENTITIES | 21,144 | 27,118 | 64,959 | 69,456 |
| INCOME FROM UNCONSOLIDATED ENTITIES | 1,284 | (172) | 5,270 | 3,225 |
| INCOME BEFORE EXTRAORDINARY ITEMS | 22,428 | 26,946 | 70,229 | 72,681 |
| EXTRAORDINARY ITEMS -- Losses on extinguishments of debt | (2,530) | (2,636) | (2,795) | (2,884) |
| NET INCOME | 19,898 | 24,310 | 67,434 | 69,797 |
| GENERAL PARTNER PREFERRED UNIT REQUIREMENT | (2,032) | -- | (6,094) | -- |
| NET INCOME AVAILABLE TO UNITHOLDERS | $ 17,866 | $ 24,310 | $ 61,340 | $ 69,797 |
| NET INCOME AVAILABLE TO UNITHOLDERS ATTRIBUTABLE TO: | | | | |
| General Partner | $ 4,559 | $ 14,774 | $ 31,125 | $ 41,368 |
| Limited Partners | 13,307 | 9,536 | 30,215 | 28,429 |
| | $ 17,866 | $ 24,310 | $ 61,340 | $ 69,797 |
| EARNINGS PER UNIT: | | | | |
| Income before extraordinary items | $ 0.23 | $ 0.28 | $ 0.73 | $ 0.79 |
| Extraordinary items | (0.02) | (0.03) | (0.03) | (0.03) |
| Net income | $ 0.21 | $ 0.25 | $ 0.70 | $ 0.76 |

The accompanying notes are an integral part of these statements.

SIMON PROPERTY GROUP, L.P.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED AND DOLLARS IN THOUSANDS)

| | FOR THE NINE MONTHS ENDED SEPTEMBER 30 1996 | |
|---|---|---|
| | 1996 | 1995 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 67,434 | $ 69,797 |
| Adjustments to reconcile net income to net cash provided by operating activities -- | | |
| Depreciation and amortization | 83,976 | 71,761 |
| Losses on extinguishments of debt | 2,795 | 2,888 |
| Gain on sale of asset | (88) | (2,350) |
| Straight-line rent | 534 | (1,237) |
| Minority interest | 1,884 | 1,940 |
| Equity in income of unconsolidated entities | (5,270) | (3,225) |
| Changes in assets and liabilities | | |
| Tenant receivables and accrued revenue | (4,380) | 3,727 |
| Deferred costs and other assets | (4,405) | (9,420) |
| Accounts payable, accrued expenses and other liabilities | (5,197) | (4,337) |
| Net cash provided by operating activities | 146,641 | 129,544 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisitions | (43,941) | (31,155) |
| Capital expenditures | (95,741) | (61,510) |
| Cash of consolidated joint ventures | 1,695 | 4,346 |
| Proceeds from sale of asset | 399 | 2,550 |
| Investments in unconsolidated entities | (51,907) | (19,696) |
| Distributions from unconsolidated entities | 34,493 | 4,274 |
| Loan repayment from Management Company | 38,553 | -- |
| Net cash used in investing activities | (116,449) | (101,191) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Partnership contributions | (62) | 142,130 |
| Minority interest distributions | (3,610) | (2,823) |
| Partnership distributions | (161,582) | (130,643) |
| Advances from SDG, L.P. | 77,153 | -- |
| Proceeds from borrowings, net of transaction costs | 266,048 | 359,338 |
| Mortgage, bond and other payments | (226,225) | (428,511) |
| Net cash used in financing activities | (48,278) | (60,509) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (18,086) | (32,156) |
| CASH AND CASH EQUIVALENTS, beginning of period | 62,721 | 105,139 |
| CASH AND CASH EQUIVALENTS, end of period | $ 44,635 | $ 72,983 |

The accompanying notes are an integral part of these statements.

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements are unaudited; however, they have been prepared in accordance with generally accepted accounting principles for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the consolidated condensed financial statements for these interim periods have been included. The results for the interim period ended September 30, 1996 are not necessarily indicative of the results to be obtained for the full fiscal year. These unaudited consolidated condensed financial statements should be read in conjunction with the December 31, 1995 audited financial statements and notes thereto included in the Simon Property Group, L.P. Annual Report on Form 10-K/A-1.

The accompanying unaudited consolidated condensed financial statements of Simon Property Group, L.P. (the "Simon Operating Partnership" or "SPG,LP") include all the accounts of the Simon Operating Partnership and subsidiaries entities. Properties which are wholly owned or controlled by the Simon Operating Partnership have been consolidated. All significant intercompany amounts have been eliminated.

The Simon Operating Partnership's equity interests in certain partnerships and joint ventures which represent noncontrolling 14.7% to 50.0% ownership interests and the investment in M.S. Management Associates, Inc. (together with its subsidiaries, the "Management Company" -- see Note 7) are accounted for under the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions.

Net income is allocated to the partners based on each partner's preferred unit preference and/or percentage profit interest in the Simon Operating Partnership during the periods.

NOTE 2 -- MERGER

On August 9, 1996, the merger and other related transactions pursuant to the agreement and plan of merger among Simon DeBartolo Group, Inc. (the "Company" or "SDG"), an acquisition subsidiary of the Company and DeBartlolo Realty Corporation ("DRC") were consummated (the "Merger"). Pursuant to the Merger, the Company acquired all the outstanding shares of common stock of DRC (55,712,529 shares) through the acquisition subsidiary, at an exchange ratio of 0.68 share of Company common stock for each share of DRC common stock (the "Exchange Ratio"). DRC and the acquisition subsidiary merged, with DRC as the surviving entity and becoming a 99.9% subsidiary of the Company. This portion of the transaction was valued at approximately $923.4 million, based upon the number of DRC shares of common stock acquired (55,712,529 shares), the Exchange Ratio and the last reported sales price per share of the Company's common stock on August 9, 1996 ($24.375). In connection therewith, the Company changed its name to SDG.

In connection with the Merger, the general and limited partners of the Simon Operating Partnership, contributed 49.5% (47,442,212 units) of the total outstanding units of partnership interest in the Simon Operating Partnership, to the operating partnership of DRC, DeBartolo Realty Partnership, L.P. ("DRP, LP") in exchange for 47,442,212 units of partnership interest in DRP, LP, whose name has since been changed to Simon DeBartolo Group, L.P. ("SDG, LP"). SDG retained a 50.5% partnership interest (48,400,614 units) in the Simon Operating Partnership, but assigned its rights to receive distributions of profits on 49.5% (47,442,212 units) of the outstanding units of partnership interest in the Simon Operating Partnership, to SDG, LP. The limited partners of the Simon Operating Partnership received a 23.7% partnership interest in SDG, LP (37,282,628 units) for the contribution of their 38.9% partnership interest in

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

the Simon Operating Partnership (37,282,628 units) to SDG, LP. The interests transferred by the partners of the Simon Operating Partnership to DRP, LP have been appropriately reflected at historical costs.

Upon completion of the Merger, SDG became a general partner of SDG, LP and remained the sole general partner of the Simon Operating Partnership with 1% of the outstanding partnership units (958,429 units) and 49.5% interest in the capital of the Simon Operating Partnership, and SDG, LP became a special limited partner in the Simon Operating Partnership with 49.5% (47,442,212 units) of the outstanding partnership units in the Simon Operating Partnership and an additional 49.5% interest in the profits of the Simon Operating Partnership. As a result of the Merger, the Simon Operating Partnership became a subsidiary of SDG, LP, with 99% of the profits allocable to SDG, LP and 1% of the profits allocable to the Company. Cash flow allocable to the Company's 1% profit interest in SDG, LP will be absorbed by public company costs and related expenses incurred by the Company. The accompanying financial statements reflect the operation of the Simon Operating Partnership on a stand alone basis.

It is currently expected that subsequent to the first anniversary of the date of the Merger, reorganizational transactions will be effected so that SDG, LP will directly own all of the assets and partnership interests now owned by the Simon Operating Partnership. However, there can be no assurance that such reorganizational transactions will be so affected.

In connection with the Merger, the Management Company purchased from The Edward J. DeBartolo Corporation all of the voting stock (665 shares of common stock) of DeBartolo Properties Management, Inc., a DRC management company, for $2.5 million in cash. SDG, LP continues to hold substantially all of the economic interest in DeBartolo Properties Management, Inc. SDG holds substantially all of the economic interest in M.S. Management Associates, Inc., while the voting stock are held by the Simons and their affiliates. The Simon Operating Partnership accounts for its interest in the Management Company utilizing the equity method.

NOTE 3 -- RECLASSIFICATIONS

Certain reclassifications of prior period amounts have been made in the financial statements to conform to the 1996 presentation.

NOTE 4 -- CASH FLOW INFORMATION

Cash paid for interest, net of amounts capitalized, during the nine months ended September 30, 1996 was $114,811, as compared to $106,734 for the same period in 1995. Accrued and unpaid distributions as of September 30, 1996 and December 31, 1995 were $2,031, and $48,594, respectively, which includes accrued and unpaid distributions on the units of partnership interest entitled to preferential distribution of cash ("Preferred Units") of $2,031, and $1,490, respectively.

NOTE 5 -- PER UNIT DATA

Per unit data is based on the weighted average number of units of partnership interest ("Units") of the Simon Operating Partnership outstanding during the period. As used herein, the term Units does not include Preferred Units. The weighted average number of Units used in the computation for the three months ended September 30, 1996 and 1995 was 95,842,853 and 95,196,569, respectively. The weighted average number of Units used in the computation for the nine months ended September 30, 1996 and 1995 was 95,783,720 and 91,663,449, respectively. Additionally, Preferred Units may be converted into common stock of the Company beginning in October of 1997 at an initial conversion ratio equal to 0.9524. The Preferred Units outstanding have not been included in the computations of per Unit data, as they do not have a dilutive effect.

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 6 -- ACQUISITION

Prior to April 11, 1996, the Simon Operating Partnership held a 50% joint venture interest in Ross Park Mall in Pittsburgh, Pennsylvania. On April 11, 1996, the Simon Operating Partnership acquired the remaining economic ownership interest. The purchase price included approximately $44,000 cash and the assumption of the joint venture partner's share of existing debt ($57,000). The purchase price in excess of the net assets acquired of $49,015 was allocated to investment properties. Effective April 11, 1996, the property is being accounted for using the consolidated method of accounting. It was previously accounted for using the equity method of accounting.

NOTE 7 -- INVESTMENT IN UNCONSOLIDATED ENTITIES

Summary financial information of partnerships and joint ventures accounted for using the equity method of accounting and a summary of the Simon Operating Partnership's investment in and share of income (loss) from such partnerships and joint ventures follow:

| | PARTNERSHIPS AND JOINT VENTURES | |
|---|---|---|
| | SEPTEMBER 30, 1996 | DECEMBER 31, 1995 |
| BALANCE SHEETS | | |
| ASSETS: | | |
| Investment properties at cost, net | $ 1,232,388 | $1,156,066 |
| Cash and cash equivalents | 36,729 | 52,624 |
| Tenant receivables | 35,978 | 35,306 |
| Other assets | 31,650 | 32,626 |
| Total assets | $ 1,336,745 | $1,276,622 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| Mortgage and other notes payable | $ 540,606 | $ 410,652 |
| Accounts payable, accrued expenses and other liabilities | 97,056 | 127,322 |
| Total liabilities | 637,662 | 537,974 |
| Partners' equity | 699,083 | 738,648 |
| Total liabilities and partners' equity | $ 1,336,745 | $1,276,622 |
| THE SIMON OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 304,383 | $ 290,802 |
| PARTNERS' EQUITY: | | |
| Investment in partnerships and joint ventures, at equity | 136,099 | $ 113,676 |
| Cash distributions and losses in partnerships and joint ventures, at equity | (16,796) | (54,120) |
| | $ 119,303 | $ 59,556 |

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

| | PARTNERSHIPS AND JOINT VENTURES | | | |
|---|---|---|---|---|
| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
| STATEMENTS OF OPERATIONS | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Minimum rent | $25,742 | $19,755 | $79,781 | $57,606 |
| Overage rent | 1,064 | 548 | 2,753 | 1,678 |
| Tenant reimbursements | 12,569 | 10,002 | 40,082 | 28,651 |
| Other income | 1,170 | 1,757 | 7,328 | 11,064 |
| Total revenue | 40,545 | 32,062 | 129,944 | 98,999 |
| OPERATING EXPENSES: | | | | |
| Operating expenses and other | 15,934 | 11,019 | 48,782 | 32,456 |
| Depreciation and amortization | 9,852 | 5,310 | 30,438 | 15,961 |
| Total operating expenses | 25,786 | 16,329 | 79,220 | 48,417 |
| OPERATING INCOME | 14,759 | 15,733 | 50,724 | 50,582 |
| INTEREST EXPENSE | 8,184 | 6,648 | 22,318 | 21,282 |
| INCOME BEFORE EXTRAORDINARY ITEMS | 6,575 | 9,085 | 28,406 | 29,300 |
| EXTRAORDINARY ITEMS | -- | (9) | -- | (9) |
| NET INCOME | 6,575 | 9,076 | 28,406 | 29,291 |
| THIRD PARTY INVESTORS' SHARE OF NET INCOME | 6,615 | 8,254 | 25,313 | 26,060 |
| SIMON OPERATING PARTNERSHIP'S SHARE OF NET INCOME | $ (42) | $ 822 | $ 3,093 | $ 3,231 |

The net income or net loss for each partnership and joint venture is allocated in accordance with the provisions of the applicable partnership or joint venture agreement. The allocation provisions in these agreements are not always consistent with the ownership interest held by each general or limited partner or joint venturer, primarily due to partner preferences.

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

Summary financial information of the Management Company accounted for using the equity method of accounting and a summary of the Simon Operating Partnership's investment in and share of income from the Management Company follow:

| BALANCE SHEETS | MANAGEMENT COMPANY SEPTEMBER 30, 1996 | MANAGEMENT COMPANY DECEMBER 31, 1995 |
|---|---|---|
| ASSETS: | | |
| Current assets | $ 62,874 | $ 40,964 |
| Undeveloped land and mortgage notes | 18,245 | 45,769 |
| Other assets | 24,889 | 13,813 |
| Total assets | $ 106,008 | $100,546 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT: | | |
| Current liabilities | $ 52,584 | $ 18,435 |
| Notes payable and advances due to the Simon Operating Partnership at 11%, due 2008 | 71,028 | 102,522 |
| Total liabilities | 123,612 | 120,957 |
| Shareholders' deficit | (17,604) | (20,411) |
| Total liabilities and shareholders' deficit | $ 106,008 | $100,546 |
| SIMON OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 94,639 | $ 80,437 |
| Shareholders' deficit | $ (18,145) | $(20,612) |

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

| | MANAGEMENT COMPANY | | | |
|---|---|---|---|---|
| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
| STATEMENTS OF OPERATIONS | 1996 | 1995 | 1996 | 1995 |
| REVENUE: | | | | |
| Management fees | $ 4,952 | $ 4,158 | $15,122 | $15,113 |
| Development and leasing fees | 6,480 | 6,747 | 10,928 | 13,140 |
| Cost-sharing income and other | 1,935 | 1,706 | 7,237 | 5,221 |
| Total revenue | 13,367 | 12,611 | 33,287 | 33,474 |
| EXPENSES: | | | | |
| Operating expenses | 7,953 | 10,747 | 21,744 | 24,983 |
| Depreciation | 693 | 579 | 1,947 | 1,679 |
| Interest | 1,539 | 1,999 | 4,690 | 5,691 |
| Total expenses | 10,185 | 13,325 | 28,381 | 32,353 |
| NET INCOME (LOSS) | 3,182 | (714) | 4,906 | 1,121 |
| INTERCOMPANY PROFITS | (1,232) | -- | (1,232) | -- |
| NET INCOME (LOSS) AFTER INTERCOMPANY ELIMINATION | 1,950 | (714) | 3,674 | 1,121 |
| PREFERRED DIVIDENDS | 350 | 350 | 1,050 | 1,015 |
| NET INCOME (LOSS) AVAILABLE FOR COMMON SHAREHOLDERS | $ 1,600 | $(1,064) | $ 2,624 | $ 106 |
| SIMON OPERATING PARTNERSHIP'S SHARE OF NET INCOME (LOSS) | $ 1,326 | $ (994) | $ 2,177 | $ (6) |

The management, development and leasing activities related to the non-wholly owned and other third-party properties are conducted by the Management Company.

The Simon Operating Partnership's share of allocated common costs were $7,524 and $5,685, respectively, for the three-month periods and $21,949 and $17,704, respectively, for the nine-month periods ended September 30, 1996 and 1995.

NOTE 8 -- DEBT

On February 23, 1996, the Simon Operating Partnership borrowed the initial $100,000 tranche of a $184,000 two-tranche loan facility for the Forum Shops at Caesar's ("Forum") and retired the existing $89,701 mortgage debt for Forum. The initial funding bears interest at LIBOR plus 100 basis points and matures in February 2000. The remaining proceeds of the initial $100,000 tranche are being used to provide funds for the approximately 250,000-square-foot phase II expansion of this property.

On April 11, 1996, the Simon Operating Partnership borrowed an additional $115,000 on its then existing revolving credit facility. The funds were used primarily to acquire the remaining economic ownership interest in Ross Park Mall ($44,000), and to retire a portion ($54,000) of the existing debt on Ross Park Mall.

On June 28, 1996, the Simon Operating Partnership obtained an additional $200,000 unsecured, revolving credit facility. The facility bore interest at LIBOR plus 132.5 basis points. Terms for the facility were identical to those of the Simon Operating Partnership's former $400,000 facility.

On September 10, 1996, the Simon Operating Partnership loaned $112 million to SDG, LP to retire the DRC secured line of credit. The DRC line bore interest at LIBOR plus 175 basis points.

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

On September 27, 1996, the Company completed a $200,000 public offering (the "Preferred Offering") of 8,000,000 shares of 8 3/4% Series B Cumulative Redeemable Preferred Stock, generating net proceeds of approximately $193,000. The Company contributed the proceeds of such offering to SDG, LP in exchange for preferred units in the Operating Partnership, SDG, LP, which used the net proceeds to repay $142.8 million of outstanding mortgage indebtedness $12.5 million to acquire additional ownership interest in North East Mall and loaned $34.4 million to the Simon Operating Partnership which used the proceeds to reduce amounts outstanding under its former unsecured credit facilities.

On September 27, 1996, the Operating Partnership obtained a $750,000, unsecured, three-year credit facility (the "Credit Facility"), which will initially bear interest at LIBOR plus 90 basis points. The Operating Partnership borrowed $323 million under this Facility and loaned the proceeds to the Simon Operating Partnership to retire the outstanding borrowings under its two former unsecured credit facilities, which bore interest at LIBOR plus 132.5 basis points.

During the first nine months of 1996, the Simon Operating Partnership drew an additional $33,246 on its construction loan for Cottonwood Mall in Albuquerque, New Mexico. As of September 30, 1996, a total of $55,645 was outstanding on the loan.

On September 6, 1996, SDG, LP filed a shelf registration statement with the Securities and Exchange Commission to provide for the offering, from time to time, of up to $750,000 aggregate principal amount of unsecured debt securities of the Operating Partnership. The Operating Partnership is currently preparing to offer an aggregate of $200,000 in unsecured debt securities for sale to the public. The proceeds of which will be used primarily to retire mortgage indebtedness and to paydown the unsecured, revolving credit facility. The Simon Operating Partnership will guarantee the due and punctual payment of the principal of, premium, if any, interest on, and any other amounts payable with respect to the unsecured debt securities. In December 1995 a shelf registration statement for $500,000 of non-convertible investment grade debt securities of SPG,LP became effective. As of September 30, 1996, no securities have been issued from this registration statement.

At September 30, 1996, the Simon Operating Partnership had consolidated debt of $2,136,651, of which $1,286,966 was fixed-rate debt and $849,685 was variable-rate debt. As of September 30, 1996 and December 31, 1995, the Simon Operating Partnership had interest-rate protection agreements related to $488,958 and $551,196 of variable-rate debt, respectively. The agreements are generally in effect until the related variable-rate debt matures. As a result of the various interest rate protection agreements, interest savings were $415 and $693 for the three months ended September 30, 1996 and 1995, respectively, and $1,227 and $2,617 for the nine months ended September 30, 1996 and 1995, respectively. The Simon Operating Partnership's pro rata share of indebtedness of the unconsolidated joint venture properties as of September 30, 1996 and December 31, 1995 was $186,823 and $167,644, respectively.

NOTE 9 -- PARTNERS' EQUITY

In connection with the Merger, the general and limited partners of the Simon Operating Partnership, contributed 49.5% (47,442,212 units) of the total outstanding units of partnership interest in the Simon Operating Partnership, to the operating partnership of SDG, L.P. -- the Special Limited Partner in exchange for 47,442,212 units of partnership interest in SDG, LP. The Company retained a 50.5% partnership interest (48,400,641 units) in the Simon Operating Partnership, but assigned its rights to receive distributions of profits on 49.5% (47,442,212 units) of the outstanding units of partnership interest in the Simon Operating Partnership, to SDG, LP.

SIMON PROPERTY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS)

The following table summarizes the change in the Simon Operating Partnership's partners' equity since December 31, 1995.

| | SPECIAL LIMITED PARTNERS' INTEREST | | GENERAL PARTNER | | | | UNAMORTIZED RESTRICTED STOCK AWARD |
|---|---|---|---|---|---|---|---|
| | UNITS | AMOUNTS | PREFERRED UNITS | AMOUNTS | UNITS | AMOUNTS | |
| Balance at December 31, 1995 | -- | -- | 4,000,000 | $99,923 | 58,360,195 | $(686,362) | $(2,687) |
| Stock Incentive Program | -- | -- | -- | -- | 200,030 | 4,751 | (4,751) |
| Amortization of stock incentive | -- | -- | -- | -- | -- | -- | 1,563 |
| Adjustment to eliminate limited partners' equity interest at redemption value | -- | -- | -- | -- | -- | 822,072 | -- |
| Adjustment to allocate net equity of the Operating Partnership | 94,884,424 | 167,304 | -- | -- | (57,601,796) | (103,175) | -- |
| Other | -- | -- | -- | -- | -- | (62) | -- |
| Distributions | -- | -- | -- | (6,094) | -- | (66,554) | -- |
| Net Income | -- | 10,406 | -- | 6,094 | -- | 31,125 | -- |
| Balance at September 30, 1996 | 94,884,424 | 177,710 | 4,000,000 | $99,923 | 958,429 | $ 1,795 | $(5,875) |

| | TOTAL | LIMITED PARTNERS UNITS | LIMITED PARTNERS AMOUNTS |
|---|---|---|---|
| Balance at December 31, 1995 | $(589,126) | 37,282,628 | $908,764 |
| Stock Incentive Program | -- | -- | -- |
| Amortization of stock incentive | 1,563 | -- | -- |
| Adjustment to eliminate limited partners' equity interest at redemption value | 822,072 | -- | (822,072) |
| Adjustment to allocate net equity of the Operating Partnership | 64,129 | (37,282,628) | (64,129) |
| Other | (62) | -- | -- |
| Distributions | (72,648) | -- | (42,372) |
| Net Income | 47,625 | -- | 19,809 |
| Balance at September 30, 1996 | $ 273,553 | -- | $ -- |

Because the Simon Operating Partnership does not control whether cash will be used to settle the limited partners' exchange rights, the limited partners' equity has not been included in partners' equity. The consolidated condensed balance sheets reflect the limited partners' interest in the Simon Operating Partnership measured at redemption value. Accordingly, the accompanying consolidated condensed balance sheet at December 31, 1995 has been retroactively reclassified to reflect the limited partners' interest in the Simon Operating Partnership, measured at redemption value. This reclassification results in a charge to partners' equity of $908,764 as of December 31, 1995.

In connection with the merger of the Company and DRC which was completed August 9, 1996, the Simon Operating Partnership agreement was amended eliminating the exchange rights provision. As a result of the elimination of the exchange right provision in connection with the Merger transaction, effective August 9, 1996, the limited partners' interest, now special limited partner interest in the Simon Operating Partnership, in the Simon Operating Partnership have been reflected as partners' equity.

STOCK INCENTIVE PROGRAM

On March 22, 1995, an aggregate of 1,000,000 shares of restricted stock was awarded to 50 executives, subject to the performance standards and other terms of the Stock Incentive Program. On March 22, 1995 and 1996 the board of directors of the Company approved the issuances of 144,196 and 200,030 shares of common stock of the Company, respectively, to the eligible executives. The value of these shares is being amortized pro-rata over the respective four-year vesting period. Approximately $1,563 and $525 have been amortized for the nine-month periods ended September 30, 1996 and 1995, respectively.

# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Simon Property Group, Inc.:

We have audited the accompanying consolidated balance sheets of SIMON PROPERTY GROUP, L.P. (a Delaware limited partnership) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, partners' equity and cash flows for the years ended December 31, 1995 and 1994, and for the period from inception of operations (December 20, 1993) to December 31, 1993 and the combined statements of operations, owners' deficit and cash flows of SIMON PROPERTY GROUP (the Predecessor) for the period from January 1, 1993 to December 19, 1993. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Simon Property Group, L.P. and subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for the years ended December 31, 1995 and 1994, and for the period from inception of operations (December 20, 1993) to December 31, 1993, and the combined results of operations and cash flows of the Predecessor for the period from January 1, 1993 to December 19, 1993, in conformity with generally accepted accounting principles.

As explained in Note 12 to the financial statements, Simon Property Group, L.P. has given retroactive effect to reclassify the limited partners' interest in Simon Property Group, L.P.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana
November 13, 1996

BALANCE SHEETS

SIMON PROPERTY GROUP, L.P. CONSOLIDATED

(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| ASSETS: | | |
| Investment properties, at cost | $2,162,161 | $1,900,027 |
| Less -- accumulated depreciation | 152,817 | 70,916 |
| | 2,009,344 | 1,829,111 |
| Cash and cash equivalents | 62,721 | 105,139 |
| Tenant receivables and accrued revenue, net | 144,400 | 146,555 |
| Notes receivable and advances due from Management Company | 102,522 | 75,405 |
| Investment in partnerships and joint ventures, at equity | 117,332 | 39,632 |
| Deferred costs, net | 81,398 | 85,878 |
| Other assets | 30,985 | 27,174 |
| Minority interest | 7,734 | 7,966 |
| Total assets | $2,556,436 | $2,316,860 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| LIABILITIES: | | |
| Mortgages and other notes payable | $1,980,759 | $1,938,091 |
| Accounts payable and accrued expenses | 113,131 | 102,750 |
| Accrued distributions | 48,594 | 40,807 |
| Cash distributions and losses in partnerships and joint ventures, at equity | 54,120 | 96,696 |
| Investment in Management Company | 20,612 | 16,875 |
| Other liabilities | 19,582 | 19,948 |
| Total liabilities | 2,236,798 | 2,215,167 |
| COMMITMENTS AND CONTINGENCIES (Note 15) | | |
| LIMITED PARTNERS' EQUITY INTEREST, 37,282,628 and 37,497,150 units outstanding, respectively, at redemption value (Note 12) | 908,764 | 909,306 |
| PARTNERS' EQUITY: | | |
| Preferred units, 4,000,000 authorized, issued and outstanding | 99,923 | -- |
| General Partner, 58,360,195 and 48,412,445 units outstanding, respectively | 135,710 | 57,307 |
| Adjustment to reflect Limited Partners' equity interest at redemption value (Note 12) | (822,072) | (864,920) |
| Unamortized restricted stock award | (2,687) | -- |
| Total partners' equity (deficit) | (589,126) | (807,613) |
| Total liabilities, limited partners' equity interest and partners' equity (deficit) | $2,556,436 | $2,316,860 |

The accompanying notes are an integral part of these statements.

STATEMENTS OF OPERATIONS

SIMON PROPERTY GROUP, L.P. CONSOLIDATED
SIMON PROPERTY GROUP COMBINED

(DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

| | SIMON PROPERTY GROUP, L.P. | | | SIMON PROPERTY GROUP |
|---|---|---|---|---|
| | FOR THE YEAR ENDED DECEMBER 31, | | FOR THE PERIOD FROM DECEMBER 20, 1993 TO | FOR THE PERIOD FROM JANUARY 1, 1993 TO |
| | 1995 | 1994 | DECEMBER 31, 1993 | DECEMBER 19, 1993 |
| REVENUE: | | | | |
| Minimum rent | $307,849 | $255,721 | $ 9,041 | $ 218,492 |
| Overage rent | 23,278 | 25,463 | 638 | 19,442 |
| Tenant reimbursements | 191,535 | 162,706 | 4,800 | 145,484 |
| Other income | 30,995 | 29,786 | 3,945 | 22,451 |
| Total revenue | 553,657 | 473,676 | 18,424 | 405,869 |
| EXPENSES: | | | | |
| Property operating | 102,624 | 91,792 | 1,781 | 96,682 |
| Depreciation and amortization | 92,739 | 75,945 | 2,051 | 60,243 |
| Real estate taxes | 53,766 | 44,403 | 1,335 | 39,333 |
| Repairs and maintenance | 27,633 | 23,430 | 447 | 20,722 |
| Advertising and promotion | 13,519 | 12,633 | 336 | 9,868 |
| Provision for credit losses | 2,939 | 4,238 | -- | 3,741 |
| Other | 9,301 | 6,937 | 196 | 5,455 |
| Total operating expenses | 302,521 | 259,378 | 6,146 | 236,044 |
| OPERATING INCOME | 251,136 | 214,298 | 12,278 | 169,825 |
| INTEREST EXPENSE | 150,224 | 122,980 | 3,548 | 156,909 |
| NON-RECURRING INTEREST EXPENSE | -- | 27,184 | -- | -- |
| INCOME BEFORE MINORITY INTEREST | 100,912 | 64,134 | 8,730 | 12,916 |
| MINORITY INTEREST | (2,681) | (3,759) | (58) | (3,558) |
| GAIN ON SALE OF ASSETS, NET | 1,871 | -- | -- | -- |
| INCOME BEFORE UNCONSOLIDATED ENTITIES | 100,102 | 60,375 | 8,672 | 9,358 |
| INCOME (LOSS) FROM UNCONSOLIDATED ENTITIES | 1,403 | (67) | 35 | (2,446) |
| INCOME BEFORE EXTRAORDINARY ITEMS | 101,505 | 60,308 | 8,707 | 6,912 |
| EXTRAORDINARY ITEMS | (3,285) | (17,980) | (30,481) | 26,189 |
| NET INCOME (LOSS) | 98,220 | 42,328 | (21,774) | 33,101 |
| PREFERRED UNIT REQUIREMENT | 1,490 | -- | -- | -- |
| NET INCOME (LOSS) AVAILABLE TO UNITHOLDERS | $ 96,730 | $ 42,328 | $ (21,774) | $ 33,101 |
| NET INCOME (LOSS) AVAILABLE TO UNITHOLDERS ATTRIBUTABLE TO: | | | | |
| General Partner | $ 57,781 | $ 23,377 | $ (11,366) | |
| Limited Partners | 38,949 | 18,951 | (10,408) | |
| | $ 96,730 | $ 42,328 | $ (21,774) | |
| EARNINGS PER UNIT: | | | | |
| Income before extraordinary items | $ 1.08 | $ 0.71 | $ 0.11 | |
| Extraordinary items | (0.04) | (0.21) | (0.39) | |
| Net income (loss) | $ 1.04 | $ 0.50 | $ (0.28) | |

The accompanying notes are an integral part of these statements.

# STATEMENTS OF CHANGES IN PARTNERS' EQUITY AND OWNERS' DEFICIT

## SIMON PROPERTY GROUP, L.P. CONSOLIDATED
## SIMON PROPERTY GROUP COMBINED

(DOLLARS IN THOUSANDS)

SIMON PROPERTY GROUP

| | |
|---|---|
| Owners' deficit, December 31, 1992 | $ (565,566) |
| Contributions | 13,913 |
| Distributions | (170,877) |
| Net income | 33,101 |
| Owners' deficit, December 19, 1993 | $ (689,429) |

---

| | PREFERRED UNITS | | GENERAL PARTNER | | UNAMORTIZED RESTRICTED STOCK AWARD | TOTAL | LIMITED PARTNER | |
|---|---|---|---|---|---|---|---|---|
| | UNITS | AMOUNTS | UNITS | AMOUNTS | | | UNITS | AMOUNTS |
| SIMON PROPERTY GROUP, L.P. | | | | | | | | |
| Balance at inception | -- | $ -- | -- | $ -- | $ -- | $ -- | -- | $ -- |
| Limited Partners' contributions | -- | -- | -- | -- | -- | -- | 37,497,150 | (689,429) |
| General Partner contributions | -- | -- | 40,950,000 | 767,756 | -- | 767,756 | -- | -- |
| Adjustment to allocate net equity of the Operating Partnership | -- | -- | -- | (726,869) | -- | (726,869) | -- | 726,869 |
| Adjustment to reflect limited partners' equity interest at Redemption Value (Note 12) | -- | -- | -- | (821,341) | -- | (821,341) | -- | 821,341 |
| Net loss, inception of operations (December 20, 1993) to December 31, 1993 | -- | -- | -- | (11,366) | -- | (11,366) | -- | (10,408) |
| Balance at December 31, 1993 | -- | -- | 40,950,000 | $(791,820) | $ -- | $(791,820) | 37,497,150 | $ 848,373 |
| General Partner contributions | -- | -- | 7,462,445 | 164,334 | -- | 164,334 | -- | -- |
| Adjustment to allocate net equity of the Operating Partnership | -- | -- | -- | (69,650) | -- | (69,650) | -- | 69,650 |
| Adjustment to reflect limited partners' equity interest at redemption value (Note 12) | -- | -- | -- | (43,579) | -- | (43,579) | -- | 43,579 |
| Distributions | -- | -- | -- | (90,275) | -- | (90,275) | -- | (71,247) |
| Net income | -- | -- | -- | 23,377 | -- | 23,377 | -- | 18,951 |
| Balance at December 31, 1994 | -- | $ -- | 48,412,445 | $(807,613) | $ -- | $(807,613) | 37,497,150 | $ 909,306 |
| Preferred unit contributions, net | 4,000,000.. | 99,923 | -- | -- | -- | 99,923 | -- | -- |
| General Partner contributions | -- | -- | 9,470,977 | 216,545 | -- | 216,545 | -- | -- |
| Limited Partners' contributions | -- | -- | -- | -- | -- | -- | 120,000 | (16,869) |
| Acquisition of Limited Partners' interest and other | -- | -- | 333,462 | 5,036 | -- | 5,036 | (334,522) | (301) |
| Stock incentive program | -- | -- | 143,311 | 3,608 | (3,605) | 3 | -- | -- |
| Amortization of stock incentive program | -- | -- | -- | -- | 918 | 918 | -- | -- |
| Adjustment to allocate net equity of the Operating Partnership | -- | -- | -- | (94,035) | -- | (94,035) | -- | 94,035 |
| Adjustment to reflect limited partners' equity interest at redemption value (Note 12) | -- | -- | -- | 42,848 | -- | 42,848 | -- | (42,848) |
| Distributions | -- | -- | -- | (110,532) | -- | 110,532 | -- | (73,508) |
| Net income | -- | -- | -- | 57,781 | -- | 57,781 | -- | 38,949 |
| Balance at December 31, 1995 | 4,000,000 | $99,923 | 58,360,195 | $(686,362) | $(2,687) | $(589,126) | 37,282,628 | $ 908,764 |

The accompanying notes are an integral part of these statements.

# STATEMENTS OF CASH FLOWS

## SIMON PROPERTY GROUP, L.P. CONSOLIDATED
## SIMON PROPERTY GROUP COMBINED

(DOLLARS IN THOUSANDS)

| | SIMON PROPERTY GROUP, L.P. | | | SIMON PROPERTY GROUP |
|---|---|---|---|---|
| | FOR THE YEAR ENDED DECEMBER 31, | | FOR THE PERIOD FROM DECEMBER 20, 1993 TO DECEMBER 31, 1993 | FOR THE PERIOD FROM JANUARY 1, 1993 TO DECEMBER 19, 1993 |
| | 1995 | 1994 | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income (loss) | $ 98,220 | $ 42,328 | $ (21,774) | $ 33,101 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities -- | | | | |
| Depreciation and amortization | 101,262 | 83,196 | 2,139 | 64,160 |
| (Gain) loss on extinguishments of debt | 3,285 | 17,980 | 30,481 | (26,189) |
| Gain on sale of assets, net | (1,871) | -- | -- | (8,885) |
| Straight-line rent | (1,126) | (4,326) | (159) | (4,721) |
| Minority interest | 2,681 | 3,759 | 58 | 3,558 |
| Equity in income of unconsolidated entities | (1,403) | 67 | (35) | 2,446 |
| Changes in assets and liabilities -- | | | | |
| Tenant receivables and accrued revenue | 5,502 | (3,908) | (6,323) | 6,187 |
| Deferred costs and other assets | (14,290) | 1,099 | (16,351) | (22,096) |
| Accounts payable, accrued expenses and other liabilities | 2,076 | (12,172) | 18,993 | 9,630 |
| Net cash provided by operating activities | 194,336 | 128,023 | 7,029 | 57,191 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Acquisitions | (32,547) | (227,312) | (225,894) | -- |
| Capital expenditures | (98,220) | (42,765) | -- | (46,677) |
| Cash of consolidated joint ventures | 4,346 | 8,924 | -- | -- |
| Proceeds from sale of assets | 2,550 | -- | -- | 12,218 |
| Investments in unconsolidated entities | (77,905) | (1,056) | -- | (1,508) |
| Distributions from unconsolidated entities | 6,214 | 5,842 | -- | 46,119 |
| Investments in and advances to Management Company | (27,117) | (10,405) | (3,500) | -- |
| Net cash provided by (used in) investing activities | (222,679) | (266,772) | (229,394) | 10,152 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Minority interest contributions | -- | -- | -- | 1,937 |
| Minority interest distributions | (3,680) | (2,148) | -- | (44,165) |
| Partnership contributions | 242,377 | 106,773 | 767,756 | 12,406 |
| Partnership distributions | (177,726) | (120,711) | -- | (137,126) |
| Mortgage and other note proceeds, net of transaction costs | 456,520 | 405,430 | 259,000 | 148,687 |
| Mortgage and other note principal payments | (531,566) | (256,081) | (588,876) | (74,943) |
| Due (to) from affiliates and other repayments | -- | -- | (144,298) | 22,587 |
| Net cash provided by (used in) financing activities | (14,075) | 133,263 | 293,582 | (70,617) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (42,418) | (5,486) | 71,217 | (3,274) |
| CASH AND CASH EQUIVALENTS, beginning of period | 105,139 | 110,625 | 39,408 | 42,682 |
| CASH AND CASH EQUIVALENTS, end of period | $ 62,721 | $ 105,139 | $ 110,625 | $ 39,408 |

The accompanying notes are an integral part of these statements.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT/SHARE AMOUNTS)

1. ORGANIZATION

Simon Property Group, L.P. (the "Simon Operating Partnership") was formed as a Delaware limited partnership in 1993 in connection with Simon Property Group, Inc.'s (the "Company") initial public offering (the "IPO"). On December 20, 1993, the Company raised $767,756 in net proceeds through the Company's IPO and debt of $259,000 was issued in a concurrent private financing transaction. The proceeds were contributed to the Simon Operating Partnership in exchange for 40,950,000 units of partnership interest ("Units") representing a 52.2% partnership interest. As the sole general partner of the Simon Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the management and control of the Simon Operating Partnership. The Simon Operating Partnership was formed prior to consummation of the Company's IPO and is the successor entity to Simon Property Group (the "Predecessor").

Simultaneously with the offering, Melvin Simon and Herbert Simon and certain of their affiliates (collectively, the "Simons"), along with certain third-party investors' interests (collectively, "Simon Property Group"), exchanged, directly or indirectly, fee and partnership interests in certain properties and the management, development and leasing activities related to the properties for limited partnership interests in the Simon Operating Partnership. The Simon Operating Partnership also acquired certain third-party investors' interests in Simon Property Group properties for cash (collectively, the "Business Combination"). Purchase accounting was applied to the acquisition of all third-party investors' interests for which cash consideration was paid. Assets and liabilities related to interests acquired from the Simons and all third-party investors receiving Units were recorded at their predecessor cost.

As used herein, the term Units does not include units of partnership interests entitled to preferential distribution of cash ("Preferred Units") (See Note 3).

The Simon Operating Partnership is engaged primarily in the ownership, operation, management, leasing, acquisition, expansion and development of real estate properties, primarily regional malls and community shopping centers. As of December 31, 1995, the Simon Operating Partnership owns or holds an interest in 122 income-producing properties, which consist of 62 regional malls, 55 community shopping centers, two specialty retail centers and three mixed-use properties (the "Properties"). The Simon Operating Partnership also owns interests in two regional malls and one specialty retail center currently under construction and seven parcels of land held for future development.

The Simon Operating Partnership is subject to risks incident to the ownership and operation of commercial real estate. These include, among others, the risks normally associated with changes in the general economic climate, trends in the retail industry, creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing, and potential liability under environmental and other laws. Like most retail properties, the Simon Operating Partnership's regional malls and community shopping centers rely heavily upon anchor tenants. As of December 31, 1995, 126 of the approximately 396 anchor stores in the Properties were occupied by JCPenney, Inc., Sears Roebuck & Co. and Dillard Department Stores, Inc. An affiliate of JCPenney, Inc. is a limited partner in the Simon Operating Partnership.

2. BASIS OF PRESENTATION

The accompanying consolidated financial statements of the Simon Operating Partnership include the accounts of all entities owned or controlled by the Simon Operating Partnership. All significant intercompany amounts have been eliminated. These financial statements have been prepared in accordance with generally accepted accounting principles, and accordingly contain certain estimates by management in determining the Simon Operating Partnership's assets, liabilities, revenues and expenses.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The accompanying financial statements of the Predecessor have been presented on a combined historical cost basis because of the affiliated ownership and common management and because the related Properties were contributed to the Simon Operating Partnership as a part of the Business Combination described above. The Simons have operations which were not contributed to the Simon Operating Partnership and, therefore, the financial statements are not intended to represent the financial position and results of operations of the Simons. In management's opinion, the combined financial statements include the assets, liabilities, revenues and expenses associated with the operations of the Properties transferred to the Simon Operating Partnership. Minority interests were provided in the accompanying combined financial statements for those partners' interests which were not exchanged for Units or which were purchased for cash in connection with the Business Combination.

Properties which are wholly owned ("Wholly Owned Properties") or owned less than 100% and are controlled by the Simon Operating Partnership ("Minority Interest Properties") have been consolidated. Control is demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the partnership without the consent of the limited partner and the inability of the limited partner to replace the general partner. Investments in partnerships and joint ventures which represent non-controlling 14.7% to 50.0% ownership interests ("Joint Venture Properties") and the investment in the Management Company (see Note 8) are accounted for using the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions.

Effective April 1, 1994, the Simon Operating Partnership demonstrated its ability to control the operating activities of The Forum Shops at Caesars ("Forum"). Subsequent to April 1, 1994, Forum is included in the accompanying financial statements using the consolidated method of accounting. Prior to the demonstration of control, Forum was reflected in the accompanying financial statements using the equity method of accounting.

Effective July 1, 1995, the Simon Operating Partnership relinquished its ability to solely direct certain activities related to the control of North East Mall. As a result, the Property is no longer being consolidated, and is now accounted for using the equity method of accounting.

Net operating results of the Simon Operating Partnership are allocated after the preferred distribution (see Note 3) based on its partners' ownership interests. The Company's weighted average ownership interest in the Simon Operating Partnership during 1995 and 1994 was 60.3% and 55.2%, respectively. At December 31, 1995 and 1994, the Company's ownership interest was 61.0% and 56.4%, respectively.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The following schedule identifies each Property included in the accompanying consolidated financial statements and the method of accounting utilized for each Property as of December 31, 1995:

CONSOLIDATED METHOD:

Regional Malls

| | | |
|---|---|---|
| Alton Square | Greenwood Park Mall | North Towne Square |
| Amigoland Mall | Heritage Park Mall | Northwoods Mall |
| Anderson Mall | Hutchinson Mall | Orange Park Mall |
| Barton Creek Square | Independence Center | Prien Lake Mall |
| Battlefield Mall | Ingram Park Mall | St. Charles Towne Center |
| Broadway Square | Irving Mall | South Park Mall |
| Century Consumer Mall | Jefferson Valley Mall | Southgate Mall |
| Charles Towne Square | LaPlaza Mall | Southtown Mall |
| Cielo Vista Mall | Lincolnwood Town Center | Sunland Park Mall |
| College Mall | Longview Mall | Tippecanoe Mall |
| Crossroads Mall | Machesney Park Mall | Towne East Square |
| East Towne Mall | Markland Mall | Towne West Square |
| Eastgate Consumer Mall | McCain Mall | University Mall (Arkansas) |
| Eastland Mall | Memorial Mall | University Mall (Florida) |
| Forest Mall | Midland Park Mall | Valle Vista Mall |
| Forest Village Park Mall | Miller Hill Mall | West Ridge Mall |
| Fremont Mall | Mounds Mall | White Oaks Mall |
| Golden Ring Mall | Muncie Mall | Wichita Mall |
| | | Windsor Park Mall |

Community Centers

| | | |
|---|---|---|
| Arvada Plaza | Fox River Plaza | Mounds Mall Cinema |
| Aurora Plaza | Greenwood Plus | New Castle Plaza |
| Bloomingdale Court | Griffith Park Plaza | North Ridge Plaza |
| Bridgeview Court | Hammond Square | North Riverside Park Plaza |
| Brightwood Plaza | Ingram Plaza | Northland Plaza |
| Bristol Plaza | Lake Plaza | Northwood Plaza |
| Buffalo Grove Towne Center | Lake View Plaza | Park Plaza |
| Celina Plaza | Lincoln Crossing | Regency Plaza |
| Cohoes Commons | Maplewood Square | St. Charles Towne Plaza |
| Cook's Discount Department Store | Markland Plaza | Teal Plaza |
| Countryside Plaza | Martinsville Plaza | Tippecanoe Plaza |
| East Towne Commons | Marwood Plaza | Wabash Village |
| Eastland Plaza | Matteson Plaza | West Ridge Plaza |
| Forest Plaza | Memorial Plaza | White Oaks Plaza |
| | | Wood Plaza |

| Specialty Retail Centers | Mixed-Use Properties |
|---|---|
| The Forum Shops at Caesars | O'Hare International Center |
| Trolley Square | Riverway |

EQUITY METHOD:

| Regional Malls | Community Centers | Mixed-Use Property |
|---|---|---|
| Circle Centre | Cobblestone Court | The Fashion Centre at Pentagon City |
| Lakeline Mall | Crystal Court | |
| North East Mall | Fairfax Court | |
| Rolling Oaks Mall | Gaitway Plaza | |
| Ross Park Mall | Ridgewood Court | |
| Seminole Towne Center | Royal Eagle Plaza | |
| Smith Haven Mall | The Plaza at Buckland Hills | |
| | The Yards Plaza | |
| | Village Park Plaza | |
| | West Town Corners | |
| | Westland Park Plaza | |
| | Willow Knolls Court | |

The deficit minority interest balance in the accompanying Consolidated Balance Sheets represents outside partners' interests in the net equity of certain investment properties. Deficit minority interests were recorded when a partnership agreement provided for the settlement of deficit capital accounts before distributing the proceeds from the sale of partnership assets and/or from the intent (legal or otherwise) and ability of the partner to fund additional capital contributions.

3. FORMATION AND SIGNIFICANT OWNERSHIP TRANSACTIONS

On December 20, 1993, the Company completed the Business Combination and the IPO of 37,750,000 shares of its common stock. The net proceeds of the offering ($767,756) and a concurrent borrowing of $259,000 were used to acquire the sole general partner's interest in the Simon Operating Partnership.

Proceeds from the offering and concurrent borrowing were used by the Simon Operating Partnership as follows:

1. To pay $727,905 of mortgage and other indebtedness of the Properties, including $144,298 of loans made by the Simons in lieu of third-party financings.

2. To pay costs related to significant modification of debt terms and prepayment penalties related to the early extinguishment of debt of $40,512. An extraordinary loss of $30,481 was generated during the period from December 20, 1993 to December 31, 1993 relating to the early extinguishment of debt.

3. To purchase certain interest-rate protection agreements totaling $4,687.

4. To acquire certain third-party investors' interest in the Properties for $135,894.

5. To invest $19,500 in the Management Company, of which $16,000 was used to repay debt. The debt repayment is included in item 1 above.

6. To acquire fee and partnership interests in twelve parcels of undeveloped land and two mortgage notes related to two parcels of undeveloped land for $90,000, of which $37,009 was paid to the Simons to repay loans made by the Simons related to the parcels in lieu of third-party financing. Certain parcels of undeveloped land and two mortgage notes were transferred to the Management Company in exchange for a $48,000 note receivable.

7. To pay transfer taxes and other expenses associated with the transfer of the Properties ($5,200) and the purchase of ground leases ($1,116).

8. To acquire certain property equipment for $2,861 and to pay organization costs of $1,785.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

9. To establish $13,296 of working capital.

On January 14, 1994, the Company sold an additional 5,662,500 shares of common stock, generating net proceeds of $118,235 as a result of the underwriters' exercising the over-allotment option granted to them in connection with the IPO. The net proceeds were contributed to the Simon Operating Partnership in exchange for 5,662,500 Units and the Company's ownership of the Simon Operating Partnership by 3.2% to 55.4%. The majority of the proceeds were added to operating cash with a portion ($40,900) used to repay debt (including related costs).

On January 31, 1995, the Company filed a shelf registration with the Securities and Exchange Commission covering 15,000,000 shares of common stock of the Company. On April 19, 1995, 6,000,000 of these shares were sold in an underwritten offering. On May 17, 1995, the underwriters closed on a portion (241,854 shares) of the over-allotment option granted them in connection with the above offering. Proceeds from these transactions were contributed to the Simon Operating Partnership in exchange for 6,241,854 Units and subsequently used to repay debt. These transactions increased the Company's ownership of the Simon Operating Partnership 2.8% to 60.5%.

On February 10, 1995, one of the limited partners in the Simon Operating Partnership exchanged 212,114 Units for 212,114 shares of common stock of the Company. The issuance of the additional shares increased the Company's ownership of the Simon Operating Partnership by 0.2% to 56.6%.

On July 31, 1995, the Company filed a shelf registration statement that became effective October 17, 1995 for 4,205,438 shares of common stock of the Company. The shares relate to the shares issuable upon conversion of Units held by existing limited partners of the Simon Operating Partnership (3,005,438 shares) and to the 1,200,000 shares of common stock issued in connection with the Crossroads Mall transaction.

On October 27, 1995, the Company completed a $100,000 private placement of 4,000,000 shares of Series A preferred stock. Dividends on the preferred stock are paid quarterly at the greater of 8.125% per annum or the dividend rate payable under the underlying common stock of the Company. The holders of the preferred stock have the right to convert the preferred stock into common stock after two years at an initial conversion ratio equal to 0.9524. The Company may redeem the preferred stock after five years upon payment of premiums that decline to $25.00 per share over the following seven years. The holders of the preferred stock are entitled to vote on all matters submitted to a vote of holders of common stock of the Company, based on the number of shares of common stock into which the preferred stock can be converted. The Company contributed the proceeds of the private placement to the Simon Operating Partnership in exchange for 4,000,000 Preferred Units. The Simon Operating Partnership will pay preferred distributions to the Company equal to the dividends paid on the preferred stock.

On December 21, 1995, one of the limited partners in the Simon Operating Partnership exchanged 121,348 Units for 121,348 shares of common stock of the Company. The issuance of the additional shares increased the Company's ownership of the Simon Operating Partnership by 0.1% to 61.0%.

## 4. ACQUISITIONS AND REAL ESTATE INVESTMENT ACTIVITY

### MSA Realty Corporation ("MSAR")

On September 1, 1994, the Company issued an additional 1,799,945 shares of common stock in conjunction with the merger of MSAR. Each outstanding share of MSAR common stock as of August 31, 1994 was converted into 0.31 shares of the Company's common stock. The acquisition price, including related transaction costs, was $48,031. The Company's investment in MSAR was contributed to the Simon Operating Partnership for 1,799,945 Units, which increased the Company's ownership of the Simon Operating Partnership by 1.0% to 56.4%. As a result of the acquisition, the Simon Operating Partnership now owns 100% of fourteen centers in which it previously held a 50% interest and substantially all of the ownership interest in one community shopping center in which it held a minority interest. In addition, the Simon Operating Partnership obtained a non-controlling 50% interest in a regional mall. The MSAR transaction was accounted for using the purchase method of accounting. The purchase price in excess of the net assets acquired of $26,507 was allocated to investment properties. The Simon Operating Partnership's interest in the assets and liabilities of these centers prior to this transaction is reflected at predecessor cost. Subsequent to September 1, 1994, each of the Properties involved in this merger was accounted for using the consolidated method of accounting.

Simultaneous with the merger, a debt restructuring with Metropolitan Life Insurance Company related to the fourteen centers was completed resulting in the repayment of approximately $45,000 of loan principal and discharging the mortgages on four of the centers. In addition, the interest rate was reduced from 9.98% to 8.75% on the remaining debt of approximately $145,000. A prepayment penalty of $5,000 was incurred in conjunction with this activity and has been classified as an extraordinary item in the Consolidated Statements of Operations.

Independence Center

On December 1, 1994, the Simon Operating Partnership acquired Independence Center in Independence, Missouri. Included in the purchase are approximately 47 acres of undeveloped land adjacent to the mall. Under the terms of the sale, the Simon Operating Partnership paid $51,413 including transaction costs, funded through the use of the Simon Operating Partnership's credit facilities.

Broadway Square, Orange Park Mall and University Mall

On December 29, 1994, the Simon Operating Partnership acquired Broadway Square in Tyler, Texas; Orange Park Mall in Jacksonville, Florida; and University Mall in Pensacola, Florida. Under the terms of the sale, the Simon Operating Partnership paid $153,874, including transaction costs, funded through the use of the Simon Operating Partnership's credit facilities. Included in the purchase price were approximately 14 acres and 10 acres of undeveloped land adjacent to Orange Park Mall and University Mall, respectively.

White Oaks Mall

At the time of the IPO, the Teacher's Retirement System of the State of Illinois ("TRS") held an option to put its 50% general and limited partnership interests in White Oaks Mall in Springfield, Illinois, to the Simon Operating Partnership. TRS exercised this option on January 23, 1995, and the purchase closed February 23, 1995. The Units which TRS received upon exercise of the options were exchanged for 2,022,247 shares of common stock of the Company. The Simon Operating Partnership now owns 77% of White Oaks Mall. The issuance of the additional shares increased the Company's ownership interest in the Simon Operating Partnership by 1.0% to 57.6%. The White Oaks Mall transaction, valued at $45,000, was accounted for using the purchase method of accounting. The purchase price in excess of the net assets acquired of $10,905 was allocated to investment properties. The Simon Operating Partnership's interest in the assets and liabilities of this Property prior to this transaction is reflected at predecessor cost. Effective February 23, 1995, White Oaks Mall was being accounted for in the accompanying consolidated financial statements using the consolidated method of accounting. It was previously accounted for using the equity method of accounting.

Crossroads Mall

Prior to July 31, 1995, the Simon Operating Partnership held a 50% joint venture interest in Crossroads Mall in Omaha, Nebraska. On July 31, 1995, the Simon Operating Partnership acquired the remaining 50% ownership in the Property from the Simons in exchange for 120,000 Units. The acquisition was reflected at predecessor cost. Concurrent with the acquisition, a debt restructuring was completed which included the issuance of 1,200,000 shares of common stock of the Company to the lender (New York State Teachers'

Retirement System) in exchange for a $30,000 reduction of the outstanding loan balance which included accrued interest. In addition, the effective interest rate on the remaining balance of $41,400 was reduced from 10.5% to 7.75%. As a result of this transaction, the Simon Operating Partnership issued 1,200,000 Units to the Company. As a result of these transactions, the Company's ownership interest in the Simon Operating Partnership increased by 0.4% to 60.9%. The loan matures on July 31, 2002. Effective July 31, 1995, Crossroads Mall was included in the accompanying consolidated financial statements using the consolidated method of accounting. It was previously accounted for using the equity method of accounting.

The Shops at Sunset Place

On August 15, 1995, the Simon Operating Partnership acquired for $11,406, a controlling 75% joint venture interest in The Shops at Sunset Place in South Miami, Florida. The joint venture is formulating plans to redevelop the site into a specialty retail center. The acquisition was financed using borrowings from the Simon Operating Partnership's unsecured revolving credit facility. This site is included in the accompanying consolidated financial statements using the consolidated method of accounting.

East Towne Mall

Prior to September 25, 1995, the Simon Operating Partnership held a 45.0% joint venture interest in East Towne Mall in Knoxville, Tennessee. On September 25, 1995, the Simon Operating Partnership acquired the remaining interest for $18,500 and the assumption of 55% of the $75,000 of existing mortgage debt. In connection with the transaction, the Simon Operating Partnership refinanced the $75,000 mortgage. These transactions were funded through a new loan of $55,000 and $38,500 in borrowings from the Simon Operating Partnership's unsecured revolving credit facility. The transaction was accounted for using the purchase method of accounting. The purchase price in excess of the net assets acquired of $21,982 was allocated to investment properties. Effective September 25, 1995, East Towne Mall was included in the accompanying consolidated financial statements using the consolidated method of accounting. It was previously accounted for using the equity method of accounting.

The Source

On December 22, 1995, a joint venture, in which the Simon Operating Partnership has a non-controlling 50% joint venture interest, acquired a development project located in Westbury (Long Island), New York, for $30,253. This acquisition was financed using borrowings from the Simon Operating Partnership's unsecured revolving credit facility. The joint venture will develop a 730,000-square-foot value-oriented retail center, which commenced construction in February 1996 and is expected to open in the fall of 1997. This joint venture is being accounted for using the equity method of accounting.

Smith Haven Mall

On December 28, 1995, a joint venture in which the Simon Operating Partnership owns a non-controlling 25% interest, purchased Smith Haven Mall, a 1.3 million square-foot regional mall located in Lake Grove (Long Island), New York, for $221,000. The Simon Operating Partnership's share of the purchase price ($55,725) was financed using borrowings from the Simon Operating Partnership's unsecured revolving credit facility. This joint venture is being accounted for using the equity method of accounting.

Mills Developments

On December 29, 1995, the Simon Operating Partnership entered into arrangements with The Mills Corporation to develop value-oriented regional malls in Ontario (Los Angeles), California; Grapevine (Dallas), Texas; and Chandler (Phoenix), Arizona. The Ontario, California project consists of a 1.4 million square-foot regional mall under construction and is expected to open in the fall of 1996. The remaining sites are in the preconstruction stages of development. These projects are being accounted for using the equity method of accounting.

### Arborland Mall

Effective September 30, 1995, the Simon Operating Partnership sold its 1% ownership in Arborland Mall to its existing partner. Arborland was accounted for using the equity method of accounting.

### Pro Forma

The following unaudited pro forma summary financial information combines the consolidated results of operations of the Simon Operating Partnership as if the IPO and Business Combination (excluding the over-allotment option), the acquisitions of MSAR, Independence Center, Broadway Square, Orange Park Mall, University Mall, White Oaks Mall, Crossroads Mall, East Towne Mall, and Smith Haven Mall, the consolidation of Forum, the deconsolidation of North East Mall, and the add-on offering of common stock had occurred as of January 1, 1995, 1994 and 1993, after giving effect to certain adjustments, including interest and related expenses associated with debt incurred to finance the acquisitions, depreciation expense related to the Properties acquired, general and administrative costs to manage the Properties acquired and the additional contingent interest paid of $27,184 in connection with the refinancing of one of the Properties as described in Note 9. Preparation of the pro forma summary information was based upon assumptions deemed appropriate by the Simon Operating Partnership. The pro forma summary information is not necessarily indicative of the results which actually would have occurred if the transactions discussed above had been consummated at the beginning of the periods presented, nor does it purport to represent the future financial position and results of operations for future periods.

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1995 | 1994 | 1993 |
| Total Revenue | $ 565,706 | $ 555,152 | $ 531,657 |
| Net income available to Unitholders | 102,648 | 95,488 | 68,409 |
| Net Income available to Unitholders attributed to: | | | |
| General Partner | 62,513 | 57,789 | 39,746 |
| Limited Partners | 40,135 | 37,699 | 28,663 |
| Net income per Unit | $ 1.07 | $ 1.00 | $ 0.76 |
| Weighted average number of Units outstanding | 95,609,354 | 95,272,018 | 89,831,696 |

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investment Properties

Investment operating Properties are recorded at the lower of cost (Predecessor cost for Properties acquired from promoters in connection with the Business Combination) or net realizable value. Net realizable value of investment properties for financial reporting purposes is reviewed for impairment on a Property-by-Property basis whenever events or changes in circumstances indicate that the carrying amount of investment properties may not be recoverable. Impairment of investment properties is recognized when estimated undiscounted operating income is less than the carrying value of the Property. To the extent an impairment has occurred, the excess of carrying value of the Property over its estimated net realizable value will be charged to income. The Simon Operating Partnership will adopt SFAS No. 121 (Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of) on January 1, 1996, and believes that the adoption will not have a material impact upon its financial statements. Investment properties include costs of acquisition, development, construction, tenant improvements, interest and real estate taxes incurred during construction, certain capitalized improvements and replacements, and certain allocated overhead.

Depreciation on buildings and improvements is provided utilizing the straight-line method over an estimated original useful life of 10 to 45 years, resulting in an average composite life of approximately 30 years. Depreciation on tenant improvements is provided utilizing the straight-line method over the life of the related lease.

Certain improvements and replacements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. All other repair and maintenance items are expensed as incurred.

Capitalized Interest

Interest is capitalized on projects during periods of construction. Interest capitalized by the Simon Operating Partnership for the years ended December 31, 1995 and 1994 was $1,515 and $1,586 respectively; for the period from December 20, 1993 to December 31, 1993, capitalized interest was not significant. Interest capitalized by the Predecessor for the period from January 1, 1993 to December 19, 1993 was $86.

Deferred Costs

Deferred costs consist primarily of financing fees incurred to obtain long-term financing, costs of interest-rate protection agreements, and internal and external leasing commissions and related costs. Deferred financing costs, including interest-rate protection agreements, are amortized on a straight-line basis over the terms of the respective loans or agreements. Deferred leasing costs are amortized on a straight-line basis over the terms of the related leases. At December 31, 1995 and 1994, deferred costs consisted of the following:

| | DECEMBER 31, | |
|---|---|---|
| | 1995 | 1994 |
| Deferred financing costs | $ 68,042 | $ 60,568 |
| Leasing costs and other | 88,094 | 88,467 |
| | 156,136 | 149,035 |
| Less-accumulated amortization | 74,738 | 63,157 |
| Deferred costs, net | $ 81,398 | $ 85,878 |

Included in interest expense in the accompanying Consolidated Statements of Operations of the Simon Operating Partnership is amortization of deferred financing costs of $8,523 and $7,251 for the years ended December 31, 1995 and 1994, respectively, and $88 for the period from December 20, 1993 to December 31, 1993. Included in interest expense in the accompanying Combined Statement of Operations of the Predecessor is amortization of deferred financing costs of $3,917 for the period from January 1, 1993 to December 19, 1993.

Revenue Recognition

The Simon Operating Partnership, as a lessor, has retained substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases. Minimum rents are accrued on a straight-line basis over the terms of their respective leases. Overage rents are recognized when earned.

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Allowance for Credit Losses

A provision for credit losses is recorded based on management's judgment of tenant creditworthiness. The activity in the allowance for credit losses of the Simon Operating Partnership for the years ended December 31, 1995 and 1994, and for the period from December 20, 1993 to December 31, 1993, and for the Predecessor for the period from January 1, 1993 to December 19, 1993 was as follows:

| PERIOD ENDED | BALANCE AT BEGINNING OF PERIOD | PROVISION FOR CREDIT LOSSES | ACCOUNTS WRITTEN OFF | BALANCE AT END OF PERIOD |
|---|---|---|---|---|
| December 31, 1995 | $2,943 | $2,939 | (1,623) | $$4,259 |
| December 31, 1994 | $ -- | $4,238 | (1,295) | $$2,943 |
| December 20, 1993 to December 31, 1993 | $ -- | $ -- | $ -- | $ -- |
| January 1, 1993 to December 19, 1993 | $4,318 | $3,741 | (4,086) | $$3,973 |

Income Taxes

As a partnership, the allocated share of income or loss for each year is included in the income tax returns of the partners, accordingly, no accounting for income taxes is required in the accompanying consolidated financial statements. State and local taxes are not material.

Prior to the Business Combination, substantially all of the Properties were owned by partnerships and joint ventures whose partners were required to include their respective share of profits and losses in their individual tax returns. Certain of the Properties were held by corporations which were subject to federal and state income taxes. These corporations were included in the consolidated tax returns filed by Melvin Simon & Associates, Inc. ("MSA") for which no federal income taxes were due. Accordingly, no federal income tax provision (benefit) was reflected in the accompanying Combined Statement of Operations. State income taxes were not significant.

Taxable income of the Simon Operating Partnership for the year ended December 31, 1995 is estimated to be $122,127, and was $44,683 for the year ended December 31, 1994. Reconciling differences between book income and tax income primarily result from timing differences consisting of (i) depreciation expense, (ii) prepaid rental income and (iii) straight-line rent. Furthermore, the Simon Operating Partnership's share of income or loss from the affiliated Management Company is excluded from the tax return of the Simon Operating Partnership.

Per Unit Data

The net income (loss) per Unit is based on the weighted average number of Units outstanding during the period. The weighted average number of Units used in the computation for 1995, 1994 and 1993 was 92,666,469; 84,509,597; and 78,447,150, respectively. Units held by limited partners in the Simon Operating Partnership may be exchanged for shares of common stock of the Company on a one-for-one basis in certain circumstances (see Note 12). The stock options outstanding under the Stock Option Plans (See Note 11) and the Preferred Units have not been considered in the computations of per Unit data, as they did not have a dilutive effect.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Simon Operating Partnership declared distributions per Unit of $1.97 and $1.90 in 1995 and 1994, respectively. The following is a summary of distributions per Unit which represent a return of capital measured using generally accepted accounting principles:

| DISTRIBUTIONS PER UNIT | FOR THE YEAR ENDED DECEMBER 31, 1995 | 1994 |
|---|---|---|
| From book net income | $ 1.04 | $ 0.50 |
| Representing return of capital | .93 | 1.40 |
| Total Distributions | $ 1.97 | $ 1.90 |

On a federal income tax basis, 25% of the 1995 distributions and 55% of the 1994 distributions represented return of capital.

Statements of Cash Flows

For purposes of the Statements of Cash Flows, all highly liquid investments purchased with an original maturity of 90 days or less are considered as cash and cash equivalents. Cash equivalents are carried at cost, which approximates market. Cash equivalents consist of commercial paper, bankers acceptances, Eurodollars, repurchase agreements and Dutch auction securities.

Cash paid for interest by the Simon Operating Partnership, net of any amounts capitalized, for the year ended December 31, 1995 was $142,345. Cash paid for interest by the Simon Operating Partnership, net of any amounts capitalized, for the year ended December 31, 1994 was $140,106, including a $27,184 non-recurring interest charge; and for the period from December 20, 1993 to December 31, 1993, was $3,316. Cash paid for interest by the Predecessor, net of any amounts capitalized, for the period from January 1, 1993 to December 19, 1993 was $157,387.

Net working capital generated by the Properties as of December 19, 1993 was retained by the investors in the Properties at that time. The unpaid amount of working capital was $4,072 as of December 31, 1994, and is included in accounts payable in the accompanying Consolidated Balance Sheet. At December 31, 1995, all working capital amounts had been repaid.

Non-Cash Transactions

The following is a summary of significant non-cash transactions.

As described in Note 2, effective April 1, 1994, the Simon Operating Partnership reflected Forum using the consolidated method of accounting.

As described in Note 4, on September 1, 1994, the Simon Operating Partnership issued 1,799,945 Units in conjunction with the merger of MSAR. On February 23, 1995, the Simon Operating Partnership issued 2,022,247 Units in connection with the acquisition of an additional joint venture interest in White Oaks Mall. On July 31, 1995, the Simon Operating Partnership issued 120,000 Units in exchange for the Simons' 50% interest in Crossroads Mall. The Simon Operating Partnership issued 1,200,000 Units of common stock in connection with the reduction of the outstanding loan and accrued interest at Crossroads Mall.

Accrued and unpaid distributions as of December 31, 1995 and 1994 were $47,104 and $40,807, respectively. Accrued and unpaid distributions on Preferred Units as of December 31, 1995 were $1,490. There were no Preferred Units in 1994 and, therefore, no Preferred Unit distributions were declared or outstanding in 1994.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Reclassifications

Certain reclassifications have been made to the prior-year financial statements to conform to the current-year presentation. These reclassifications have no impact on net operating results previously reported.

6. INVESTMENT PROPERTIES

Investment properties consist of the following:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Land | $ 283,722 | $ 267,213 |
| Buildings and improvements | 1,860,203 | 1,619,909 |
| Total land, buildings and improvements | 2,143,925 | 1,887,122 |
| Furniture, fixtures and equipment | 18,236 | 12,905 |
| Investment properties at cost | 2,162,161 | 1,900,027 |
| Less -- accumulated depreciation | 152,817 | 70,916 |
| Investment properties at cost, net | $2,009,344 | $1,829,111 |

Building and improvements include $40,676 and $8,377 of construction in process at December 31, 1995 and 1994, respectively.

7. INVESTMENT IN PARTNERSHIPS AND JOINT VENTURES

Summary financial information of partnerships and joint ventures accounted for using the equity method, and a summary of the Simon Operating Partnership's or Simon Property Group's investment in and share of income (loss) from such partnerships and joint ventures follows. See Notes 2 and 4 for a discussion of certain acquisition and real estate investing activities which impact the financial information of the Joint Venture Properties. This information also reflects the openings of Circle Centre, Seminole Towne Center and Lakeline Mall during 1995.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

| BALANCE SHEETS | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| ASSETS: | | |
| Investment properties at cost, net | $1,156,066 | $ 741,900 |
| Cash and cash equivalents | 52,624 | 65,547 |
| Tenant receivables | 35,306 | 39,332 |
| Other assets | 32,626 | 13,161 |
| Total assets | $1,276,622 | $ 859,940 |
| LIABILITIES AND PARTNERS' EQUITY: | | |
| Mortgages and other notes payable | $ 410,652 | $ 366,926 |
| Accounts payable, accrued expenses and other liabilities | 127,322 | 76,663 |
| Total liabilities | 537,974 | 443,589 |
| Partners' equity | 738,648 | 416,351 |
| Total liabilities and partners' equity | $1,276,622 | $ 859,940 |
| SIMON OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 290,802 | $ 152,797 |
| Partners' equity (deficit) | $ 63,212 | $ (57,064) |

| STATEMENTS OF OPERATIONS | FOR THE YEAR ENDED DECEMBER 31, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1994 | FOR THE PERIOD FROM DECEMBER 20, 1993 TO DECEMBER 31, 1993 | FOR THE PERIOD FROM JANUARY 1, 1993 TO DECEMBER 19, 1993 |
|---|---|---|---|---|
| REVENUE: | | | | |
| Minimum rent | $ 83,905 | $92,380 | $3,584 | $ 96,518 |
| Overage rent | 2,754 | 3,655 | 197 | 5,804 |
| Tenant reimbursements | 39,500 | 45,440 | 1,905 | 50,378 |
| Other income | 13,980 | 10,131 | 87 | 6,433 |
| Total revenue | 140,139 | 151,606 | 5,773 | 159,133 |
| OPERATING EXPENSES: | | | | |
| Operating expenses and other | 46,466 | 55,949 | 2,218 | 60,407 |
| Depreciation and amortization | 26,409 | 26,409 | 985 | 28,918 |
| Total operating expenses | 72,875 | 82,358 | 3,203 | 89,325 |
| OPERATING INCOME | 67,264 | 69,248 | 2,570 | 69,808 |
| INTEREST EXPENSE | 28,685 | 38,124 | 1,446 | 44,280 |
| EXTRAORDINARY ITEMS | (2,687) | -- | -- | -- |
| NET INCOME | 35,892 | 31,124 | 1,124 | 25,528 |
| THIRD-PARTY INVESTORS' SHARE OF NET INCOME | 30,752 | 30,090 | 1,081 | 26,619 |
| SIMON OPERATING PARTNERSHIP'S OR SIMON PROPERTY GROUP'S SHARE OF NET INCOME (LOSS) | $ 5,140 | $ 1,034 | $ 43 | $ (1,091) |

The net income or net loss for each partnership and joint venture is allocated in accordance with the provisions of the applicable partnership or joint venture agreement. The allocation provisions in these agreements are not always consistent with the ownership interest held by each general or limited partner or joint venturer, primarily due to partner preferences.

8. INVESTMENT IN MANAGEMENT COMPANY

M.S. Management Associates (Indiana), Inc., ("M.S. Management"), a wholly owned subsidiary of MSA, an affiliate of the Simons, provided management, development and leasing services to the Predecessor and other properties. In connection with the Business Combination, MSA, indirectly, exchanged the management, development and leasing contracts related to the Simon Operating Partnership's Wholly Owned Properties and certain assets for Class B common stock of the Company. The management, development and leasing activities related to the non-wholly owned and other third-party properties are now conducted by M.S. Management Associates, Inc., a Delaware corporation, (the "Management Company"), which, through a series of transactions in connection with the Business Combination, became the parent company of M.S. Management.

The Simon Operating Partnership's initial investment in the Management Company was evidenced by $2,000 in common stock (representing 80% of the outstanding common stock of the Management Company including 5% of the outstanding voting common stock), $17,500 of participating 8% preferred stock and a $22,000 note receivable. The remaining 20% of the outstanding common stock of the Management Company (representing 95% of the voting common stock) is owned directly by the Simons. The Simon Operating Partnership also sold to the Management Company four parcels of undeveloped land and two mortgage notes related to two parcels of undeveloped land in exchange for a note receivable in the amount of $48,000. The Simon Operating Partnership was granted options, at no cost, by the Management Company to reacquire the four parcels of undeveloped land at a price equal to the actual cost incurred by the Management Company to acquire and carry such parcels to the exercise date of the respective option. The option agreements expire in December 2003 and carry rights of first refusal. The net assets of M.S. Management acquired in the Business Combination are recorded at predecessor cost, which resulted in a carryover-basis adjustment to equity of $35,219. Because the Simon Operating Partnership exercises significant influence over the financial and operating policies of the Management Company, it is reflected in the accompanying statements using the equity method of accounting.

During 1994, the Simon Operating Partnership advanced the Management Company $10,405, which bears interest at 11%. The Management Company repaid $5,000 by transferring a financial instrument to the Simon Operating Partnership. During 1995, the Simon Operating Partnership advanced a net of $27,500 to the Management Company which bears interest at 11%. The proceeds were used to acquire a $27,500 mortgage note due from The Source, in which the Simon Operating Partnership has a noncontrolling 50% interest. The mortgage bears interest at 11% and will be repaid by the partnership's construction financing scheduled to close in the first quarter of 1996. The Management Company also liquidated in 1995 its interest in a certain partnership investment which held a 9.8-acre parcel of land in Rosemont, Illinois. The sale of that parcel resulted in a loss of $958 to the Management Company. Further, an undeveloped two-acre parcel of land in Washington, D.C., for which the Management Company held a mortgage, was sold in December 1995. The Management Company recorded a loss in connection with this transaction of $3,949.

At December 31, 1995 and 1994, total notes receivable and advances due from the Management Company were $102,522 and $75,405, respectively. Unpaid interest income receivable from the Management Company at December 31, 1995 and 1994 was $84 and $2,826, respectively. Unpaid preferred dividends receivable from the Management Company at December 31, 1995 and 1994 were $0 and $350, respectively. These interest and preferred dividend receivables are reflected in tenant receivables and accrued revenue in the accompanying Consolidated Balance Sheets.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Summarized financial information of the Management Company accounted for using the equity method, and a summary of the Simon Operating Partnership's investment in and share of income (loss) from the Management Company follows:

| BALANCE SHEETS | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| ASSETS: | | |
| Current assets | $ 40,964 | $ 16,841 |
| Undeveloped land and mortgage notes | 45,769 | 43,000 |
| Other assets | 13,813 | 12,577 |
| Total assets | $100,546 | $ 72,418 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT: | | |
| Current liabilities | $ 18,435 | $ 13,103 |
| Notes payable and advances due to the Simon Operating Partnership at 11%, due 2008 | 102,522 | 75,405 |
| Total liabilities | 120,957 | 88,508 |
| Shareholders' deficit | (20,411) | (16,090) |
| Total liabilities and shareholders' deficit | $100,546 | $ 72,418 |
| THE SIMON OPERATING PARTNERSHIP'S SHARE OF: | | |
| Total assets | $ 80,437 | $ 57,934 |
| Shareholders' deficit | $(20,612) | $(16,875) |

| STATEMENTS OF OPERATIONS | FOR THE YEAR ENDED DECEMBER 31, 1995 | FOR THE YEAR ENDED DECEMBER 31, 1994 | FOR THE PERIOD FROM DECEMBER 20, 1993 TO DECEMBER 31, 1993 | FOR THE PERIOD FROM JANUARY 1, 1993 TO DECEMBER 19, 1993 |
|---|---|---|---|---|
| REVENUE: | | | | |
| Management fees | $20,106 | $18,587 | $ 707 | $ 31,747 |
| Development and leasing fees | 15,451 | 9,683 | 763 | 6,874 |
| Cost-sharing income and other | 7,561 | 10,077 | 214 | 2,691 |
| Total revenue | 43,118 | 38,347 | 1,684 | 41,312 |
| EXPENSES: | | | | |
| Operating expenses | 31,163 | 27,944 | 1,388 | 40,944 |
| Depreciation | 2,275 | 1,406 | 51 | 1,723 |
| Interest | 7,694 | 8,623 | 253 | -- |
| Total expenses | 41,132 | 37,973 | 1,692 | 42,667 |
| OPERATING INCOME (LOSS) | 1,986 | 374 | (8) | (1,355) |
| LOSS ON DISPOSITION OF ASSETS | (4,907) | -- | -- | -- |
| NET INCOME (LOSS) | (2,921) | 374 | (8) | (1,355) |
| PREFERRED DIVIDENDS | 1,400 | 1,400 | -- | -- |
| NET LOSS AVAILABLE FOR COMMON SHAREHOLDERS | $(4,321) | $(1,026) | $ (8) | $ (1,355) |
| SIMON OPERATING PARTNERSHIP'S SHARE OF NET LOSS | $(3,737) | $(1,101) | $ (8) | |

The Simon Operating Partnership manages all Wholly Owned Properties, and, accordingly, it reimburses the Administrative Services Partnership ("ASP") for costs incurred, including management, leasing, development, accounting, legal, marketing, and management information systems. Substantially all employees (other than direct field personnel) are employed by ASP which is owned 1% by the Simon Operating Partnership and 99% by the Management Company. The Management Company's Statements of Operations report costs net of amounts reimbursed by the Simon Operating Partnership. The Simon Operating Partnership's share of allocated common costs was $21,874 and $15,619 for 1995 and 1994, respectively.

Common costs are allocated based on payroll and related costs. In management's opinion, allocations under the cost-sharing arrangement are reasonable. The Simon Operating Partnership's share of common costs and management fees for the twelve days ended December 31, 1993 were not significant. Allocated property operating expenses related to management, development, leasing, financing and advisory services totaled $16,379 for the period from January 1, 1993 to December 19, 1993.

The Management Company provides management, leasing, development, accounting, legal, marketing and management information systems services to MSA, Minority Interest Properties, Joint Venture Properties and non-owned managed properties. Management, development and leasing fees charged to the Simon Operating Partnership relating to the Minority Interest Properties were $5,353 and $2,352 for the years ended December 31, 1995 and 1994, respectively. Fees for services provided by the Management Company to MSA were $4,572 and $7,239 for the years ended December 31, 1995 and 1994, respectively, and are included in cost-sharing income and other in the Management Company's Statements of Operations.

Amounts payable by the Simon Operating Partnership under the cost-sharing arrangement and management contracts were $1,175 and $2,499 at December 31, 1995 and 1994, respectively, and are reflected in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets.

## 9. INDEBTEDNESS

Mortgages and other notes payable consists of the following:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Unsecured revolving credit facility, with variable interest rate of 7.18% at December 31, 1995, due August 7, 1998 | $ 196,000 | $ -- |
| Term loan, unsecured, with variable interest rate, due September 21, 1996 | -- | 75,000 |
| $100,000 Revolving loan, secured by Properties, with variable interest rate, due March 15, 1997 | -- | 87,899 |
| $150,000 Revolving loan, unsecured, with variable interest rate, due November 30, 1997 | -- | 124,139 |
| Mortgages and other notes payable with fixed interest rates ranging from 5.81% to 10.00% (weighted average rate of 7.81%) at December 31, 1995, due at various dates through 2026 | 1,232,360 | 1,189,900 |
| Mortgages and other notes payable with variable interest rates ranging from 4.67% to 7.19% (weighted average rate of 6.55%) at December 31, 1995, due at various dates through 2000 | 530,000 | 461,153 |
| Construction loan with variable interest rate of 7.79% at December 31, 1995 due on February 1, 1999 | 22,399 | -- |
| | $1,980,759 | $1,938,091 |

Credit Facilities

On August 7, 1995, the Simon Operating Partnership closed on a new $400,000 unsecured revolving credit facility which replaced the Simon Operating Partnership's secured and unsecured lines of credit. The new facility currently bears interest at London Interbank Offering Rate ("LIBOR") plus 132.5 basis points, an improvement of 67.5 basis points over the previous unsecured facility, and an improvement of 17.5 basis points over the previous secured facility. Further, the new facility removes the first mortgages and negative pledges on certain of the Simon Operating Partnership's Properties and provides for different pricing based upon the Simon Operating Partnership's investment grade rating. This facility contains financial covenants relating to debt-to-market capitalization, minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") ratios and a minimum equity value. Significant borrowings on the line include an initial draw of $144,000 used to pay off the existing revolving credit facilities and purchase a controlling 75% interest in The Shops at Sunset Place, a draw of $38,500 for the acquisition of the remaining ownership interest of East Towne Mall, a draw of $87,000 of which approximately $55,700 was used to acquire a 25% interest in the joint venture which purchased Smith Haven Mall, with the remainder used to acquire a 50% partnership interest in a parcel of land to be used to develop a regional mall in Westbury (Long Island), New York. A significant pay-down occurred on October 27, 1995, when the Company completed a $100,000 private placement of 4,000,000 shares of convertible preferred stock. In exchange for Preferred Units, the net proceeds were contributed by the Company to the Simon Operating Partnership and $99,000 was used to pay down the balance on the unsecured revolving credit facility. The facility is subject to renewal in August 1998. As of December 31, 1995, $196,000 was outstanding on the line, with $204,000 available.

The term loan which carried interest at LIBOR plus 175 basis points (7.75% at December 31, 1994) was paid off, resulting in an extraordinary loss of $248. This payoff was accomplished with proceeds from the Company's 6,000,000 share add-on offering.

The secured revolving loan which carried interest at LIBOR plus 150 basis points (7.625% at December 31, 1994) was paid off, resulting in an extraordinary loss of $733. This payoff was accomplished with proceeds from the new unsecured revolving credit facility.

The unsecured revolving loan which carried interest at LIBOR plus 200 basis points (8.217% at December 31, 1994) was paid off, resulting in an extraordinary loss of $1,332. This payoff was accomplished with the remaining proceeds of the 6,000,000 share add-on offering, the related underwriter's over-allotment option of 241,845 shares, and the use of the new unsecured revolving credit facility.

Fixed and Variable Mortgages

Fixed-rate and variable-rate mortgages as of December 31, 1995 were $1,762,360. The following is a summary of significant mortgage debt activity. On December 1, 1994, the Simon Operating Partnership refinanced two mortgages totaling $49,816. These loans would have matured May 28, 2020, and carried interest at 11.0% and 13.5%. Under the terms of the debt agreements, the lender was entitled to additional contingent interest to be determined by 50% of the appreciated value of the Property, which totaled $27,184 as of the refinancing date. The prepayment totaling $77,000 was accomplished using a $50,000 bridge loan and $27,000 in cash. The bridge loan carried interest at a variable rate and had a maturity date of December 1, 1995. The $27,184 contingent interest payment relating to this transaction is considered unusual because none of the debt agreements relating to the other Properties have similar equity participation features. Therefore, the additional contingent interest paid has been reflected as a separate line in the Consolidated Statements of Operations. On February 6, 1995, a $50,000 secured financing was obtained and the bridge loan was repaid. This financing, secured by one of the Properties, bears interest at a variable rate and matures January 12, 2000. An interest rate cap was purchased which caps LIBOR at 8.70% and expires January 12, 2000. The cost of the interest-rate protection agreement of $1,050 will be amortized over the life of the agreement. Refinancing and other activities related to East Towne Mall, Crossroads Mall and White Oaks Mall which impact mortgage debt are described in Notes 2 and 4.

Many of the investment properties are pledged as collateral to secure the related mortgage notes. The mortgage notes are non-recourse but have a partial guarantee by the Simons and other limited partners of approximately $426,777. The mortgages and other notes payable are generally due in monthly installments of principal and interest or interest only and mature at various dates through January 1, 2026.

Certain of the mortgage indebtedness contain cross-default and cross-collateralization features pertaining to certain groups of Properties. Under the cross-default provisions, a default under any mortgage included in the cross-defaulted package constitutes a default under all such mortgages and can lead to acceleration of the indebtedness due on each Property within the collateral package. Pursuant to the cross-collateralization feature, the excess of the value of a Property over the mortgage indebtedness specific to that Property serves as additional collateral for indebtedness against each other Property within that particular financing package.

With respect to certain loans, the lender participates in a percentage of gross revenues above a specified base or after deduction of debt service and various expenses. Contingent interest incurred under these arrangements was $1,929 and $1,527 for the years ended December 31, 1995 and 1994, respectively, $94 for the period from December 20, 1993 to December 31, 1993, and $2,800 for the period from January 1, 1993 to December 19, 1993.

## Construction Loan

On February 22, 1995, the Simon Operating Partnership closed a $60,000 construction loan for Cottonwood Mall in Albuquerque, New Mexico. This loan bears interest at the lower of the prime rate plus 25 basis points or LIBOR plus 200 basis points and matures February 1, 1999. The loan contains an option provision to extend the maturity one year. As of December 31, 1995, $22,399 was outstanding.

## Debt Maturity and Other

As of December 31, 1995, scheduled principal repayments on indebtedness were as follows:

| | |
|---|---|
| 1996 | $ 159,982 |
| 1997 | 119,023 |
| 1998 | 431,984 |
| 1999 | 250,013 |
| 2000 | 240,225 |
| Thereafter | 779,532 |
| | $1,980,759 |

Certain mortgages and notes payable may be prepaid but are generally subject to payment of a yield maintenance premium.

The unconsolidated partnerships and joint ventures have $410,652 of mortgage and other notes payable at December 31, 1995. The Simon Operating Partnership's share of this debt was $167,644 at December 31, 1995. This debt becomes due in installments over various terms extending to January 1, 2017, with interest rates ranging from 6.13% to 10.07% (weighted average rate of 7.40% at December 31, 1995). The debt matures $5,219 in 1996, $241 in 1997, $60,267 in 1998, $98,786 in 1999, $21,758 in 2000 and $224,381 thereafter.

Net extraordinary gains (losses) of $(3,285) and $(17,980) for the years ended December 31, 1995 and 1994, respectively, and $(30,481) for the period from December 20, 1993 to December 31, 1993, and $26,189 for the period from January 1, 1993 to December 19, 1993 were incurred, resulting from the early extinguishment or refinancing of debt.

Interest-rate Protection Agreements

The Simon Operating Partnership has entered into certain interest-rate protection agreements, in the form of "cap" or "swap" arrangements, with respect to the majority of its variable-rate mortgage and other notes payable. Cap arrangements, which effectively limit the amount by which variable interest rates may rise, have been entered into for $395,879 principal amount of debt. Swap arrangements, which effectively fix the Simon Operating Partnership's interest rate on the respective borrowings, have been entered into for $155,688 principal amount of debt. Costs of the caps ($8,499) are amortized over the life of the agreements. The unamortized balance of the cap arrangements was $5,916 as of December 31, 1995. Each cap and swap arrangement, with the exception of two, has a maturity which coincides with the related debt maturity. The Simon Operating Partnership's hedging activity as a result of interest swaps and caps resulted in interest savings of $3,528 and $863 for the years ended December 31, 1995 and 1994, respectively. This did not materially impact the Simon Operating Partnership's weighted average borrowing rate. Following is a summary of the cap and swap arrangements outstanding as of December 31, 1995:

| INTEREST-RATE PROTECTION AGREEMENT | NOTIONAL AMOUNT | INTEREST RATE | CAP/SWAP MATURITY |
|---|---|---|---|
| Caps: | $100,000 | (1) | March 13, 1997 |
| | 95,676 | LIBOR up to 5.00% | December 31, 1998(2) |
| | 35,774 | LIBOR up to 5.00% | December 31, 1998(2) |
| | 89,000 | (3) | December 23, 1996 |
| | 25,429 | LIBOR up to 5.00% | December 31, 1998 |
| | 50,000 | LIBOR up to 8.70% | January 12, 2000 |
| Total Caps | 395,879 | | |
| Swaps: | 30,000 | LIBOR up to 5.15% | February 28, 1997 |
| | 63,450 | LIBOR up to 4.81% | December 27, 1996 |
| | 62,238 | LIBOR up to 5.12% | January 3, 1997 (4) |
| Total Swaps | 155,688 | | |
| Total Caps and Swaps | $551,567 | | |

- ---------------

(1) LIBOR is initially capped at 7.5% through maturity; however, if LIBOR should equal or exceed 8.75% between monthly reset dates, then LIBOR will be capped at 8.5% for that period only.

(2) The principal amounts of the two-tranche debt facility being capped are $85,571 and $45,879.

(3) LIBOR cap rate may fluctuate, initially capped at 7.00% through December 23, 1996. If LIBOR increases more than 60 basis points between monthly reset dates, the cap will be increased by 0.25% but shall not exceed 8.25%. Payment for any reference period is limited to 9.00% less the then-applicable cap. The principal amount of the debt is $89,701.

(4) The counterparty has the option to extend the swap up to the debt maturity of December 31, 1997. The principal amount of the debt is $77,200.

$500,000 Shelf Registration

On December 15, 1995, a shelf registration for $500,000 of non-convertible investment grade debt securities of the Simon Operating Partnership became effective. The securities may be offered from time to time as needed, at prices and terms to be stated at the time of such offerings.

10. RENTALS UNDER OPERATING LEASES

The Simon Operating Partnership receives rental income from the leasing of retail and mixed-use space under operating leases. Future minimum rentals to be received under non-cancelable operating leases for each of the next five years and thereafter, excluding tenant reimbursements of operating expenses and percentage rent based on tenant sales volume, as of December 31, 1995, are as follows:

| | |
|---|---|
| 1996 | $ 286,460 |
| 1997 | 266,589 |
| 1998 | 249,073 |
| 1999 | 222,135 |
| 2000 | 191,628 |
| Thereafter | 698,559 |
| | $1,914,444 |

Approximately 2.8% of future minimum rents to be received are attributable to leases with JCPenney, Inc., an affiliate of a limited partner in the Simon Operating Partnership.

11. STOCK OPTION PLANS

The Company and the Simon Operating Partnership adopted an Employee Stock Plan (the "Employee Plan"). The Company also adopted a Director Stock Option Plan (the "Director Plan" and, together with the Employee Plan, the "Stock Option Plans") for the purpose of attracting and retaining eligible officers, directors and employees. The Company has reserved for issuance 4,595,000 shares of common stock under the Employee Plan and 100,000 shares of common stock under the Director Plan. If stock options granted in connection with the Stock Option Plans are exercised at any time or from time to time, the partnership agreement requires the Company to sell to the Simon Operating Partnership, at fair market value, shares of the Company's common stock sufficient to satisfy the exercised stock options. The Company also is obligated to purchase Units for cash in an amount equal to the fair market value of such shares.

Employee Plan

The Employee Plan is currently administered by the Company's Compensation Committee (the "Committee"). During the ten-year period following the adoption of the Employee Plan, the Committee may, subject to the terms of the Employee Plan and in certain instances subject to board approval, grant to key employees (including officers and directors who are employees) of the Simon Operating Partnership or its "affiliates" (as defined in the Employee Plan) the following types of awards: stock options (including options with a reload feature), stock appreciation rights, performance units and shares of restricted or unrestricted common stock. Awards granted under the Employee Plan become exercisable over the period determined by the Committee. The exercise price of an option may not be less than the fair market value of the shares of the common stock on the date of grant. The options vest 40% on the first anniversary of the date of grant, an additional 30% on the second anniversary of the grant date and become fully vested three years after the grant date. The options expire ten years from the date of grant.

Director Plan

Directors of the Company who are not also employees of the Company or its "affiliates" (as defined in the Director Plan) participate in the Director Plan. Under the Director Plan, each eligible director is automatically granted options ("Director Options") to purchase 5,000 shares of common stock upon the director's initial election to the Board of Directors and 3,000 shares of common stock upon each reelection of

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

the director to the Board of Directors. The exercise price of the options is equal to 100% of the fair market value of the Company's common stock on the date of grant. Director Options become exercisable on the first anniversary of the date of grant or at such earlier time as a "change in control" of the Company occurs and will remain exercisable through the tenth anniversary of the date of grant (the "Expiration Date"). Prior to their Expiration Dates, Director Options will terminate 30 days after the optionee ceases to be a member of the Board of Directors.

Information relating to the Stock Option Plans from inception through December 31, 1995 is as follows:

| | DIRECTOR PLAN | | EMPLOYEE PLAN | |
|---|---|---|---|---|
| | OPTIONS | OPTION PRICE PER SHARE | OPTIONS | OPTION PRICE PER SHARE |
| SHARES UNDER OPTION AT DECEMBER 20, 1993 | -- | $ -- | -- | $ -- |
| Granted | 25,000 | 22.25 | 735,000 | 22.25 |
| SHARES UNDER OPTION AT JANUARY 1, 1994 | 25,000 | 22.25 | 735,000 | 22.25 |
| Granted | 15,000 | 27.00 | 1,363,272 | 23.44 - 25.25 |
| Exercised | -- | -- | -- | -- |
| Forfeited | -- | -- | (28,125) | 23.44 |
| SHARES UNDER OPTION AT DECEMBER 31, 1994 | 40,000 | 22.25 - 27.00 | 2,070,147 | 22.25 - 25.25 |
| Granted | 15,000 | 24.94 | -- | -- |
| Exercised | -- | -- | (6,876) | 23.44 |
| Forfeited | -- | -- | (49,137) | 23.44 - 25.25 |
| SHARES UNDER OPTION AT DECEMBER 31, 1995 | 55,000 | $22.25 - 27.00 | 2,014,134 | $22.25 - 25.25 |
| Options exercisable at December 31, 1995 | 40,000 | $22.25 - 27.00 | 1,027,464 | $22.25 - 25.25 |
| SHARES AVAILABLE FOR GRANT AT DECEMBER 31, 1995 | 45,000 | | 1,580,866 | |

Stock Incentive Program

In October 1994, under the Employee Plan of the Company and the Simon Operating Partnership, the Company's Compensation Committee approved a five-year Stock Incentive Program, under which restricted stock award shares have been granted to certain employees at no cost. The outstanding restricted stock award shares vest in four installments of 25% each on January 1 of each year following the year in which the restricted shares are awarded. The cost of restricted stock awards, based on the stock's fair market value at the determination dates, is charged to shareholders' equity and subsequently amortized against earnings of the Simon Operating Partnership over the vesting period.

On March 22, 1995, an aggregate of 1,000,000 shares of restricted stock was awarded to 50 executives, subject to the performance standards and other terms of the Stock Incentive Program, described above. During 1995, 144,196 shares of common stock were granted under the Stock Incentive Program and subsequently, 885 of these shares were forfeited, leaving 143,311 shares of common stock outstanding under restricted stock awards at December 31, 1995. Forfeited shares under the Stock Incentive Program are available for reissuance under the Employee Plan. Approximately $918 was amortized in 1995 relating to this program.

## 12. PARTNERSHIP AGREEMENT AND EXCHANGE RIGHTS

In December 1995, Unitholders approved the amendment and restatement of the Simon Operating Partnership's partnership agreement to allow for the issuance of Preferred Units, and certain other changes to the agreement.

Pursuant to the Simon Operating Partnership Agreement, limited partners in the Simon Operating Partnership have the right at any time after December 1994 to exchange all or any portion of their Units for shares of common stock of the Company on a one-for-one basis or cash, as selected by the Company's Board of Directors. If the Company selects to use cash, the Company can cause the Simon Operating Partnership to redeem the units. The amount of cash to be paid if the exchange right is exercised and the cash option is selected will be based on the trading price of the Company's common stock at that time. The Company has reserved 37,282,628 shares of common stock for possible issuance upon the exchange of Units.

Such limited partners' exchange rights are not to be included in partners' equity. Accordingly, the accompanying consolidated balance sheets have been retroactively reclassified to reflect the limited partners' interest in the Simon Operating Partnership, measured at redemption value. This reclassification results in a reduction of partners' equity of $822,072 and $864,920 as of December 31, 1995 and 1994, respectively.

In connection with the merger of the Company and DeBartolo which was completed August 9, 1996, the Simon Operating Partnership agreement was amended eliminating the exchange right provision. However, the limited partners' in the Simon Operating Partnership exchanged their interest for limited partnership units of Simon DeBartolo Group L.P.(SDG LP). SDG LP became the primary operating partnership of the Company following the merger. Further SDG LP extended exchange rights to its limited partners' similar to the rights previously held by the limited partners of the Simon Operating Partnership. On November 13, 1996, an agreement was reached between the Company and SDG, LP which restricts the Company's ability to cause SDG, LP to redeem for cash the limited partners' units without contributing cash to SDG, LP as partners' equity sufficient to effect the redemption. If sufficient cash is not contributed, the Company will be deemed to have elected to acquire the limited partners' units for shares of the Company's common stock. Accordingly, prospectively the limited partners' interest in the Simon Operating Partnership and SDG, LP will be reflected in the partnerships consolidated balance sheets as partners' equity at historical carrying value. Previous transfers of limited partners' equity interest will be reversed. This reversal occurred in the separate financial statements of the Simon Operating Partnership, effective August 9, 1996.

## 13. EMPLOYEE BENEFIT PLAN

### 401(k) Plan

The Simon Operating Partnership and affiliated entities maintain a tax-qualified retirement savings plan for eligible employees which contains a cash or deferred arrangement permitting participants to defer up to a maximum of 12% of their compensation, subject to certain limitations. Participants' salary deferrals will be matched at specified percentages and annual contributions of 3% of eligible employees' compensation will be made. The Simon Operating Partnership contributed $1,716, $1,628 and $39 to the plan in 1995, 1994 and for the period from December 20, 1993 to December 31, 1993, respectively.

Except for the 401(k) plan, Simon Operating Partnership offers no other postretirement or postemployment benefits to its employees.

MSA had two defined contribution plans (the "Plans") for the benefit of eligible employees. Both Plans covered the Properties' employees as well as other employees of MSA. MSA made a required contribution to the Retirement Plan and a discretionary contribution to the Matching Savings Plan pursuant to the terms of both Plans. Under the Matching Savings Plan, employees could elect to defer a portion of their salary, for which MSA made a matching contribution. MSA could also make additional discretionary contributions. The

Predecessor's share of amounts contributed by MSA to the Plans totaled approximately $1,587 for the period from January 1, 1993 to December 19, 1993.

## 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments. The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturity of these financial instruments. The carrying value of variable-rate mortgages and other loans and interest-rate protection agreements represents their fair values. The fair value of fixed-rate mortgages and other notes payable approximates their carrying value at December 31, 1994. The fair value and carrying value of fixed-rate mortgages and other notes payable at December 31, 1995 was approximately $1,375,000 and $1,232,000, respectively. At December 31, 1995 and 1994, the estimated discount rates were 7.00% and 7.63%, respectively. The fair value of the interest-rate protection arrangements at December 31, 1995 was $3,900.

## 15. COMMITMENTS AND CONTINGENCIES

### Litigation

The Simon Operating Partnership currently is not subject to any material litigation other than routine litigation and administrative proceedings arising in the ordinary course of business. On the basis of consultation with counsel, management believes that these items will not have a material adverse impact on Simon Operating Partnership's financial position or results of operations.

### Financing Commitments

On February 13, 1996, the Simon Operating Partnership acquired a 50% joint venture interest in The Tower Shops at Stratosphere, a 122,000-square-foot entertainment and retail development project currently under development in Las Vegas, Nevada. The entity has a 15% equity commitment of approximately $6,350 to construction costs, before the remaining construction costs totaling approximately $36,000 will be advanced by the lender.

The Simon Operating Partnership has agreed to funding commitments of up to $15,000 relating to the construction of the Ontario Mills project.

### Lease Commitments

As of December 31, 1995, a total of 27 of the Properties are subject to ground leases. The termination dates of these ground leases range from 1998 to 2085. These ground leases generally require payments by the Simon Operating Partnership of a fixed annual rent, or a fixed annual rent plus a participating percentage over a base rate. Ground lease expense incurred by the Simon Operating Partnership for the years ended December 31, 1995 and 1994 was $6,700 and $5,808, respectively, and was $102 for the period from December 20, 1993 to December 31, 1993. Ground lease expense incurred by the Predecessor for the period from January 1, 1993 to December 19, 1993 was $4,168.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Future minimum lease payments due under such ground leases for each of the next five years ending December 31 and thereafter are as follows:

| | |
|---|---|
| 1996 | $ 3,581 |
| 1997 | 3,806 |
| 1998 | 3,799 |
| 1999 | 3,805 |
| 2000 | 3,815 |
| Thereafter | 145,206 |
| | $164,012 |

Environmental Matters

Substantially all of the Properties have been subjected to Phase I environmental audits. Such audits have not revealed nor is management aware of any environmental liability that management believes would have a material adverse impact on Simon Operating Partnership's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all Properties were sold, disposed of or abandoned.

Other

The Simon Operating Partnership's partner in Rolling Oaks Mall has the right to transfer its ownership interest to the Simon Operating Partnership in exchange for Units based on the fair market value of the ownership interest at the time of the exchange. This right expires on January 1, 2002. Rolling Oaks Mall is a Joint Venture Property accounted for using the equity method of accounting.

16. NEW ACCOUNTING PRONOUNCEMENTS

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation," which requires entities to measure compensation costs related to awards of stock-based compensation using either the fair value method or the intrinsic value method. Under the fair value method, compensation expense is measured at the grant date based on the fair value of the award. Under the intrinsic value method, compensation expense is equal to the excess, if any, of the quoted market price of the stock at the grant date over the amount the employee must pay to acquire the stock. Entities electing to measure compensation costs using the intrinsic value method must make pro forma disclosures, beginning after the effective date of January 1, 1996, of net income and earnings per Unit as if the fair value method has been applied. The Simon Operating Partnership has elected to account for stock-based compensation programs using the intrinsic value method consistent with existing accounting policies and, therefore, the standard will not have an effect on the consolidated financial statements.

SIMON PROPERTY GROUP, L.P. AND SIMON PROPERTY GROUP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly 1995 and 1994 data is as follows:

| | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER | FOURTH QUARTER | TOTAL |
|---|---|---|---|---|---|
| 1995 | | | | | |
| Total revenue | $129,490 | $130,765 | $138,042 | $155,360 | $553,657 |
| Operating income | 58,865 | 58,115 | 64,191 | 69,965 | 251,136 |
| Income before extraordinary items | 22,207 | 23,528 | 26,946 | 28,824 | 101,505 |
| Net income available to Unitholders | 22,207 | 23,280 | 24,310 | 26,933 | 96,730 |
| Net income before extraordinary items per Unit | 0.26 | 0.25 | 0.28 | 0.29 | 1.08 |
| Net income per Unit | $ 0.26 | $ 0.25 | $ 0.25 | $ 0.28 | $ 1.04 |
| 1994 | | | | | |
| Total revenue | $104,987 | $111,809 | $120,528 | $136,352 | $473,676 |
| Operating income | 45,540 | 49,473 | 51,485 | 67,800 | 214,298 |
| Income before extraordinary items | 17,809 | 19,053 | 21,694 | 1,752 | 60,308 |
| Net income (loss) available to Unitholders | 15,528 | 12,179 | 15,577 | (956) | 42,328 |
| Net income before extraordinary items per Unit | 0.21 | 0.23 | 0.26 | 0.02 | 0.72 |
| Net income (loss) per Unit | $ 0.19 | $ 0.14 | $ 0.18 | $ (0.01) | $ 0.50 |

Due to the cyclical nature of earnings available to Unitholders and the issuance of additional Units, the sum of the quarterly earnings per Unit in 1994 varies from the annual earnings per Unit. Income before extraordinary items in the fourth quarter of 1994 included $27,184 of a non-recurring interest payment.

18. SUBSEQUENT EVENTS

The Forum Shops at Caesars

On February 23, 1996, the Simon Operating Partnership borrowed the initial $100,000 tranche from a $184,000 two tranche loan facility for Forum and retired the existing $89,701 mortgage debt for Forum. The initial funding bears interest at LIBOR plus 100 basis points and matures in February 2000. The remaining proceeds will be used to provide funds for the approximately 250,000-square-foot expansion of this Property.

Smith Haven Mall

On March 8, 1996, the joint venture which owns Smith Haven Mall entered into an agreement to finance $115,000 of the purchase price of Smith Haven Mall with a 10-year interest-only mortgage which carries interest at 113 basis points over 10-year treasury bills. Proceeds from the loan will be used to repay a portion of the partners' equity contributions made at the time of the Property acquisition.

Definitive Agreement to a Merger with DeBartolo Realty Corporation

On March 26, 1996, the Company and DeBartolo Realty Corporation ("DeBartolo") announced that they have reached an agreement in principle, approved by their respective boards of directors, to merge the two companies. Under the terms of the agreement, DeBartolo shareholders will receive 0.68 shares of the Company's common stock for each share of DeBartolo common stock owned. The transaction is subject to the approval of the shareholders of both companies and customary regulatory and other conditions. A definitive agreement was signed on March 28, 1996.

Distributions Declared

On March 22, 1996, the Board of Directors of the Company approved a $0.4925 distribution on each Unit payable on April 26, 1996 to Unitholders of record on April 12, 1996.

# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE III

To Simon Property Group, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of SIMON PROPERTY GROUP, L.P. included in this Form 10-K, and have issued our report thereon dated February 14, 1996. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule is the responsibility of Simon Property Group, L.P.'s management and is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana
November 13, 1996

SIMON PROPERTY GROUP, L.P.

REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1995

(DOLLARS IN THOUSANDS)

SCHEDULE III

| | | INITIAL COST | | COST CAPITALIZED SUBSEQUENT TO ACQUISITION | | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD |
|---|---|---|---|---|---|---|
| NAME, LOCATION | ENCUMBRANCES | LAND | BUILDINGS AND IMPROVEMENTS | LAND | BUILDINGS AND IMPROVEMENTS | LAND |
| REGIONAL MALLS | | | | | | |
| Alton Square, Alton, IL.................... | $ 0 | $ 154 | $ 7,641 | $ 0 | $ 559 | $ 154 |
| Amigoland Mall, Brownsville, TX............ | 0 | 1,045 | 4,518 | 0 | 198 | 1,045 |
| Anderson Mall, Anderson, SC................ | 19,000 | 1,838 | 18,122 | 1,363 | 1,816 | 3,201 |
| Barton Creek Square, Austin, TX............ | 64,293 | 4,413 | 20,699 | 771 | 13,172 | 5,184 |
| Battlefield Mall, Springfield, MO.......... | 51,721 | 4,040 | 29,783 | 3,225 | 26,199 | 7,265 |
| Broadway Square, Tyler, TX................. | 0 | 11,470 | 32,450 | 0 | 466 | 11,470 |
| Century Consumer Mall, Merrillville, IN..... | 0 | 2,190 | 9,589 | 0 | 402 | 2,190 |
| Charles Town Square, Charleston, SC......... | 0 | 593 | 2,825 | 500 | 334 | 1,093 |
| Cielo Vista Mall, El Paso, TX.............. | 59,296 | 1,307 | 18,512 | 608 | 12,063 | 1,915 |
| College Mall, Bloomington, IN.............. | 43,973 | 1,012 | 16,245 | 722 | 13,039 | 1,734 |
| Crossroads Mall, Omaha, NE................. | 41,440 | 884 | 37,293 | 409 | 20,237 | 1,293 |
| East Towne Mall, Knoxville, TN............. | 55,000 | 5,269 | 22,965 | 3,699 | 18,827 | 8,968 |
| Eastgate Consumer Mall, Indianapolis, IN.... | 25,429 | 425 | 4,722 | 187 | 2,657 | 612 |
| Eastland Mall, Tulsa, OK................... | 30,000 | 3,124 | 24,035 | 518 | 5,508 | 3,642 |
| Forest Mall, Fond Du Lac, WI............... | 12,800 | 757 | 4,498 | 0 | 572 | 757 |
| Forest Village Park, Forestville, MD........ | 20,600 | 1,212 | 4,625 | 757 | 3,179 | 1,969 |
| Fremont Mall, Fremont, NE.................. | 0 | 26 | 1,280 | 265 | 621 | 291 |
| Golden Ring Mall, Baltimore, MD............ | 29,750 | 1,130 | 8,955 | 572 | 5,921 | 1,702 |
| Greenwood Park Mall, Greenwood, IN.......... | 36,829 | 2,606 | 23,500 | 5,275 | 49,760 | 7,881 |
| Heritage Park, Midwest City, OK............ | 0 | 620 | 6,213 | 0 | 584 | 620 |
| Hutchinson Mall, Hutchison, KS............. | 11,523 | 1,777 | 18,427 | 0 | 2,154 | 1,777 |
| Independence Center, Independence, MO....... | 0 | 5,591 | 45,822 | 0 | 995 | 5,591 |
| Ingram Park Mall, San Antonio, TX.......... | 56,681 | 820 | 17,182 | 169 | 9,661 | 989 |
| Irving Mall, Irving, TX.................... | 43,734 | 11,490 | 17,479 | 2,533 | 4,820 | 14,023 |
| Jefferson Valley Mall, Yorktown, NY......... | 50,000 | 4,869 | 30,304 | 0 | 2,226 | 4,869 |
| La Plaza, McAllen, TX...................... | 51,015 | 2,194 | 9,828 | 0 | 1,117 | 2,194 |
| Lincolnwood Town Center, Lincolnwood, IL.... | 63,079 | 11,197 | 64,540 | 28 | 616 | 11,225 |
| Longview Mall, Longview, TX................ | 22,100 | 278 | 3,602 | 124 | 1,971 | 402 |
| Machesney Park Mall, Rockford, IL.......... | 0 | 613 | 7,460 | 120 | 1,894 | 733 |
| Markland Mall, Kokomo, IN.................. | 10,000 | 0 | 7,568 | 0 | 566 | 0 |
| Mc Cain Mall, N. Little Rock, AK........... | 26,522 | 0 | 9,515 | 0 | 5,330 | 0 |
| Memorial Mall, Sheboygan, WI............... | 0 | 175 | 4,881 | 0 | 242 | 175 |
| Midland Park Mall, Midland, TX............. | 22,500 | 704 | 9,613 | 0 | 1,100 | 704 |
| Miller Hill Mall, Duluth, MN............... | 34,500 | 2,537 | 18,114 | 0 | 669 | 2,537 |
| Mounds Mall, Anderson, IN.................. | 0 | 0 | 2,689 | 0 | 699 | 0 |
| Muncie Mall, Muncie, IN.................... | 24,000 | 210 | 5,964 | 0 | 858 | 210 |
| North Towne Square, Toledo, OH............. | 23,500 | 579 | 8,382 | 0 | 918 | 579 |
| Northwoods Mall, Peoria, IL................ | 0 | 1,202 | 12,779 | 1,449 | 16,555 | 2,651 |
| Orange Park Mall, Orange Park, FL.......... | 0 | 13,345 | 65,173 | 0 | 566 | 13,345 |

| | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD | | | |
|---|---|---|---|---|
| NAME, LOCATION | BUILDINGS AND IMPROVEMENTS | TOTAL | AMORTIZED DEPRECIATION | DATE OF CONSTRUCTION |
| REGIONAL MALLS | | | | |
| Alton Square, Alton, IL.................... | $ 8,200 | $ 8,354 | $ 798 | 1993(Note 3) |
| Amigoland Mall, Brownsville, TX............ | 4,716 | 5,761 | 702 | 1974 |
| Anderson Mall, Anderson, SC................ | 19,938 | 23,139 | 1,758 | 1972 |
| Barton Creek Square, Austin, TX............ | 33,871 | 39,055 | 2,770 | 1981 |
| Battlefield Mall, Springfield, MO.......... | 55,982 | 63,247 | 4,011 | 1976 |
| Broadway Square, Tyler, TX................. | 32,916 | 44,386 | 986 | 1994(Note 3) |
| Century Consumer Mall, Merrillville, IN..... | 9,991 | 12,181 | 1,364 | 1992(Note 3) |
| Charles Town Square, Charleston, SC......... | 3,159 | 4,252 | 377 | 1976 |
| Cielo Vista Mall, El Paso, TX.............. | 30,575 | 32,490 | 3,482 | 1974 |
| College Mall, Bloomington, IN.............. | 29,284 | 31,018 | 3,173 | 1965 |
| Crossroads Mall, Omaha, NE................. | 57,530 | 58,823 | 780 | 1994(Note 3) |
| East Towne Mall, Knoxville, TN............. | 41,792 | 50,760 | 586 | 1984 |

| | | | | |
|---|---|---|---|---|
| Eastgate Consumer Mall, Indianapolis, IN.... | 7,379 | 7,991 | 1,926 | 1991(Note 3) |
| Eastland Mall, Tulsa, OK.................... | 29,543 | 33,185 | 2,519 | 1986 |
| Forest Mall, Fond Du Lac, WI................ | 5,070 | 5,827 | 683 | 1973 |
| Forest Village Park, Forestville, MD........ | 7,804 | 9,773 | 786 | 1980 |
| Fremont Mall, Fremont, NE................... | 1,901 | 2,192 | 128 | 1983 |
| Golden Ring Mall, Baltimore, MD............. | 14,876 | 16,578 | 1,622 | 1974(Note 3) |
| Greenwood Park Mall, Greenwood, IN.......... | 73,260 | 81,141 | 5,743 | 1977 |
| Heritage Park, Midwest City, OK............. | 6,797 | 7,417 | 812 | 1978 |
| Hutchinson Mall, Hutchison, KS.............. | 20,581 | 22,358 | 1,784 | 1985 |
| Independence Center, Independence, MO....... | 46,817 | 52,408 | 1,444 | 1994(Note 3) |
| Ingram Park Mall, San Antonio, TX........... | 26,843 | 27,832 | 2,701 | 1979 |
| Irving Mall, Irving, TX..................... | 22,299 | 36,322 | 3,373 | 1971 |
| Jefferson Valley Mall, Yorktown, NY......... | 32,530 | 37,399 | 2,846 | 1983 |
| La Plaza, McAllen, TX....................... | 10,945 | 13,139 | 1,033 | 1976 |
| Lincolnwood Town Center, Lincolnwood, IL.... | 65,156 | 76,381 | 5,201 | 1990 |
| Longview Mall, Longview, TX................. | 5,573 | 5,975 | 763 | 1978 |
| Machesney Park Mall, Rockford, IL........... | 9,354 | 10,087 | 1,091 | 1979 |
| Markland Mall, Kokomo, IN................... | 8,134 | 8,134 | 532 | 1983 |
| Mc Cain Mall, N. Little Rock, AK............ | 14,845 | 14,845 | 1,930 | 1973 |
| Memorial Mall, Sheboygan, WI................ | 5,123 | 5,298 | 499 | 1980 |
| Midland Park Mall, Midland, TX.............. | 10,713 | 11,417 | 1,117 | 1980 |
| Miller Hill Mall, Duluth, MN................ | 18,783 | 21,320 | 1,700 | 1973 |
| Mounds Mall, Anderson, IN................... | 3,388 | 3,388 | 374 | 1964 |
| Muncie Mall, Muncie, IN..................... | 6,822 | 7,032 | 990 | 1975 |
| North Towne Square, Toledo, OH.............. | 9,300 | 9,879 | 1,447 | 1980 |
| Northwoods Mall, Peoria, IL................. | 29,334 | 31,985 | 2,981 | 1983(Note 3) |
| Orange Park Mall, Orange Park, FL........... | 65,739 | 79,084 | 1,929 | 1994(Note 3) |

SIMON PROPERTY GROUP, L.P.

REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1995

(DOLLARS IN THOUSANDS)

SCHEDULE III

| NAME, LOCATION | ENCUMBRANCES | INITIAL COST | | COST CAPITALIZED SUBSEQUENT TO ACQUISITION | | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD |
|---|---|---|---|---|---|---|
| | | LAND | BUILDINGS AND IMPROVEMENTS | LAND | BUILDINGS AND IMPROVEMENTS | LAND |
| Prien Lake Mall, Lake Charles, LA....... | 0 | 1,926 | 2,829 | 725 | 2,049 | 2,651 |
| South Park Mall, Shreveport, LA......... | 24,748 | 855 | 13,691 | 74 | 1,788 | 929 |
| Southgate Mall, Yuma, AZ................ | 0 | 1,817 | 7,974 | 0 | 2,937 | 1,817 |
| Southtown Mall, Ft. Wayne, IN........... | 0 | 2,059 | 13,288 | 0 | 828 | 2,059 |
| St Charles Towne Center Waldorf, MD..... | 77,200 | 9,328 | 52,974 | 1,180 | 8,484 | 10,508 |
| Sunland Park Mall, El Paso, TX.......... | 40,469 | 2,896 | 28,900 | 0 | 1,580 | 2,896 |
| Tippecanoe Mall, Lafayette, IN.......... | 48,205 | 4,771 | 8,474 | 5,354 | 29,529 | 10,125 |
| Towne East Square, Wichita, KS.......... | 58,138 | 9,495 | 18,479 | 2,042 | 6,479 | 11,537 |
| Towne West Square, Wichita, KS.......... | 40,250 | 988 | 21,203 | 76 | 2,948 | 1,064 |
| University Mall, Little Rock, AK........ | 0 | 123 | 17,411 | 0 | 286 | 123 |
| University Mall, Pensacola, FL.......... | 0 | 4,741 | 26,657 | 0 | 303 | 4,741 |
| Valle Vista Mall, Harlingen, TX......... | 35,126 | 1,398 | 17,266 | 372 | 6,637 | 1,770 |
| West Ridge Mall, Topeka, KS............. | 50,552 | 5,837 | 34,132 | 197 | 2,220 | 6,034 |
| White Oaks Mall, Springfield, IL........ | 16,500 | 3,024 | 35,692 | 1,153 | 12,816 | 4,177 |
| Wichita Mall, Wichita, KS............... | 0 | 0 | 4,535 | 0 | 285 | 0 |
| Windsor Park Mall, San Antonio, TX...... | 15,123 | 1,194 | 16,940 | 130 | 2,654 | 1,324 |
| COMMUNITY SHOPPING CENTERS | | | | | | |
| Arvada Plaza, Arvada, CO................ | 0 | 70 | 342 | 0 | 1,724 | 70 |
| Aurora Plaza, Aurora, CO................ | 0 | 35 | 5,754 | 0 | 186 | 35 |
| Bloomingdale Court, Bloomingdale, IL.... | 29,009 | 9,735 | 26,184 | 0 | 481 | 9,735 |
| Bridgeview Court, Bridgeview, IL........ | 0 | 308 | 3,676 | 0 | 0 | 308 |
| Brightwood Plaza, Indianapolis, IN...... | 0 | 65 | 128 | 0 | 136 | 65 |
| Bristol Plaza, Bristol, VA.............. | 0 | 61 | 325 | 0 | 1 | 61 |
| Grove Towne Center, Buffalo Grove, IL... | 0 | 2,044 | 6,602 | 0 | 779 | 2,044 |
| Celina Plaza, El Paso, TX............... | 0 | 138 | 815 | 0 | 13 | 138 |
| Cohoes Commons, Rochester, NY........... | 0 | 1,698 | 8,426 | 0 | 51 | 1,698 |
| Cook's Discount, Ardmore, OK............ | 0 | 80 | 280 | 0 | 1 | 80 |
| Countryside Plaza, Countryside, IL...... | 0 | 1,243 | 8,507 | 0 | 433 | 1,243 |
| East Towne Commons, Knoxville, TN....... | 0 | 3,921 | 5,345 | 0 | 1,599 | 3,921 |
| Eastland Plaza, Tulsa, OK............... | 0 | 908 | 3,709 | 0 | 5 | 908 |
| Forest Plaza, Rockford, IL.............. | 17,354 | 4,353 | 16,818 | 0 | 162 | 4,353 |
| Fox River Plaza, Elgin, IL.............. | 12,654 | 2,907 | 9,453 | 0 | 48 | 2,907 |

| NAME, LOCATION | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD | | | |
|---|---|---|---|---|
| | BUILDINGS AND IMPROVEMENTS | TOTAL | ACCUMULATED DEPRECIATION | DATE OF CONSTRUCTION |
| Prien Lake Mall, Lake Charles, LA....... | 4,878 | 7,529 | 528 | 1972 |
| South Park Mall, Shreveport, LA......... | 15,479 | 16,408 | 1,799 | 1975 |
| Southgate Mall, Yuma, AZ................ | 10,911 | 12,728 | 870 | 1988(Note 3) |
| Southtown Mall, Ft. Wayne, IN........... | 14,116 | 16,175 | 1,582 | 1969 |
| St Charles Towne Center Waldorf, MD..... | 61,458 | 71,966 | 5,629 | 1990 |
| Sunland Park Mall, El Paso, TX.......... | 30,480 | 33,376 | 3,428 | 1988 |
| Tippecanoe Mall, Lafayette, IN.......... | 38,003 | 48,128 | 2,341 | 1973 |
| Towne East Square, Wichita, KS.......... | 24,958 | 36,495 | 2,858 | 1975 |
| Towne West Square, Wichita, KS.......... | 24,151 | 25,215 | 2,858 | 1980 |
| University Mall, Little Rock, AK........ | 17,697 | 17,820 | 1,894 | 1967 |
| University Mall, Pensacola, FL.......... | 26,960 | 31,701 | 802 | 1994(Note 3) |
| Valle Vista Mall, Harlingen, TX......... | 23,903 | 25,673 | 2,195 | 1983 |
| West Ridge Mall, Topeka, KS............. | 36,352 | 42,386 | 3,197 | 1988 |
| White Oaks Mall, Springfield, IL........ | 48,508 | 52,685 | 1,533 | 1977 |
| Wichita Mall, Wichita, KS............... | 4,820 | 4,820 | 582 | 1981 |
| Windsor Park Mall, San Antonio, TX...... | 19,594 | 20,918 | 1,974 | 1976 |
| COMMUNITY SHOPPING CENTERS | | | | |
| Arvada Plaza, Arvada, CO................ | 2,066 | 2,136 | 169 | 1966 |
| Aurora Plaza, Aurora, CO................ | 5,940 | 5,975 | 661 | 1966 |
| Bloomingdale Court, Bloomingdale, IL.... | 26,665 | 36,400 | 1,228 | 1987 |
| Bridgeview Court, Bridgeview, IL........ | 3,676 | 3,984 | 255 | 1988 |
| Brightwood Plaza, Indianapolis, IN...... | 264 | 329 | 36 | 1965 |
| Bristol Plaza, Bristol, VA.............. | 326 | 387 | 64 | 1966 |
| Grove Towne Center, Buffalo Grove, IL... | 7,381 | 9,425 | 396 | 1988 |
| Celina Plaza, El Paso, TX............... | 828 | 966 | 72 | 1977 |

| | | | | |
|---|---|---|---|---|
| Cohoes Commons, Rochester, NY........... | 8,477 | 10,175 | 823 | 1984 |
| Cook's Discount, Ardmore, OK............ | 281 | 361 | 54 | 1969 |
| Countryside Plaza, Countryside, IL...... | 8,940 | 10,183 | 982 | 1977 |
| East Towne Commons, Knoxville, TN....... | 6,944 | 10,865 | 394 | 1990 |
| Eastland Plaza, Tulsa, OK............... | 3,714 | 4,622 | 299 | 1987 |
| Forest Plaza, Rockford, IL.............. | 16,980 | 21,333 | 704 | 1985 |
| Fox River Plaza, Elgin, IL.............. | 9,501 | 12,408 | 397 | 1985 |

SIMON PROPERTY GROUP, L.P.

REAL ESTATE AND ACCUMULATED DEPRECIATION -- CONTINUED
DECEMBER 31, 1995

(DOLLARS IN THOUSANDS)

SCHEDULE III

| NAME, LOCATION | ENCUMBRANCES | INITIAL COST | | COST CAPITALIZED SUBSEQUENT TO ACQUISITION | | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD |
|---|---|---|---|---|---|---|
| | | LAND | BUILDINGS AND IMPROVEMENTS | LAND | BUILDINGS AND IMPROVEMENTS | LAND |
| Greenwood Plus, Greenwood, IN........... | 0 | 1,350 | 1,792 | 0 | 259 | 1,350 |
| Griffith Park Plaza, Griffith, IN....... | 0 | 0 | 2,412 | 0 | 68 | 0 |
| Hammond Square, Sandy Springs, GA....... | 0 | 0 | 27 | 0 | 1 | 0 |
| Ingram Plaza, San Antonio, TX........... | 0 | 421 | 1,802 | 4 | 22 | 425 |
| Lake Plaza, Waukegan, IL................ | 0 | 2,868 | 6,420 | 0 | 152 | 2,868 |
| Lake View Plaza, Orland Park, IL........ | 22,169 | 4,775 | 17,586 | 0 | 198 | 4,775 |
| Lincoln Crossing, O'Fallon, IL.......... | 997 | 1,079 | 2,692 | 0 | 0 | 1,079 |
| Maplewood Square, Omaha, NE............. | 0 | 466 | 1,249 | 0 | 17 | 466 |
| Markland Plaza, Kokomo, IN.............. | 0 | 210 | 1,258 | 0 | 188 | 210 |
| Martinsville Plaza, Martinsville, VA.... | 0 | 0 | 584 | 0 | 45 | 0 |
| Marwood Plaza, Indianapolis, IN......... | 0 | 52 | 3,597 | 0 | 31 | 52 |
| Matteson Plaza, Matteson, IL............ | 11,159 | 1,830 | 9,737 | 0 | 49 | 1,830 |
| Memorial Plaza, Sheyboygan, WI.......... | 0 | 250 | 436 | 0 | 129 | 250 |
| Mounds Mall Cinema, Anderson, IN........ | 0 | 88 | 158 | 0 | 1 | 88 |
| New Castle Plaza, New Castle, IN........ | 0 | 130 | 1,621 | 0 | 318 | 130 |
| North Ridge Plaza, Joliet, IL........... | 0 | 2,831 | 7,699 | 0 | 36 | 2,831 |
| North Riverside Park Plaza, N. Riverside, IL...................... | 7,908 | 1,062 | 2,490 | 0 | 136 | 1,062 |
| Northland Plaza, Columbus, OH........... | 0 | 4,490 | 8,893 | 0 | 18 | 4,490 |
| Northwood Plaza, Fort Wayne, IN......... | 0 | 304 | 2,922 | 0 | 202 | 304 |
| Park Plaza, Hopkinsville, KY............ | 0 | 300 | 1,572 | 0 | 19 | 300 |
| Regency Plaza, St. Charles, MO.......... | 1,878 | 616 | 4,963 | 0 | 123 | 616 |
| St. Charles Towne Plaza, Waldorf, MD.... | 30,887 | 8,835 | 19,008 | 0 | 64 | 8,835 |
| Teal Plaza, Lafayette, IN............... | 0 | 99 | 878 | 0 | 8 | 99 |
| Tippecanoe Plaza, Lafayette, IN......... | 0 | 265 | 440 | 305 | 576 | 570 |
| Wabash Village, West Lafayette, IN...... | 0 | 0 | 976 | 0 | 22 | 0 |
| West Ridge Plaza, Topeka, KS............ | 4,612 | 1,491 | 4,620 | 0 | 12 | 1,491 |
| White Oaks Plaza, Springfield, IL....... | 12,345 | 3,265 | 14,267 | 0 | 83 | 3,265 |
| Wood Plaza, Fort Dodge, IA.............. | 0 | 45 | 380 | 0 | 655 | 45 |
| SPECIALITY RETAIL CENTER | | | | | | |
| The Forum Shops at Caesars, Las Vegas, NV......................... | 89,701 | 0 | 72,866 | 0 | 5,307 | 0 |
| Trolley Square, Salt Lake City, UT...... | 27,141 | 4,899 | 27,539 | 263 | 2,024 | 5,162 |

| NAME, LOCATION | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD | | | |
|---|---|---|---|---|
| | BUILDINGS AND IMPROVEMENTS | TOTAL | ACCUMULATED DEPRECIATION | DATE OF CONSTRUCTION |
| Greenwood Plus, Greenwood, IN........... | 2,051 | 3,401 | 319 | 1979(Note 3) |
| Griffith Park Plaza, Griffith, IN....... | 2,480 | 2,480 | 264 | 1979 |
| Hammond Square, Sandy Springs, GA....... | 28 | 28 | 2 | 1974 |
| Ingram Plaza, San Antonio, TX........... | 1,824 | 2,249 | 227 | 1980 |
| Lake Plaza, Waukegan, IL................ | 6,572 | 9,440 | 263 | 1986 |
| Lake View Plaza, Orland Park, IL........ | 17,784 | 22,559 | 717 | 1986 |
| Lincoln Crossing, O'Fallon, IL.......... | 2,692 | 3,771 | 118 | 1990 |
| Maplewood Square, Omaha, NE............. | 1,266 | 1,732 | 147 | 1987 |
| Markland Plaza, Kokomo, IN.............. | 1,446 | 1,656 | 189 | 1975 |
| Martinsville Plaza, Martinsville, VA.... | 629 | 629 | 133 | 1980 |
| Marwood Plaza, Indianapolis, IN......... | 3,628 | 3,680 | 242 | 1962 |
| Matteson Plaza, Matteson, IL............ | 9,786 | 11,616 | 528 | 1988 |
| Memorial Plaza, Sheyboygan, WI.......... | 565 | 815 | 97 | 1966 |
| Mounds Mall Cinema, Anderson, IN........ | 159 | 247 | 20 | 1975 |
| New Castle Plaza, New Castle, IN........ | 1,939 | 2,069 | 219 | 1966 |
| North Ridge Plaza, Joliet, IL........... | 7,735 | 10,566 | 414 | 1985 |
| North Riverside Park Plaza, N. Riverside, IL...................... | 2,626 | 3,688 | 311 | 1977 |
| Northland Plaza, Columbus, OH........... | 8,911 | 13,401 | 369 | 1988 |
| Northwood Plaza, Fort Wayne, IN......... | 3,124 | 3,428 | 324 | 1977 |
| Park Plaza, Hopkinsville, KY............ | 1,591 | 1,891 | 149 | 1968 |
| Regency Plaza, St. Charles, MO.......... | 5,086 | 5,702 | 197 | 1988 |
| St. Charles Towne Plaza, Waldorf, MD.... | 19,072 | 27,907 | 846 | 1987 |
| Teal Plaza, Lafayette, IN............... | 886 | 985 | 64 | 1986 |

| | | | | |
|---|---|---|---|---|
| Tippecanoe Plaza, Lafayette, IN......... | 1,016 | 1,586 | 219 | 1962 |
| Wabash Village, West Lafayette, IN...... | 998 | 998 | 119 | 1976 |
| West Ridge Plaza, Topeka, KS............ | 4,632 | 6,123 | 226 | 1988 |
| White Oaks Plaza, Springfield, IL....... | 14,350 | 17,615 | 572 | 1986 |
| Wood Plaza, Fort Dodge, IA.............. | 1,035 | 1,080 | 101 | 1967 |
| SPECIALITY RETAIL CENTER | | | | |
| The Forum Shops at Caesars, | | | | |
| Las Vegas, NV.......................... | 78,173 | 78,173 | 6,775 | 1992 |
| Trolley Square, Salt Lake City, UT...... | 29,563 | 34,725 | 2,869 | 1986(Note 3) |

SIMON PROPERTY GROUP, L.P.

REAL ESTATE AND ACCUMULATED DEPRECIATION -- CONTINUED
DECEMBER 31, 1995

(DOLLARS IN THOUSANDS)

SCHEDULE III

| NAME, LOCATION | ENCUMBRANCES | INITIAL COST LAND | INITIAL COST BUILDINGS AND IMPROVEMENTS | COST CAPITALIZED SUBSEQUENT TO ACQUISITION LAND | COST CAPITALIZED SUBSEQUENT TO ACQUISITION BUILDINGS AND IMPROVEMENTS |
|---|---|---|---|---|---|
| MIXED-USE PROPERTIES | | | | | |
| O Hare International Center, Rosemont, IL | 27,500 | 172 | 60,287 | 1 | 3,601 |
| Riverway, Rosement, IL | 131,450 | 8,738 | 129,175 | 16 | 4,262 |
| LAND HELD FOR DEVELOPMENT | | | | | |
| Cottonwood Mall, Albuquerque, NM | 22,399 | 0 | 0 | 5,993 | 36,233 |
| The Shops at Sunset Place, South Miami, FL | 0 | 11,898 | 3,884 | 0 | 0 |
| | $1,784,759 | $242,543 | $ 1,488,831 | $41,179 | $ 371,372 |

| NAME, LOCATION | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD LAND | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD BUILDINGS AND IMPROVEMENTS | TOTAL | ACCUMULATED DEPRECIATION | DATE OF CONSTRUCTION |
|---|---|---|---|---|---|
| MIXED-USE PROPERTIES | | | | | |
| O Hare International Center, Rosemont, IL | 173 | 63,888 | 64,061 | 7,238 | 1986 |
| Riverway, Rosement, IL | 8,754 | 133,437 | 142,191 | 13,718 | 1988 |
| LAND HELD FOR DEVELOPMENT | | | | | |
| Cottonwood Mall, Albuquerque, NM | 5,993 | 36,233 | 42,226 | 0 | 1993 |
| The Shops at Sunset Place, South Miami, FL | 11,898 | 3,884 | 15,782 | 0 | 1995 |
| | $283,722 | $ 1,860,203 | $2,143,925 | $147,341 | |

SIMON PROPERTY GROUP, L.P.

NOTES TO SCHEDULE III AS OF DECEMBER 31, 1995
(DOLLARS IN THOUSANDS)

(1) RECONCILIATION OF REAL ESTATE PROPERTIES:

The changes in real estate assets for the years ended December 31, 1995 and 1994 are as follows:

| | 1995 | 1994 |
|---|---|---|
| Balance, beginning of year | $1,887,122 | $1,346,142 |
| Net book value of real estate exchanged | -- | -- |
| Acquisitions | 32,547 | 205,249 |
| Improvements | 73,097 | 52,429 |
| Disposals | (12,722) | (1,733) |
| Consolidation | 163,881 | 285,035 |
| Balance, close of year | $2,143,925 | $1,887,122 |

The aggregate net book value for federal income tax purposes as of December 31, 1995 was $1,826,759.

(2) RECONCILIATION OF ACCUMULATED DEPRECIATION:

The changes in accumulated depreciation and amortization for the years ended December 31, 1995 and 1994 are as follows:

| | 1995 | 1994 |
|---|---|---|
| Balance, beginning of year | $ 68,222 | $ 1,830 |
| Depreciation expense | 79,126 | 66,440 |
| Disposals | (7) | (48) |
| Balance, close of year | $ 147,341 | $ 68,222 |

Depreciation of the Simon Operating Partnership's investment in buildings and improvements reflected in the statements of operations is calculated over the estimated original lives of the assets as follows:

Buildings -- typically 35 years

Improvements -- shorter of lease term or useful life

(3) NOT DEVELOPED/CONSTRUCTED BY THE SIMONS. THE DATE OF CONSTRUCTION REPRESENTS ACQUISITION DATE.

# CERTAIN INFORMATION WITH RESPECT TO DEBARTOLO REALTY PARTNERSHIP, L.P.

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS

| | AS OF DECEMBER 31, 1995 |
|---|---|
| | (DOLLARS IN THOUSANDS EXCEPT UNIT DATA) |
| Investment properties (Note 4) | $1,793,663 |
| Less accumulated depreciation | 574,338 |
| | 1,219,325 |
| Cash and cash equivalents | 25,851 |
| Restricted cash (Note 3) | 13,910 |
| Short term investments | 14,057 |
| Accounts receivable, net | 39,103 |
| Investments in and advances to nonconsolidated joint ventures (Notes 4 and 5) | 116,725 |
| Minority interest in capital deficits of consolidated joint ventures | 25,496 |
| Deferred charges and prepaid expenses | 77,103 |
| | $1,531,570 |

LIABILITIES AND PARTNERS' EQUITY

| | |
|---|---|
| Liabilities: | |
| Mortgages and notes payable (Note 4) | $1,348,573 |
| Accounts payable and accrued expenses | 38,810 |
| Distributions payable | 28,225 |
| Deficits in nonconsolidated joint ventures (Notes 4 and 5) | 71,147 |
| | 1,486,755 |
| Commitments and contingencies | -- |
| Partners' Equity (Deficit): | |
| Preferred Units, 10,000,000 units authorized, none issued and outstanding | -- |
| General Partner, 55,329,162 units outstanding | 27,673 |
| Limited Partners, 34,272,532 units outstanding | 17,142 |
| Total Partners' Equity | 44,815 |
| | $1,531,570 |

See accompanying notes.

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | FOR THE PERIOD FROM JANUARY 1, 1996 TO AUGUST 9, 1996 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 |
|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA) | |
| Revenues: | | |
| Minimum rents | $136,594 | $153,472 |
| Tenant recoveries | 52,398 | 60,828 |
| Percentage rents | 6,188 | 8,423 |
| Other | 11,455 | 21,828 |
| Total revenues | 206,635 | 244,551 |
| Expenses: | | |
| Shopping Center Expenses: | | |
| Property operating | 23,783 | 25,811 |
| Repairs and maintenance | 18,275 | 20,092 |
| Real estate taxes | 22,350 | 24,952 |
| Advertising & promotion | 4,572 | 4,691 |
| Management expenses | 5,494 | 4,218 |
| Provision for doubtful accounts | 5,085 | 2,058 |
| Ground leases | 1,815 | 1,811 |
| Other | 4,679 | 3,672 |
| Total shopping center expenses | 86,053 | 87,305 |
| Deferred stock compensation expense | 130 | 158 |
| Interest expense | 74,714 | 91,102 |
| Depreciation and amortization | 38,706 | 42,726 |
| Write off of minority partners' interests | 13,854 | -- |
| Merger expenses (Note 4) | 13,512 | -- |
| | 226,969 | 221,291 |
| Gain on sale of assets | -- | 3,944 |
| Income from nonconsolidated joint ventures (Notes 4 and 5) | 8,422 | 6,312 |
| Minority partners' interest in consolidated joint ventures | (528) | 1,392 |
| Income (loss) before extraordinary item | (12,440) | 34,908 |
| Extraordinary item (Note 4) | 9,191 | (5,629) |
| Net income (loss) | $ (3,249) | $ 29,279 |
| Net Income (loss) Available to Unitholders Attributable to: | | |
| General Partner | $ (2,031) | $ 17,331 |
| Limited Partners | (1,218) | 11,948 |
| Net income (loss) available to unitholders | $ (3,249) | $ 29,279 |
| EARNINGS PER UNIT (Note 6): | | |
| Income (loss) before extraordinary item | $ (0.14) | $ 0.41 |
| Extraordinary item | 0.13 | (0.07) |
| Net income (loss) | $ 0.01 | $ 0.34 |
| WEIGHTED AVERAGE UNITS OUTSTANDING (000's) | 89,781 | 84,456 |

See accompanying notes.

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | FOR THE PERIOD FROM JULY 1, 1996 TO AUGUST 9, 1996 | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1995 |
|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA) | |
| Revenues: | | |
| Minimum rents | $ 22,508 | $51,088 |
| Tenant recoveries | 6,942 | 20,984 |
| Percentage rents | 553 | 2,791 |
| Other | -- | 9,236 |
| Total revenues | 30,003 | 84,099 |
| Expenses: | | |
| Shopping Center Expenses: | | |
| Property operating | 4,088 | 8,849 |
| Repairs and maintenance | 3,145 | 7,301 |
| Real estate taxes | 4,012 | 8,146 |
| Advertising & promotion | 794 | 1,930 |
| Management expenses | 1,351 | 1,421 |
| Provision for doubtful accounts | 3,583 | 565 |
| Ground leases | 365 | 604 |
| Other | 2,336 | 896 |
| Total shopping center expenses | 19,674 | 29,712 |
| Deferred stock compensation expense | 25 | 53 |
| Interest expense | 13,955 | 29,764 |
| Depreciation and amortization | 6,274 | 14,378 |
| Write off of minority partners' interests | 13,854 | -- |
| Merger expenses (Note 4) | 3,312 | -- |
| | 57,094 | 73,907 |
| Gain on sale of assets | -- | 165 |
| Income from nonconsolidated joint ventures (Notes 4 and 5) | 186 | 2,130 |
| Minority partners' interest in consolidated joint ventures | (203) | 856 |
| Income (loss) before extraordinary item | (27,108) | 13,343 |
| Extraordinary item (note 4) | -- | (5,629) |
| Net income (loss) | (27,108) | 7,714 |
| Net Income (loss) Available to Unitholders Attributable to: | | |
| General Partner | $ (16,793) | $ 4,657 |
| Limited Partners | (10,315) | 3,057 |
| Net income (loss) available to unitholders | $ (27,108) | $ 7,714 |
| EARNINGS PER UNIT (Note 6): | | |
| Income (loss) before extraordinary item | $ (0.30) | $ 0.15 |
| Extraordinary item | -- | (0.07) |
| Net income (loss) | $ (0.30) | 0.08 |
| WEIGHTED AVERAGE UNITS OUTSTANDING (000's) | 89,827 | 89,602 |

See accompanying notes

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | FOR THE PERIOD FROM JANUARY 1, 1996 TO AUGUST 9, 1996 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| Cash Flow From Operating Activities: | | |
| Net income (loss) | $ (3,249) | $ 29,279 |
| Adjustments to reconcile net income to net cash provided by Operating Activities: | | |
| Gain on sale of assets | -- | (3,944) |
| Depreciation and amortization | 44,797 | 54,232 |
| Extraordinary item | (9,191) | 5,629 |
| Deferred stock compensation expense | 3,434 | 158 |
| Minority partners' interests in consolidated joint ventures | 528 | (1,392) |
| Write off of minority partners' interests | 13,854 | -- |
| Income from nonconsolidated joint ventures | (8,422) | (6,312) |
| Decrease in restricted cash | 5,556 | 19,041 |
| Decrease (increase) in short term investments | 14,057 | (7,736) |
| Decrease in accounts receivable | 2,343 | 1,779 |
| (Decrease) increase in prepaid expenses and other | 3,051 | (4,347) |
| Increase in accounts payable and accrued expenses | 37,695 | 7,316 |
| Net Cash Provided By Operating Activities | 104,453 | 93,703 |
| Cash Flows From Investing Activities: | | |
| Additions to investment properties | (49,050) | (36,476) |
| Purchase of partnership interests | (5,375) | -- |
| Additions to deferred charges for lease costs and other | (4,678) | (2,472) |
| Distributions from nonconsolidated joint ventures | 37,032 | 14,640 |
| Advances to and investments in nonconsolidated joint ventures | (12,055) | (1,486) |
| Net proceeds from sale of assets | 307 | 4,083 |
| Net Cash Used In Investing Activities | (33,119) | (21,711) |
| Cash Flows From Financing Activities: | | |
| Proceeds from issuance of debt | 93,108 | 60,783 |
| Principal payments on mortgages | (44,852) | (89,602) |
| Loan costs paid | (294) | (736) |
| Prepayment penalties on early extinguishment of debt | -- | (1,990) |
| Minority partner distributions | (1,751) | (387) |
| Capital contributions | -- | 80,370 |
| Distributions paid | (88,235) | (78,309) |
| Decrease in affiliate receivables | 1,527 | (2,918) |
| Net Cash Used in Financing Activities | (40,498) | (32,789) |
| Net (Decrease) Increase in Cash | 30,836 | 39,203 |
| Cash and Cash Equivalents: | | |
| Beginning of period | 25,851 | 38,899 |
| End of period | $ 56,687 | $ 78,102 |
| Supplemental Information: | | |
| Interest Paid | $ 71,803 | $ 60,915 |
| Supplemental schedule of non-cash and financing activities: | | |
| Step-up in connection with acquisition of additional interest in joint venture | $ 7,296 | -- |
| Historical cost basis of net investment properties consolidated as a result of acquisitions of additional interests in joint ventures | $ 121,245 | -- |
| Mortgages on those properties consolidated as a result of acquisitions of additional interests in joint ventures | $ 136,009 | -- |
| Historical cost basis of net investment property disposed | $ (4,040) | -- |
| Mortgage extinguishment relating to property disposition | $ (13,372) | -- |

See accompanying notes

DEBARTOLO REALTY PARTNERSHIP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED AND DOLLARS IN THOUSANDS)

NOTE 1 -- ORGANIZATION AND OWNERSHIP

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the consolidated financial statements for these interim periods have been included. The results for the interim period ended August 9, 1996 are not necessarily indicative of the results that may be expected for the full fiscal year. These financial statements should be read in conjunction with the DeBartolo Realty Partnership, L.P. December 31, 1995 audited consolidated financial statements and notes thereto included herein.

DeBartolo Realty Partnership, L.P., a Delaware Limited Partnership (the "Operating Partnership") and an affiliate, DeBartolo Capital Partnership, a Delaware general partnership, are engaged in the ownership, development, management, leasing, acquisition and expansion of super-regional and regional malls and community shopping centers. The Operating Partnership's sole general partner is DeBartolo Realty Corporation (the "Company"), an Ohio corporation which operates as a self-administered and self-managed real estate investment trust ("REIT"), which at August 9, 1996 holds a 61.9% interest in the Operating Partnership.

The Operating Partnership was formed to continue and expand the shopping mall ownership, management and development business of The Edward J. DeBartolo Corporation ("EJDC") in a portfolio which, as of August 9, 1996, consisted of 50 super-regional and regional malls (the "DeBartolo Malls"), 11 community centers and land held for future development (collectively, the "DeBartolo Properties"). As of August 9, 1996, EJDC and certain affiliates (collectively, the "DeBartolo Group") and certain current and former employees of EJDC, along with JCP Realty, Inc. ("JCP"), own the remaining 38.1% interest in the Operating Partnership.

In addition, the Operating Partnership owns 100% of the non-voting preferred stock and a non-controlling common stock Interest (5%) in DeBartolo Properties Management, Inc. (the "Property Manager") which provides certain architectural, design, construction and other services to substantially all of the DeBartolo Properties, as well as, certain other regional malls and community shopping centers owned by third parties.

NOTE 2 -- BASIS OF PRESENTATION

The financial statements of the Operating Partnership are presented on a consolidated basis. Properties which are controlled through majority ownership have been consolidated and all significant intercompany transactions and accounts have been eliminated. Properties where the Operating Partnership owns less than a majority interest have been accounted for under the equity method. One property, which is owned 2% by the Operating Partnership, is accounted for under the cost method.

The Operating Partnership owns 5% of the voting common stock and all of the nonvoting preferred stock of the Property Manager. The Operating Partnership accounts for the investment in the Property Manager under the equity method.

NOTE 3 -- RESTRICTED CASH

Cash is restricted primarily for renovations and redevelopment of the 17 DeBartolo Properties in connection with a securitized commercial pass-through certificate issuance simultaneously with the IPO.

DEBARTOLO REALTY PARTNERSHIP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED AND DOLLARS IN THOUSANDS)

NOTE 4 -- MERGERS, ACQUISITIONS AND DISPOSITIONS

The parent company of the Operating Partnership entered into an Agreement and Plan of Merger, dated as of March 26, 1996 (the "Agreement"), among Simon Property Group, Inc., a Maryland corporation ("SPG"), its merger subsidiary and the Company, pursuant to which the Company agreed to merge with the merger subsidiary. The Agreement provides for the exchange of all outstanding Company common stock for SPG common stock, $0.0001 par value (the "SPG Common Stock"), at an exchange ratio of 0.68 shares of SPG Common Stock for each share of Company common stock. The merger and other related transactions closed on August 9, 1996. Shareholders of the Company received approximately 37.9 million shares of SPG common stock valued at $24.375 per share. During the period ended August 9, 1996, the Company incurred $10,200 of underwriting, legal, accounting and other expenses associated with the merger. These costs were charged to expense.

During January, 1996, the Property Manager acquired partnership interests of 33 1/3% and 25% in two joint ventures, respectively, from an unrelated joint venture partner. As a result, the Operating Partnership effectively owns 65% and 74% of these joint ventures and includes the financial position and results of operations and cash flows of these joint ventures in its consolidated financial statements. Effective March 31, 1996, the Operating Partnership acquired an additional 10% partnership interest in Miami International Mall. As a result, the Operating Partnership owns 60% of this joint venture and includes the financial position and results of operations and cash flows in its consolidated financial statements effective April 1, 1996.

The Operating Partnership transferred ownership of one property to its lender, as of March 1, 1996, fully satisfying the property's mortgage note payable. This property no longer met the Operating Partnership's criteria for its ongoing strategic plan. The Operating Partnership has recognized an extraordinary gain on this transaction of $9.2 million. The Operating Partnership's share of this property's net income (loss) for 1993, 1994 and 1995 was $9, ($760) and ($513), respectively. The Operating Partnership's share of this property's cash generated before debt payments and capital expenditures ("FFO") for 1993, 1994 and 1995 was $512, ($237) and $48, respectively.

Effective January 1, 1996, the Operating Partnership acquired the management, leasing and certain other operating divisions of the Property Manager. The operating results of these divisions are included in the Operating Partnership's consolidated financial statements net of eliminated intercompany transactions. The Property Manager continues to provide architectural, engineering and construction services for the Operating Partnership.

DEBARTOLO REALTY PARTNERSHIP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED AND DOLLARS IN THOUSANDS)

NOTE 5 -- INVESTMENT IN NONCONSOLIDATED JOINT VENTURES

As a result of the above-discussed acquisitions, the combined Balance Sheet of the nonconsolidated joint ventures includes the financial position of twelve joint ventures at December 31, 1995.

| | DECEMBER 31, 1995 |
|---|---|
| Balance Sheets | |
| Investment properties (net) | $599,234 |
| Other assets | 43,094 |
| Total assets | 642,328 |
| Mortgages and notes payable | 584,495 |
| Other liabilities | 90,549 |
| Total liabilities | 675,044 |
| Accumulated equity (deficit) | (32,716) |
| Less: Outside partners' equity | 180 |
| Advances to nonconsolidated joint ventures | 78,474 |
| Net surplus in nonconsolidated joint ventures | $ 45,578 |
| Net surplus (deficits) in nonconsolidated joint ventures is presented in the accompanying consolidated balance sheets as follows: | |
| Investments in nonconsolidated joint ventures | $ 38,251 |
| Advances to nonconsolidated joint ventures | 78,474 |
| Total investments in and advances to nonconsolidated joint ventures | 116,725 |
| Deficits in nonconsolidated joint ventures | (71,147) |
| | $ 45,578 |

The combined statements of operations for the nonconsolidated joint ventures include the operating results of ten joint ventures for the three month period ended March 31, 1996, nine joint ventures for the period ended August 9, 1996 and twelve joint ventures in 1995. The operating results of two joint ventures, in which the Operating Partnership acquired additional partnership interest in January 1996, are included in the Operating Partnership's consolidated operating statement. The operating results of one joint venture, in which

DEBARTOLO REALTY PARTNERSHIP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED AND DOLLARS IN THOUSANDS)

the Operating Partnership acquired additional partnership interest effective March 31, 1996, are included in the Operating Partnership's consolidated operating statement effective April 1, 1996.

| | FOR THE PERIOD ENDED | |
|---|---|---|
| | AUGUST 9, 1996 | SEPTEMBER 30, 1995 |
| Statements of Operations Revenues: | | |
| Minimum rents | $46,847 | $66,794 |
| Tenant recoveries | 25,287 | 33,055 |
| Percentage rents | 2,745 | 4,055 |
| Other | 6,317 | 8,417 |
| Total revenues | 81,196 | 112,321 |
| Expenses: | | |
| Shopping Center Expenses: | | |
| Property operating | 7,471 | 10,619 |
| Repairs and maintenance | 6,093 | 8,862 |
| Real estate taxes | 9,985 | 13,958 |
| Advertising and promotion | 2,157 | 3,272 |
| Management fees to affiliate | 2,819 | 3,699 |
| Provision for doubtful accounts | 1,899 | 766 |
| Ground leases | 5 | 90 |
| Other | 594 | 991 |
| | 31,023 | 42,257 |
| Interest expense | 25,016 | 43,050 |
| Depreciation and amortization | 12,849 | 17,771 |
| | 68,888 | 103,078 |
| Gain (loss) on sale of assets | -- | 167 |
| Net income | $12,308 | $ 9,410 |
| DeBartolo Realty Partnership, L.P.'s share of: | | |
| Revenues less shopping center expenses | $23,902 | $20,275 |
| Interest expense | 9,234 | 9,866 |
| Depreciation, amortization and other | 6,246 | 6,227 |
| Net income | $ 8,422 | $ 4,182 |

NOTE 6 -- EARNINGS PER UNIT

Earnings per Unit is based on the weighted average number of units of partnership interest ("units") outstanding for the period ended August 9, 1996. Common stock awarded but not yet issued under the deferred stock plan (42,400 shares) and the Company and the Operating Partnership's long-term incentive plan (80,400 shares) have been included in the computations of per unit data for the period months ended August 9, 1996.

NOTE 7 -- DISTRIBUTIONS

The Operating Partnership paid a distribution of $0.315 per unit on July 22, 1996 for the period of April 1, 1996 through June 28, 1996. On August 9, 1996, the Operating Partnership paid a prorated distribution of $0.1454 per unit for the period June 29, 1996 through August 9, 1996 (the closing date of the merger with SPG).

## REPORT OF INDEPENDENT AUDITORS

To the Partners of
DeBartolo Realty Partnership, L.P.

We have audited the accompanying consolidated balance sheets of DeBartolo Realty Partnership, L.P. as of December 31, 1995 and 1994, and the related consolidated statements of operations, partners' equity and cash flows for the year ended December 31, 1995 and for the period April 21, 1994 (Commencement of Operations) to December 31, 1994, and the combined statements of operations, accumulated deficit and cash flows of DeBartolo Retail Group (Predecessor), as described in Note 2, for the period January 1, 1994 to April 20, 1994 and the year ended December 31, 1993. These financial statements are the responsibility of DeBartolo Realty Partnership, L.P.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DeBartolo Realty Partnership, L.P., at December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for the year ended December 31, 1995 and for the period April 21, 1994 to December 31, 1994, and the combined results of operations and cash flows of DeBartolo Retail Group (Predecessor) for the period January 1, 1994 to April 20, 1994 and the year ended December 31, 1993, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
February 14, 1996, except for Note 16,
first paragraph, as to which the date is
March 1, 1996

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED BALANCE SHEETS

ASSETS

| | AS OF DECEMBER 31, 1995 | AS OF DECEMBER 31, 1994 |
|---|---|---|
| | (DOLLARS IN THOUSANDS EXCEPT UNIT DATA) | |
| Investment properties (Notes 4 and 8) | $1,793,663 | $1,737,592 |
| Less accumulated depreciation | 574,338 | 519,754 |
| | 1,219,325 | 1,217,838 |
| Cash and cash equivalents | 25,851 | 38,899 |
| Restricted cash (Note 3) | 13,910 | 35,751 |
| Short term investments | 14,057 | 4,339 |
| Accounts receivable, less allowance for doubtful accounts of $10,070 and $9,462 in 1995 and 1994 | 39,103 | 40,083 |
| Affiliate receivables (Note 11) | 3,007 | 356 |
| Investments in and advances to nonconsolidated joint ventures (Note 5) | 116,725 | 110,845 |
| Minority interest in capital deficits of consolidated joint ventures | 25,920 | 27,249 |
| Deferred charges and prepaid expenses (Note 7) | 74,096 | 97,610 |
| | $1,531,994 | $1,572,970 |
| LIABILITIES AND PARTNERS' EQUITY | | |
| Liabilities: | | |
| Mortgages and notes payable (Note 8) | $1,348,573 | $1,409,827 |
| Accounts payable and accrued expenses | 38,810 | 39,325 |
| Distributions payable | 28,225 | 26,093 |
| Deficits in nonconsolidated joint ventures (Note 5) | 71,147 | 69,842 |
| Minority interest in consolidated joint ventures | 424 | 604 |
| | 1,487,179 | 1,545,691 |
| Commitments and contingencies (Notes 3, 8, 9, 10 and 15) | -- | -- |
| Partners' Equity (Note 12): | | |
| Preferred Units, 10,000,000 authorized, none issued and outstanding | -- | -- |
| General Partner, 55,329,162 and 48,666,153 units outstanding, respectively | 27,673 | 16,026 |
| Limited Partners, 34,272,532 and 34,168,347 units outstanding, respectively | 17,142 | 11,253 |
| Total Partners' Equity | 44,815 | 27,279 |
| | $1,531,994 | $1,572,970 |

See accompanying notes

DEBARTOLO REALTY PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS AND
DEBARTOLO RETAIL GROUP (PREDECESSOR)
COMBINED STATEMENTS OF OPERATIONS

| | DEBARTOLO REALTY PARTNERSHIP, L.P. | | DEBARTOLO RETAIL GROUP | |
|---|---|---|---|---|
| | 1995 | 1994 | 1994 | 1993 |
| | JANUARY 1 THROUGH DECEMBER 31 | APRIL 21 THROUGH DECEMBER 31 | JANUARY 1 THROUGH APRIL 20 | JANUARY 1 THROUGH DECEMBER 31 |
| | (DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA) | | | |
| Revenues (Note 11): | | | | |
| Minimum rents | $205,056 | $140,909 | $ 61,898 | $194,643 |
| Tenant recoveries | 82,147 | 56,720 | 24,361 | 81,967 |
| Percentage rents | 12,924 | 9,122 | 3,653 | 14,060 |
| Other | 32,530 | 22,192 | 5,360 | 18,285 |
| Total revenues | 332,657 | 228,943 | 95,272 | 308,955 |
| Expenses: | | | | |
| Shopping Center Expenses: | | | | |
| Property operating | 34,707 | 23,575 | 10,272 | 33,966 |
| Repairs and maintenance | 28,060 | 20,469 | 8,710 | 29,602 |
| Real estate taxes | 33,223 | 23,371 | 9,807 | 33,015 |
| Advertising and promotion | 7,403 | 5,499 | 1,348 | 6,400 |
| Management fees to affiliate (Note 11) | 5,674 | 3,274 | 2,246 | 7,167 |
| Provision for doubtful accounts | 2,671 | 910 | 1,535 | 3,747 |
| Ground leases (Note 10) | 2,413 | 1,499 | 754 | 2,232 |
| Other | 4,137 | 2,038 | 976 | 3,399 |
| Total shopping center expenses | 118,288 | 80,635 | 35,648 | 119,528 |
| Deferred stock compensation expense (Note 12) | 210 | 4,058 | -- | -- |
| Interest expense | 124,567 | 87,040 | 44,119 | 152,683 |
| Depreciation and amortization | 58,603 | 39,578 | 16,616 | 54,227 |
| | 301,668 | 211,311 | 96,383 | 326,438 |
| Gain on sale of assets (Note 13) | 5,460 | 1,952 | 3,286 | 4,960 |
| Income (loss) from nonconsolidated joint ventures (Note 5) | 8,865 | 7,554 | 842 | (304) |
| Minority partners' interest in consolidated joint ventures | 1,029 | 530 | 888 | 3,065 |
| Income (loss) before extraordinary items | 46,343 | 27,668 | 3,905 | (9,762) |
| Extraordinary item -- loss on early extinguishment of debt (Note 14) | (11,267) | (8,932) | -- | -- |
| Net income (loss) available to Unitholders | $ 35,076 | $ 18,736 | $ 3,905 | $ (9,762) |
| Net Income (loss) available to Unitholders attributable to: | | | | |
| General Partner | $ 20,911 | $ 11,008 | $ 3,905 | $ (9,762) |
| Limited Partners | 14,165 | 7,728 | -- | -- |
| | 35,076 | 18,736 | 3,905 | (9,762) |
| EARNINGS PER UNIT: | | | | |
| Income before extraordinary items | $ 0.53 | $ 0.34 | | |
| Extraordinary items | (0.13) | (0.11) | | |
| | $ 0.40 | $ 0.23 | | |
| WEIGHTED AVERAGE UNITS OUTSTANDING (000's) | 85,722 | 82,540 | | |

See accompanying notes

DEBARTOLO REALTY PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF PARTNERSHIP EQUITY
AND DEBARTOLO RETAIL GROUP (PREDECESSOR)
COMBINED STATEMENTS OF OWNERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT FOR UNIT DATA)

| | DEBARTOLO REALTY CORPORATION | UNITS | LIMITED PARTNERS | UNITS | TOTAL | UNITS | PREDECESSOR EQUITY (DEFICIT) |
|---|---|---|---|---|---|---|---|
| Balance at January 31, 1993 | | | | | | | $ (79,524) |
| Contributions | | | | | | | 8,198 |
| Distributions | | | | | | | (33,614) |
| Net loss | | | | | | | (9,762) |
| Balance at December 31, 1993 | | | | | | | (114,702) |
| Contributions | | | | | | | 8,818 |
| Distributions | | | | | | | (14,095) |
| Net income for the period January 1, 1994 to April 20, 1994 | | | | | | | 3,905 |
| Affiliated receivables not contributed to the Operating Partnership | | | | | | | (201,014) |
| Distribution of net affiliated receivables and payables | | | | | | | (23,464) |
| Distributions to predecessor's parent | | | | | | | (130,400) |
| Minority partners' interest exchanges for Operating Partners | | | | | | | (11,923) |
| Other cash and non-cash contributions to equity | | | | | | | 3,740 |
| Accumulated Deficit at commencement of operations | - | - | - | - | - | - | $ (479,135) |
| Contributions of proceeds from Initial Public Offering, net of transaction costs | 41,336,900 | 545,670 | - | - | 41,336,900 | 545,670 | - |
| Exchange of debt for partnership interest | 982,237 | 14,488 | - | - | 982,237 | 14,488 | - |
| Transfer of predecessor accumulated deficit | - | (479,135) | - | - | - | (479,135) | 479,135 |
| Establishment of in the Operating Partnership | - | (33,422) | 40,515,363 | 33,422 | 40,515,363 | - | - |
| Transfer of limited partners' interest to DeBartolo Realty Corporation | 6,347,016 | - | (6,347,016) | - | - | - | - |
| Distributions from April 21, 1994 to December 31, 1994 | - | (42,583) | - | (29,897) | - | (72,480) | - |
| Net income from April 21, 1994 to December 31, 1994 | - | 11,008 | - | 7,728 | - | 18,736 | - |
| Balance at December 31, 1994 | 48,666,153 | 16,026 | 34,168,347 | 11,253 | 82,834,500 | 27,279 | - |
| Contributions relating to incentive plans | 96,006 | 785 | - | 535 | 96,006 | 1,320 | - |
| Contributions relating to second stock offering | 6,000,000 | 49,417 | - | 30,953 | 6,000,000 | 80,370 | - |
| Contributions relating to purchase of minority partners' interest in five properties | - | 5,514 | 671,188 | 3,921 | 671,188 | 9,435 | - |
| Transfer of limited partners' interest DeBartolo Realty Corporation | 567,003 | 567 | (567,003) | (567) | - | - | - |
| Distributions | - | (65,547) | - | (43,118) | - | (108,665) | - |
| Net income | - | 20,911 | - | 14,165 | - | 35,076 | - |
| Balance at December 31, 1995 | 55,329,162 | $ 27,673 | 34,272,532 | $ 17,142 | 89,601,694 | $ 44,815 | $ - |

DEBARTOLO REALTY PARTNERSHIP, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
AND DEBARTOLO RETAIL GROUP (PREDECESSOR)
COMBINED STATEMENTS OF CASH FLOWS

| | DEBARTOLO REALTY PARTNERSHIP, L.P. | | DEBARTOLO RETAIL GROUP | |
|---|---|---|---|---|
| | 1995 | 1994 | 1994 | 1993 |
| | JANUARY 1 THROUGH DECEMBER 31 | APRIL 21 THROUGH DECEMBER 31 | JANUARY 1 THROUGH APRIL 20 | JANUARY 1 THROUGH DECEMBER 31 |
| | (DOLLARS IN THOUSANDS) | | | |
| Cash Flow From Operating Activities: | | | | |
| Net Income (loss) | $ 35,076 | $ 18,736 | $ 3,905 | $ (9,762) |
| Adjustments to reconcile net income to net cash provided by Operating Activities: | | | | |
| Amortization of formation and loan costs included in interest expense | 11,616 | 10,528 | 1,354 | 4,390 |
| Amortization and write-off of interest rate protection agreements | 7,307 | 2,112 | -- | -- |
| Extraordinary loss on early extinguishment of debt | 11,267 | 8,932 | -- | -- |
| Gain on sale of assets | (5,460) | (1,952) | (3,286) | (4,960) |
| Depreciation and amortization | 58,603 | 39,578 | 16,616 | 54,227 |
| Deferred stock compensation expense | 210 | 4,058 | -- | -- |
| Minority partners' interests in consolidated joint ventures | (1,029) | (530) | (888) | (3,065) |
| (Income) loss from nonconsolidated joint ventures | (8,865) | (7,554) | (842) | 304 |
| Decease (increase) in restricted cash | -- | 7,143 | (2,829) | (344) |
| Decrease (increase) in accounts receivable | 980 | (642) | 172 | 1,286 |
| Decrease (increase) in prepaid expenses and other | (984) | 5,219 | (5,995) | (429) |
| Increase (decrease) in accounts payable and accrued expenses | 179 | (12,228) | 7,938 | (4,832) |
| Net Cash Provided By Operating Activities | 108,900 | 73,400 | 16,145 | 36,815 |
| Cash Flows From Investing Activities: | | | | |
| Additions to investment properties | (51,339) | (24,089) | (3,018) | (28,981) |
| Acquisition of development land | -- | (21,000) | -- | -- |
| Purchase of properties and partnership interests | -- | (1,818) | -- | -- |
| Additions to deferred charges for lease costs and other | (3,625) | (1,927) | (501) | (3,436) |
| Distributions from nonconsolidated joint ventures | 19,379 | 7,132 | 5,777 | 15,498 |
| Advances to and investments in nonconsolidated joint ventures | (8,521) | (53,585) | (258) | (1,784) |
| Net proceeds from sale of assets | 6,282 | 3,035 | 4,547 | 8,206 |
| Purchase of short term investments | (9,718) | (4,339) | -- | -- |
| Net Cash Provided By (Used In) Investing Activities | (47,542) | (96,591) | 6,547 | (10,497) |
| Cash Flows From Financing Activities: | | | | |
| Proceeds from issuance of debt | 116,828 | 481,736 | 4,173 | 29,611 |
| Partnership contributions | 80,370 | 543,852 | 8,818 | 8,198 |
| Scheduled principal payments on mortgages | (6,647) | (4,587) | (3,657) | (7,797) |
| Other payments on debt | (171,436) | (681,435) | (626) | (5,919) |
| Loan costs and interest rate buydowns | (1,941) | (70,822) | (87) | (3,205) |
| Distribution to predecessor parent | -- | (130,400) | -- | -- |
| Prepayment penalties on early extinguishment of mortgage notes payable | (3,390) | (4,478) | -- | -- |
| Partnership distributions | (106,533) | (46,387) | (14,095) | (20,936) |
| Minority partner distributions | (847) | (574) | (144) | (1,500) |
| (Increase) decrease in restricted cash | 21,841 | (39,000) | -- | -- |
| Decrease (increase) in affiliate receivables (net of affiliated payables) | (2,651) | 1,901 | (14,672) | (23,776) |
| Net Cash Provided by (Used In) Financing Activities | (74,406) | 49,806 | (20,290) | (25,324) |
| Net Increase (Decrease) In Cash | (13,048) | 26,615 | 2,402 | 994 |
| Cash and Cash Equivalents: | | | | |
| Beginning of Period | 38,899 | 12,284 | 9,882 | 8,888 |
| End of period | $ 25,851 | $ 38,899 | $ 12,284 | $ 9,882 |
| Supplemental Information: | | | | |
| Interest Paid | $ 105,501 | $ 81,306 | $ 41,434 | $ 147,646 |
| Supplemental Schedule of Non-Cash and Financing Activities: | | | | |
| Distribution of affiliate receivables and payables | $ -- | $ -- | $ 23,464 | $ 12,678 |
| Exchange of debt for Operating Partnership interest | $ -- | $ 14,488 | $ -- | $ -- |
| Minority partners' interest exchanged for Operating Partnership interest | $ 9,435 | $ 11,923 | $ -- | $ -- |
| Affiliate receivables not contributed to Operating Partnership | $ -- | $ -- | $ 201,014 | $ -- |
| Distribution of affiliate payables to minority partners | $ -- | $ -- | $ -- | $ (1,264) |
| Limited Partners' interest exchanged for General Partner Units | $ 567 | $ -- | $ -- | $ -- |

See accompanying notes

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

NOTE 1 -- ORGANIZATION AND FORMATION

DeBartolo Realty Partnership, L.P. (the "Operating Partnership" or "OP") was formed as a Delaware limited partnership in 1993 in connection with DeBartolo Realty Corporation's ( the "Company") initial public offering (the "IPO"). On April 21, 1994, the Company raised 498 million in net proceeds through the Company's IPO.

The proceeds of the IPO were used to acquire general partnership interests in the OP, and indirectly, interest in DeBartolo Capital Partnership, a Delaware general partnership ("FP"). The Company acquired a 47.8% general partner interest in the OP in exchange for its contribution of these net proceeds to the OP. The OP, and consequently the FP, were formed to continue and expand the shopping mall ownership, management and development business of The Edward J. DeBartolo Corporation ("EJDC") in a portfolio which, as of December 31, 1995, consists of 51 super-regional and regional malls (the "DeBartolo Malls"), 11 community centers and land held for future development (collectively, the "DeBartolo Properties"). As the sole general partner of the OP, the Company has full, exclusive and complete responsibility and discretion in the management and control of the OP. The OP was formed prior to the consummation of the Company's IPO and is the successor entity to the DeBartolo Retail Group. During 1995, certain property management and development activities are carried out for the OP and FP through an affiliate, DeBartolo Properties Management, Inc. (the "Property Manager").

Concurrently with the completion of the IPO, the FP completed a 455 million principal amount securitized debt financing (the "Securitized Debt Financing"). Simultaneously with the IPO, EJDC and certain affiliates (collectively, the "DeBartolo Group") and certain current and former employees of EJDC, along with JCP Realty, Inc. ("JCP"), contributed to the OP interests in the DeBartolo Properties (and certain other assets) for limited partnership interests in the OP. Pursuant to an Exchange Rights Agreement, in April 1995 the Company filed a registration statement for the issuance of 34,168,347 shares of common stock. The Exchange Rights Agreement provides for the conversion of the limited partner interests to shares of common stock. The Exchange Rights Agreement is subject to certain restrictions relating to the initial exercise period, minimum value of interest exchanged, and ownership limitations.

In connection with the IPO, the OP received options to acquire the interests of the estate of Edward J. DeBartolo and other members of his family and affiliates in four DeBartolo Malls and one community center. On July 1, 1995, the Company exercised these options and acquired a 12.8% interest in Miami International Mall, 10.1% interests in University Park Mall and University Center and 0.1% interests in Coral Square and Lakeland Square. The exercise price of approximately 9.4 million was payable in limited partnership interests in the OP. As a result of these acquisitions, the Company's percentage ownership in the OP decreased from 58.8% to 58.3%.

On August 1, 1995, the Company completed a public offering of 6,000,000 shares of common stock at an offering price of 14 1/4 per share raising net proceeds of approximately 80.4 million. The Company contributed the net proceeds to the OP, which has used the net proceeds to retire mortgage debt (including any related prepayment penalties). As a result of the contribution by the Company to the OP of the net proceeds of the offering, the Company's percentage ownership in the OP increased from 58.3% to 61.1%.

During August 1995, EJDC exchanged limited partnership interests in the OP to retire certain EJDC corporate debt. The lender immediately exchanged the limited partnership interests in the OP for common stock of the Company. As a result of this transaction, the Company's percentage ownership in the OP increased from 61.1% to 61.8%.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

At December 31, 1995, ownership in the OP is as follows:

| | TOTAL UNITS | PERCENT OWNED |
|---|---|---|
| GENERAL PARTNER | | |
| DeBartolo Realty Corporation | 55,329,162 | 61.8% |
| LIMITED PARTNERS | | |
| DeBartolo Group | 32,714,135 | 36.5 |
| JCP Realty, Inc | 1,016,156 | 1.1 |
| DeBartolo Employees (current and former) | 542,241 | 0.6 |
| TOTAL | 34,272,532 | 38.2 |
| TOTAL UNITS | 89,601,694 | 100% |

NOTE 2 -- BASIS OF PRESENTATION

The financial statements of the OP are presented on a consolidated basis. Properties which are controlled through majority ownership have been consolidated and all significant intercompany transactions and accounts have been eliminated. Properties where the OP owns less than a majority interest have been accounted for under the equity method. One property, 2% of which is owned by the OP, is accounted for under the cost method.

The OP owns 5% of the voting common stock and all of the nonvoting preferred stock of the Property Manager. The OP's pro rata share is 95% of the Property Manager's operating results. The OP accounted for its investment in the Property Manager under the cost method through September 30, 1995. During 1995, in accordance with Emerging Issues Task Force Issue No. 95-6, Accounting by a Real Estate Investment Trust for an Investment in a Service Corporation, the OP changed its method of accounting for its investment in the Property Manager to the equity method. The OP has applied the new accounting method retroactively to April 21, 1994, in accordance with Accounting Principles Board Opinion 20, Accounting Changes. The change had no significant impact to previously issued financial results for 1994 and 1995.

The accompanying combined financial statements of DeBartolo Retail Group represent DeBartolo Properties previously owned by EJDC and certain of its affiliates. The historical financial statements of DeBartolo Retail Group are presented on a combined basis because EJDC and certain of its affiliates were the subject of the business combination discussed above. The business combination has been accounted for as a reorganization of entities under common control, which is similar to the accounting used for a pooling of interests.

NOTE 3 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Investment Properties:

Investment properties are stated at cost less accumulated depreciation, which in the opinion of management is not in excess of net realizable value. Costs incurred for the acquisition, development, construction and improvement of properties, including significant renovations, are capitalized. Interest costs and real estate taxes incurred with respect to qualified expenditures relating to the construction of assets are capitalized during the development period.

Depreciation and Amortization:

The cost of buildings, improvements and equipment are depreciated on the straight-line method over estimated useful lives, as follows:

Buildings -- 30 to 40 years
Improvements -- shorter of lease term or useful life
Equipment -- 3 to 10 years

Tenant allowances paid to tenants for construction are capitalized and amortized over the terms of each specific lease. Maintenance and repairs are charged to expense when incurred.

Deferred Charges:

Deferred charges consist principally of financing costs and leasing commissions which are amortized over the terms of the respective agreements.

Capitalized Interest:

Interest is capitalized on projects during the construction period. Interest capitalized was $1,614 in 1995; $686 from inception to December 31, 1994; $13 for the period January 1, 1994 to April 20, 1994, and $219 in 1993.

Cash and Cash Equivalents:

Highly liquid investments with maturities of three months or less are considered cash equivalents.

Restricted Cash:

Cash is restricted primarily for renovations and redevelopment of certain DeBartolo Properties in connection with the Securitized Debt Financing.

Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair value of cash and cash equivalents, restricted cash and short-term investments approximate carrying value due to the short-term nature of these instruments.

- The fair value of the OP's fixed rate mortgages and notes payable is based on current rates available to the OP for debt of similar terms. Fair value of variable rate debt is considered to be the carrying amount.

- The fair value of the interest rate caps and interest rate swaps are based on available market data.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Minority Interests:

Minority interests in consolidated joint ventures represent the amounts of net assets of consolidated ventures attributable to the interests of outside parties. Minority interests in capital deficits of joint ventures are carried as assets to the extent considered recoverable.

Revenue Recognition:

Shopping center space is generally leased to specialty retail tenants under short and intermediate term leases which are accounted for as operating leases. Minimum rents are recognized on the straight-line method over the terms of leases. Percentage rents are recognized on an accrual basis as earned. Real estate tax and operating expense recoveries are recognized in the period the applicable costs are incurred.

Ground Leases:

Certain properties, as lessees, lease land under operating leases. Rent expense is recorded on the straight-line method over the term of these leases.

Income Taxes:

The allocable share of the taxable income or loss of the OP is includable in the income tax returns of the partners; accordingly, income taxes are not reflected in the consolidated financial statements.

Earnings Per Unit:

Earnings per unit is based on the weighted average number of units outstanding for the year ending December 31, 1995 and for the period of April 21, 1994 through December 31, 1994. Units of common stock awarded during 1994 under a deferred stock plan (70,696 units) and units of common stock awarded under a long-term incentive plan (245,200 units) have been considered outstanding units. In April 1995, the OP issued 96,006 units of common stock under both plans. Both plans are a part of the 1994 DeBartolo Realty Corporation Stock Incentive Plan. For purposes of determining fully dilutive earnings per unit, the remaining 2,427,100 units of common stock under the long-term incentive deferred stock plan are anti-dilutive after adjusting earnings to give effect to the increase in earnings necessary for the units of common stock to be awarded under the plan.

Impact of Recently Issued Accounting Standards:

In March 1995, the FASB issued Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The OP will adopt Statement 121 in the first quarter of 1996 and, based on current circumstances, does not believe the effect of adoption will be material. The OP continually analyzes its mall properties based on investment related criteria and, as a result, the OP may determine to dispose of certain properties. Current circumstances based on the OP's intention to hold the properties for long-term appreciation, do not indicate that any of the OP's properties are impaired. However, if a decision is made to dispose of certain properties, it is reasonably possible that significant write-downs may be required.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 4 -- INVESTMENT PROPERTIES

Investment properties consist of shopping center properties, including peripheral land and properties under development and an office tower adjacent to one of the shopping centers. Investment properties are summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Land | $ 193,365 | $ 192,781 |
| Shopping center buildings, improvements and equipment | 1,537,725 | 1,486,819 |
| Office tower building, improvements and equipment | 40,522 | 40,225 |
| Properties under construction/expansion/renovation | 13,351 | 7,962 |
| Peripheral land parcels | 8,700 | 9,805 |
| | 1,793,663 | 1,737,592 |
| Accumulated depreciation | 574,338 | 519,754 |
| Total investment properties | $1,219,325 | $1,217,838 |

Peripheral land parcels primarily consist of undeveloped land parcels adjacent to certain shopping centers.

Depreciation expense totaled $55,315 in 1995; $37,298 from April 21, 1994 to December 31, 1994; $15,792 for the period January 1, 1994 to April 20, 1994; and $51,431 for 1993.

The DeBartolo Group has granted the OP options to purchase their interests in two shopping center development sites at an agreed upon purchase price. These options are subject to the rights and approvals of existing lenders, third parties and governmental authorities. The OP has options and rights of first refusal to purchase the DeBartolo Group's interest in two regional malls. The option prices are fair market value at any time until December 31, 1998.

As of December 31, 1995, the OP had options to acquire the interests of three outside partners in five DeBartolo Properties. These options are subject to the rights of partners and lenders and to the satisfaction of certain conditions. In January 1996, the Property Manager acquired the interests of one outside partner in two properties, see Note 16.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 5 -- INVESTMENTS IN NONCONSOLIDATED JOINT VENTURES

The OP's investments in the joint ventures, which have been accounted for under the equity method, are as follows:

| VENTURE | PROPERTY | OP'S PERCENTAGE OWNERSHIP AS OF DECEMBER 31, 1995 |
|---|---|---|
| Aventura Mall | Aventura Mall | 33.3% |
| Jacksonville Avenues Limited Partnership | The Avenues | 25.0% |
| Biltmore Square Associates | Biltmore Square | 33.3% |
| Century III Associates | Century III Mall | 50.0% |
| Chesapeake-JCP Associates, Ltd. | Chesapeake Square | 50.0% |
| Coral-CS/LTD Associates | Coral Square | 50.0% |
| Florida Mall Associates | The Florida Mall | 50.0% |
| HD Lakeland Mall Joint Venture | Lakeland Square | 50.0% |
| West Dade County Associates | Miami International Mall | 50.0% |
| Northfield Center Limited Partnership | Northfield Square | 31.6% |
| Palm Beach Mall (a tenancy in common) | Palm Beach Mall | 50.0% |
| Philadelphia Center Associates | Great Northeast Plaza | 50.0% |

These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions. The OP receives substantially all of the economic benefit of Biltmore Square, Chesapeake Square and Northfield Square as the result of advances made to those joint ventures. For one joint venture, the outside partner receives substantially all of the economic benefit.

Summary financial information and summary of OP's investment in and share of income (loss) from the above joint ventures follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| BALANCE SHEETS | | |
| Investment properties (net) | $599,234 | $604,506 |
| Other assets | 43,094 | 47,007 |
| Total assets | 642,328 | 651,513 |
| Mortgages and notes payable | 584,495 | 592,990 |
| Other liabilities | 90,549 | 85,182 |
| Total liabilities | 675,044 | 678,172 |
| Accumulated deficit | (32,716) | (26,659) |
| Less: Outside partners' equity | 180 | 3,753 |
| Advances to nonconsolidated joint ventures | 78,474 | 71,415 |
| Net surplus in nonconsolidated joint ventures | $ 45,578 | $ 41,003 |
| Net surplus (deficits) in nonconsolidated joint ventures is presented in the accompanying consolidated balance sheets as follows: | | |
| Investments in nonconsolidated joint ventures | $ 38,251 | $ 39,430 |
| Advances to nonconsolidated joint ventures | 78,474 | 71,415 |
| Total investments in and advances to nonconsolidated joint ventures | 116,725 | 110,845 |
| Deficits in nonconsolidated joint ventures | (71,147) | (69,842) |
| | $ 45,578 | $ 41,003 |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1995 | PERIOD FROM APRIL 21, 1994 TO DECEMBER 31, 1994 | PERIOD FROM JANUARY 1, 1994 TO APRIL 20, 1994 | DECEMBER 31, 1993 |
|---|---|---|---|---|
| STATEMENTS OF OPERATIONS | | | | |
| Revenues: | | | | |
| Minimum rents | $ 89,727 | $ 60,978 | $ 26,101 | $ 80,971 |
| Tenant recoveries | 44,293 | 30,967 | 12,709 | 40,589 |
| Percentage rents | 6,058 | 4,833 | 1,406 | 7,932 |
| Other | 12,853 | 9,252 | 2,420 | 8,233 |
| Total revenues | 152,931 | 106,030 | 42,636 | 137,725 |
| Expenses: | | | | |
| Shopping Center expenses | 57,368 | 39,778 | 16,092 | 52,400 |
| Interest expense | 57,561 | 37,038 | 15,942 | 58,615 |
| Depreciation and amortization | 24,078 | 16,351 | 6,885 | 22,307 |
| | 139,007 | 93,167 | 38,919 | 133,322 |
| Gain (loss) on sale of assets | 166 | 1,196 | (1) | 1,380 |
| Income before extraordinary item | 14,090 | 14,059 | 3,716 | 5,783 |
| Extraordinary item -- loss on early extinguishment of debt | (425) | (388) | -- | -- |
| Net income | $ 13,665 | $ 13,671 | $ 3,716 | $ 5,783 |
| DeBartolo Realty Partnership, L.P.'s share of: | | | | |
| Revenues less shopping center expenses | $ 41,987 | $ 28,706 | $ 12,541 | $ 40,302 |
| Interest expense | 20,035 | 12,902 | 8,206 | 29,801 |
| Depreciation, amortization and other | 12,826 | 8,318 | 3,493 | 11,319 |
| Gain on land sales | 164 | 445 | -- | 514 |
| Income (loss) before extraordinary item | 9,290 | 7,931 | 842 | (304) |
| Extraordinary item -- loss on early extinguishment of debt | (425) | (377) | -- | -- |
| Net income (loss) | $ 8,865 | $ 7,554 | $ 842 | $ (304) |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 6 -- PROPERTY MANAGER

Summary financial information for the Property Manager is as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| BALANCE SHEETS | | |
| Cash and cash equivalents | $ 2,018 | $ 2,816 |
| Accounts receivable, substantially all due from related parties | 13,516 | 10,531 |
| Other assets | 8,003 | 2,692 |
| | $23,537 | $16,039 |
| Accounts payable and accrued liabilities | $14,691 | $11,421 |
| Note payable to OP | 4,018 | -- |
| Other long-term liabilities | 4,082 | 3,977 |
| Total Liabilities | 22,791 | 15,398 |
| Shareholders' equity | 746 | 641 |
| | $23,537 | $16,039 |
| OP's share of Shareholders' equity | $ 709 | $ 609 |
| Outside Shareholders' equity | $ 37 | $ 32 |

| | YEAR ENDED DECEMBER 31, 1995 | PERIOD FROM APRIL 21, 1994 TO DECEMBER 31, 1994 |
|---|---|---|
| STATEMENTS OF OPERATIONS | | |
| Revenues: | | |
| Construction and development | $ 6,087 | $ 4,541 |
| Management and leasing | 16,768 | 12,194 |
| Other | 3,223 | 1,507 |
| Total revenues | 26,078 | 18,242 |
| Expenses: | | |
| Salaries and employee benefits | 20,018 | 12,361 |
| Other operating expenses | 5,784 | 2,485 |
| Other expenses | 171 | 2,162 |
| Total expenses | 25,973 | 17,008 |
| Net income | 105 | 1,234 |
| OP's share of net income | $ 100 | $ 1,172 |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 7 -- DEFERRED CHARGES AND PREPAID EXPENSES

Deferred charges and prepaid expenses are summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Lease costs, net of accumulated amortization of $15,566 and $14,541 in 1995 and 1994, respectively | $17,402 | $17,077 |
| Securitized Debt Financing costs, net of accumulated amortization of $2,992 and $1,226 in 1995 and 1994, respectively | 9,374 | 11,135 |
| Loan costs, net of accumulated amortization of $11,382 and $11,910 in 1995 and 1994, respectively | 8,743 | 11,189 |
| Interest rate protection agreements, net of accumulated amortization of $2,249 and $2,103 in 1995 and 1994, respectively | 704 | 8,011 |
| Interest rate buydowns, net of accumulated amortization of $11,222 and $7,426 in 1995 and 1994, respectively | 30,993 | 44,256 |
| Investment in West Town Mall Joint Venture | 2,699 | 2,405 |
| Prepaid expenses and other | 4,181 | 3,537 |
| | $74,096 | $97,610 |

Lease cost amortization totaled $3,288 in 1995; $2,280 from April 21, 1994 to December 31, 1994; $824 for the period January 1, 1994 to April 20, 1994; and $2,796 in 1993.

Amortization of loan costs, interest rate protection agreements and interest rate buydowns totaled $14,729 in 1995; $12,640 from April 21, 1994 to December 31, 1994; $1,354 for the period January 1, 1994 to April 20, 1994; and $4,390 in 1993.

On December 27, 1995, the OP assigned certain interest protection agreements to an unrelated third party and replaced such agreements with interest rate swap agreements. Accordingly, interest rate protection agreements have been written-off with a charge to interest expense. Fair value of the remaining interest rate protection agreement and the interest rate swap was $704 and $1,130, respectively, at December 31, 1995. Fair value of the interest rate protection agreements at December 31, 1994 were $13,659.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 8 -- MORTGAGES AND NOTES PAYABLE

Mortgage debt, which is collateralized by substantially all investment properties, is summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Commercial Mortgage pass-through certificates -- fixed interest rate ranging from 7.59% to 9.24% (average of 8.13% at December 31, 1995), due April, 2001 | $ 367,244 | $ 367,800 |
| Commercial Mortgage pass-through certificates -- interest at LIBOR, subject to an interest rate swap agreement, plus 56 basis points (5.31% at December 31, 1995), due April, 2001 | 87,200 | 87,200 |
| Revolving line of credit with interest at LIBOR plus 175 basis points (7.5% at December 31, 1995) due December 1998 | 55,000 | -- |
| Primarily first mortgages with fixed interest rates ranging from 6.79% to 9.92% (average of 7.9% at December 31, 1995), due at various dates through 2012 | 692,162 | 804,362 |
| First mortgages with variable interest rates at LIBOR, subject to an interest rate swap agreement, plus 100 basis points (5.75% at December 31, 1995) due at various dates through 2002 | 74,864 | 78,362 |
| Bond payable collateralized by a mortgage to an affiliate of EJDC on one property at an effective rate of 8.0% due September 1996 | 72,103 | 72,103 |
| Total Mortgages and Notes Payable | $1,348,573 | $1,409,827 |

During December 1995, the OP entered into an interest rate swap agreement to pay LIBOR at (i) 4.75% on approximately $218 million of debt through April 1997 and (ii) 5.71% on $87.2 million of debt from May 1997 through April 2001. As part of this arrangement, the OP assigned the following interest rate protection agreements (i) 4.75% through April 1996 and 5.25% from May 1996 through April 1997 on approximately $131 million of debt and (ii) 4.75% through April 1996 on $87.2 million of debt. The OP has an interest rate protection agreement which limits interest on $87.2 million of debt to no more than LIBOR of 8.44% for the period May 1996 through March 2001.

The OP's proportionate share of the mortgages and notes payable are as follows as of December 31:

| | 1995 | 1994 |
|---|---|---|
| DeBartolo Realty Partnership, L.P. | $1,305,564 | $1,363,042 |
| Outside partners | 43,009 | 46,785 |
| | $1,348,573 | $1,409,827 |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Annual principal payments and maturities as of December 31, 1995 are as follows:

| | TOTAL | OP'S SHARE |
|---|---|---|
| 1996 | $ 157,221 | $ 157,139 |
| 1997 | 7,588 | 7,491 |
| 1998 | 63,253 | 63,149 |
| 1999 | 69,103 | 68,991 |
| 2000 | 8,661 | 8,540 |
| Thereafter | 1,042,747 | 1,000,254 |
| | $ 1,348,573 | $ 1,305,564 |

During 1995, the OP paid off mortgages of $117,227 at three properties and obtained the release of mortgage liens at two properties. Additionally, the OP refinanced three loans at one property totaling $44,098 with a $59,500 mortgage note payable (of which $46,528 is currently outstanding), providing additional borrowing capacity of up to $13,000 to be drawn upon over the subsequent twelve months for expansion and renovation of that property. The OP refinanced $9,518 of construction loans at three community centers with permanent financing totaling $15,000.

In December 1995, the OP amended and expanded its revolving line of credit from $50,000 to $120,000, subject to certain conditions being met. As of December 31, 1995, total current availability under this working line is $94,500, of which $55,000 is outstanding. The facility is secured by the mortgages of two properties and a negative pledge of a third property and is recourse to the OP. The OP anticipates the facility to be increased to $150,000 and the availability will be increased to $144,500 during the first quarter of 1996 once certain conditions are met including additional collateral of a mortgage on the negative pledged property. Interest is provided at the lesser of LIBOR plus 175 basis points or the Base Rate, as defined. The facility matures in December 1998, however, the OP has a one-year extension option. The facility requires the OP to maintain a minimum net worth as defined, limits the OP's indebtedness and provides for other restrictive covenants.

The OP restructured a $54,906 mortgage note payable having an interest rate of 8 7/8% maturing January, 1998. The new mortgage matures January, 2005 and bears interest at 7.42%. In connection with this transaction, the OP made a partial paydown of $5,491 on a mortgage note of a nonconsolidated joint venture.

Commercial mortgage pass-through certificate covenants require the OP to fund into escrow reserves for renovations, repairs and maintenance and tenant improvements and requires the FP to maintain Minimum Debt Service coverage ratios (as defined) and provides for other restrictive covenants.

Annual reserve funding requirements are as follows:

| | |
|---|---|
| 1996 | $ 7,600 |
| 1997 | 10,400 |
| 1998 | 6,933 |
| 1999 | 5,200 |
| 2000 | 5,200 |
| Thereafter | 1,734 |
| | $37,067 |

DeBartolo Realty Partnership, L.P. has guaranteed $29,946 of the mortgages and notes payable relating to three consolidated properties and three nonconsolidated joint ventures. An affiliate of EJDC continues to

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

provide a guarantee of 33 1/3% of the debt service obligation on a $100,000 floating rate mortgage at one nonconsolidated joint venture. The OP has agreed to indemnify the EJDC affiliate for any loss or costs incurred or associated with this guaranty.

DeBartolo, Inc., parent of EJDC, and certain of its affiliates have guaranteed $100,000 of the OP's mortgages and notes payable.

Fair Value of Debt Related Financial Instruments:

The estimated fair value of debt related financial instruments are as follows:

| | DECEMBER, 1995 | | DECEMBER, 1994 | |
|---|---|---|---|---|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| Securitized Debt Financing...... | $ 454,444 | $ 477,083 | $ 455,000 | $ 446,936 |
| Fixed rate mortgages and notes payable....................... | 764,265 | 796,231 | 876,465 | 805,553 |
| Variable rate mortgages and notes payable................. | 74,864 | 74,864 | 78,362 | 78,362 |
| Revolving loan.................. | 55,000 | 55,000 | -- | -- |
| | $1,348,573 | $1,403,178 | $1,409,827 | $1,330,851 |

The debt on the nonconsolidated joint ventures (see Note 5) was $584,495 at December 31, 1995. The OP's pro rata share of that debt was $249,535 at December 31, 1995. The OP's proportionate share of mortgage notes and other notes payable on both its consolidated and nonconsolidated properties was $1,555,099 at December 31, 1995.

NOTE 9 -- RENTALS UNDER OPERATING LEASES

The properties receive rental income from the leasing of retail shopping center space and an office tower under operating leases that expire at various dates through 2026. Substantially all investment property is leased out under operating leases. The minimum future rentals based on operating leases held are as follows as of December 31, 1995:

| | ALL LEASES | LEASES WITH RELATED PARTIES (1) |
|---|---|---|
| 1996........................................ | $ 181,438 | $ 7,315 |
| 1997........................................ | 165,984 | 6,975 |
| 1998........................................ | 150,090 | 5,771 |
| 1999........................................ | 130,068 | 5,419 |
| 2000........................................ | 111,839 | 4,695 |
| Thereafter.................................. | 486,197 | 23,905 |
| | $1,225,616 | $54,080 |

- ---------------

(1) Represents stores whose parent company also owns units of the OP or stores whose chief executive officers are on the Board of Directors of the Company.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Minimum future rentals do not include amounts which may be received under the terms of certain leases based upon a percentage of the tenants' sales or as reimbursement of shopping center expenses.

No single tenant or group of affiliated tenants collectively accounts for more than 10% of the consolidated properties total revenues which include minimum rents, tenant recoveries, percentage rents and other revenue. The tenant base includes national and regional retail chains and local retailers and consequently the consolidated properties credit risk is concentrated in the retail industry. The DeBartolo Malls are located in 16 states, with 17 malls located in Florida and 8 malls located in Ohio.

The revenues of the OP may be adversely affected by the inability to collect rent due to bankruptcy or insolvency of tenants or otherwise. Two department store companies operating six department stores or other large retail stores in excess of 60,000 square feet ("Anchor") at the consolidated DeBartolo Properties are operating under the protection of the United States Bankruptcy Code. At December 31, 1995, leases (excluding rejected leases) of Anchor tenants open and operating in bankruptcy comprise approximately 1% of total gross leasable area ("GLA"). Annual rentals paid by these Anchor tenants comprised 2.5% of minimum rents paid by Anchor tenants. At December 31, 1995, leases (excluding rejected leases) of mall store tenants at consolidated DeBartolo Properties open and operating in bankruptcy comprise approximately 6.4% of mall GLA. Annual rentals paid by these mall store tenants comprised 6.1% of minimum rents paid by mall store tenants. Substantially all of these tenants are currently meeting their contractual obligations. At the time a tenant files for bankruptcy protection it is difficult to determine to what extent these tenants will reject their leases or seek other concessions as a condition to continued occupancy. The OP expects certain of these tenants to reject their leases. Based on past experience, the OP has been able to offset, over a reasonable period of time, the impact on minimum rents caused by a tenant in bankruptcy.

NOTE 10 -- GROUND LEASES

Certain properties, as lessees, have ground leases expiring at various dates through 2087. Following is a schedule of future minimum rental payments required under these ground leases as of:

| | DECEMBER 31, 1995 |
|---|---|
| 1996 | $ 2,267 |
| 1997 | 2,347 |
| 1998 | 2,347 |
| 1999 | 2,347 |
| 2000 | 2,347 |
| Thereafter | 225,607 |
| | $237,262 |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 11 -- TRANSACTIONS WITH AFFILIATES

Management and Other Fees: The Property Manager has contracted to provide management, leasing, development and construction management services to the OP. Amounts included in the consolidated financial statements related to agreements with the Property Manager are as follows:

| | 1995 | PERIOD FROM APRIL 21, 1994 TO DECEMBER 31, 1994 | PERIOD FROM JANUARY 1, 1994 TO APRIL 20, 1994 | 1993 |
|---|---|---|---|---|
| Management fees.................. | $5,369 | $3,044 | $ 2,179 | $7,167 |
| Leasing fees..................... | 3,261 | 1,872 | 552 | 3,319 |
| Development and construction..... | 4,872 | 1,844 | 717 | 3,013 |
| Other reimbursements............. | 835 | 254 | 180 | 664 |

During 1995, the Property Manager earned development and construction revenues of $893 from affiliates of a partner in the OP.

Insurance: The OP has first dollar commercial general liability coverage and special cause of loss property insurance with a $5 deductible. Prior to 1995 the OP's insurance carrier reinsured certain coverages with an affiliate of EJDC. Charges to the OP for the reinsured amounts totaled $3,462 from April 21, 1994 to December 31, 1994. Prior to April 21, 1994, the DeBartolo Retail Group had first dollar commercial general liability insurance of which an affiliated insurance company reinsured the first $250 per occurrence. Additionally, the DeBartolo Retail Group had "All Risk" Property insurance. The insurance company reinsured the first $95 per occurrence with an affiliate of EJDC. Charges for the reinsured amounts totaled $1,374 for the period January 1, 1994 to April 20, 1994 and $4,355 for 1993.

Affiliate Leases: On November 6, 1995, Fun-N-Games, an affiliate of EJDC which operated amusement centers in DeBartolo Properties, was sold to an independent third party operator which continues to operate these stores. These properties have recorded total revenues and operating expense reimbursements of $1,771 from January 1, 1995 through November 6, 1995, $1,571 from April 21, 1994 to December 31, 1994, $776 for the period from January 1, 1994 to April 20, 1994 and $2,287 for 1993.

Affiliates of certain Anchor tenants and small shops in various properties are partners in various properties or are partners in the OP. As of December 31, 1995, these tenants own or lease space in 29 consolidated properties. These properties recorded rental income and operating expense reimbursements of $10,933 in 1995; $8,926 from April 21, 1994 to December 31, 1994; $3,314 for the period January 1, 1994 to April 20, 1994; and $12,674 for 1993.

Affiliated Receivables (Payables): At December 31, 1995, the affiliated receivable represents a $4,018 revolving loan receivable from the Property Manager bearing interest at prime plus 200 basis points offset by amounts due to the Property Manager for normal operating costs. Interest earned by the OP on this revolver totaled $258 in 1995. At December 31, 1994, affiliated receivables represent amounts due to the Property Manager for normal monthly operating costs offset by dividends receivable from the Property Manager of $809. At December 31, 1993, net affiliated receivables (which are primarily non-interest bearing) are due from EJDC. Concurrent with the offering, these affiliated receivables were distributed to EJDC. Interest expense includes interest charged to properties by EJDC on net amounts due to EJDC totaling $760 for the period January 1, 1994 to April 20, 1994 and $2,754 in 1993.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

The Property Manager leases office space from EJDC under an operating lease. Rent charged under the lease totaled $1,092 in 1995 and $755 in 1994.

The Property Manager performs legal, tax and other services for EJDC under a corporate service agreement. Fees for these services totaled $570 in 1995 and $425 in 1994.

NOTE 12 -- STOCK INCENTIVE PLAN

The Company and the OP adopted the DeBartolo Realty Corporation 1994 Stock Incentive Plan (the "Stock Incentive Plan") to provide incentives to attract and retain officers, directors and key employees.

The Stock Incentive Plan provides for the grants of nonqualified and incentive stock options to purchase a specified number of shares of Common Stock ("Options") or rights to future grants of Common Stock ("Deferred Stock"). Under the Stock Incentive Plan, 3,100,000 shares of Common Stock are available for grant.

The Compensation Committee of the Company's Board of Directors has approved the grant of approximately 2,743,000 shares in the form of Deferred Stock in connection with a two-part, long-term incentive compensation program.

Deferred Stock Awards upon Completion of the Offering. Upon completion of the IPO, approximately 71,000 shares of Deferred Stock were granted to certain employees of the Company and the Property Manager, and will vest ratably over a five-year period. The vesting of this initial Deferred Stock award is based only on service and will not depend on the Company's financial performance.

Long-Term Incentive Deferred Stock Awards. The second and more significant component of the Company and the OP's long-term compensation proposal is a Deferred Stock grant for which vesting is tied to the attainment of annual and cumulative targets for growth in the Company's funds from operations ("FFO") per share (which is substantially equivalent to cash generated before debt repayments and capital expenditures, including peripheral land sales) after adjusting for a reserve (not to exceed a specified amount) set annually to cover tenant allowances and the use of floating rate debt through 1998. This long-term incentive Deferred Stock grant includes senior management and approximately 130 key employees of the Property Manager. Any Deferred Stock award earned upon attainment of an annual and cumulative growth target will be distributed over the three-year period subsequent to the period that the award was earned, provided the employee remains in the employ of the Company or the Property Manager. Deferred Stock awarded to employees over the three-year period will be unrestricted.

The awards eligible to be earned in any given year will be earned only if the annual and cumulative adjusted FFO per share growth target for such year is reached. As defined, the adjusted FFO per share growth target from the current adjusted FFO base was $1.54 in 1995 and increases 7% for each year ending December 31, 1996 through 1998. The percentage of the total Deferred Stock award eligible to be earned upon attainment of these targets is 10% for 1994, 15% for 1995, 20% for 1996, 25% for 1997 and 30% for 1998. The following table provides the adjusted FFO target for award of the Common Stock reserved for issuance under the Stock Incentive Plan.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

LONG-TERM INCENTIVE DEFERRED STOCK AWARD TARGETS

| YEAR ENDED DECEMBER 31, | ANNUAL GROWTH TARGET | CUMULATIVE GROWTH TARGET FROM PLAN INCEPTION | FFO PER SHARE GROWTH TARGET |
|---|---|---|---|
| 1996................. | 7.0% | 16.8% | $1.65 |
| 1997................. | 7.0% | 25.0% | $1.77 |
| 1998................. | 7.0% | 33.7% | $1.89 |

If the annual target is not met, the percentage of the award attributable to that annual target may be earned in a subsequent year if the cumulative growth target is met including the shortfall in the prior year(s). The Compensation Committee of the Company's Board of Directors has the right to make partial awards if targets are not met.

At December 31, 1995, approximately 2,672,300 shares of the total 3,100,000 shares of Common Stock reserved for issuance under the Stock Incentive Plan were allocated among senior management and approximately 130 key employees in connection with the long-term incentive award. The remaining shares have been held for future allocations under the stock incentive plan to both current and future employees. The Compensation Committee has discretion to waive the additional three-year employment requirement upon certain terminations of employment (e.g., retirement, death, disability or termination without cause). The awards vest over a period of eight years, with the majority vesting in the fourth through eighth years after the IPO.

The OP did not meet the FFO growth target in 1995; accordingly, the financial statement reflects expense of $210 relating to the vested portion of the 70,696 shares under the Deferred Stock plan. The OP achieved its 1994 FFO target and accordingly expensed $3,848 relating to 245,200 shares awarded under the long-term incentive deferred stock plan and $210 relating to the 1994 vested portion of the Deferred Stock award.

Stock Option Plan:

The Company and the OP has a stock option plan in place covering each Director of the Company who is not otherwise an employee of the Company or any of its subsidiaries or affiliates. Each such Director, upon joining the Company's Board of Directors, received an initial grant of Options to purchase 1,000 shares of Common Stock having an exercise price equal to 100% of the fair market value of the Common Stock as of such date. Commencing on December 31, 1994, and on each December 31st thereafter, each Director also will automatically receive an annual grant of options to purchase 500 shares of Common Stock having an exercise price equal to 100% of the fair market value of the Common Stock at the date of grant of such Option. The options can be exercised any time during the ten years after grant.

NOTE 13 -- GAIN ON SALE OF ASSETS

During 1995, the OP has recognized a $3,750 gain from the sale of a partnership interest in an undeveloped mall site located in Strongsville, Ohio, which was acquired in 1994 from the DeBartolo Group through the exercise of an option for $6,250 and immediately sold. The remaining gains primarily represent the sale of land adjacent to three properties.

NOTE 14 -- EXTRAORDINARY ITEM

The extraordinary charge in 1995 resulted from prepayment penalties of $3,390 and the write-off of unamortized deferred financing costs of $7,877 related to the early retirement of mortgage notes payable. The extraordinary item in 1994 resulted from prepayment penalties and the write-off of unamortized deferred financing costs related to the satisfaction of mortgage notes payable in connection with the OP's reorganization.

NOTE 15 -- CONTINGENT LIABILITIES

Certain of the properties are subject to various legal proceedings and claims arising in the ordinary course of business, some of which are covered by insurance. Management of the properties believes the ultimate resolution of these matters is not likely to have a material adverse effect on the consolidated financial statements.

Substantially all of the properties have been subjected to Phase I environmental audits. Such audits have not revealed nor is management aware of any environmental liability that management believes would have a material adverse impact on the OP's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

NOTE 16 -- SUBSEQUENT EVENTS

The OP transferred ownership of one property to its lender, as of March 1, 1996, fully satisfying the property's mortgage note payable. This property no longer met the OP's criteria for its ongoing strategic plan. The OP will recognize an extraordinary gain on this transaction of approximately $8.0 million in the first quarter of 1996.

On January 31, 1996, the Property Manager was assigned a 33% partnership interest in one of the nonconsolidated joint ventures and a 25% partnership interest in another nonconsolidated joint venture from an unrelated joint venture partner. As a result, the OP effectively owns 65% and 74% of these joint ventures.

NOTE 16.1 -- EVENT (UNAUDITED) SUBSEQUENT TO DATE OF INDEPENDENT AUDITOR'S REPORT

The Company entered into an Agreement and Plan of Merger, dated as of March 26, 1996 (the "Agreement"), among Simon Property Group, Inc., a Maryland corporation ("SPG"), its merger subsidiary and the Company, pursuant to which the Company agreed to merge with the merger subsidiary. The Agreement provides for the exchange of all outstanding Company common stock for SPG common stock, $0.0001 par value (the "SPG Common Stock"), at an exchange ratio of 0.68 shares of SPG Common Stock for each share of Company common stock. The merger is subject to the approval of shareholders of both SPG and the Company and other conditions. The new entity will be renamed Simon DeBartolo Group, Inc.

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 17 -- SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

| | 1995 DEBARTOLO REALTY PARTNERSHIP, L.P. | | | |
|---|---|---|---|---|
| | JANUARY 1 TO MARCH 31 | APRIL 1 TO JUNE 30 | JULY 1 TO SEPTEMBER 30 | OCTOBER 1 TO DECEMBER 31 |
| Operating Data: | | | | |
| Total revenues.................... | $79,229 | $81,223 | $ 84,099 | $88,106 |
| Income before extraordinary items.......................... | 11,739 | 9,826 | 13,343 | 11,435 |
| Extraordinary items............... | -- | -- | (5,629) | (5,638) |
| Net income........................ | $11,739 | $ 9,826 | $ 7,714 | $ 5,797 |
| Earning Per Unit Data: | | | | |
| Income before extraordinary items.......................... | $ 0.14 | $ 0.12 | $ 0.15 | $ 0.12 |
| Extraordinary items............... | -- | -- | (0.07) | (0.06) |
| Net income........................ | $ 0.14 | $ 0.12 | $ 0.08 | $ 0.06 |
| Cash Dividends Per Unit............. | $ 0.315 | $ 0.315 | $ 0.315 | $ 0.315 |
| Weighted Average Units Outstanding....................... | 83,150 | 83,150 | 84,567 | 89,150 |

| | 1994 DEBARTOLO REALTY PARTNERSHIP, L.P. | | |
|---|---|---|---|
| | APRIL 21 TO JUNE 30 | JULY 1 TO SEPTEMBER 30 | OCTOBER 1 TO DECEMBER 31 |
| Operating Data: | | | |
| Total revenues............................ | $ 61,227 | $ 80,412 | $87,304 |
| Income before extraordinary items.......... | 5,123 | 10,519 | 12,026 |
| Extraordinary items........................ | (8,932) | -- | -- |
| Net income......................... | $ (3,809) | $ 6,180 | $12,026 |
| Earning Per Unit Data: | | | |
| Income before extraordinary items.......... | $ 0.06 | $ 0.13 | $ 0.15 |
| Extraordinary items........................ | (0.11) | -- | -- |
| Net income (loss).................. | $ (0.05) | $ 0.13 | $ 0.15 |
| Cash Dividends Per Unit...................... | $ 0.245 | $ 0.315 | $ 0.315 |
| Weighted Average Units Outstanding........... | 81,590 | 82,906 | 82,908 |

NOTE 18 -- UNAUDITED PRO FORMA FINANCIAL INFORMATION

As a result of the IPO and the related transactions entered into in connection with the formation of the Company and the OP, 1994 historical results of operations and earnings per unit may not be indicative of future results of operations and earnings per share. This unaudited Pro Forma Condensed Consolidated Statement of Operations assumed that the Company qualifies as a real estate investment trust for federal income tax purposes and also assumed (i) completion of the asset contributions in the formation of the Company; (ii) the completion of the IPO, including the exercise of the underwriters over-allotment option and the Securitized Debt Financing; (iii) the completion of debt exchange transactions with BJS Capital

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

Partners, L.P. and MS Youngstown General Partnership; (iv) the contribution by JCP Realty, Inc. and the EJDC employees of their interests in certain DeBartolo Properties; and (v) the completion of certain refinancings of mortgage indebtedness of the DeBartolo Properties (collectively defined as the "REIT Formation") as of the beginning of 1994. In management's opinion, all necessary adjustments to reflect the effects of these transactions have been made as of January 1, 1994.

The unaudited Pro Forma Condensed Statement of Operations is not necessarily indicative of what actual results of operations of the OP would have been assuming such transactions had been completed at January 1, 1994, nor does it purport to represent the results of operations of future periods.

The following is the DeBartolo Realty Partnership, L.P. Pro Forma Condensed Consolidated Statement of Operations for the twelve months ended December 31, 1994:

| | DEBARTOLO RETAIL GROUP JANUARY 1, 1994 TO APRIL 20, 1994(A) | DEBARTOLO RETAIL GROUP PRO FORMA ADJUSTMENTS | DEBARTOLO REALTY PARTNERSHIP, L.P. APRIL 21, 1994 TO DECEMBER 31, 1994 | DEBARTOLO REALTY PARTNERSHIP, L.P. FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1994 |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, UNAUDITED) | | | |
| Revenues(B) | $ 95,272 | $ 1,125 | $ 228,943 | $ 325,340 |
| Shopping center expenses(C) | 35,648 | 500 | 80,635 | 116,783 |
| Deferred stock compensation expense | -- | -- | 4,058 | 4,058 |
| Interest expense(D) | 44,119 | (7,316) | 87,040 | 123,843 |
| Depreciation and amortization | 16,616 | -- | 39,578 | 56,194 |
| | 96,383 | (6,816) | 211,311 | 300,878 |
| Gain on sale of assets (primarily land) | 3,286 | -- | 1,952 | 5,238 |
| Income from nonconsolidated joint ventures(E) | 842 | 2,033 | 7,554 | 10,429 |
| Minority partners' interest in consolidated joint ventures(F) | 888 | (977) | 530 | 441 |
| Income before extraordinary items | 3,905 | 8,997 | 27,668 | 40,570 |
| Extraordinary item -- loss on early extinguishment of debt | -- | -- | (8,932) | (8,932) |
| Net income | $ 3,905 | $ 8,997 | $ 18,736 | $ 31,638 |
| Pro forma earnings per unit (based upon pro forma weighted average units outstanding) | | | | |
| Income before extraordinary items | | | | $ 0.49 |
| Extraordinary loss on early extinguishment of debt | | | | (0.11) |
| Net Income | | | | $ 0.38 |

DEBARTOLO REALTY PARTNERSHIP, L.P. NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS AND
DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)

- ---------------

(A) The pro forma adjustments reflect the historical combined operations of the Predecessor to the OP (the "DeBartolo Retail Group") for the period from January 1, 1994 through April 20, 1994.

(B) Represents pro forma impact of the Property Manager. The OP accounts for its investment in the Property Manager on the equity basis of accounting. Pro forma adjustments also include interest income on $60,000 of cash from the REIT Formation from January 1, 1994 through April 20, 1994.

(C) The pro forma adjustment reflects the elimination of certain taxes associated with the change of ownership structure from a corporation to a partnership. The pro forma adjustments also reflect the Company's prorated share of estimated annual cost of $2,000 associated with operating as a public company.

(D) Reflects the reduction of interest expense associated with the reduction of debt and restructuring resulting from the IPO and related transactions.

(E) The pro forma adjustment reflects the changes in ownership interest, structure, and refinancing of debt in the nonconsolidated joint ventures which are recorded on the equity method.

(F) Increase reflects the minority partners' share of the net effect of the REIT Formation.

REPORT OF INDEPENDENT AUDITORS

To the Partners of
DeBartolo Realty Partnership, L.P.

We have audited the accompanying combined balance sheets of the Nonconsolidated Joint Ventures of DeBartolo Realty Partnership, L.P. as of December 31, 1995 and 1994 and the related combined statements of operations, accumulated deficit and cash flows for the year ended December 31, 1995 and for the period from April 21, 1994 to December 31, 1994 and the combined statements of operations, accumulated deficit and cash flows of the Uncombined Joint Ventures of DeBartolo Retail Group as described in Note 1 for the period January 1, 1994 to April 20, 1994 and for the year ended December 31, 1993. These financial statements are the responsibility of DeBartolo Realty Partnership, L.P.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a best basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Nonconsolidated Joint Ventures of DeBartolo Realty Partnership, L.P. at December 31,1995 and 1994 and the combined results of their operations and their cash flows for the year ended December 31, 1995 and for the period April 21, 1994 to December 31, 1994, and the combined results of operations and cash flows of the Uncombined Joint Ventures of DeBartolo Retail Group for the period January 1, 1994 to April 20, 1994 and for the year ended December 31, 1993, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
February 14, 1996

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

COMBINED BALANCE SHEETS

ASSETS

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| Investment properties (Notes 3 and 5) | $784,211 | $767,345 |
| Less accumulated depreciation | 184,977 | 162,839 |
| | 599,234 | 604,506 |
| Cash and cash equivalents | 5,507 | 6,043 |
| Restricted cash | 2,089 | 2,016 |
| Accounts receivable, net of allowance for doubtful accounts of $2,883 and $2,718, in 1995 and 1994 | 17,506 | 18,321 |
| Deferred charges and prepaid expenses (Note 4) | 17,992 | 20,627 |
| | $642,328 | $651,513 |

LIABILITIES AND ACCUMULATED EQUITY (DEFICIT)

| | 1995 | 1994 |
|---|---|---|
| Liabilities: | | |
| Mortgages and notes payable (Note 5) | $584,495 | $592,990 |
| Accounts payable and accrued expenses | 14,113 | 12,217 |
| Affiliate payables (Note 8) | 76,436 | 72,965 |
| | 675,044 | 678,172 |
| Commitments and contingencies (Notes 5, 6, 7, and 9) | -- | -- |
| Accumulated deficit | (32,716) | (26,659) |
| | $642,328 | $651,513 |
| Accumulated equity (deficit): | | |
| DeBartolo Realty Partnership, L.P | $(32,896) | $(30,412) |
| Outside partners | 180 | 3,753 |
| | $(32,716) | $(26,659) |

See accompanying notes.

NONCONSOLIDATED JOINT VENTURES OF DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

COMBINED STATEMENTS OF OPERATIONS

| | DEBARTOLO REALTY PARTNERSHIP, L.P. | | DEBARTOLO RETAIL GROUP | |
|---|---|---|---|---|
| | 1995 | APRIL 21, TO DECEMBER 31, 1994 | JANUARY 1, TO APRIL 20, 1994 | 1993 |
| | (DOLLARS IN THOUSANDS) | | | |
| Revenues (Note 8): | | | | |
| Minimum rents | $ 89,727 | $ 60,978 | $26,101 | $ 80,971 |
| Tenant recoveries | 44,293 | 30,967 | 12,709 | 40,589 |
| Percentage rents | 6,058 | 4,833 | 1,406 | 7,932 |
| Other | 12,853 | 9,252 | 2,420 | 8,233 |
| Total revenues | 152,931 | 106,030 | 42,636 | 137,725 |
| Expenses: | | | | |
| Shopping Center Expenses: | | | | |
| Property operating | 14,381 | 10,178 | 4,247 | 13,289 |
| Repairs and maintenance | 12,065 | 7,888 | 3,437 | 11,563 |
| Real estate taxes | 18,630 | 13,052 | 5,185 | 16,898 |
| Advertising and promotion | 4,972 | 3,307 | 684 | 3,904 |
| Management fees to affiliate (Note 8) | 4,984 | 3,377 | 1,545 | 4,731 |
| Provision for doubtful accounts | 997 | 276 | 496 | 1,078 |
| Ground leases (Note 7) | 130 | 88 | 37 | 125 |
| Other | 1,209 | 1,612 | 461 | 812 |
| Total shopping center expenses | 57,368 | 39,778 | 16,092 | 52,400 |
| Interest expense | 57,561 | 37,038 | 15,942 | 58,615 |
| Depreciation and amortization | 24,078 | 16,351 | 6,885 | 22,307 |
| | 139,007 | 93,167 | 38,919 | 133,322 |
| Gain (loss) on sale of assets | 166 | 1,196 | (1) | 1,380 |
| Income before extraordinary item | 14,090 | 14,059 | 3,716 | 5,783 |
| Extraordinary item (Note 10) | (425) | (388) | -- | -- |
| Net income | $ 13,665 | $ 13,671 | $13,716 | $ 5,783 |

See accompanying notes.

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

COMBINED STATEMENTS OF ACCUMULATED DEFICIT
(DOLLARS IN THOUSANDS)

| | |
|---|---|
| Balance at December 31, 1992 | $ 1,843 |
| Contributions | 6,258 |
| Distributions | (31,040) |
| Net income | 5,783 |
| Balance at December 31, 1993 | (17,156) |
| Contributions | 4,398 |
| Distributions | (11,532) |
| Net income | 3,716 |
| Balance at April 20, 1994 | (20,574) |
| Contributions | 1,279 |
| Distributions | (21,035) |
| Net income | 13,671 |
| Balance at December 31, 1994 | (26,659) |
| Contributions | 9,097 |
| Distributions | (28,819) |
| Net income | 13,665 |
| Balance at December 31, 1995 | $(32,716) |

See accompanying notes.

NONCONSOLIDATED JOINT VENTURES OF DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

COMBINED STATEMENTS OF CASH FLOWS

| | DEBARTOLO REALTY PARTNERSHIP, L.P. | | DEBARTOLO RETAIL GROUP | |
|---|---|---|---|---|
| | 1995 | APRIL 21, TO DECEMBER 31, 1994 | JANUARY 1, TO APRIL 20, 1994 | 1993 |
| | (DOLLARS IN THOUSANDS) | | | |
| Cash Flows From Operating Activities: | | | | |
| Net income | $ 13,665 | $ 13,671 | $ 3,716 | $ 5,783 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Amortization of financing costs included in interest expense | 1,941 | 1,184 | 367 | 877 |
| (Gain) loss on sale of assets | (166) | (1,196) | 1 | (1,380) |
| Depreciation and amortization | 24,078 | 16,351 | 6,885 | 22,307 |
| Extraordinary items | 425 | 388 | -- | -- |
| (Increase) decrease in restricted cash | (73) | 699 | (1,548) | (1,168) |
| (Increase) decrease in accounts receivable | 815 | (3,899) | 767 | (3,568) |
| Decrease (increase) in prepaid expenses and other | 39 | 2,007 | (2,001) | (175) |
| Increase (decrease) in accounts payable and accrued expenses | 1,012 | (5,881) | 6,322 | 3,405 |
| Other | -- | 139 | 459 | -- |
| Net Cash Provided By Operating Activities | 41,736 | 23,463 | 14,968 | 26,081 |
| Cash Flows From Investing Activities: | | | | |
| Additions to investment properties | (9,750) | (24,524) | (1,961) | (9,270) |
| Additions to lease costs | (1,268) | (701) | (156) | (1,170) |
| Proceeds from sale of land | 193 | 1,407 | 1 | 1,560 |
| Net Cash Used In Investing Activities | (10,825) | (23,818) | (2,116) | (8,880) |
| Cash Flows From Financing Activities: | | | | |
| Proceeds from issuance of debt | -- | 19,667 | 4,445 | 88,300 |
| Scheduled principal payments on mortgages | (3,004) | (1,888) | (871) | (2,443) |
| Other payments on debt | (5,491) | (48,167) | -- | (84,327) |
| Loan costs paid | (126) | (8,889) | (320) | (2,573) |
| Capital contributions | 2,522 | 1,279 | 4,398 | 6,258 |
| Partner distributions | (28,819) | (21,036) | (11,532) | (31,040) |
| (Increase) decrease in affiliate receivables (net of affiliated payables) | 3,471 | 56,962 | (2,508) | 9,987 |
| Net Cash Used in Financing Activities | (31,447) | (2,072) | (6,388) | (15,838) |
| Net Increase (Decrease) In Cash and Cash Equivalents | (536) | (2,427) | 6,464 | 1,363 |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 6,043 | 8,470 | 2,006 | 643 |
| End of year | $ 5,507 | $ 6,043 | $ 8,470 | $ 2,006 |
| Supplemental Information: | | | | |
| Interest paid | $ 56,125 | $ 36,032 | $ 15,319 | $ 55,894 |
| Supplemental Schedule of Non-Cash and Financing Activities: | | | | |
| Step-up in basis associated with the acquisition of partnership interests in three properties | $ 6,734 | $ -- | $ -- | $ -- |

See accompanying notes

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

NOTE 1 -- BASIS OF PRESENTATION

DeBartolo Realty Partnership, L.P. (the "Operating Partnership" or "OP") was formed as a Delaware limited partnership in 1993 in connection with DeBartolo Realty Corporation's (the "Company") initial public offering (the "IPO"). The OP owns 50% or less of twelve joint ventures and accounts for its investment in these joint ventures under the equity method. Prior to April 21, 1994, each of these joint ventures were owned 50% or less by The Edward J. DeBartolo Corporation ("EJDC") and certain affiliates.

The accompanying combined financial statements of the nonconsolidated joint ventures of DeBartolo Realty Partnership, L.P. and uncombined joint ventures of DeBartolo Retail Group consist of the assets, liabilities and results of operations identified with the joint ventures which are owned 50% or less by the OP.

The transaction relating to the acquisition of the investments in joint ventures is accounted for as a reorganization of entities under common control and accordingly the assets and liabilities of all combined joint ventures will be carried forward at historical cost.

In conjunction with the IPO, the OP received options to acquire the interests of the estate of Edward J. DeBartolo and other members of his family and affiliates in three nonconsolidated joint ventures. On July 1, 1995, the OP exercised these options and acquired a 12.8% interest in Miami International Mall, and 0.1% interests in Coral Square and Lakeland Square. The purchase price of approximately $6.7 million was payable in limited partnership interests in the OP.

The joint ventures included in these combined financial statements and the OP's and DeBartolo Retail Group's ownership interest in each are as follows:

| VENTURE | PROPERTY | OP'S PERCENTAGE OWNERSHIP AT DECEMBER 31, 1995 |
|---|---|---|
| Aventura Mall Venture | Aventura Mall | 33.3% |
| Biltmore Square Associates | Biltmore Square | 33.3% |
| Century III Associates | Century III Mall | 50.0% |
| Chesapeake-JCP Associates, Ltd. | Chesapeake Square | 50.0% |
| Coral-CS/LTD Associates | Coral Square | 50.0% |
| Florida Mall Associates | The Florida Mall | 50.0% |
| HD Lakeland Mall Joint Venture | Lakeland Square | 50.0% |
| Jacksonville Avenues Limited Partnership | The Avenues | 25.0% |
| Northfield Center Limited Partnership | Northfield Square | 31.6% |
| Palm Beach Mall (A Tenancy in Common) | Palm Beach Mall | 50.0% |
| Philadelphia Center Associates | Great Northeast Plaza | 50.0% |
| West Dade County Associates | Miami International Mall | 50.0% |

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Properties:

Investment properties are stated at cost less accumulated depreciation, which in the opinion of management is not in excess of net realizable value. Costs incurred for the acquisition, development, construction and improvement of properties, including significant renovations, are capitalized. Interest costs

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

and real estate taxes incurred with respect to qualified expenditures relating to the construction of assets are capitalized during the development period.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Depreciation and Amortization:

The cost of buildings, improvements and equipment are depreciated on the straight-line method over estimated useful lives, as follows:

Buildings -- 30 to 40 years

Improvements -- shorter of lease term or useful life

Equipment -- 3 to 10 years

Tenant allowances paid to tenants for construction are capitalized and amortized over the terms of each specific lease. Maintenance and repairs are charged to expense when incurred.

Deferred Charges:

Deferred charges consist principally of financing costs and leasing commissions which are amortized over the terms of the respective agreements.

Capitalized Interest:

Interest is capitalized on projects during the construction period. Interest capitalized was $708 in 1995, $798 from April 21, 1994 to December 31, 1994, and $24 for the period January 1, 1994 to April 20, 1994. No interest was capitalized during 1993.

Cash and Cash Equivalents:

Highly liquid investments with maturities of three months or less are considered cash equivalents.

Restricted Cash:

Restricted cash is being restricted primarily for payment of expenditures for improvements relating to a shopping center.

Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of financial instruments:

The fair value of cash and cash equivalents and restricted cash approximate the carrying value due to the short term nature of these instruments.

The fair value of the fixed rate mortgages and notes payable is based on current rates available to the OP for debt of similar terms. Fair value of variable rate debt is considered to be the carrying amount.

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

Revenue Recognition:

Shopping center space is generally leased to specialty retail tenants under short and intermediate term leases which are accounted for as operating leases. Minimum rents are recognized on the straight-line method over the terms of leases. Percentage rents are recognized on an accrual basis as earned. Real estate tax and operating expense recoveries are recognized in the period the applicable costs are incurred.

Income Taxes:

The allocable share of the taxable income or loss of the joint ventures is includable in the income tax returns of the partners; accordingly, income taxes are not reflected in the combined financial statements.

Impact of Recently Issued Accounting Standards:

In March 1995, the FASB issued Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The OP will adopt Statement 121 in the first quarter of 1996 and, based on current circumstances, does not believe the effect of adoption will be material.

NOTE 3 -- INVESTMENT PROPERTIES

Investment properties consist of shopping center properties, including peripheral land and properties under development. Investment properties are summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Land | $ 80,670 | $ 79,651 |
| Shopping center buildings, improvements and equipment | 697,058 | 684,412 |
| Properties under expansion/renovation | 6,336 | 3,107 |
| Peripheral land parcels | 147 | 175 |
| | 784,211 | 767,345 |
| Accumulated depreciation | 184,977 | 162,839 |
| Total investment properties | $599,234 | $604,506 |

Peripheral land parcels primarily consist of undeveloped land parcels adjacent to certain shopping centers.

Depreciation expense totaled $22,283 in 1995; $14,982 from April 21, 1994 to December 31, 1994; $6,395 for the period January 1, 1994 to April 20, 1994 and $20,706 for 1993.

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

NOTE 4 -- DEFERRED CHARGES AND PREPAID EXPENSES

Deferred charges and prepaid expenses are summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Lease costs net of accumulated amortization of $10,836 and $10,242 in 1995 and 1994, respectively | $ 7,996 | $ 8,343 |
| Loan costs net of accumulated amortization of $3,285 and $3,834 in 1995 and 1994, respectively | 3,319 | 3,887 |
| Interest rate buydowns, net of accumulated amortization of $2,068 and $904 in 1995 and 1994, respectively | 6,101 | 7,811 |
| Prepaid expenses and other | 576 | 586 |
| | $17,992 | $20,627 |

Lease cost amortization totaled $1,795 in 1995; $1,369 from April 21, 1994 to December 31, 1994; $490 for the period January 1, 1994 to April 20, 1994; and $1,601 in 1993.

Amortization of loan costs and interest rate buydowns totaled $1,941 in 1995; $1,184 from April 21, 1994 to December 31, 1994; $367 for the period January 1, 1994 to April 20, 1994; and $877 in 1993.

NOTE 5 -- MORTGAGES AND NOTES PAYABLE

Mortgage debt, which is collateralized by substantially all investment properties, is summarized as follows:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| Primarily first mortgages with fixed interest rates ranging from 6.0% to 9.52% (average of 7.6%) at December 31, 1995, due at various dates through 2003 | $401,595 | $408,890 |
| First mortgages with variable interest rates (average of 7.03% at December 31, 1995) due at various dates through 1998 | 107,900 | 109,100 |
| Commercial paper secured by a first mortgage due to an affiliate of EJDC on a property under a 10 year credit facility through 1998 (effective rate including original issue discount at December 31, 1995 of 7.11%) | 75,000 | 75,000 |
| Total Mortgages and Notes Payable | $584,495 | $592,990 |

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

The OP's proportionate share of the mortgages and notes payable are as follows as of December 31:

| | DECEMBER 31, 1995 | DECEMBER 31, 1994 |
|---|---|---|
| DeBartolo Realty Partnership, L.P. | $249,535 | $246,365 |
| Outside partners | 334,960 | 346,625 |
| | $584,495 | $592,990 |

Annual principal payments and maturities are as follows as of December 31, 1995:

| | TOTAL | OP'S SHARE |
|---|---|---|
| 1996 | $ 28,873 | $ 12,880 |
| 1997 | 6,214 | 2,445 |
| 1998 | 178,510 | 72,319 |
| 1999 | 3,795 | 1,608 |
| 2000 | 80,854 | 35,799 |
| Thereafter | 286,249 | 124,484 |
| | $584,495 | $249,535 |

A lender on two properties is entitled to receive in addition to any amounts due pursuant to the terms of the loan, 33 1/3% of net sales or refinancing proceeds as defined upon sale or refinancing of the properties.

DeBartolo Realty Partnership, L.P. has guaranteed $21,726 of the mortgages and notes payable relating to three nonconsolidated joint ventures. An affiliate of EJDC continues to provide a guarantee of 33 1/3% of the debt service obligation on a $100 million floating rate mortgage at one of the joint ventures. The OP has agreed to indemnify the EJDC affiliate for any loss or costs incurred or associated with this guaranty.

Fair Value of Debt Related Financial Instruments:

The estimated fair value of financial instruments are as follows:

| | DECEMBER, 1995 | | DECEMBER, 1994 | |
|---|---|---|---|---|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| Fixed rate mortgages and notes payable | $401,595 | $ 415,563 | $408,890 | $ 366,041 |
| Variable rate mortgages and notes payable | 182,900 | 182,900 | 184,100 | 184,100 |
| | $584,495 | $ 598,463 | $592,990 | $ 550,141 |

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

NOTE 6 -- RENTALS UNDER OPERATING LEASES

The properties receive rental income from the leasing of retail shopping center space under operating leases that expire at various dates through 2020. Substantially all investment property is leased out under operating leases. The minimum future rentals based on operating leases held are as follows as of December 31, 1995:

| | ALL LEASES | LEASES WITH RELATED PARTIES(1) |
|---|---|---|
| 1996 | $ 83,243 | $ 3,009 |
| 1997 | 77,076 | 2,989 |
| 1998 | 71,221 | 2,762 |
| 1999 | 64,362 | 2,762 |
| 2000 | 56,124 | 2,762 |
| Thereafter | 201,102 | 15,060 |
| | $ 553,128 | $ 29,344 |

- ---------------

(1) Represents stores whose parent company also owns units of the OP or stores whose chief executive officers are on the Board of Directors of the Company.

Minimum future rentals do not include amounts which may be received under the terms of certain leases based upon a percentage of the tenants' sales or as reimbursement of shopping center expenses.

No single tenant or group of affiliated tenants collectively accounts for more than 10% of the combined properties total revenues which include minimum rents, tenant recoveries, percentage rents and other revenue. The tenant base includes national and regional retail chains and local retailers and consequently the combined properties credit risk is concentrated in the retail industry.

The revenues of the joint ventures may be adversely affected by the inability to collect rent due to bankruptcy or insolvency of tenants or otherwise. At December 31, 1995, leases (excluding rejected leases) of mall store tenants of the joint ventures open and operating in bankruptcy comprise approximately 5.1% of mall gross leasable area ("GLA"). Annual rentals paid by these Mall Store tenants comprised 5.0% of minimum rents paid by mall store tenants. Substantially all of these tenants are currently meeting their contractual obligations. At the time a tenant files for bankruptcy protection it is difficult to determine to what extent these tenants will reject their leases or seek other concessions as a condition to continued occupancy. The OP expects certain of these tenants to reject their leases. Based on past experience, the OP has been able to offset, over a reasonable period of time, the impact on minimum rents caused by a tenant in bankruptcy.

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

NOTE 7 -- GROUND LEASES

One joint venture, as lessee, has a ground lease expiring in 2012. Following is a schedule of future minimum rental payments required under this ground lease as of December 31, 1995:

| | |
|---|---|
| 1996 | $ 120 |
| 1997 | 120 |
| 1998 | 120 |
| 1999 | 120 |
| 2000 | 120 |
| Thereafter | 1,380 |
| | $1,980 |

NOTE 8 -- TRANSACTIONS WITH AFFILIATES

Management and Other Fees: The Property Manager, an affiliate of the OP, has contracted to provide management, leasing, development and construction management services to the joint ventures. One joint venture is managed by a partner in that joint venture who is unrelated to the OP. Amounts included in the nonconsolidated financial statements related to agreements with the Property Manager are as follows:

| | DECEMBER 31, 1995 | PERIOD FROM APRIL 21, 1994 TO DECEMBER 31, 1994 | PERIOD FROM JANUARY 1, 1994 TO APRIL 20, 1994 | DECEMBER 31, 1993 |
|---|---|---|---|---|
| Management fees | $4,075 | $ 2,871 | $ 1,353 | $4,271 |
| Leasing fees | 986 | 550 | 156 | 1,117 |
| Development and Construction | 969 | 802 | 312 | 589 |
| Other Reimbursements | 119 | 163 | 55 | 302 |

Insurance: The joint ventures have first dollar commercial general liability coverage and special cause of loss property insurance with a $5 deductible. Prior to 1995 the joint ventures' insurance carrier reinsured certain coverages with an affiliate of EJDC. Charges to the joint ventures for the reinsured amounts totaled $936 from April 21, 1994 to December 31, 1994. Prior to April 21, 1994, the joint ventures had first dollar commercial general liability insurance of which an affiliated insurance company reinsured the first $250 per occurrence. Additionally, the joint ventures had "All Risk" Property insurance. The insurance company reinsured the first $95 per occurrence with an affiliate of EJDC. Charges for the reinsured amounts totaled $371 for the period January 1, 1994 to April 20, 1994 and $1,074 for 1993.

Affiliate Leases: On November 6, 1995, Fun-N-Games, an affiliate of EJDC which operated amusement centers in the joint venture properties, was sold to an independent third party operator who continues to operate these stores. The joint ventures recorded total revenues and operating expense reimbursements of $559 through November 6, 1995; $504 from April 21, 1994 to December 31, 1994; $254 for the period from January 1, 1994 to April 20, 1994 and $725 for 1993.

Affiliates of certain anchor tenants and small shops in various properties are partners in those properties or are partners in the Operating Partnership. As of December 31, 1995, these tenants own or lease space in 10 properties. These properties recorded rental income and operating expense reimbursements of $3,451 in 1995; $3,223 from April 21, 1994 to December 31, 1994; $1,443 for the period January 1, 1994 to April 20, 1994 and $4,320 in 1993.

NONCONSOLIDATED JOINT VENTURES OF
DEBARTOLO REALTY PARTNERSHIP, L.P.
AND UNCOMBINED JOINT VENTURES OF DEBARTOLO RETAIL GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

Affiliate Payables: At December 31, 1995, affiliate payables represent amounts due to the Property Manager for normal monthly operating costs and advances from DeBartolo Realty Partnership, L.P. Concurrent with the offering, net affiliate payables, which were primarily non-interest bearing, were distributed to EJDC. Interest expense including interest charged to properties by affiliates of venturers totaled $6,689 in 1995; $7,681 from April 21, 1994 to December 31, 1994; $1,976 for the period from January 1, 1994 to April 20, 1994 and $6,098 in 1993.

NOTE 9 -- CONTINGENT LIABILITIES

Certain of the properties are subject to various legal proceedings and claims arising in the ordinary course of business, some of which are covered by insurance. Management of the properties believes the ultimate resolution of these matters is not likely to have a material adverse effect on the combined financial statements.

Substantially all of the properties have been subjected to Phase I environmental audits. Such audits have not revealed nor is management aware of any environmental liability that management believes would have a material adverse impact on the OP's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

NOTE 10 -- EXTRAORDINARY ITEM

The extraordinary charge in 1995 represents the write-off of unamortized deferred financing costs of $425 relating to the partial paydown of mortgage debt of one property. The extraordinary charge in 1994 resulted from prepayment penalties and the write-off of unamortized deferred financing costs related to the satisfaction of mortgage notes payable.

NOTE 11 -- SUBSEQUENT EVENT

On January 31, 1996, the Property Manager was assigned a 33% partnership interest in one of the nonconsolidated joint ventures and a 25% partnership interest in another nonconsolidated joint venture from an unrelated joint venture partner.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE OPERATING PARTNERSHIP OR THE AGENTSS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL UNDER ANY CIRCUMSTANCE CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE AFFAIRS OF THE OPERATING PARTNERSHIP SINCE THE DATE HEREOF. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

TABLE OF CONTENTS



LOGO

$300,000,000

MEDIUM-TERM NOTES

DUE NINE MONTHS OR MORE

FROM DATE OF ISSUE

PROSPECTUS SUPPLEMENT

MERRILL LYNCH & CO.

CHASE SECURITIES INC.

LEHMAN BROTHERS

J.P. MORGAN & CO.

MORGAN STANLEY & CO.
INCORPORATED

NATIONSBANC
CAPITAL MARKETS, INC.

SALOMON BROTHERS INC

UBS SECURITIES

MAY 15, 1997