

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2001

(Commission File No.) 33-11491

**SIMON PROPERTY GROUP, L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of incorporation or organization)

**34-1755769**

(I.R.S. Employer Identification No.)

**National City Center,  
115 West Washington Street, Suite 15 East  
Indianapolis, Indiana 46204**

(Address of principal executive offices)

**(317) 636-1600**

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

**SIMON PROPERTY GROUP, L.P.**

**FORM 10-Q**

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**Simon Property Group, L.P.**  
*Condensed Consolidated Balance Sheets*

(Dollars in thousands)

**September 30,  
2001**

**December 31,  
2000**

| ASSETS:                                                                       |  |                      |                      |
|-------------------------------------------------------------------------------|--|----------------------|----------------------|
| Investment properties, at cost                                                |  | \$ 13,060,544        | \$ 12,883,471        |
| Less — accumulated depreciation                                               |  | 1,763,060            | 1,471,178            |
|                                                                               |  | <u>11,297,484</u>    | <u>11,412,293</u>    |
| Cash and cash equivalents                                                     |  | 149,905              | 209,755              |
| Tenant receivables and accrued revenue, net                                   |  | 267,318              | 294,775              |
| Notes and advances receivable from Management Company and affiliates          |  | 101,557              | 182,401              |
| Note receivable from the SRC Operating Partnership (Interest at 8%, due 2009) |  | --                   | 29,425               |
| Investment in unconsolidated entities, at equity                              |  | 1,361,750            | 1,308,838            |
| Goodwill, net                                                                 |  | 37,505               | 38,384               |
| Deferred costs and other assets, net                                          |  | 273,454              | 240,578              |
| Minority interest                                                             |  | 44,667               | 42,377               |
| Total assets                                                                  |  | <u>\$ 13,533,640</u> | <u>\$ 13,758,826</u> |

| LIABILITIES:                                                                |  |                  |                  |
|-----------------------------------------------------------------------------|--|------------------|------------------|
| Mortgages and other indebtedness                                            |  | \$ 8,792,090     | \$ 8,728,582     |
| Accrued dividends                                                           |  | 19,321           | 18,266           |
| Accounts payable and accrued expenses                                       |  | 482,761          | 437,860          |
| Cash distributions and losses in partnerships and joint ventures, at equity |  | 43,706           | 44,634           |
| Other liabilities                                                           |  | 111,756          | 227,083          |
| Total liabilities                                                           |  | <u>9,449,634</u> | <u>9,456,425</u> |

#### COMMITMENTS AND CONTINGENCIES (Note 9)

#### PARTNERS' EQUITY:

|                                                                                                                                           |  |                      |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------|----------------------|
| Preferred units, 22,081,686 and 22,049,570 units outstanding, respectively. Liquidation values \$1,058,697 and \$1,058,950, respectively. |  | 1,028,199            | 1,028,435            |
| General Partner, 171,148,317 and 170,274,816 units outstanding, respectively                                                              |  | 2,299,869            | 2,451,452            |
| Limited Partners, 64,889,347 and 64,966,226 units outstanding, respectively                                                               |  | 871,975              | 935,321              |
| Note receivable from SPG (Interest at 7.8%, due 2009)                                                                                     |  | (92,825)             | (92,825)             |
| Unamortized restricted stock award                                                                                                        |  | (23,212)             | (19,982)             |
| Total partners' equity                                                                                                                    |  | <u>4,084,006</u>     | <u>4,302,401</u>     |
| Total liabilities and partners' equity                                                                                                    |  | <u>\$ 13,533,640</u> | <u>\$ 13,758,826</u> |

The accompanying notes are an integral part of these statements

**Simon Property Group, L.P.**  
Condensed Consolidated Statements of Operations

(Dollars in thousands, except per unit amounts)

|                                 | For the Three Months Ended<br>September 30, |                | For the Nine Months Ended September<br>30, |                  |
|---------------------------------|---------------------------------------------|----------------|--------------------------------------------|------------------|
|                                 | 2001                                        | 2000           | 2001                                       | 2000             |
| <b>REVENUE:</b>                 |                                             |                |                                            |                  |
| Minimum rent                    | \$ 309,273                                  | \$ 296,897     | \$ 917,868                                 | \$ 881,792       |
| Overage rent                    | 8,564                                       | 9,657          | 25,518                                     | 28,329           |
| Tenant reimbursements           | 144,893                                     | 143,872        | 436,752                                    | 439,726          |
| Other income                    | 33,717                                      | 40,048         | 88,087                                     | 98,542           |
| Total revenue                   | <u>496,447</u>                              | <u>490,474</u> | <u>1,468,225</u>                           | <u>1,448,389</u> |
| <b>EXPENSES:</b>                |                                             |                |                                            |                  |
| Property operating              | 80,417                                      | 77,183         | 240,052                                    | 230,133          |
| Depreciation and amortization   | 110,165                                     | 106,038        | 321,449                                    | 301,789          |
| Real estate taxes               | 45,103                                      | 48,400         | 144,887                                    | 144,739          |
| Repairs and maintenance         | 17,160                                      | 15,839         | 56,005                                     | 51,337           |
| Advertising and promotion       | 13,938                                      | 11,114         | 40,057                                     | 42,038           |
| Provision for credit losses     | 2,346                                       | 3,275          | 7,580                                      | 7,632            |
| Other                           | 12,620                                      | 7,100          | 26,117                                     | 22,075           |
| Total operating expenses        | <u>281,749</u>                              | <u>268,949</u> | <u>836,147</u>                             | <u>799,743</u>   |
| OPERATING INCOME                | 214,698                                     | 221,525        | 632,078                                    | 648,646          |
| INTEREST EXPENSE                | <u>149,030</u>                              | <u>161,049</u> | <u>456,924</u>                             | <u>475,563</u>   |
| INCOME BEFORE MINORITY INTEREST | 65,668                                      | 60,476         | 175,154                                    | 173,083          |
| MINORITY INTEREST               | (2,486)                                     | (2,659)        | (7,839)                                    | (7,446)          |

|                                                                                                                     |           |           |            |            |
|---------------------------------------------------------------------------------------------------------------------|-----------|-----------|------------|------------|
| GAIN (LOSS) ON SALES OF ASSETS, NET OF ASSET WRITE DOWNS OF \$0, \$0, \$0, AND \$10,572, RESPECTIVELY               | (131)     | 151       | 2,552      | 8,809      |
| INCOME BEFORE UNCONSOLIDATED ENTITIES                                                                               | 63,051    | 57,968    | 169,867    | 174,446    |
| INCOME FROM UNCONSOLIDATED ENTITIES                                                                                 | 6,833     | 20,400    | 32,544     | 53,613     |
| INCOME BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE                                        | 69,884    | 78,368    | 202,411    | 228,059    |
| EXTRAORDINARY ITEMS - DEBT RELATED TRANSACTIONS                                                                     | (220)     | --        | (245)      | (440)      |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE (Note 5)                                                                     | --        | --        | (1,638)    | (12,311)   |
| NET INCOME                                                                                                          | 69,664    | 78,368    | 200,528    | 215,308    |
| PREFERRED UNIT REQUIREMENT                                                                                          | (19,334)  | (19,334)  | (58,111)   | (58,074)   |
| NET INCOME AVAILABLE TO UNITHOLDERS                                                                                 | \$ 50,330 | \$ 59,034 | \$ 142,417 | \$ 157,234 |
| NET INCOME AVAILABLE TO UNITHOLDERS ATTRIBUTABLE TO:                                                                |           |           |            |            |
| General Partners:                                                                                                   |           |           |            |            |
| SPG (Managing General Partner)                                                                                      | \$ 36,488 | \$ 14,346 | \$ 58,741  | \$ 38,398  |
| SPG Properties                                                                                                      | --        | 28,366    | 44,448     | 75,424     |
| Limited Partners                                                                                                    | 13,842    | 16,322    | 39,228     | 43,412     |
| Net income                                                                                                          | \$ 50,330 | \$ 59,034 | \$ 142,417 | \$ 157,234 |
| BASIC AND DILUTED EARNINGS PER UNIT:                                                                                |           |           |            |            |
| Income before extraordinary items and cumulative effect of accounting change                                        | \$ 0.21   | \$ 0.25   | \$ 0.61    | \$ 0.71    |
| Net income                                                                                                          | \$ 0.21   | \$ 0.25   | \$ 0.60    | \$ 0.66    |
| Net Income                                                                                                          | \$ 69,664 | \$ 78,368 | \$ 200,528 | \$ 215,308 |
| Cumulative effect of accounting change                                                                              | --        | --        | (1,995)    | --         |
| Unrealized loss on interest rate hedge agreements                                                                   | (4,978)   | --        | (11,071)   | --         |
| Net losses on derivative instruments reclassified from accumulated other comprehensive income into interest expense | 1,183     | --        | 2,846      | --         |
| Other                                                                                                               | (44)      | --        | (44)       | --         |
| Unrealized gain on investment                                                                                       | 1,980     | 1,342     | --         | 8,098      |
| Comprehensive Income                                                                                                | \$ 67,805 | \$ 79,710 | \$ 190,264 | \$ 223,406 |

The accompanying notes are an integral part of these statements.

**Simon Property Group, L.P.**  
Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)

|                                                                                     | For the Nine Months Ended<br>September 30, |            |
|-------------------------------------------------------------------------------------|--------------------------------------------|------------|
|                                                                                     | 2001                                       | 2000       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                        |                                            |            |
| Net income                                                                          | \$ 200,528                                 | \$ 215,308 |
| Adjustments to reconcile net income to net cash provided by operating activities—   |                                            |            |
| Depreciation and amortization                                                       | 326,962                                    | 309,388    |
| Extraordinary items                                                                 | 245                                        | 440        |
| Gain on sales of assets, net of asset write downs of \$0 and \$10,572, respectively | (2,552)                                    | (8,809)    |
| Cumulative effect of accounting change                                              | 1,638                                      | 12,311     |
| Straight-line rent                                                                  | (7,175)                                    | (12,045)   |
| Minority interest                                                                   | 7,839                                      | 7,446      |
| Equity in income of unconsolidated entities                                         | (32,544)                                   | (53,613)   |
| Changes in assets and liabilities—                                                  |                                            |            |
| Tenant receivables and accrued revenue                                              | 45,105                                     | 54,751     |
| Deferred costs and other assets                                                     | (32,329)                                   | (8,214)    |
| Accounts payable, accrued expenses and other liabilities                            | (41,790)                                   | (95,687)   |
| Net cash provided by operating activities                                           | 465,927                                    | 421,276    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                        |                                            |            |
| Capital expenditures                                                                | (216,786)                                  | (300,936)  |
| Cash from consolidation of ASP                                                      | 8,156                                      | --         |
| Net proceeds from sale of assets and investment                                     | 19,550                                     | 164,282    |
| Investments in unconsolidated entities                                              | (119,728)                                  | (105,751)  |
| Distributions from unconsolidated entities                                          | 145,325                                    | 233,276    |

|                                                                           |                    |                    |
|---------------------------------------------------------------------------|--------------------|--------------------|
| Investment in and advances (to)/from the Management Company and affiliate | 1,606              | (5,784)            |
| Loan to the SRC Operating Partnership                                     | 5,597              | (14,650)           |
| Net cash used in investing activities                                     | <u>(156,280)</u>   | <u>(29,563)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                              |                    |                    |
| Partnership contributions                                                 | 7,171              | 387                |
| Purchase of treasury units and limited partner units                      | --                 | (50,828)           |
| Partnership distributions                                                 | (424,264)          | (400,368)          |
| Minority interest distributions, net                                      | (10,129)           | (13,287)           |
| Mortgage and other note proceeds, net of transaction costs                | 1,452,241          | 1,341,735          |
| Mortgage and other note principal payments                                | <u>(1,394,516)</u> | <u>(1,318,771)</u> |
| Net cash used in financing activities                                     | <u>(369,497)</u>   | <u>(441,132)</u>   |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                              | <b>(59,850)</b>    | <b>(49,419)</b>    |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                     | <b>209,755</b>     | <b>153,743</b>     |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                           | <b>\$ 149,905</b>  | <b>\$ 104,324</b>  |

*The accompanying notes are an integral part of these statements*

## SIMON PROPERTY GROUP, L.P.

### Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except per unit amounts and where indicated as in billions)

#### Note 1 – Organization

Simon Property Group, L.P. (the “SPG Operating Partnership”), a Delaware limited partnership, is a majority owned subsidiary of Simon Property Group, Inc. (“SPG”), a Delaware corporation. SPG is a self-administered and self-managed real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). Each share of common stock of SPG is paired (“Paired Shares”) with a beneficial interest in 1/100<sup>th</sup> of a share of common stock of SPG Realty Consultants, Inc., also a Delaware corporation (“SRC” and together with SPG, the “Companies”). Units of ownership interest (“Units”) in the SPG Operating Partnership are paired (“Paired Units”) with a Unit in SPG Realty Consultants, L.P. (the “SRC Operating Partnership” and together with the SPG Operating Partnership, the “Operating Partnerships”). The SRC Operating Partnership is the primary subsidiary of SRC.

The SPG 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 September 30, 2001, the SPG Operating Partnership owned or held an interest in 249 income-producing properties, which consisted of 163 regional malls, 72 community shopping centers, five specialty retail centers, four office and mixed-use properties and five value-oriented super-regional malls in 36 states (the “Properties”). In addition, the SPG Operating Partnership owned an interest in six additional retail real estate properties operating in Europe and Canada. The SPG Operating Partnership also owned an interest in one property currently under construction and 11 parcels of land held for future development, which together with the Properties are hereafter referred to as the “Portfolio Properties”. The SPG Operating Partnership also holds substantially all of the economic interest in M.S. Management Associates, Inc. (the “Management Company”). Effective January 1, 2001, the Management Company elected to become a taxable REIT subsidiary (“TRS”). Effective March 31, 2001, the SPG Operating Partnership purchased clixnmortar.com, a technology venture of the Companies, from the SRC Operating Partnership at its carrying value utilizing the inter-company note. The SPG Operating Partnership subsequently contributed clixnmortar.com to the Management Company in exchange for preferred stock of the Management Company.

Simon Brand Ventures, LLC (“SBV”) and Simon Business Network (“SBN”) continue to expand upon certain mall operations and marketing initiatives to take advantage of the SPG Operating Partnership’s size and tenant relationships, primarily through strategic corporate alliances. SBV is focused on leveraging the SPG Operating Partnership’s 100 million unique shoppers and their 2 billion annual shopping visits to contribute to the SPG Operating Partnership’s second-curve revenue strategy. The SBV concept and initiatives were started in 1997 to create a new medium for connecting consumers with retailers and sponsors by developing a combination of shopping, entertainment and community. SBN is focused on leveraging the SPG Operating Partnership’s assets to create new businesses, which will drive greater value to its Portfolio Properties, retailers and other developers and generate new sources of revenue for the SPG Operating Partnership. SBN’s strategy is to provide a competitively valued, broad-based offering of products and services via a unique and dominant marketplace and service network focused on the real estate industry and their tenants. SBV has also entered into cost sharing arrangements with the Management Company similar to those of the SPG Operating Partnership. Effective January 1, 2001, the SPG Operating Partnership purchased SBV from SRC at approximately its carrying value utilizing the intercompany note.

On April 1, 2001, the SPG Operating Partnership became the managing general partner of SPG Administrative Services Partnership L.P. (“ASP”). In addition, the SPG Operating Partnership acquired an additional 24% partnership interest in ASP from the Management Company. As a result, the SPG Operating Partnership gained control of ASP consistent with the SPG Operating Partnership’s consolidation principles. ASP was previously consolidated as part of the Management Company. The change in control and consolidation of ASP will not have a material impact on the results of operations of the SPG Operating Partnership and the other aspects of the transaction were not material. ASP was organized to provide for the allocation of the salaries and other costs associated with employees who perform services for the Management Company and its affiliates as well as multiple entities controlled by the SPG Operating Partnership.

In order to simplify the organizational structure of Simon Group’s investment in European Retail Enterprises, B.V. (“ERE”), the Management Company transferred its ownership interest in ERE to the SPG Operating Partnership at its carrying value in exchange for a reduction in the note receivable from the Management Company.

#### Note 2 - Basis of Presentation

The accompanying 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 necessary for fair presentation, consisting of only normal recurring adjustments, have been included. The results for the interim period ended September 30, 2001 are not necessarily indicative of the results to be obtained for the full fiscal year. These unaudited financial statements have been prepared in accordance with the accounting policies described in the SPG Operating Partnership's annual report on Form 10-K for the year ended December 31, 2000, except for the change in accounting policy discussed in Note 5, and should be read in conjunction therewith.

The accompanying condensed consolidated financial statements of the SPG Operating Partnership include all accounts of all entities owned or controlled by the SPG Operating Partnership. All significant intercompany amounts have been eliminated.

Net operating results of the SPG Operating Partnership are allocated after preferred distributions, based on its partners' weighted average ownership interests during the period. SPG's weighted average direct and indirect ownership interest in the SPG Operating Partnership for the nine-month periods ended September 30, 2001 and September 30, 2000 was 72.5% and 72.4%, respectively.

Certain reclassifications of prior period amounts have been made in the financial statements to conform to the 2001 presentation. These reclassifications have no impact on the net operating results previously reported.

### Note 3 - Per Unit Data

Basic earnings per Unit is based on the weighted average number of Units outstanding during the period and diluted earnings per Unit is based on the weighted average number of Units combined with the incremental weighted average Units that would have been outstanding if all dilutive potential Units would have been converted into Units at the earliest date possible. The following table sets forth the computation for the SPG Operating Partnership's basic and diluted earnings per Unit.

|                                                                                                                        | For the Three Months Ended September 30, |                    | For the Nine Months Ended September 30, |                    |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------------|-----------------------------------------|--------------------|
|                                                                                                                        | 2001                                     | 2000               | 2001                                    | 2000               |
| Income before extraordinary items and cumulative effect of accounting change, and after the preferred Unit requirement | \$ 50,550                                | \$ 59,034          | \$ 144,300                              | \$ 169,985         |
| Extraordinary items                                                                                                    | (220)                                    | --                 | (245)                                   | (440)              |
| Cumulative effect of accounting change                                                                                 | --                                       | --                 | (1,638)                                 | (12,311)           |
| Net Income available to Unitholders                                                                                    | <u>\$ 50,330</u>                         | <u>\$ 59,034</u>   | <u>\$ 142,417</u>                       | <u>\$ 157,234</u>  |
| Weighted Average Units Outstanding – Basic                                                                             | 235,964,645                              | 236,491,268        | 235,650,507                             | 236,973,511        |
| Effect of stock options                                                                                                | 285,158                                  | 102,704            | 331,085                                 | 96,441             |
| Weighted Average Units Outstanding - Diluted                                                                           | <u>236,249,803</u>                       | <u>236,593,972</u> | <u>235,981,592</u>                      | <u>237,069,952</u> |

|                                                                                                                        | For the Three Months Ended September 30, |                | For the Nine Months Ended September 30, |                |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------|-----------------------------------------|----------------|
|                                                                                                                        | 2001                                     | 2000           | 2001                                    | 2000           |
| Basic and Diluted Per Unit:                                                                                            |                                          |                |                                         |                |
| Income before extraordinary items and cumulative effect of accounting change, and after the preferred Unit requirement | \$ 0.21                                  | \$ 0.25        | \$ 0.61                                 | \$ 0.71        |
| Extraordinary items                                                                                                    | --                                       | --             | --                                      | --             |
| Cumulative effect of accounting change                                                                                 | --                                       | --             | (0.01)                                  | (0.05)         |
| Net Income available to Unitholders                                                                                    | <u>\$ 0.21</u>                           | <u>\$ 0.25</u> | <u>\$ 0.60</u>                          | <u>\$ 0.66</u> |

Preferred Units issued and outstanding during the comparative periods did not have a dilutive effect on earnings per Unit. Paired Units held by limited partners in the Operating Partnerships may be exchanged for Paired Shares, on a one-for-one basis in certain circumstances. If exchanged, the Paired Units would not have a dilutive effect.

### Note 4 - Cash Flow Information

Cash paid for interest, net of amounts capitalized, during the nine months ended September 30, 2001 was \$450,884 as compared to \$480,802 for the same period in 2000. See Notes 1 and 8 for information about non-cash transactions during the nine months ended September 30, 2001.

### Note 5 - Cumulative Effect of Accounting Change

On January 1, 2001 the SPG Operating Partnership adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities," as amended in June of 2000 by SFAS 138, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and requires the SPG Operating Partnership to record on the balance sheet all derivative instruments at fair value and to recognize certain non-cash changes in these fair values either in the income statement or other comprehensive income, as appropriate under SFAS 133. SFAS 133 currently impacts the accounting for the SPG Operating Partnership's interest rate and foreign currency rate risk protection agreements.

On adoption of SFAS 133, the SPG Operating Partnership recorded the difference between the fair value of the derivative instruments and the previous carrying amount of those derivatives on its condensed consolidated balance sheets in net income or other comprehensive income, as appropriate, as

the cumulative effect of a change in accounting principle in accordance with APB 20 "Accounting Changes." On adoption, the SPG Operating Partnership's net fair value of derivatives was (\$2.0) million, of which \$3.1 million was recorded in other liabilities and \$1.1 million was recorded in other assets. In addition, \$2.0 million of unrecognized loss was recorded in other comprehensive income as a cumulative effect of accounting change and an expense of \$1.6 million was recorded as a cumulative effect of accounting change in the statement of operations, which includes the SPG Operating Partnership's \$1.4 million share of joint venture cumulative effect of accounting change. The joint venture cumulative effect of accounting change was recorded in investment in unconsolidated entities. Within the next twelve months, the SPG Operating Partnership expects to reclassify to earnings approximately \$3.6 million of expense of the current balance held in accumulated other comprehensive income.

As of September 30, 2001, the SPG Operating Partnership has recorded derivatives at their fair values of \$0.5 million included in other assets and \$11.1 million included in other liabilities. These derivatives consist of LIBOR and EURIBOR based swaps, caps, collars, and cross-currency investment rate swaps with a total notional amount of \$390.2 million, with maturity dates ranging from December 2001 to January 2005. Joint venture derivatives with a total asset fair value of \$0.2 million consist of interest rate caps and swaps with a total notional amount of \$1,001.4 million, with maturity dates ranging from January 2002 to May 2006. The SPG Operating Partnership's exposure to market risk due to changes in interest rates primarily relates to the SPG Operating Partnership's long-term debt obligations. Through its risk management strategy, the SPG Operating Partnership manages exposure to interest rate market risk by a combination of interest rate protection agreements to effectively fix or cap a portion of variable rate debt, or in the case of a fair value hedge, effectively convert fixed rate debt to variable rate debt and by refinancing fixed rate debt at times when rates and terms are appropriate. The SPG Operating Partnership is also exposed to foreign currency risk on financings of certain foreign operations. To manage foreign currency exchange rate risk as part of its risk management strategy, the SPG Operating Partnership has also entered into a foreign currency forward contract. The SPG Operating Partnership's intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The SPG Operating Partnership does not enter into either interest rate protection or foreign currency rate protection agreements for speculative purposes.

### Accounting Policies for Derivatives

In the normal course of business, the SPG Operating Partnership uses a variety of derivative financial instruments to manage, or hedge, interest rate and foreign currency risk and records all derivatives on the balance sheets at fair value. The SPG Operating Partnership may enter into derivative contracts relating to either wholly owned or joint venture properties. The SPG Operating Partnership requires that hedging derivative instruments are effective in reducing the risk exposure that they are designated to hedge. For derivative instruments associated with the hedge of an anticipated transaction, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. The SPG Operating Partnership may hedge its exposure to the variability in future cash flows for anticipated transactions over a maximum period of 12 months. Any instrument that meets these hedging criteria is formally designated as a hedge at the inception of the derivative contract. When the terms of an underlying transaction are modified resulting in some ineffectiveness, the portion of the change in the derivative fair value related to ineffectiveness from period to period will be included in net income. If any derivative instrument used for risk management does not meet the hedging criteria then it is marked-to-market each period, however, the SPG Operating Partnership intends for all derivative transactions to meet all the hedge criteria and qualify as hedges.

On an ongoing quarterly basis, the SPG Operating Partnership adjusts its balance sheets to reflect current fair market value of its derivatives. Changes in the fair value of derivatives are to be recorded each period in earnings or comprehensive income, depending on whether the derivative is designated and effective as part of a hedged transaction, and on the type of hedge transaction. To the extent that the change in value of a derivative does not perfectly offset the change in value of the instrument being hedged, the ineffective portion of the hedge is immediately recognized in earnings. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified to earnings. This reclassification occurs when the hedged items are also recognized in earnings. Interest rate differentials that arise under interest rate swap contracts are settled periodically based upon the terms of the contract and are recognized in interest expense over the life of the contracts. The SPG Operating Partnership has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors.

To determine the fair values of derivative instruments, the SPG Operating Partnership uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models, and termination cost are used to determine fair value at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

### Note 6 - Investment in Unconsolidated Entities

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

|                                                                  | September 30,<br>2001 | December 31,<br>2000 |
|------------------------------------------------------------------|-----------------------|----------------------|
| <b>BALANCE SHEETS</b>                                            |                       |                      |
| <b>Assets:</b>                                                   |                       |                      |
| Investment properties at cost, net                               | \$ 6,492,997          | \$ 6,563,470         |
| Cash and cash equivalents                                        | 187,942               | 191,687              |
| Tenant receivables                                               | 165,019               | 165,583              |
| Other assets                                                     | 325,421               | 278,294              |
| Total assets                                                     | <u>\$ 7,171,379</u>   | <u>\$ 7,199,034</u>  |
| <b>Liabilities and Partners' Equity:</b>                         |                       |                      |
| Mortgages and other notes payable                                | \$ 5,452,131          | \$ 5,135,488         |
| Accounts payable, accrued expenses and other liabilities         | 368,446               | 348,375              |
| Total liabilities                                                | 5,820,577             | 5,483,863            |
| Partners' equity                                                 | 1,350,802             | 1,715,171            |
| Total liabilities and partners' equity                           | <u>\$ 7,171,379</u>   | <u>\$ 7,199,034</u>  |
| <b>The SPG Operating Partnership's Share of:</b>                 |                       |                      |
| Total assets                                                     | \$ 2,981,753          | \$ 2,924,666         |
| Partners' equity                                                 | \$ 698,916            | \$ 672,593           |
| Add: Excess Investment                                           | 563,190               | 558,675              |
| The SPG Operating Partnership's net Investment in Joint Ventures | <u>\$ 1,262,106</u>   | <u>\$ 1,231,268</u>  |

| STATEMENTS OF OPERATIONS                                                                         | For the Three Months Ended<br>September 30, |            | For The Nine Months Ended September<br>30, |            |
|--------------------------------------------------------------------------------------------------|---------------------------------------------|------------|--------------------------------------------|------------|
|                                                                                                  | 2001                                        | 2000       | 2001                                       | 2000       |
| <b>Revenue:</b>                                                                                  |                                             |            |                                            |            |
| Minimum rent                                                                                     | \$ 200,714                                  | \$ 191,268 | \$ 600,157                                 | \$ 555,719 |
| Overage rent                                                                                     | 5,452                                       | 5,476      | 14,977                                     | 14,504     |
| Tenant reimbursements                                                                            | 93,788                                      | 94,082     | 290,187                                    | 278,192    |
| Other income                                                                                     | 16,137                                      | 20,076     | 43,761                                     | 39,975     |
| Total revenue                                                                                    | 316,091                                     | 310,902    | 949,082                                    | 888,390    |
| <b>Operating Expenses:</b>                                                                       |                                             |            |                                            |            |
| Operating expenses and other                                                                     | 117,989                                     | 112,656    | 357,849                                    | 334,104    |
| Depreciation and amortization                                                                    | 66,942                                      | 62,487     | 194,734                                    | 174,258    |
| Total operating expenses                                                                         | 184,931                                     | 175,143    | 552,583                                    | 508,362    |
| <b>Operating Income</b>                                                                          | 131,160                                     | 135,759    | 396,499                                    | 380,028    |
| <b>Interest Expense</b>                                                                          | 88,874                                      | 91,094     | 275,691                                    | 262,232    |
| <b>Income Before Extraordinary Items and Cumulative Effect<br/>of Accounting Change ("IBEC")</b> | 42,286                                      | 44,665     | 120,808                                    | 117,796    |
| <b>Extraordinary Items</b>                                                                       | (220)                                       | --         | (295)                                      | --         |
| <b>Cumulative Effect of Accounting Change</b>                                                    | --                                          | --         | (2,883)                                    | (3,948)    |
| <b>Net Income</b>                                                                                | \$ 42,066                                   | \$ 44,665  | \$ 117,630                                 | \$ 113,848 |
| <b>Third-Party Investors' Share of IBEC</b>                                                      | 27,602                                      | 25,889     | 77,762                                     | 68,507     |
| <b>The SPG Operating Partnership's Share of IBEC</b>                                             | \$ 14,684                                   | \$ 18,776  | \$ 43,046                                  | \$ 49,289  |
| <b>Amortization of Excess Investment</b>                                                         | 5,101                                       | 5,467      | 16,049                                     | 16,050     |
| <b>Income from Unconsolidated Entities</b>                                                       | \$ 9,583                                    | \$ 13,309  | \$ 26,997                                  | \$ 33,239  |

The SPG Operating Partnership's share of consolidated net income of the Management Company, excluded from the tables above, after intercompany profit eliminations, was \$(2,750) and \$7,091 for the three-month periods ended September 30, 2001 and 2000, respectively, and \$5,547 and \$20,374 for the nine month periods ended September 30, 2001 and 2000, respectively. The SPG Operating Partnership's net investment in the Management Company, excluded from the tables above, was \$55,938 and \$32,936 as of September 30, 2001 and December 31, 2000, respectively.

In addition, the SPG Operating Partnership has guaranteed its pro rata share of a joint venture's lease obligations up to \$55.4 million.

#### Note 7 - Debt

At September 30, 2001, of the SPG Operating Partnership's consolidated debt, \$6,833,415 was fixed-rate and \$1,958,675 was variable-rate. The SPG Operating Partnership's pro rata share of indebtedness of the unconsolidated joint venture Properties as of September 30, 2001 was \$2,281,283.

On January 11, 2001, the SPG Operating Partnership issued \$500.0 million of unsecured debt to institutional investors pursuant to Rule 144A in two tranches. The first tranche is \$300.0 million bearing an interest rate of 7 3/8% due January 20, 2006 and the second tranche is \$200.0 million bearing an interest rate of 7 3/4% due January 20, 2011. The net proceeds of the offering were used to repay the remaining portion of the indebtedness under the CPI Merger Facility due March 24, 2001 and to repay a portion of the CPI Merger Facility due September 24, 2001.

On August 6, 2001, the SPG Operating Partnership retired the third and final tranche of the CPI merger facility totaling \$435.0 million. Funds used to retire this debt were generated primarily from a \$277.0 million financing of four mall properties at a fixed rate of 6.99% and a \$110.0 million financing of one office complex at LIBOR plus 115 basis points.

Subsequent to September 30, 2001, the SPG Operating Partnership completed the sale of \$750.0 million of 6.375% senior unsecured notes due November 15, 2007. Net proceeds from the offering were used to reduce the outstanding balance of the Credit Facility

#### Note 8 - Partners' Equity

On March 26 2001, 474,625 Paired Shares of restricted stock were deemed earned and awarded under The Simon Property Group 1998 Stock Incentive Plan (the "1998 Plan"), adopted by the SPG Operating Partnership and SPG, at a value of \$25.85 per Paired Share. The cost of restricted stock grants is based upon the stock's fair market value at the time such stock is earned, awarded and issued and is charged to partners' equity and subsequently amortized against earnings of the SPG Operating Partnership over the vesting period. In addition, 1,032,583 stock options to purchase Paired Shares were granted on the same day under the 1998 Plan.

On May 22, 2001, 1,220 units of the SPG Operating Partnership's Series A Convertible Preferred Units were converted into 46,355 Units. In addition, another 442 Units were issued to the holders of the convertible units in lieu of the cash dividends allocable to those preferred units.

As of September 30, 2001, \$10.3 million of accumulated other comprehensive income is included in Partners' Equity, of which \$7.5 million is included in General Partners' equity and \$2.8 million is included in Limited Partners' equity. Accumulated other comprehensive income consists of unrealized losses on derivative instruments. There was no accumulated other comprehensive income as of December 31, 2000.

Effective July 1, 2001, SPG Properties, Inc. merged with and into SPG. On January 27, 2000, SD Property Group, Inc. merged with and into SPG Properties, Inc.

#### Note 9 - Commitments and Contingencies

##### Litigation

*Triple Five of Minnesota, Inc., a Minnesota corporation, v. Melvin Simon, et. al.* On or about November 9, 1999, Triple Five of Minnesota, Inc. (“Triple Five”) commenced an action in the District Court for the State of Minnesota, Fourth Judicial District, against, among others, Mall of America, certain members of the Simon family and entities allegedly controlled by such individuals, and the SPG Operating Partnership. Two transactions form the basis of the complaint: (i) the sale by Teachers Insurance and Annuity Association of America of one-half of its partnership interest in Mall of America Company and Minntertainment Company to the SPG Operating Partnership and related entities (the “Teachers Sale”); and (ii) a financing transaction involving a loan in the amount of \$312,000 obtained from The Chase Manhattan Bank (“Chase”) that is secured by a mortgage placed on Mall of America’s assets (the “Chase Mortgage”).

The complaint, which contains twelve counts, seeks remedies of damages, rescission, constructive trust, accounting, and specific performance. Although the complaint names all defendants in several counts, the SPG Operating Partnership is specifically identified as a defendant in connection with the Teachers Sale. The litigation is currently in the discovery stage.

The SPG Operating Partnership believes that the Triple Five litigation is without merit and intends to defend the action vigorously. Simon Group believes that the Triple Five litigation will not have a material adverse effect on the SPG Operating Partnership. Given the early stage of the litigation it is not possible to provide an assurance of the ultimate outcome of the litigation or an estimate of the amount or range of potential loss, if any.

*Carlo Angostinelli et al. v. DeBartolo Realty Corp. et al.* 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 SD Property Group, Inc., an indirect 99%-owned subsidiary of SPG, and DeBartolo Properties Management, Inc., a subsidiary of the Management Company, and the plaintiffs are 27 former employees of the defendants. In the complaint, the plaintiffs alleged that they were recipients of deferred stock grants under the DeBartolo Realty Corporation (“DRC”) Stock Incentive Plan (the “DRC Plan”) and that these grants immediately vested under the DRC Plan’s “change in control” provision as a result of the DRC Merger. Plaintiffs asserted that the defendants’ refusal to issue them approximately 542,000 shares of DRC common stock, which is equivalent to approximately 370,000 Paired Shares computed at the 0.68 exchange ratio used in the DRC Merger, constituted a breach of contract and a breach of the implied covenant of good faith and fair dealing under Ohio law. Plaintiffs sought 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 DRC 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 plaintiffs and the defendants each filed motions for summary judgment. On October 31, 1997, the Court of Common Pleas entered a judgment in favor of the defendants granting their motion for summary judgment. The plaintiffs appealed this judgment to the Seventh District Court of Appeals in Ohio. On August 18, 1999, the District Court of Appeals reversed the summary judgment order in favor of the defendants entered by the Common Pleas Court and granted plaintiffs’ cross motion for summary judgment, remanding the matter to the Common Pleas Court for the determination of plaintiffs’ damages. The defendants petitioned the Ohio Supreme Court asking that they exercise their discretion to review and reverse the Appellate Court decision, but the Ohio Supreme Court did not grant the petition for review. The case was remanded to the Court of Common Pleas of Mahoning County, Ohio, to conduct discovery relevant to each plaintiff’s damages and the counterclaims asserted by the SPG Operating Partnership. The Trial Court referred these matters to a Magistrate. Plaintiffs filed a Supplemental Motion for Summary Judgment on the question of damages. The Magistrate ruled on the counterclaims and found in Defendants’ favor on one of them. On December 27, 2000, the Trial Court rendered judgment for the plaintiffs in the combined total amount of approximately \$12,000, which includes a set-off of approximately \$2,000 with impact to two of the plaintiffs. Defendants have appealed this judgment and plaintiffs have cross-appealed. The judgment has accrued interest at 10% per annum from and after December 27, 2000. Those appeals are pending before the District Court of Appeals and there can be no execution upon the judgment while the appeals are pending. The SPG Operating Partnership recorded a \$12,000 loss in the third quarter of 1999 related to this litigation as an unusual item.

*Roel Vento et al v. Tom Taylor et al.* An affiliate of the SPG Operating Partnership is a defendant in litigation entitled Roel Vento et al v. Tom Taylor et al., in the District Court of Cameron County, Texas, in which a judgment in the amount of \$7,800 was entered against all defendants. This judgment includes approximately \$6,500 of punitive damages and is based upon a jury’s findings on four separate theories of liability including fraud, intentional infliction of emotional distress, tortious interference with contract and civil conspiracy arising out of the sale of a business operating under a temporary license agreement at Valle Vista Mall in Harlingen, Texas. The SPG Operating Partnership appealed the verdict and on May 6, 1999, the Thirteenth Judicial District (Corpus Christi) of the Texas Court of Appeals issued an opinion reducing the trial court verdict to \$3,364 plus interest. The SPG Operating Partnership filed a petition for a writ of certiorari to the Texas Supreme Court requesting that they review and reverse the determination of the Appellate Court. The Texas Supreme Court granted certiorari and on April 26, 2001 rendered a unanimous 9-0 opinion against the Plaintiffs and ordered that they take nothing from the SPG Operating Partnership defendants. Plaintiffs subsequently filed a motion for reconsideration with the Texas Supreme Court which was denied. Accordingly, this litigation has concluded and the SPG Operating Partnership has no liability to plaintiffs.

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

#### **Note 10 - Real Estate Disposals and Other**

During the first nine months of 2001, the SPG Operating Partnership sold its ownership interest in one regional mall, one community center, and one office building for a combined gross sales price of \$20.3 million. These sales resulted in a net combined gain of \$2.6 million.

On December 28, 2000, Montgomery Ward LLC and certain of its related entities (“Ward”) filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On March 1 2001, a limited liability company, Kimsward LLC (“Kimsward”), was formed to designate persons or entities to whom the Ward real estate assets will be sold. These transactions are subject to Bankruptcy Court approval. The Management Company’s interest in Kimsward is 18.5% and its remaining investment in Kimsward was \$1.4 million as of September 30, 2001. During the first nine months of 2001 the Management Company recorded \$16.5 million of equity in income from Kimsward. During the first nine months, the SPG Operating Partnership charged the Management Company a \$5.7 million fee for services rendered to the Management Company in connection with the Kimsward transactions, which is included in other income in the accompanying condensed consolidated statements of operations.

During the third quarter, the SPG Operating Partnership wrote-off its investment in clixmortar and miscellaneous technology investments resulting in a decrease in results from operations of \$16.6 million, of which \$2.7 million is included in other expenses and \$13.9 million, net, is included in income from unconsolidated entities.

#### **Note 11 – New Accounting Pronouncements**



On July 20, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. SFAS 141 is effective for the SPG Operating Partnership for any business combination accounted for under the purchase method that is completed after June 30, 2001. SFAS No. 142 requires that goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives but with no maximum life. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired by the SPG Operating Partnership after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the SPG Operating Partnership is required to adopt SFAS 142 on January 1, 2002 at which time amortization of the remaining book value of goodwill will cease and the new impairment-only approach will apply and may not be applied retroactively. Excluding the impact of impairment, if any, the impact of SFAS 142 will be to eliminate the amortization of goodwill thereby increasing the SPG Operating Partnership's net income by approximately \$1.2 million annually.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" that supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." In addition, SFAS No. 144 supersedes the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business. SFAS No. 144 is a broad statement that provides framework for the evaluation of impairment of long-lived assets, the treatment for assets held for sale or to be otherwise disposed of, and the reporting of discontinued operations. The effective date for adoption of SFAS No. 144 is January 1, 2002. The SPG Operating Partnership is currently evaluating the impact of SFAS No. 144.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion in conjunction with the financial statements and notes thereto that are included in this Form 10-Q. Certain statements made in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and it is possible that our actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Those risks and uncertainties include, but are not limited to, the national, regional and local economic climate, competitive market forces, changes in market rental rates, trends in the retail industry, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, and changes in market rates of interest. We undertake no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

### **Overview**

Who we are - Simon Property Group, L.P. (the "SPG Operating Partnership"), a Delaware limited partnership, is a majority owned subsidiary of Simon Property Group Inc. ("SPG"), a Delaware corporation. SPG is a self-administered and self-managed real estate investment trust ("REIT"). Each share of common stock of SPG is paired with a beneficial interest in 1/100<sup>th</sup> of a share of common stock of SPG Realty Consultants, Inc., also a Delaware corporation ("SRC" and together with SPG, the "Companies"). Units of partnership interests ("Units") in the SPG Operating Partnership are paired with a Unit in SPG Realty Consultants, L.P. (the "SRC Operating Partnership"). The SRC Operating Partnership is the primary subsidiary of SRC. In this report, the terms "we", "us" and "our" refer to the SPG Operating Partnership and its subsidiaries.

The following Property acquisitions and openings impacted our consolidated results of operations in the comparative periods. We opened Orlando Premium Outlots in May 2000, Arundel Mills in November 2000, and Montreal Forum in May 2001. In addition, we sold interests in several Properties throughout the comparative periods (collectively with the acquisitions and openings, the "Property Transactions"). See "Liquidity and Capital Resources" and Note 10 to the financial statements for additional information about acquisitions, openings and disposals during the comparative period.

### **Results of Operations**

#### *Three Months Ended September 30, 2001 vs. Three Months Ended September 30, 2000*

Operating income decreased \$6.8 million or 3.1% in 2001 as compared to 2000. This decrease included a \$11.9 million increase in minimum rents, excluding our Simon Brand Venture ("SBV") and Simon Business Network ("SBN") initiatives, and a \$0.8 million increase in miscellaneous income. These increases were offset by a \$4.7 million increase in depreciation and amortization, a \$3.4 million decrease in net tenant reimbursements, a \$2.6 million decrease in consolidated revenues realized from our SBV and SBN initiatives, a \$1.1 million decrease in average rents, and a \$5.9 million increase in other expenses. The increase in minimum rent primarily results from increased occupancy levels and the replacement of expiring tenant leases with renewal leases at higher minimum base rents. The decrease in net tenant reimbursements is primarily the result of true-up billings and lower spending levels on recoverable expenditures. The increase in other expenses is the result of a non-recurring \$3.0 million write-down of an investment and \$2.7 million due to the write-off of miscellaneous technology investments. The impact of Property Transactions is an decrease in operating income of \$0.7 million for the comparative periods.

Income from unconsolidated entities decreased \$13.6 million in 2001, resulting from a \$3.7 million decrease in income from unconsolidated partnerships and joint ventures and a \$9.8 million decrease in income from the Management Company. The decrease in joint venture income is primarily related to our pro rata share of the increased losses in the technology start up activities of MerchantWired, LLC of \$5.1 million, partially offset by lower interest rates and the full period impact of two properties which opened in 2000. Included in income from the Management Company is \$6.0 million of income from the Kimsward transaction, offset by our net \$13.9 million share of the write-off of technology investments, primarily clixnmortar, and a decrease in fee revenues.

Interest expense during the three months ended September 30, 2001 decreased \$12.0 million, or 7.5% compared to the same period in 2000. This decrease is primarily due to lower interest rates during 2001 and reductions in the corporate credit facilities offset by the issuance of \$500.0 million of unsecured notes on January 11, 2001.

Net income was \$69.7 million for the three months ended September 30, 2001, which reflects a \$8.7 million or 11.1% decrease compared to the same period in 2000, primarily for the reasons discussed above. Net income was allocated to the partners of the SPG Operating Partnership based on their preferred Unit preferences and weighted average ownership interests in the SPG Operating Partnerships during the period.

Preferred distributions of the SPG Operating Partnership represent distributions on preferred Units.

Operating income decreased \$16.6 million or 2.6% in 2001 as compared to 2000. This decrease included a \$35.8 million increase in minimum rents, excluding our SBV and SBN initiatives, a \$8.7 million increase in consolidated revenues realized from our SBV and SBN initiatives. These increases were offset by a \$22.1 million increase in depreciation and amortization, a \$18.2 million decrease in net tenant reimbursements, a \$6.9 million decrease in outlot land sales, a \$2.7 million decrease in overage rents, a \$0.8 million decrease in miscellaneous income, and a \$4.5 million increase in other expenses. The increase in minimum rent primarily results from increased occupancy levels and the replacement of expiring tenant leases with renewal leases at higher minimum base rents. The increase in SBV and SBN initiative revenues includes \$5.6 million from a contract termination payment. The increase in depreciation and amortization is primarily due to an increase in depreciable real estate realized through renovation and expansion activities. The decrease in net tenant reimbursements is primarily the result of true-up billings and lower spending levels on recoverable expenditures. The decrease in miscellaneous income includes \$5.7 million in fees associated with the Kimsward transaction offset by a decrease in various miscellaneous income items in the prior year. The increase in other expenses is the result of a non-recurring \$3.0 million write-down of an investment and \$2.7 million due to the write-off of miscellaneous technology investments partially offset by decreases in various other expenses. The impact of Property Transactions is a decrease in operating income of \$3.9 million for the comparative period.

Income from unconsolidated entities decreased \$21.1 million in 2001, resulting from a \$14.8 million decrease in income from the Management Company and a \$6.3 million decrease in income from unconsolidated partnerships and joint ventures. Included in the Management Company decrease is our net \$13.9 million share of the write-off of technology investments, primarily clixnmortar, as well as a decrease in fee revenues. These amounts are partially offset by \$10.0 million of income from Kimsward, LLC, net of fees charged by SPG, L.P. The decrease in joint venture income is primarily related to our pro rata share of the increased losses in the technology start up activities of MerchantWired, LLC of \$11.3 million, partially offset by lower interest rates and the full year impact of opening two properties in 2000.

Interest expense during the first nine months of 2001 decreased \$18.6 million, or 3.9% compared to the same period in 2000. This decrease is primarily due to lower interest rates during 2001 and reductions in the corporate credit facilities offset by the issuance of \$500.0 million of unsecured notes on January 11, 2001.

During the first quarter of 2001 we recorded a \$1.6 million expense as a cumulative effect of an accounting change, which includes our \$1.4 million share from unconsolidated entities, due to the adoption of SFAS 133 "Accounting for Derivative Instruments and Hedging Activities," as amended. See Note 5 of the Notes to Unaudited Condensed Financial Statements included in Item 1 of this Form 10-Q for a discussion of the cumulative effect of accounting change. During the first quarter of 2000 we recorded a \$12.3 million expense as a cumulative effect of an accounting change, which includes our \$1.8 million share from unconsolidated entities, due to the adoption of Staff Accounting Bulletin No. 101, which addressed certain revenue recognition policies, including the accounting for overage rent by a landlord.

The \$2.6 million net gain on the sales of assets in 2001 results from the sale of our interests in one regional mall, one community center, and an office building for a gross sales price of approximately \$20.3 million. In 2000, we recognized a net gain of \$8.8 million on the sale of two regional malls, four community centers, and one office building, partially offset by a \$10.6 million asset write-down on two Properties.

Net income was \$200.5 million for the nine months ended September 30, 2001, which reflects a \$14.8 million or 6.9% decrease compared to the same period in 2000, primarily for the reasons discussed above. Net income was allocated to the partners of the SPG Operating Partnership based on their preferred Unit preferences and weighted average ownership interests in the SPG Operating Partnerships during the period.

Preferred distributions of the SPG Operating Partnership represent distributions on preferred Units.

### **Liquidity and Capital Resources**

As of September 30, 2001, our balance of unrestricted cash and cash equivalents was \$149.9 million, including \$44.8 million related to our gift certificate program, which we do not consider available for general working capital purposes. We have a \$1.25 billion unsecured revolving credit facility (the "Credit Facility") which had available credit of \$522.5 million as of September 30, 2001. The Credit Facility bears interest at LIBOR plus 65 basis points and has an initial maturity of August 2002, with an additional one-year extension available at our option. SPG and the SPG Operating Partnership also have access to public equity and debt markets. Our current corporate bond ratings are Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's.

We anticipate that cash generated from operating performance will provide the funds we need on a short- and long-term basis for operating expenses, interest expense on outstanding indebtedness, recurring capital expenditures, and distributions to Unitholders so that SPG can comply with REIT requirements. Sources of capital for nonrecurring capital expenditures, such as major building renovations and expansions, as well as for scheduled principal payments, including balloon payments, on outstanding indebtedness are expected to be obtained from:

- excess cash generated from operating performance
- working capital reserves
- additional debt financing and
- additional equity raised in the public markets.

### **Financing and Debt**

At September 30, 2001, we had consolidated debt of \$8.8 billion, of which \$6.8 billion was fixed-rate debt bearing interest at a weighted average rate of 7.3% and \$2.0 billion was variable-rate debt bearing interest at a weighted average rate of 3.9%. As of September 30, 2001, we had interest rate protection agreements related to consolidated variable-rate debt with a total carrying amount of \$390.2 million. Our interest rate protection agreements did not materially impact interest expense or weighted average borrowing rates for the nine months ended September 30, 2001 or 2000.

Our share of total scheduled principal payments of mortgage and other indebtedness, including unconsolidated joint venture indebtedness over the next five years is \$6.0 billion, with \$4.9 billion thereafter. We, together with SPG and the SRC Operating Partnership, have a combined ratio of consolidated debt-to-market capitalization was 54.5% and 57.0% at September 30, 2001 and December 31, 2000, respectively.

On August 6, 2001, we retired the third and final tranche of the CPI merger facility totaling \$435.0 million. We generated the funds used to retire this debt primarily from our \$277.0 million financing of four mall properties at fixed rate of 6.99%, our \$110.0 million financing of one office complex at LIBOR plus 115 basis points, and excess cash flow

Subsequent to September 30, 2001, we completed the sale of \$750.0 million of 6.375% senior unsecured notes due November 15, 2007. Net proceeds from the offering were initially used to reduce the outstanding balance of the Credit Facility. Ultimately, we plan to retire mortgage indebtedness on six wholly-owned properties and to retire \$250.0 million of 9% bonds that mature in early 2002.

See Note 7 of the Notes to Unaudited Condensed Financial Statements included in Item 1 of this Form 10-Q for a discussion of the unsecured debt issued on January 11, 2001.

#### *Acquisitions and Disposals*

Subsequent to September 30, 2001, we purchased a 50% interest in Fashion Valley Mall located in San Diego, California for a purchase price of \$165.0 million which includes our share of a \$200.0 million, seven year mortgage at a fixed rate of 6.5% issued by the partnership owning the property concurrent with the acquisition. We will also assume management responsibilities for this 1.7 million square foot open-air, super-regional mall.

We continue to review and evaluate a limited number of acquisition opportunities and will continue our focus on acquiring highly productive, market dominant malls. We believe that acquisition activity in the near term will be a less significant component of our growth strategy and amounts available under the Credit Facility, together with the ability to issue Units, provide adequate means to finance certain acquisitions. We cannot assure you that we 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.

#### *Dispositions*

During the first nine months of 2001, we sold our interests in one regional mall, one community center, and one office building for a combined gross sales price of \$20.3 million, resulting in a net combined gain of \$2.6 million. The net proceeds of approximately \$19.6 million were used for general working capital purposes.

In addition to the Property sales described above, as a continuing part of our long-term strategic plan, we continue to pursue the sale of our remaining non-retail holdings and a number of retail assets that are no longer aligned with our strategic criteria, including four Properties currently under contract for sale. We expect the sale prices of our non-core assets, if sold, will not differ materially from the carrying value of the related assets.

#### *Development Activity*

*New Developments.* Development activities are an ongoing part of our business. During 2000, we opened two new Properties aggregating approximately 1.7 million square feet of GLA. In total, we invested approximately \$179.6 million on new developments in 2000. With fewer new developments currently under construction, we expect 2001 development costs to be approximately \$65.6 million.

*Strategic Expansions and Renovations.* One of our key objectives is to increase the profitability and market share of the Properties through the completion of strategic renovations and expansions. During 2000, we invested approximately \$201.6 million on redevelopment projects and completed five major redevelopment projects, which added approximately 1.2 million square feet of GLA to the Portfolio. We have a number of renovation and/or expansion projects currently under construction, or in preconstruction development and expect to invest approximately \$129.0 million on redevelopment in 2001.

*International Expansion.* The SPG Operating Partnership has a 32.3% ownership interest in European Retail Enterprises, B.V. ("ERE"), which is accounted for using the equity method of accounting. Prior to January 2001, the Management Company had a 29% ownership interest in Groupe BEG, S.A. ("BEG") which was accounted for using the equity method of accounting. In January 2001, BEG merged with ERE and became a wholly-owned subsidiary of ERE. During the third quarter of 2001 the Management Company transferred its interest in ERE to the SPG Operating Partnership through the intercompany note to simplify the organizational structure. BEG and ERE are fully integrated European retail real estate developers, lessors and managers. Our current total cash investment in ERE and BEG, including subordinated debt, is approximately \$69.9 million. The current estimated additional commitment, including subordinated debt, is approximately \$34.7 million. However, since our future commitments are subject to certain performance and other criteria, including our approval of development projects, these additional commitments may vary. The agreements with BEG and ERE are structured to allow us to acquire an additional 29.4% ownership interest over time. As of September 30, 2001, BEG and ERE had three Properties open in Poland and two in France.

*Technology Initiatives.* We continue our technology initiatives through two investments including MerchantWired LLC, and Constellation Real Technologies including its investment in FacilityPro.com as described in our annual report. The SPG Operating Partnership owns an approximately 53% indirect noncontrolling interest in MerchantWired LLC and accounts for it using the equity method of accounting. MerchantWired LLC is currently considering discussions with third parties, primarily telecommunications companies, to act as further partners in the venture. The future operations of MerchantWired LLC may be impacted by the outcome of these discussions.

These activities may generate losses in the initial years of operation, while programs are being developed and customer bases are being established. The investments have a total carrying amount of approximately \$33.5 million as of September 30, 2001. We expect to continue to invest in these programs over the next two years and together with the other members of MerchantWired, LLC have guaranteed our pro rata share of certain equipment lease payments. We cannot assure you that our technology programs will succeed.

*Distributions.* The SPG Operating Partnership declared a distribution of \$0.525 per Unit in the third quarter of 2001. The current annual distribution rate is \$2.10 per Unit. Distributions during 2000 aggregated \$2.02 per Unit. Future distributions will be determined based on actual results of operations and cash available for distribution.

#### *Investing and Financing Activities*

Cash used in investing activities of \$156.3 million for the nine months ended September 30, 2001 includes capital expenditures of \$216.8 million and investments in unconsolidated joint ventures of \$119.8 million. Capital expenditures include development costs of \$54.4 million, renovation and expansion costs of \$110.6 million and tenant costs and other operational capital expenditures of \$51.8 million. These cash uses are partially offset by distributions from unconsolidated entities of \$145.3 million, cash from the consolidation of ASP of \$8.2 million, \$5.6 million in loan proceeds from the SRC Operating

Partnership, \$1.6 million in loan proceeds from the Management Company, and net proceeds of \$19.6 million from the sale of three properties previously mentioned.

Cash used in financing activities for the nine months ended September 30, 2001 was \$369.5 million and includes net distributions of \$427.2 million, offset by net borrowings of \$57.7 million.

### ***Inflation***

Inflation remains relatively low and has had a minimal impact on the operating performance of the Properties. Nonetheless, substantially all of the tenants' leases contain provisions designed to lessen the impact of inflation. These provisions include clauses enabling us 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 us 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 our exposure to increases in costs and operating expenses resulting from inflation.

However, inflation may have a negative impact on some of our 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.

### ***Seasonality***

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, our earnings are generally highest in the fourth quarter of each year.

### ***Retail Climate and Tenant Bankruptcies***

The recent events of September 11, 2001 have negatively impacted the overall economy in which we operate. These pressures may further affect, amongst other factors, consumer confidence and job growth. A significant portion of our overage and percent rent revenue is typically recognized during the fourth quarter of our fiscal year. We are unable to determine what effect these world events may have on consumer spending for the fourth quarter 2001 and beyond. If the impact of these events on consumer spending result in weak retail sales, they could negatively impact our ability to recognize overage and percent rent revenue.

A number of local, regional, and national retailers, including both in-line and anchor tenants, have recently announced store closings or filed for bankruptcy. Some changeover in tenants is normal in our business. We lost 800,000 square feet of tenants in 2000 and 1,600,000 square feet in the first nine months of 2001 to bankruptcies. Pressures which affect consumer confidence, job growth, energy costs and income gains, however, can affect retail sales growth and a continuing soft economic cycle may impact our ability to retenant property vacancies resulting from these store closings or bankruptcies.

The geographical diversity of our portfolio mitigates some of our risk in the event of an economic downturn. In addition, the diversity of our tenant mix also is a factor because no single retailer represents neither more than 2.0% of total GLA nor more than 3.5% of our annualized base minimum rent. Bankruptcies and store closings may, in some circumstances, create opportunities for us to release spaces at higher rents to tenants with enhanced sales performance. Our previously demonstrated ability to successfully retenant anchor and in line store locations reflects our resilience to fluctuations in economic cycles. While these factors reflect some of the inherent strengths of our portfolio in a difficult retail environment, successful execution of a releasing strategy is not assured.

## **Item 3. Qualitative and Quantitative Disclosure About Market Risk**

*Sensitivity Analysis.* Our future earnings, cash flows and fair values relating to financial instruments are dependent upon prevalent market rates of interest, primarily LIBOR. Based upon consolidated indebtedness and interest rates at September 30, 2001, a 0.50% increase in the market rates of interest would decrease annual future earnings and cash flows by approximately \$9.0 million, and would decrease the fair value of debt by approximately \$462.9 million. A 0.50% decrease in the market rates of interest would increase annual future earnings and cash flows by approximately \$9.0 million, and would increase the fair value of debt by approximately \$532.3 million. We manage our exposure to interest rate risk by a combination of interest rate protection agreements to effectively fix or cap a portion of our variable rate debt, or in the case of a fair value hedge, to effectively convert fixed rate debt to variable rate debt and by refinancing fixed rate debt at times when rates and terms are appropriate.

## **Part II - Other Information**

### **Item 1: Legal Proceedings**

Please refer to Note 9 of the financial statements for a summary of material pending litigation.

### **Item 6: Exhibits and Reports on Form 8-K**

#### **(a) Exhibits**

- 4.1 Ninth Supplemental Indenture relating to the Notes
- 4.2 Form of 6 3/8% Notes due 2007 (included as Exhibit A to the Form of Ninth Supplemental Indenture filed as Exhibit 4.1)

#### **(b) Reports on Form 8-K**

On October 22, 2001 under Item 5 – Other Events, the SPG Operating Partnership reported the issuance of a press release on October 19, 2001 by Simon Property Group, Inc. regarding expected third quarter charges and funds from operations.

On October 25, 2001 under Item 5 – Other Events, the SPG Operating Partnership reported the offering and sale of \$750,000,000 aggregate principal amount of its 6 3/8% Notes due 2007.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SIMON PROPERTY GROUP, L.P.**  
**By: Simon Property Group, Inc.**  
**General Partner**

/s/ Stephen E. Sterrett

Stephen E. Sterrett,  
Executive Vice President and Chief Financial Officer

Date: November 14, 2001

**SIMON PROPERTY GROUP, L.P.**  
**ISSUER**

**TO**

**THE CHASE MANHATTAN BANK**  
**TRUSTEE**

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**NINTH SUPPLEMENTAL INDENTURE**  
**DATED AS OF OCTOBER 26, 2001**

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**\$750,000,000 6 3/8% NOTES DUE 2007**

**SUPPLEMENT TO INDENTURE,**  
**DATED AS OF NOVEMBER 26, 1996,**  
**BETWEEN**  
**SIMON PROPERTY GROUP, L.P.**  
**AND**  
**THE CHASE MANHATTAN BANK,**  
**AS TRUSTEE**

**NINTH SUPPLEMENTAL INDENTURE**, dated as of October 26, 2001 (the "Ninth Supplemental Indenture"), between SIMON PROPERTY GROUP, L.P. (formerly known as Simon DeBartolo Group, L.P.), a Delaware limited partnership (the "Issuer" or the "Operating Partnership"), having its principal offices at National City Center, 115 West Washington Street, Suite 15 East, Indianapolis, Indiana 46204, and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Trustee"), having its Corporate Trust Office at 450 West 33rd Street, 15th Floor, New York, New York 10001.

**RECITALS**

**WHEREAS**, the Issuer and Simon Property Group, L.P., a Delaware limited partnership acting as a guarantor (the "Guarantor"), executed and delivered to the Trustee an Indenture, dated as of November 26, 1996 (the "Original Indenture"), providing for the issuance from time to time of debt securities evidencing unsecured and unsubordinated indebtedness of the Issuer;

**WHEREAS**, on December 31, 1997 the Guarantor was merged into the Issuer as contemplated under the Indenture;

**WHEREAS**, the Issuer changed its name from "Simon DeBartolo Group, L.P." to "Simon Property Group, L.P." effective as of September 24, 1998;

**WHEREAS**, the Original Indenture provides that by means of a supplemental indenture, the Issuer may create one or more series of its debt securities and establish the form and terms and conditions thereof;

**WHEREAS**, the Issuer intends by this Ninth Supplemental Indenture to create and provide for the following series of debt securities: Simon Property Group, L.P. 6 3/8% Notes due 2007 in an aggregate principal amount of \$750,000,000 (the "Notes");

**WHEREAS**, the Board of Directors of Simon Property Group, Inc., the general partner of the Issuer, has approved the creation of the Notes and the forms, terms and conditions thereof pursuant to Section 301 of the Original Indenture; and

**WHEREAS**, all actions required to be taken under the Original Indenture with respect to this Ninth Supplemental Indenture have been taken.

**NOW, THEREFORE, IT IS AGREED:**

**ARTICLE ONE**

**Definitions, Creation, Forms and Terms and  
Conditions of the Notes**

**SECTION 1.01 Definitions.** Capitalized terms used in this Ninth Supplemental Indenture and not otherwise defined shall have the meanings ascribed to them in the Original Indenture. Certain terms, used principally in Article Two of this Ninth Supplemental Indenture, are defined in that Article. In addition, the following terms shall have the following meanings to be equally applicable to both the singular and the plural forms of the terms defined:

**"Business Day"** means any day, other than a Saturday or Sunday, on which banking institutions in New York, New York are open for business.

**"Dollar"** or **"\$"** means the lawful currency of the United States of America.

**"DTC"** mean The Depository Trust Company, its nominees and their successors and assigns.

**"Global Note"** means a single fully registered global note in book-entry form, substantially in the form of Exhibit A or Exhibit B attached hereto.

**"Holders"** has the meaning set forth in Section 1.04 (c).

“**Indenture**” means the Original Indenture as supplemented by this Ninth Supplemental Indenture.

“**Interest Payment Date**” has the meaning set forth in Section 1.04 (c).

“**Issuer**” has the meaning set forth in the Recitals hereto.

“**Make-Whole Amount**” means, in connection with any optional redemption or accelerated payment of any Notes, the excess, if any, of (i) the aggregate present value, as of the date of such redemption or accelerated payment, of each Dollar of principal being redeemed or paid and the amount of interest (exclusive of interest accrued to the date of redemption or accelerated payment) that would have been payable in respect of each such Dollar if such redemption or accelerated payment had not been made, determined by discounting, on a semi-annual basis, such principal and interest at the Reinvestment Rate (determined on the third Business Day preceding the date notice of such redemption or accelerated payment is given) from the respective dates on which such principal and interest would have been payable if such redemption or accelerated payment had not been made, to the date of redemption or accelerated payment, over (ii) the aggregate principal amount of the Notes being redeemed or accelerated.

“**Notes**” has the meaning set forth in the Recitals hereto.

“**Operating Partnership**” has the meaning set forth in the Recitals hereto.

“**Original Indenture**” has the meaning set forth in the Recitals hereto.

“**Redemption Price**” has the meaning set forth in Section 1.04 (d).

“**Regular Record Date**” has the meaning set forth in Section 1.04 (c).

“**Reinvestment Rate**” means, in connection with any optional redemption or accelerated payment of any Notes, the yield on treasury securities at a constant maturity corresponding to the remaining life (as of the date of redemption or accelerated payment and rounded to the nearest month) to Stated Maturity of the principal being redeemed (the “Treasury Yield”) as stated in such Notes, plus 0.35%. For purposes hereof, the Treasury Yield shall be equal to the arithmetic mean of the yields published in the Statistical Release under the heading “Week Ending” for “U.S. Government Securities — Treasury Constant Maturities” with a maturity equal to such remaining life; provided, that if no published maturity exactly corresponds to such remaining life, then the Treasury Yield shall be interpolated or extrapolated on a straight-line basis from the arithmetic means of the yields for the next shortest and next longest published maturities, rounding each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used. If the format or content of the Statistical Release changes in a manner that precludes determination of the Treasury Yield in the above manner, then the Treasury Yield shall be determined in the manner that most closely approximates the above manner, as reasonably determined by the Operating Partnership.

“**Statistical Release**” means the statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which reports yields on actively traded United States government securities adjusted to constant maturities, or, if such statistical release is not published at the time of any required determination, then such other reasonably comparable index which shall be designated by the Operating Partnership.

“**Trustee**” has the meaning set forth in the Recitals hereto.

**SECTION 1.02 Creation of the Notes.** In accordance with Section 301 of the Original Indenture, the Issuer hereby creates the Notes as a separate series of its Securities issued pursuant to the Indenture. The Notes initially shall be issued in an aggregate principal amount of \$750,000,000.

**SECTION 1.03 Form of the Notes.** The Notes shall be issued in the form of a Global Note which shall be deposited with, or on behalf of, DTC and registered in the name of “Cede & Co” as the nominee of DTC. The Notes shall be substantially in the form of Exhibit A and Exhibit B attached hereto. So long as DTC, or its nominee, is the registered owner of a Global Note, DTC or its nominee, as the case may be, shall be considered the sole owner or Holder of the Notes represented by such Global Note for all purposes under the Indenture. Ownership of beneficial interests in such Global Note shall be shown on, and transfers thereof will be effected only through, records maintained by DTC (with respect to beneficial interests of participants) or by participants or Persons that hold interests through participants (with respect to beneficial interests of beneficial owners).

**SECTION 1.04 Terms and Conditions of the Notes.** The Notes shall be governed by all the terms and conditions of the Original Indenture, as supplemented by this Ninth Supplemental Indenture, and in particular, the following provisions shall be terms of the Notes:

(a) **Title and Aggregate Principal Amount.** The title of the Notes shall be as specified in the Recitals; and the aggregate principal amount of the Notes shall be as specified in Section 1.02 of this Ninth Supplemental Indenture, except as permitted by Section 306 of the Original Indenture.

(b) **Stated Maturity.** The Notes shall mature, and the unpaid principal thereon shall be payable, on November 15, 2007, subject to the provisions of the Original Indenture.

(c) **Interest.** The rate per annum at which interest shall be payable on the Notes shall be 6 3/8%. Interest on the Notes shall accrue beginning October 26, 2001. Interest on the Notes shall be payable semi-annually in arrears on each May 15 and November 15, commencing May 15, 2002 (each an “Interest Payment Date”), and on the Stated Maturity as specified in Section 1.04(b) of this Ninth Supplemental Indenture, to the Persons (the “Holders”) in whose names the applicable Notes are registered in the Security Register applicable to the Notes at the close of business on the 15<sup>th</sup> calendar day immediately prior to such payment date regardless of whether such day is a Business Day (each, a “Regular Record Date”). Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

(d) **Sinking Fund, Redemption or Repayment.** No sinking fund shall be provided for the Notes and the Notes shall not be repayable at the option of the Holders thereof prior to Stated Maturity. The Notes may be redeemed at any time at the option of the Issuer, in whole or from time to time in part, at a redemption price equal to the sum of (i) 100% of the principal amount of the Notes being redeemed plus accrued interest thereon to the redemption date and (ii) the Make-Whole Amount, if any, with respect to such Notes (collectively, the “Redemption Price”), all in accordance with the provisions of Article Eleven of the Original Indenture.

If notice of redemption has been given as provided in the Original Indenture and funds for the redemption of any Notes called for redemption shall have been made available on the Redemption Date referred to in such notice, such Notes shall cease to bear interest on the Redemption Date and the only right of the Holders of the Notes from and after the Redemption Date shall be to receive payment of the Redemption Price upon surrender of such Notes in accordance with such notice.

(e) **Registration and Form.** The Notes shall be issuable as Registered Securities in permanent global form, and the depositary with respect to the Notes shall initially be DTC. Principal and interest payments on Notes represented by a Global Note shall be made to DTC or its nominee, as the case may be, as the registered Holder of such Global Note. All payments of principal and interest in respect of the Notes shall be made by the Issuer in immediately available funds so long as the Notes are in book-entry form.

(f) **Defeasance and Covenant Defeasance.** The provisions for defeasance in Section 1402 of the Original Indenture, and the provisions for covenant defeasance (which provisions shall apply, without limitation, to the covenants set forth in Article Two of this Ninth Supplemental Indenture) in Section 1403 of the Original Indenture, shall be applicable to the Notes.

(g) **Make-Whole Amount Payable Upon Acceleration.** Upon any acceleration of the Stated Maturity of the Notes in accordance with Section 502 of the Original Indenture, the Make-Whole Amount on the Notes shall become immediately due and payable, subject to the terms and conditions of the Indenture.

(h) **Further Issues.** The Issuer may, from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Notes issued in this manner shall be consolidated with and shall form a single series with the previously outstanding Notes. Notice of any such issuance shall be given to the Trustee and a new supplemental indenture shall be executed in connection with the issuance of such securities.

(i) **Other Terms and Conditions.** The Notes shall have such other terms and conditions as provided in the forms thereof attached as Exhibit A and Exhibit B hereto.

## ARTICLE TWO

### Covenants for Benefit of Holders of Notes

**SECTION 2.01 Covenants for Benefit of Holders of Notes.** The Operating Partnership covenants and agrees, for the benefit of the Holders of the Notes, as follows:

(a) **Limitations on Incurrence of Debt.** The Operating Partnership shall not, and shall not permit any Subsidiary to, incur any Debt (as defined below), other than intercompany debt (representing Debt to which the only parties are the Company (as defined below), 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, the Operating Partnership shall not, and shall not permit any Subsidiary to, incur any additional Secured Debt 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, the Operating Partnership shall not, and shall 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 1.00 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 limitation on the incurrence of Debt, Debt shall be deemed to be "incurred" by the Operating Partnership, its Subsidiaries and by any unconsolidated joint venture, whenever 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.

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

**SECTION 2.02 Definitions.** 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 SPG Properties, Inc., a Maryland corporation ("Old SPG") issued in the initial public offering of Old SPG (the "IPO") and the units of the Operating Partnership not held by Old SPG outstanding on the date of the IPO, by \$22.25 (the "IPO Price"), (ii) the principal amount of the outstanding consolidated debt of Old SPG 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 or Old SPG 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 DRC Merger (as defined below) computed as the sum of (a) the purchase price including all related closing costs and (b) the value of all outstanding indebtedness assumed in the DRC Merger less any portion attributable to minority interests, including the Operating Partnership's allocable portion, based on its ownership interest, of outstanding indebtedness of unconsolidated joint ventures assumed in the DRC Merger at the DRC 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.

"*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.

"*Company*" means Simon Property Group, Inc., a Delaware corporation and the general partner of the Operating Partnership.

"*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).

"*DRC Merger*" means the merger of Old SPG and DeBartolo Realty Corporation and related transactions consummated on August 9, 1996, pursuant to the Agreement and Plan of Merger between Old SPG and DeBartolo Realty Corporation.

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

"*Secured Debt*" means 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, whether owned at the date of the Original Indenture or thereafter acquired.

"*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.

## ARTICLE THREE

### Trustee

**SECTION 3.01 Trustee.** The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Ninth Supplemental Indenture or the due execution thereof by the Issuer. The recitals of fact contained herein shall be taken as the statements solely of the Issuer, and the Trustee assumes no responsibility for the correctness thereof.

## ARTICLE FOUR

### Miscellaneous Provisions

**SECTION 4.01 Ratification of Original Indenture.** This Ninth Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture, and as supplemented and modified hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Ninth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

**SECTION 4.02 Effect of Headings.** The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**SECTION 4.03 Successors and Assigns.** All covenants and agreements in this Ninth Supplemental Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

**SECTION 4.04 Separability Clause.** In case any one or more of the provisions contained in this Ninth Supplemental Indenture shall for any reason be held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 4.05 Governing Law.** This Ninth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York. This Ninth Supplemental Indenture is subject to the provisions of the Trust Indenture Act that are required to be part of this Ninth Supplemental Indenture and shall, to the extent applicable, be governed by such provisions.

**SECTION 4.06 Counterparts.** This Ninth Supplemental Indenture may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

\* \* \* \*

**IN WITNESS WHEREOF**, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the date first above written.

SIMON PROPERTY GROUP, L.P.

By: Simon Property Group, Inc.,  
as General Partner

By: /s/ David Simon  
Name: David Simon  
Title: Chief Executive Officer

Attest:

/s/ James M. Barkley  
Name: James M. Barkley  
Title: General Counsel

THE CHASE MANHATTAN BANK

as Trustee

By: /s/ Gregory P. Shea  
Name: Gregory P. Shea  
Title: Assistant Vice President

Attest:

/s/ Virginia Dominguez  
Name: Virginia Dominguez  
Title: Trust Officer

**Exhibit A**

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**UNLESS AND UNTIL THIS CERTIFICATE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS CERTIFICATE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE THEREOF OR BY A NOMINEE THEREOF TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR OF DTC OR A NOMINEE OF SUCH SUCCESSOR.**

**REGISTERED  
NO.**

**CUSIP NO. 828807 AJ 6**

**REGISTERED  
PRINCIPAL AMOUNT**

**\$500,000,000**

**GLOBAL SECURITY  
SIMON PROPERTY GROUP, L.P.**

**6 3/8% NOTE DUE 2007**

Simon Property Group, L.P., a Delaware limited partnership (the "Issuer," which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or its registered assigns, the principal sum of FIVE HUNDRED MILLION Dollars on November 15, 2007 (the "Maturity Date"), and to pay interest thereon from October 26, 2001, semi-annually in arrears on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing on May 15, 2002, and on the Maturity Date, at the rate of 6 3/8% per annum, until payment of said principal sum has been made or duly provided for.

The interest so payable and punctually paid or duly provided for on any Interest Payment Date and on the Maturity Date will be paid to the Holder in whose name this Note (or one or more predecessor Notes) is registered in the Security Register applicable to this Note at the close of business on the "Record Date" for such payment, which will be the 15<sup>th</sup> calendar day immediately prior to such payment date or the Maturity Date, as the case may be, regardless of whether such day is a Business Day (as defined below). Any interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the Holder in whose name this Note (or one or more predecessor Notes) is registered at the close of business on a subsequent record date for the payment of such defaulted interest (which shall be not less than 10 calendar days prior to the date of the payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of the Notes not less than 10 calendar days preceding such subsequent record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture (as defined below). Interest on this Note will be computed on the basis of a 360-day year of twelve 30-day months.

The principal of each Note payable on the Maturity Date will be paid against presentation and surrender of this Note at the office or agency of the Issuer maintained for that purpose in The Borough of Manhattan, The City of New York. The Issuer hereby initially designates the Corporate Trust Office of the Trustee in The City of New York as the office to be maintained by it where Notes may be presented for payment, registration of transfer or exchange, and where notices to or demands upon the Issuer in respect of the Notes or the Indenture referred to on the reverse hereof may be served.

Interest payable on this Note on any Interest Payment Date and on the Maturity Date, as the case may be, will be the amount of interest accrued from and including the immediately preceding Interest Payment Date (or from and including October 26, 2001, in the case of the initial Interest Payment Date) to but excluding the applicable Interest Payment Date or the Maturity Date, as the case may be. If any date for the payment of principal, premium, if any, interest on, or any other amount with respect to, this Note (each a "Payment Date") falls on a day that is not a Business Day, the principal, premium, if any, or interest payable with respect to such Payment Date will be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue on the amount so payable for the period from and after such Payment Date to such next succeeding Business Day. "Business Day" means any day, other than a Saturday or a Sunday, on which banking institutions in New York, New York are open for business.

Payments of principal and interest in respect of this Note will be made by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

Reference is made to the further provisions of this Note set forth on the reverse hereof after the Trustee's Certificate of Authentication. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be entitled to the benefits of the Indenture or be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee under such Indenture.

Capitalized terms used herein which are not otherwise defined shall have the respective meanings assigned to them in the Indenture and the Ninth Supplemental Indenture hereinafter referred to.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed manually or by facsimile by its authorized officers.

Dated: October 26, 2001

SIMON PROPERTY GROUP, L.P.  
as Issuer

By: SIMON PROPERTY GROUP, INC.,  
as General Partner

By: \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Name:  
Title:

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

[REVERSE OF NOTE]

SIMON PROPERTY GROUP, L.P.

6 3/8% NOTE DUE 2007

This security is one of a duly authorized issue of debt securities of the Issuer (hereinafter called the "Securities"), issued or to be issued under and pursuant to an Indenture dated as of November 26, 1996 (herein called the "Indenture"), duly executed and delivered by the Issuer to The Chase Manhattan Bank, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of Securities of which this Note is a part), to which Indenture and all indentures supplemental thereto relating to this Note (including, without limitation, the Ninth Supplemental Indenture, dated as of October 26, 2001, between the Issuer and the Trustee) reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered and for the definition of capitalized terms used hereby and not otherwise defined. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), and may otherwise vary as provided in the Indenture or any indenture supplemental thereto. This security is one of a series designated as the Simon Property Group, L.P. 6 3/8% Notes due 2007, initially limited in aggregate principal amount to \$750,000,000 (the "Notes").

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal amount of the Notes and the Make-Whole Amount may be declared accelerated and thereupon become due and payable, in the manner, with the effect, and subject to the conditions provided in the Indenture.

The Notes may be redeemed at any time at the option of the Issuer, in whole or from time to time in part, at a redemption price equal to the sum of (i) 100% of the principal amount of the Notes being redeemed plus accrued interest thereon to the Redemption Date and (ii) the Make-Whole Amount, if any, with respect to such Notes. Notice of any optional redemption will be given to Holders at their addresses, as shown in the Security Register for the Notes, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the redemption price and the principal amount of the Notes to be redeemed.

The Indenture contains provisions permitting the Issuer and the Trustee, with the consent of the Holders of not less than a majority of the aggregate principal amount of the Securities at the time Outstanding of all series to be affected (voting as one class), evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Securities of each series; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security so affected, (i) change the Stated Maturity of the principal of, or premium, (if any) or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate or amount of interest thereon or any premium payable upon the redemption or acceleration thereof, or adversely affect any right of repayment at the option of the Holder of any Security, or change any Place of Payment where, or the currency or currencies, currency unit or units or composite currency or currencies in which, the principal of any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof, or (ii) reduce the aforesaid percentage of Securities the Holders of which are required to consent to any such supplemental indenture, or (iii) reduce the percentage of Securities the Holders of which are required to consent to any waiver of compliance with certain provisions of the Indenture or any waiver of certain defaults and consequences thereunder or to reduce the quorum or voting requirements set forth in the Indenture, or (iv) effect certain other changes to the Indenture or any supplemental indenture or in the rights of Holders of the Securities. The Indenture also permits the Holders of a majority in principal amount of the Outstanding Securities of any series (or, in the case of certain defaults or Events of Default, all series of Securities), on behalf of the Holders of all the Securities of such series (or all of the Securities, as the case may be), to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults or Events of Default under the Indenture and their consequences, prior to any declaration accelerating the maturity of such Securities, or subject to certain conditions, rescind a declaration of acceleration and its consequences with respect to such Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note that may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Note or such other Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note in the manner, at the respective times, at the rate and in the coin or currency herein prescribed.

Notwithstanding any other provision of the Indenture to the contrary, no recourse shall be had, whether by levy or execution or otherwise, for the payment of any sums due under the Securities, including, without limitation, the principal of, premium, if any, or interest payable under the Securities, or for the payment or performance of any obligation under, or for any claim based on, the Indenture or otherwise in respect thereof, against any partner of the Issuer, whether limited or general, including Simon Property Group, Inc., or such partner's assets or against any principal, shareholder, officer, director, trustee or employee of such partner. It is expressly understood that the sole remedies under the Securities and the Indenture or under any other document with respect to the Securities, against such parties with respect to such amounts, obligations or claims shall be against the Issuer.

This Note is issuable only in registered form without Coupons in denominations of \$1,000 and integral multiples thereof. This Note may be exchanged for a like aggregate principal amount of Notes of other authorized denominations at the office or agency of the Issuer in The Borough of Manhattan, The City of New York, in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, except for any tax or other governmental charge imposed in connection therewith.

Upon due presentment for registration of transfer of this Note at the office or agency of the Issuer in The Borough of Manhattan, The City of New York, one or more new Notes of authorized denominations in an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge, except for any tax or other governmental charge imposed in connection therewith.

The Issuer, the Trustee and any authorized agent of the Issuer or the Trustee may deem and treat the Person in whose name this Note is registered as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal and any premium hereof or hereon, and subject to the provisions on the face hereof, interest

hereon, and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Note, including the validity hereof, and the Indenture shall be governed by and construed in accordance with the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

Capitalized terms used herein which are not otherwise defined shall have the respective meanings assigned to them in the Indenture and the Ninth Supplemental Indenture referred to herein.

**Exhibit B**

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**UNLESS AND UNTIL THIS CERTIFICATE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS CERTIFICATE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE THEREOF OR BY A NOMINEE THEREOF TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR OF DTC OR A NOMINEE OF SUCH SUCCESSOR.**

**REGISTERED  
NO.**

**REGISTERED  
PRINCIPAL AMOUNT**

**CUSIP NO. 828807 AJ 6**

**\$250,000,000**

**GLOBAL SECURITY  
SIMON PROPERTY GROUP, L.P.**

**6 3/8% NOTE DUE 2007**

Simon Property Group, L.P., a Delaware limited partnership (the "Issuer," which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or its registered assigns, the principal sum of TWO HUNDRED FIFTY MILLION Dollars on November 15, 2007 (the "Maturity Date"), and to pay interest thereon from October 26, 2001, semi-annually in arrears on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing on May 15, 2002, and on the Maturity Date, at the rate of 6 3/8% per annum, until payment of said principal sum has been made or duly provided for.

The interest so payable and punctually paid or duly provided for on any Interest Payment Date and on the Maturity Date will be paid to the Holder in whose name this Note (or one or more predecessor Notes) is registered in the Security Register applicable to this Note at the close of business on the "Record Date" for such payment, which will be the 15<sup>th</sup> calendar day immediately prior to such payment date or the Maturity Date, as the case may be, regardless of whether such day is a Business Day (as defined below). Any interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the Holder in whose name this Note (or one or more predecessor Notes) is registered at the close of business on a subsequent record date for the payment of such defaulted interest (which shall be not less than 10 calendar days prior to the date of the payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of the Notes not less than 10 calendar days preceding such subsequent record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture (as defined below). Interest on this Note will be computed on the basis of a 360-day year of twelve 30-day months.

The principal of each Note payable on the Maturity Date will be paid against presentation and surrender of this Note at the office or agency of the Issuer maintained for that purpose in The Borough of Manhattan, The City of New York. The Issuer hereby initially designates the Corporate Trust Office of the Trustee in The City of New York as the office to be maintained by it where Notes may be presented for payment, registration of transfer or exchange, and where notices to or demands upon the Issuer in respect of the Notes or the Indenture referred to on the reverse hereof may be served.

Interest payable on this Note on any Interest Payment Date and on the Maturity Date, as the case may be, will be the amount of interest accrued from and including the immediately preceding Interest Payment Date (or from and including October 26, 2001, in the case of the initial Interest Payment Date) to but excluding the applicable Interest Payment Date or the Maturity Date, as the case may be. If any date for the payment of principal, premium, if any, interest on, or any other amount with respect to, this Note (each a "Payment Date") falls on a day that is not a Business Day, the principal, premium, if any, or interest payable with respect to such Payment Date will be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue on the amount so payable for the period from and after such Payment Date to such next succeeding Business Day. "Business Day" means any day, other than a Saturday or a Sunday, on which banking institutions in New York, New York are open for business.

Payments of principal and interest in respect of this Note will be made by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

Reference is made to the further provisions of this Note set forth on the reverse hereof after the Trustee's Certificate of Authentication. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be entitled to the benefits of the Indenture or be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee under such Indenture.

Capitalized terms used herein which are not otherwise defined shall have the respective meanings assigned to them in the Indenture and the Ninth Supplemental Indenture hereinafter referred to.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed manually or by facsimile by its authorized officers.

Dated: October 26, 2001

SIMON PROPERTY GROUP, L.P.  
as Issuer

By: SIMON PROPERTY GROUP, INC.,  
as General Partner

By: \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Name:  
Title:

#### TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

#### [REVERSE OF NOTE]

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

#### 6 3/8% NOTE DUE 2007

This security is one of a duly authorized issue of debt securities of the Issuer (hereinafter called the "Securities"), issued or to be issued under and pursuant to an Indenture dated as of November 26, 1996 (herein called the "Indenture"), duly executed and delivered by the Issuer to The Chase Manhattan Bank, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of Securities of which this Note is a part), to which Indenture and all indentures supplemental thereto relating to this Note (including, without limitation, the Ninth Supplemental Indenture, dated as of October 26, 2001, between the Issuer and the Trustee) reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered and for the definition of capitalized terms used hereby and not otherwise defined. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), and may otherwise vary as provided in the Indenture or any indenture supplemental thereto. This security is one of a series designated as the Simon Property Group, L.P. 6 3/8% Notes due 2007, initially limited in aggregate principal amount to \$750,000,000 (the "Notes").

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal amount of the Notes and the Make-Whole Amount may be declared accelerated and thereupon become due and payable, in the manner, with the effect, and subject to the conditions provided in the Indenture.

The Notes may be redeemed at any time at the option of the Issuer, in whole or from time to time in part, at a redemption price equal to the sum of (i) 100% of the principal amount of the Notes being redeemed plus accrued interest thereon to the Redemption Date and (ii) the Make-Whole Amount, if any, with respect to such Notes. Notice of any optional redemption will be given to Holders at their addresses, as shown in the Security Register for the Notes, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the redemption price and the principal amount of the Notes to be redeemed.

The Indenture contains provisions permitting the Issuer and the Trustee, with the consent of the Holders of not less than a majority of the aggregate principal amount of the Securities at the time Outstanding of all series to be affected (voting as one class), evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Securities of each series; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security so affected, (i) change the Stated Maturity of the principal of, or premium, (if any) or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate or amount of interest thereon or any premium payable upon the redemption or acceleration thereof, or adversely affect any right of repayment at the option of the Holder of any Security, or change any Place of Payment where, or the currency or currencies, currency unit or units or composite currency or currencies in which, the principal of any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity

thereof, or (ii) reduce the aforesaid percentage of Securities the Holders of which are required to consent to any such supplemental indenture, or (iii) reduce the percentage of Securities the Holders of which are required to consent to any waiver of compliance with certain provisions of the Indenture or any waiver of certain defaults and consequences thereunder or to reduce the quorum or voting requirements set forth in the Indenture, or (iv) effect certain other changes to the Indenture or any supplemental indenture or in the rights of Holders of the Securities. The Indenture also permits the Holders of a majority in principal amount of the Outstanding Securities of any series (or, in the case of certain defaults or Events of Default, all series of Securities), on behalf of the Holders of all the Securities of such series (or all of the Securities, as the case may be), to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults or Events of Default under the Indenture and their consequences, prior to any declaration accelerating the maturity of such Securities, or subject to certain conditions, rescind a declaration of acceleration and its consequences with respect to such Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note that may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Note or such other Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note in the manner, at the respective times, at the rate and in the coin or currency herein prescribed.

Notwithstanding any other provision of the Indenture to the contrary, no recourse shall be had, whether by levy or execution or otherwise, for the payment of any sums due under the Securities, including, without limitation, the principal of, premium, if any, or interest payable under the Securities, or for the payment or performance of any obligation under, or for any claim based on, the Indenture or otherwise in respect thereof, against any partner of the Issuer, whether limited or general, including Simon Property Group, Inc., or such partner's assets or against any principal, shareholder, officer, director, trustee or employee of such partner. It is expressly understood that the sole remedies under the Securities and the Indenture or under any other document with respect to the Securities, against such parties with respect to such amounts, obligations or claims shall be against the Issuer.

This Note is issuable only in registered form without Coupons in denominations of \$1,000 and integral multiples thereof. This Note may be exchanged for a like aggregate principal amount of Notes of other authorized denominations at the office or agency of the Issuer in The Borough of Manhattan, The City of New York, in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, except for any tax or other governmental charge imposed in connection therewith.

Upon due presentment for registration of transfer of this Note at the office or agency of the Issuer in The Borough of Manhattan, The City of New York, one or more new Notes of authorized denominations in an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge, except for any tax or other governmental charge imposed in connection therewith.

The Issuer, the Trustee and any authorized agent of the Issuer or the Trustee may deem and treat the Person in whose name this Note is registered as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal and any premium hereof or hereon, and subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Note, including the validity hereof, and the Indenture shall be governed by and construed in accordance with the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

Capitalized terms used herein which are not otherwise defined shall have the respective meanings assigned to them in the Indenture and the Ninth Supplemental Indenture referred to herein.