

**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 March 31, 2012

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

Delaware  
(State of incorporation or organization)

001-14469  
(Commission File No.)

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). **Yes**  **No**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

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

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

As of March 31, 2012, Simon Property Group, Inc. had 303,088,958 shares of common stock, par value \$0.0001 per share and 8,000 shares of Class B common stock, par value \$0.0001 per share outstanding.

## Simon Property Group, Inc. and Subsidiaries

## Form 10-Q

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**Simon Property Group, Inc. and Subsidiaries**  
*Unaudited Consolidated Balance Sheets*  
(Dollars in thousands, except share amounts)

	March 31, 2012	December 31, 2011
<b>ASSETS:</b>		
Investment properties at cost	\$ 33,923,326	\$ 29,657,046
Less — accumulated depreciation	8,587,591	8,388,130
	<u>25,335,735</u>	<u>21,268,916</u>
Cash and cash equivalents	880,549	798,650
Tenant receivables and accrued revenue, net	417,085	486,731
Investment in unconsolidated entities, at equity	1,930,480	1,378,084
Investment in Klépierre, at equity	2,054,820	—
Deferred costs and other assets	1,798,796	1,633,544
Notes receivable from related party	—	651,000
<b>Total assets</b>	<u><u>\$ 32,417,465</u></u>	<u><u>\$ 26,216,925</u></u>
<b>LIABILITIES:</b>		
Mortgages and other indebtedness	\$ 22,800,562	\$ 18,446,440
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,127,794	1,091,712
Cash distributions and losses in partnerships and joint ventures, at equity	710,314	695,569
Other liabilities and accrued dividends	222,874	170,971
<b>Total liabilities</b>	<u>24,861,544</u>	<u>20,404,692</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	262,387	267,945
<b>EQUITY:</b>		
Stockholders' Equity		
Capital stock (850,000,000 total shares authorized, \$0.0001 par value, 238,000,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock):		
Series J 8 <sup>3</sup> / <sub>8</sub> % cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of \$39,847	44,965	45,047
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 306,954,102 and 297,725,698 issued and outstanding, respectively	31	30
Class B common stock, \$0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	—	—
Capital in excess of par value	9,093,132	8,103,133
Accumulated deficit	(2,885,666)	(3,251,740)
Accumulated other comprehensive loss	(23,720)	(94,263)
Common stock held in treasury at cost, 3,865,144 and 3,877,448 shares, respectively	(150,836)	(152,541)
Total stockholder's equity	<u>6,077,906</u>	<u>4,649,666</u>
Noncontrolling interests	1,215,628	894,622
<b>Total equity</b>	<u>7,293,534</u>	<u>5,544,288</u>
<b>Total liabilities and equity</b>	<u><u>\$ 32,417,465</u></u>	<u><u>\$ 26,216,925</u></u>

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

**Simon Property Group, Inc. and Subsidiaries**  
*Unaudited Consolidated Statements of Operations and Comprehensive Income*  
(Dollars in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2012	2011
<b>REVENUE:</b>		
Minimum rent	\$ 702,098	\$ 644,332
Overage rent	27,680	17,142
Tenant reimbursements	306,388	281,425
Management fees and other revenues	32,287	30,492
Other income	50,516	46,483
<b>Total revenue</b>	<b>1,118,969</b>	<b>1,019,874</b>
<b>EXPENSES:</b>		
Property operating	104,740	99,541
Depreciation and amortization	285,109	266,310
Real estate taxes	98,702	93,264
Repairs and maintenance	25,641	30,835
Advertising and promotion	21,098	21,888
Provision for credit losses	3,545	1,405
Home and regional office costs	32,858	29,056
General and administrative	13,889	7,667
Other	17,778	19,018
<b>Total operating expenses</b>	<b>603,360</b>	<b>568,984</b>
<b>OPERATING INCOME</b>	<b>515,609</b>	<b>450,890</b>
Interest expense	(258,079)	(248,119)
Income tax expense of taxable REIT subsidiaries	(891)	(1,142)
Income from unconsolidated entities	30,353	18,621
Gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	494,837	(584)
<b>CONSOLIDATED NET INCOME</b>	<b>781,829</b>	<b>219,666</b>
Net income attributable to noncontrolling interests	135,585	39,420
Preferred dividends	834	834
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 645,410</b>	<b>\$ 179,412</b>
<b>BASIC EARNINGS PER COMMON SHARE:</b>		
<b>Net income attributable to common stockholders</b>	<b>\$ 2.18</b>	<b>\$ 0.61</b>
<b>DILUTED EARNINGS PER COMMON SHARE:</b>		
<b>Net income attributable to common stockholders</b>	<b>\$ 2.18</b>	<b>\$ 0.61</b>
<b>Consolidated Net Income</b>	<b>\$ 781,829</b>	<b>\$ 219,666</b>
Unrealized gain (loss) on derivative hedge agreements	11,692	(11,283)
Net loss on derivative instruments reclassified from accumulated other comprehensive income into interest expense	5,115	3,944
Currency translation adjustments	43,941	21,899
Changes in available-for-sale securities and other	24,535	2,241
Comprehensive income	867,112	236,467
Comprehensive income attributable to noncontrolling interests	150,325	42,273
<b>Comprehensive income attributable to common stockholders</b>	<b>\$ 716,787</b>	<b>\$ 194,194</b>

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

**Simon Property Group, Inc. and Subsidiaries**  
*Unaudited Consolidated Statements of Cash Flows*  
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Consolidated Net Income</b>	<b>\$ 781,829</b>	<b>\$ 219,666</b>
Adjustments to reconcile consolidated net income to net cash provided by operating activities —		
Depreciation and amortization	298,502	274,279
(Gain) loss upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(494,837)	584
Straight-line rent	(7,427)	(5,888)
Equity in income of unconsolidated entities	(30,353)	(18,621)
Distributions of income from unconsolidated entities	27,887	22,435
<b>Changes in assets and liabilities —</b>		
Tenant receivables and accrued revenue, net	77,613	59,945
Deferred costs and other assets	(71,948)	(47,513)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	(8,312)	(52,582)
<b>Net cash provided by operating activities</b>	<b>572,954</b>	<b>452,305</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions	(3,618,399)	—
Repayments of loans from related parties	92,600	—
Capital expenditures, net	(124,248)	(59,711)
Cash impact from the consolidation of properties	91,170	—
Net proceeds from sale of assets	375,838	3,438
Investments in unconsolidated entities	(61,744)	(2,763)
Purchase of marketable and non-marketable securities	(7,245)	(8,830)
Distributions of capital from unconsolidated entities and other	76,721	55,837
<b>Net cash used in investing activities</b>	<b>(3,175,307)</b>	<b>(12,029)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sales of common stock and other, net of transaction costs	1,214,086	359
Distributions to noncontrolling interest holders in properties	(5,110)	(22,101)
Contributions from noncontrolling interest holders in properties	—	52
Preferred distributions of the Operating Partnership	(479)	(479)
Preferred dividends and distributions to stockholders	(280,034)	(235,283)
Distributions to limited partners	(57,907)	(48,292)
Proceeds from issuance of debt, net of transaction costs	4,056,144	—
Repayments of debt	(2,242,448)	(295,200)
<b>Net cash provided by (used in) financing activities</b>	<b>2,684,252</b>	<b>(600,944)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>81,899</b>	<b>(160,668)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>798,650</b>	<b>796,718</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 880,549</b>	<b>\$ 636,050</b>

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

**Simon Property Group, Inc. and Subsidiaries**

**Condensed Notes to Consolidated Financial Statements**

**(Unaudited)**

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

**1. Organization**

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

We own, develop and manage retail real estate properties, which consist primarily of regional malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of March 31, 2012, we owned or held an interest in 325 income-producing properties in the United States, which consisted of 161 regional malls, 58 Premium Outlets, 70 community/lifestyle centers, 13 properties in the Mills portfolio, and 23 other shopping centers or outlet centers in 41 states and Puerto Rico. Internationally, as of March 31, 2012, we had ownership interests in eight Premium Outlets in Japan, two Premium Outlets in South Korea, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, on March 14, 2012, we purchased a 28.7% equity stake in Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, approximately 271 shopping centers located in 13 countries in Europe.

**2. Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant intercompany amounts have been eliminated. Due to the seasonal nature of certain operational activities, the results for the interim period ended March 31, 2012, are not necessarily indicative of the results to be expected for the full year.

These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (GAAP) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2011 Annual Report on Form 10-K.

As of March 31, 2012, we consolidated 229 wholly-owned properties and 18 additional properties that are less than wholly-owned, but which we control or for which we are the primary beneficiary. We account for the remaining 90 properties, or the joint venture properties, as well as our investment in Klépierre, using the equity method of accounting. We manage the day-to-day operations of 76 of the 90 joint venture properties, but have determined that our partner or partners have substantive participating rights with respect to the assets and operations of these joint venture properties. Our investments in joint ventures in Japan, South Korea, Malaysia, and Mexico comprise 12 of the remaining 14 joint venture properties. The international properties are managed locally by joint ventures in which we share oversight responsibility with our partner.

We allocate net operating results of the Operating Partnership after preferred distributions to third parties and to us based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the Operating Partnership attributed to third parties are reflected in net income attributable to noncontrolling interests. Our weighted average ownership interest in the Operating Partnership was 82.9% and 83.0% for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012 and December 31, 2011, our ownership interest in the Operating Partnership was 83.2% and 82.8%, respectively. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in the Operating Partnership.

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

### ***Reclassifications***

We made certain reclassifications of prior period amounts in the consolidated financial statements to conform to the 2012 presentation. These reclassifications had no impact on previously reported net income attributable to common stockholders or earnings per share.

## **3. Significant Accounting Policies**

### ***Cash and Cash Equivalents***

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents generally consist of commercial paper, bankers' acceptances, Eurodollars, repurchase agreements, and money market deposits or securities. Financial instruments that potentially subject us to concentrations of credit risk include our cash and cash equivalents and our trade accounts receivable. We place our cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of FDIC and SIPC insurance limits.

### ***Marketable and Non-Marketable Securities***

Marketable securities consist primarily of the investments of our captive insurance subsidiaries, available-for-sale securities, our deferred compensation plan investments, and certain investments held to fund the debt service requirements of debt previously secured by investment properties that have been sold.

The types of securities included in the investment portfolio of our captive insurance subsidiaries typically include U.S. Treasury or other U.S. government securities as well as corporate debt securities with maturities ranging from less than 1 to 10 years. These securities are classified as available-for-sale and are valued based upon quoted market prices or other observable inputs when quoted market prices are not available. The amortized cost of debt securities, which approximates fair value, held by our captive insurance subsidiaries is adjusted for amortization of premiums and accretion of discounts to maturity. Changes in the values of these securities are recognized in accumulated other comprehensive income (loss) until the gain or loss is realized or until any unrealized loss is deemed to be other-than-temporary. We review any declines in value of these securities for other-than-temporary impairment and consider the severity and duration of any decline in value. To the extent an other-than-temporary impairment is deemed to have occurred, an impairment charge is recorded and a new cost basis is established. Subsequent changes are then recognized through other comprehensive income (loss) unless another other-than-temporary impairment is deemed to have occurred.

Our investments in Capital Shopping Centres Group PLC, or CSCG, and Capital & Counties Properties PLC, or CAPC, are accounted for as available-for-sale securities. These investments are adjusted to their quoted market price, including a related foreign exchange component, with corresponding adjustment in other comprehensive income (loss). At March 31, 2012, we owned 35.4 million shares each of CSCG and of CAPC. At March 31, 2012, the market value of our investments in CSCG and CAPC was \$187.3 million and \$108.4 million, respectively, with an aggregate net unrealized gain on these investments of approximately \$63.9 million. The market value of our investments in CSCG and CAPC at December 31, 2011 was \$170.7 million and \$100.9 million, respectively, with an aggregate unrealized gain of \$39.7 million.

Net unrealized gains recorded in other comprehensive income (loss) as of March 31, 2012 and December 31, 2011 were approximately \$66.4 million and \$41.9 million, respectively, and represent the valuation and related currency adjustments for our marketable securities. As of March 31, 2012, we do not consider any of the declines in value of our marketable and non-marketable securities to be an other-than-temporary impairment, as these market value declines, if any, have existed for a short period of time, and, in the case of debt securities, we have the ability and intent to hold these securities to maturity.

Our insurance subsidiaries are required to maintain statutory minimum capital and surplus as well as maintain a minimum liquidity ratio. Therefore, our access to these securities may be limited. Our deferred compensation plan investments are classified as trading securities and are valued based upon quoted market prices. The investments have a matching liability as the amounts are fully payable to the employees that earned the compensation. Changes in value of these securities and changes to the matching liability to employees are both recognized in earnings and, as a result, there is no impact to consolidated net income.

As of March 31, 2012 and December 31, 2011, we also had investments of \$25.2 million and \$24.9 million, respectively, which must be used to fund the debt service requirements of mortgage debt related to investment

properties sold that previously collateralized the debt. These investments are classified as held-to-maturity and are recorded at amortized cost as we have the ability and intent to hold these investments to maturity.

At March 31, 2012 and December 31, 2011, we had investments of \$105.1 million in non-marketable securities that we account for under the cost method. We regularly evaluate these investments for any other-than-temporary impairment in their estimated fair value and determined that no adjustment in the carrying value was required.

### ***Loans Held for Investment***

From time to time, we may make investments in mortgage loans or mezzanine loans of third parties that own and operate commercial real estate assets located in the United States. Mortgage loans are secured, in part, by mortgages recorded against the underlying properties which are not owned by us. Mezzanine loans are secured, in part, by pledges of ownership interests of the entities that own the underlying real estate. Loans held for investment are carried at cost, net of any premiums or discounts which are accreted or amortized over the life of the related loan receivable utilizing the effective interest method. We evaluate the collectability of both interest and principal of each of these loans quarterly to determine whether the value has been impaired. A loan is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the loan held for investment to its estimated realizable value.

At March 31, 2012 and December 31, 2011, we had investments in three mortgage and mezzanine loans with an aggregate carrying value of \$162.9 million and \$162.8 million, respectively. These loans mature at various dates through October 2012 with a weighted average maturity of approximately three months. Certain of these loans require interest-only payments while others require payments of interest and principal based on a 30 year amortization. Interest rates on these loans are fixed between 5.9% and 7.0% per annum with a weighted average interest rate of approximately 6.3% and approximate market rates for instruments of similar quality and duration. During the three months ended March 31, 2012 and March 31 2011, we recorded \$3.1 million and \$6.9 million, respectively, in interest income earned from these loans held for investment. Payments on each of these loans were current as of March 31, 2012. In April 2012, one of these mortgage loans with a principal balance of \$76.7 million was repaid in its entirety.

On December 9, 2011, we paid consideration of \$88.8 million to acquire a 50% equity interest in two real estate developments for which we are the construction lender. The loans primarily bear interest at 7.0% and mature in May and July 2013. At March 31, 2012 and December 31, 2011, the aggregate amount drawn on the loans was \$82.3 million and \$50.7 million, respectively. We consolidated these assets as of the date we acquired our equity interest and, accordingly, amounts drawn on the loans are eliminated in consolidation.

### ***Fair Value Measurements***

We hold marketable securities that totaled \$451.2 million and \$417.0 million at March 31, 2012 and December 31, 2011, respectively, and are considered to have Level 1 fair value inputs. In addition, we have derivative instruments which are classified as having Level 2 inputs which consist primarily of interest rate swap agreements and foreign currency forward contracts with a gross liability balance of \$8.4 million and \$12.2 million at March 31, 2012 and December 31, 2011, respectively, and a gross asset value of \$1.2 million and \$14.9 million at March 31, 2012 and December 31, 2011, respectively. We also have interest rate cap agreements with nominal asset values.

Level 1 fair value inputs are quoted prices for identical items in active, liquid and visible markets such as stock exchanges. Level 2 fair value inputs are observable information for similar items in active or inactive markets, and appropriately consider counterparty creditworthiness in the valuations. Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate.

Note 6 includes a discussion of the fair value of debt measured using Level 1 and Level 2 inputs. Note 5 includes a discussion of the fair values recorded in purchase accounting and impairment, using Level 2 and Level 3 inputs. Level 3 inputs to our purchase accounting and impairment include our estimations of net operating results of the property, capitalization rates and discount rates.

### Noncontrolling Interests and Temporary Equity

Details of the carrying amount of our noncontrolling interests are as follows:

	<i>As of</i> <i>March 31,</i> <i>2012</i>	<i>As of</i> <i>December 31,</i> <i>2011</i>
Limited partners' interests in the Operating Partnership	\$ 1,216,247	\$ 953,622
Nonredeemable noncontrolling deficit interests in properties, net	(619)	(59,000)
<b>Total noncontrolling interests reflected in equity</b>	<b>\$ 1,215,628</b>	<b>\$ 894,622</b>

The remaining interest in a property or portfolio of properties which are redeemable at the option of the holder or in circumstances that may be outside our control, are accounted for as temporary equity within limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties in the accompanying consolidated balance sheets. The carrying amount of the noncontrolling interest is adjusted to the redemption amount assuming the instrument is redeemable at the balance sheet date. Changes in the redemption value of the underlying noncontrolling interest are recorded within accumulated deficit. There are no noncontrolling interests redeemable at amounts in excess of fair value.

Net income attributable to noncontrolling interests (which includes nonredeemable noncontrolling interests in consolidated properties, limited partners' interests in the Operating Partnership, redeemable noncontrolling interests in consolidated properties and preferred distributions payable by the Operating Partnership) is a component of consolidated net income. In addition, the individual components of other comprehensive income (loss) are presented in the aggregate for both controlling and noncontrolling interests, with the portion attributable to noncontrolling interests deducted from comprehensive income attributable to common stockholders.

A rollforward of noncontrolling interests reflected in equity is as follows:

	<i>For the Three Months</i> <i>Ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
Noncontrolling interests, beginning of period	\$ 894,622	\$ 802,972
Net Income attributable to noncontrolling interests after preferred distributions and income attributable to redeemable noncontrolling interests in consolidated properties	133,010	38,941
Distributions to noncontrolling interest holders	(58,098)	(70,393)
Other comprehensive income allocable to noncontrolling interests:		
Unrealized gain (loss) on interest rate hedge agreements	2,401	(1,900)
Net loss on derivative instruments reclassified from accumulated comprehensive loss into interest expense	858	671
Currency translation adjustments	7,523	3,739
Changes in available-for-sale securities and other	3,958	343
	<b>14,740</b>	<b>2,853</b>
Adjustment to limited partners' interest from increased (decreased) ownership in the Operating Partnership	163,845	(5,638)
Units issued to limited partners	—	202
Units exchanged for common shares	(1,418)	(2,211)
Purchase of noncontrolling interest and other	68,927	4,426
<b>Noncontrolling interests, end of period</b>	<b>\$ 1,215,628</b>	<b>\$ 771,152</b>

### ***Derivative Financial Instruments***

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We use a variety of derivative financial instruments in the normal course of business to selectively manage or hedge the risks associated with our indebtedness and interest payments. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps and caps. We require that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. As a result, there was no significant ineffectiveness from any of our derivative activities during the period. We formally designate any instrument that meets these hedging criteria as a hedge at the inception of the derivative contract. We have no credit-risk-related hedging or derivative activities.

As of March 31, 2012, we had the following outstanding interest rate derivatives related to interest rate risk:

<u>Interest Rate Derivative</u>	<u>Number of Instruments</u>	<u>Notional Amount</u>
Interest Rate Swaps	3	\$485.2 million
Interest Rate Caps	6	\$445.4 million

The carrying value of our interest rate swap agreements, at fair value, is a net liability balance of \$8.4 million and \$10.0 million at March 31, 2012 and December 31, 2011, respectively, and is included in other liabilities and accrued dividends. The interest rate cap agreements were of nominal value at March 31, 2012 and December 31, 2011 and we generally do not apply hedge accounting to these arrangements.

We are also exposed to fluctuations in foreign exchange rates on financial instruments which are denominated in foreign currencies, primarily in Japan and Europe. We use currency forward contracts and foreign currency denominated debt to manage our exposure to changes in foreign exchange rates on certain Yen and Euro-denominated receivables and net investments. Currency forward contracts involve fixing the Yen:USD or Euro:USD exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward contracts are typically cash settled in US dollars for their fair value at or close to their settlement date. Approximately ¥5.0 billion remains as of March 31, 2012 for all forward contracts. We entered into Yen:USD forward contracts during 2010 for approximately ¥1.7 billion that we expect to receive through October 2012 and we entered into Yen:USD forward contracts during 2011 for ¥3.8 billion that we expect to receive through October 2013. In 2012, we entered into additional Yen:USD forward contracts for approximately ¥2.5 billion that we expect to receive through January 5, 2015. The March 31, 2012 net asset balance related to these forward contracts was \$1.2 million which is included in deferred costs and other assets. We have reported the changes in fair value for these forward contracts in earnings. The underlying currency adjustments on the foreign currency denominated receivables are also reported in income and generally offset the amounts in earnings for these forward contracts.

In 2011, we entered into a Euro:USD forward contract with a €141.3 million notional value which was designated as a net investment hedge. The December 31, 2011 asset balance related to this forward was \$14.9 million and is included in deferred costs and other assets. We apply hedge accounting and the change in fair value for this Euro forward contract is reflected in other comprehensive income. Changes in the value of this hedge are offset by changes in the underlying hedged Euro-denominated joint venture investment. In connection with our sale of Gallerie Commerciali Italia, or GCI, as further discussed in Note 5, this hedge was terminated in January 2012.

The total gross accumulated other comprehensive loss related to our derivative activities, including our share of the other comprehensive loss from joint venture properties, approximated \$99.0 million and \$115.8 million as of March 31, 2012 and December 31, 2011, respectively.

#### 4. Per Share Data

We determine basic earnings per share based on the weighted average number of shares of common stock outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine diluted earnings per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all potentially dilutive common shares were converted into shares at the earliest date possible. The following table sets forth the computation of our basic and diluted earnings per share.

	<i>For the Three Months Ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
<b>Net Income available to Common Stockholders — Basic</b>	<b>\$ 645,410</b>	<b>\$ 179,412</b>
<b>Effect of dilutive securities:</b>		
Impact to General Partner's interest in Operating Partnership from all dilutive securities and options	—	22
<b>Net Income available to Common Stockholders — Diluted</b>	<b>\$ 645,410</b>	<b>\$ 179,434</b>
<b>Weighted Average Shares Outstanding — Basic</b>	<b>295,693,410</b>	<b>293,080,205</b>
Effect of stock options	<b>1,110</b>	210,291
<b>Weighted Average Shares Outstanding — Diluted</b>	<b>295,694,520</b>	<b>293,290,496</b>

For the three months ended March 31, 2012, potentially dilutive securities include stock options, units that are exchangeable for common stock and long-term incentive performance, or LTIP, units granted under our long-term incentive performance programs that are convertible into units and exchangeable for common stock. The only securities that had a dilutive effect for the three months ended March 31, 2012 and 2011 were stock options. We accrue dividends when they are declared.

#### 5. Investment in Unconsolidated Entities

##### *Real Estate Joint Ventures*

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties, and diversify our risk in a particular property or portfolio of properties. We held joint venture ownership interests in 78 properties in the United States as of March 31, 2012 and 87 properties as of December 31, 2011. At March 31, 2012, we also held interests in eight joint venture properties in Japan, two joint venture properties in South Korea, one joint venture property in Mexico, and one joint venture property in Malaysia. We account for these joint venture properties using the equity method of accounting. As discussed below, on January 9, 2012, we sold our interest in GCI which owns 45 properties located in Italy. Additionally, on March 14, 2012, we purchased a 28.7% equity stake in Klépierre.

Certain of our joint venture properties are subject to various rights of first refusal, buy-sell provisions, put and call rights, or other sale or marketing rights for partners which are customary in real estate joint venture agreements and our industry. We and our partners in these joint ventures may initiate these provisions (subject to any applicable lock up or similar restrictions), which may result in either the sale of our interest or the use of available cash or borrowings, or the use of limited partnership interests in the Operating Partnership, to acquire the joint venture interest from our partner.

##### *Unconsolidated Property Transactions*

On January 6, 2012, SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in the Mills Limited Partnership, or TMLP, distributed its interest in Del Amo Fashion Center to SPG-FCM's joint venture partners. We purchased our venture partner's 25% interest for \$50.0 million, which increased our ownership in the property to 50%. As a part of the transaction, we and our venture partner each contributed \$50.0 million to SPG-FCM which was used to pay down TMLP's senior loan and the loan we made to SPG-FCM, as discussed below.

On March 22, 2012, we acquired additional interests in 26 properties previously held in TMLP, or the Mills transaction, from our joint venture partner. The transaction resulted in 16 of the properties remaining unconsolidated,

the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at \$1.5 billion, which included repayment of the remaining \$562.1 million balance on TMLP's senior loan facility, and retirement of \$100.0 million of TMLP's trust preferred securities. In connection with the transaction, our \$558.4 million loan to SPG-FCM was extinguished on a non-cash basis. We consolidated approximately \$2.6 billion in additional property-level mortgage debt in connection with this transaction. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

The consolidation of the previously unconsolidated properties resulted in a remeasurement of our previously held interest in each of these properties to fair value and recognition of a corresponding non-cash gain of \$488.7 million. In addition, we recorded an other-than-temporary impairment charge of \$22.4 million for the excess of carrying value of our remaining investment in SPG-FCM over its estimated fair value. The gain on the transaction and impairment charge are included in Gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income. The assets and liabilities of the newly consolidated properties acquired in the Mills transaction have been reflected at their estimated fair value at the acquisition date, the majority of which, approximately \$4.3 billion, was allocated to the investment property. This purchase price allocation is preliminary and is subject to revision within the measurement period, not to exceed one year from the date of acquisition.

On December 31, 2011, as discussed in Note 9, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner.

#### ***Loan to SPG-FCM***

As discussed above, our loan to SPG-FCM was extinguished in the Mills transaction. During the three month periods ended March 31, 2012 and 2011, we recorded approximately \$2.0 million and \$2.5 million in interest income (net of inter-entity eliminations), related to this loan, respectively. The loan bore interest at a rate of LIBOR plus 275 basis points.

#### ***International Joint Venture Investments***

We conduct our international operations through joint venture arrangements and account for all of our international joint venture investments using the equity method of accounting.

***European Joint Ventures.*** At December 31, 2011, we had a 49% ownership interest in GCI. On January 9, 2012, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A. The aggregate cash we received was \$375.8 million and we recognized a gain on the sale of \$28.8 million. Our investment carrying value included \$39.5 million of accumulated losses related to currency translation and net investment hedge accumulated balances which had been recorded in accumulated other comprehensive income (loss).

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre for approximately \$2.0 billion. At March 31, 2012, the carrying value of our investment including excess investment was \$2.0 billion, including all related components of accumulated other comprehensive income (loss). At March 31, 2012, we owned 54,430,000 shares of Klépierre, which had a quoted market price of \$34.69 per share. We account for our investment in Klépierre under the equity method as we have determined we have significant influence over its operations. Our share of the results of Klépierre during our ownership period was immaterial.

***Asian Joint Ventures.*** We conduct our international Premium Outlet operations in Japan through a joint venture with Mitsubishi Estate Co., Ltd. We have a 40% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was \$337.6 million and \$349.5 million as of March 31, 2012 and December 31, 2011, respectively, including all related components of accumulated other comprehensive income (loss). We conduct our international Premium Outlet operations in South Korea through a joint venture with Shinsegae International Co. We have a 50% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was \$48.4 million and \$43.8 million as of March 31, 2012 and December 31, 2011, respectively, including all related components of accumulated other comprehensive income (loss).

**Summary Financial Information**

A summary of our investments in joint ventures and share of income from our joint ventures, excluding Klépierre, follows. The statements of operations include amounts related to our investment in GCI, which was sold on January 9, 2012. In addition, we acquired additional controlling interests in The Plaza at King of Prussia and The Court at King of Prussia, or collectively, King of Prussia, on August 25, 2011 and nine properties in the Mills transaction on March 22, 2012. These previously unconsolidated properties are now consolidated properties as of the acquisition dates. Additionally, on December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. The results of operations are classified as (loss)/income from discontinued joint venture interests in the accompanying joint venture statements of operations. Balance sheet information for the joint ventures is as follows:

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>BALANCE SHEETS</b>		
<b>Assets:</b>		
Investment properties, at cost	\$ 14,161,851	\$ 20,481,657
Less — accumulated depreciation	4,588,199	5,264,565
	<u>9,573,652</u>	<u>15,217,092</u>
Cash and cash equivalents	530,886	806,895
Tenant receivables and accrued revenue, net	190,922	359,208
Investment in unconsolidated entities, at equity	40,171	133,576
Deferred costs and other assets	364,255	526,101
Total assets	<u>\$ 10,699,886</u>	<u>\$ 17,042,872</u>
<b>Liabilities and Partners' Deficit:</b>		
Mortgages and other indebtedness	\$ 11,468,736	\$ 15,582,321
Accounts payable, accrued expenses, intangibles, and deferred revenue	528,648	775,733
Other liabilities	275,768	981,711
Total liabilities	<u>12,273,152</u>	<u>17,339,765</u>
Preferred units	67,450	67,450
Partners' deficit	<u>(1,640,716)</u>	<u>(364,343)</u>
Total liabilities and partners' deficit	<u>\$ 10,699,886</u>	<u>\$ 17,042,872</u>
<b>Our Share of:</b>		
Partners' deficit	\$ (787,451)	\$ (32,000)
Add: Excess Investment	2,007,617	714,515
Our net Investment in Unconsolidated Entities, at equity	<u>\$ 1,220,166</u>	<u>\$ 682,515</u>

"Excess Investment" represents the unamortized difference of our investment over our share of the equity in the underlying net assets of the joint ventures acquired. We amortize excess investment over the life of the related properties, typically no greater than 40 years, and the amortization is included in the reported amount of income from unconsolidated entities.

	<i>For the Three Months Ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
<b>STATEMENTS OF OPERATIONS</b>		
<b>Revenue:</b>		
Minimum rent	\$ 368,666	\$ 352,635
Overage rent	48,694	30,227
Tenant reimbursements	172,093	165,620
Other income	52,962	31,661
Total revenue	<u>642,415</u>	<u>580,143</u>
<b>Operating Expenses:</b>		
Property operating	118,119	111,562
Depreciation and amortization	138,056	131,730
Real estate taxes	48,333	45,853
Repairs and maintenance	14,971	16,770
Advertising and promotion	15,456	13,472
Provision for credit losses	982	804
Other	53,642	29,215
Total operating expenses	<u>389,559</u>	<u>349,406</u>
<b>Operating Income</b>	<b>252,856</b>	<b>230,737</b>
Interest expense	(159,902)	(150,516)
(Loss) income from unconsolidated entities	(315)	173
<b>Net Income from Continuing Operations</b>	<b>92,639</b>	<b>80,394</b>
<b>(Loss)/income from discontinued joint venture interests</b>	<b>(7,690)</b>	<b>318</b>
<b>Net Income</b>	<b>\$ 84,949</b>	<b>\$ 80,712</b>
<b>Third-Party Investors' Share of Net Income</b>	<b>\$ 40,012</b>	<b>\$ 50,014</b>
<b>Our Share of Net Income</b>	<b>44,937</b>	<b>30,698</b>
<b>Amortization of Excess Investment</b>	<b>(14,584)</b>	<b>(12,077)</b>
<b>Income from Unconsolidated Entities</b>	<b>\$ 30,353</b>	<b>\$ 18,621</b>

## 6. Debt

### *Unsecured Debt*

At March 31, 2012, our unsecured debt consisted of \$12.3 billion of senior unsecured notes of the Operating Partnership, \$160.0 million outstanding on an unsecured term loan, or Term Loan, and \$1.9 billion outstanding under an unsecured revolving credit facility, or Credit Facility. The March 31, 2012 balance included \$270.7 million (U.S. dollar equivalent) of Yen-denominated borrowings and \$1.0 billion (U.S. dollar equivalent) of Euro-denominated borrowings which are designated as net investment hedges of our international investments. On March 31, 2012, we had available borrowing capacity of approximately \$2.0 billion under the Credit Facility and \$740.0 million of borrowing capacity under the Term Loan. The maximum outstanding balance of the Credit Facility during the three months ended March 31, 2012 was \$3.1 billion and the weighted average outstanding balance on the Credit Facility was approximately \$1.3 billion. Letters of credit of approximately \$36.0 million were outstanding under the Credit Facility as of March 31, 2012.

The Credit Facility provides an initial borrowing capacity of \$4.0 billion which can be increased at our option to \$5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. The base interest rate on the Credit Facility is LIBOR plus 100 basis points with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid

option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a \$2.0 billion multi-currency tranche.

On March 13, 2012, the Operating Partnership issued \$600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, \$600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022, and \$550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. Proceeds from the unsecured notes offerings were used to fund a portion of the cost of the acquisition of our equity stake in Klépierre and the Mills transaction.

During the three months ended March 31, 2012, we redeemed at par \$74.2 million of senior unsecured notes with a fixed rate of 5.75%.

On November 1, 2011, we entered into a Term Loan providing a \$900.0 million borrowing capacity. The Term Loan will initially mature on July 30, 2013 and can be extended for an additional year at our sole option. The base interest rate on the Term Loan is LIBOR plus 100 basis points. We drew \$160.0 million on the Term Loan in the first quarter of 2012.

### ***Secured Debt***

Total secured indebtedness was \$8.3 billion and \$6.8 billion at March 31, 2012 and December 31, 2011, respectively. During the three months ended March 31, 2012, we repaid \$237.8 million in mortgage loans with a weighted average interest rate of 2.36%, unencumbering six properties, and repaid our \$735.0 million secured term loan.

As a result of the acquisition of additional interests in properties in the Mills transaction in March 2012, as further discussed in Note 5, we consolidated nine properties encumbered by property-level mortgage debt totaling \$2.6 billion. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

### ***Covenants***

Our unsecured debt contains financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of March 31, 2012, we are in compliance with all covenants of our unsecured debt.

At March 31, 2012, we or our subsidiaries are the borrowers under 91 non-recourse mortgage notes secured by mortgages on 91 properties, including 8 separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 38 properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At March 31, 2012, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance individually, or giving effect to applicable cross-default provisions in the aggregate, could have a material adverse effect on our financial condition, results of operations or cash flows.

### ***Fair Value of Debt***

The carrying value of our variable-rate mortgages and other loans approximates their fair values. We estimate the fair values of consolidated fixed-rate mortgages using cash flows discounted at current borrowing rates and other indebtedness using cash flows discounted at current market rates. We estimate the fair values of consolidated fixed-rate unsecured notes using quoted market prices, or, if no quoted market prices are available, we use quoted market prices for securities with similar terms and maturities. The book value of our consolidated fixed-rate mortgages and other indebtedness was \$20.0 billion and \$15.9 billion as of March 31, 2012 and December 31, 2011, respectively.

The fair values of these financial instruments and the related discount rate assumptions as of March 31, 2012 and December 31, 2011 are summarized as follows:

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Fair value of fixed-rate mortgages and other indebtedness	\$ 21,894	\$ 17,905
Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages	3.73%	3.60%

## 7. Equity

During the first three months of 2012, we issued 90,465 shares of common stock to 11 limited partners in exchange for an equal number of units.

On March 14, 2012, we issued 9,137,500 shares of common stock in a public offering at a price of \$137.00 per share. Proceeds of \$1.2 billion from the offering, net of issue costs were used to fund a portion of the acquisition of our equity stake in Klépierre and the Mills transaction.

### *Stock Based Compensation*

The Compensation Committee of our Board of Directors, or the Compensation Committee, awarded 12,034 shares of restricted stock to employees on March 5, 2012 and March 14, 2012 under The Simon Property Group, L.P. 1998 Stock Incentive Plan, or the Plan, at a fair market value of \$138.41 per share and \$141.12 per share, respectively. The fair market value of the restricted stock awarded on March 5, 2012 and March 14, 2012 is being recognized as expense over the three-year vesting service period.

On March 16, 2010, the Compensation Committee of our Board approved three long-term incentive performance programs, or the 2010 LTIP programs, for certain senior executive officers. Awards under the 2010 LTIP programs take the form of LTIP units, a form of limited partnership interest issued by the Operating Partnership. During the performance period, participants are entitled to receive on the LTIP units awarded to them distributions equal to 10% of the regular quarterly distributions paid on a unit of the Operating Partnership. As a result, we account for these LTIP units as participating securities under the two-class method of computing earnings per share. Awarded LTIP units will be considered earned, in whole or in part, depending upon the extent to which the applicable total shareholder return, or TSR, benchmarks, as defined, are achieved during the performance period and, once earned, will become the equivalent of units after a two year service-based vesting period, beginning after the end of the performance period. Awarded LTIP units not earned are forfeited.

The 2010 LTIP programs have one, two and three year performance periods, which end on December 31, 2010, 2011 and 2012, respectively. During July 2011, the Compensation Committee approved a three-year long-term incentive performance program, or the 2011-2013 LTIP program, and awarded LTIP units to certain senior executive officers. The 2011-2013 LTIP program has a three year performance period ending on December 31, 2013. During March 2012, the Compensation Committee approved a three-year long-term incentive performance program, or the 2012-2014 LTIP program, and awarded LTIP units to certain senior executive officers. The 2012-2014 LTIP program has a three year performance period ending December 31, 2014. After the end of each performance period, any earned LTIP units will then be subject to service-based vesting over a period of two years. One-half of the earned LTIP units will vest on January 1 of each of the second and third years following the end of the applicable performance period, subject to the participant maintaining employment with us through those dates.

The 2010 LTIP program awards have an aggregate grant date fair value, adjusted for estimated forfeitures, of \$7.2 million for the one-year program, \$14.8 million for the two-year program and \$23.0 million for the three-year program. The 2011-2013 LTIP program awards have an aggregate grant date fair value of \$35.0 million, adjusted for estimated forfeitures. The 2012-2014 LTIP program awards have an aggregate grant date fair value of \$35.0 million, adjusted for estimated forfeitures. Grant date fair values were estimated based upon the results of a Monte Carlo model, and the resulting expense will be recorded regardless of whether the TSR benchmarks are achieved. The grant date fair values are being amortized into expense over the period from the grant date to the date at which the awards, if any, become vested. In 2011, the Compensation Committee determined that 133,673 LTIP units were earned under the one-year 2010 LTIP program and, pursuant to the award agreements, will vest in two equal installments in 2012 and 2013. In the first quarter of 2012, the Compensation Committee determined that 337,006 LTIP units were earned

under the two-year 2010 LTIP program and, pursuant to the award agreements, will vest in two equal installments in 2013 and 2014.

On July 6, 2011, in connection with the execution of an employment agreement, the Compensation Committee granted David Simon, our Chairman and CEO, a retention award in the form of 1,000,000 LTIP units. The award vests in one-third increments on July 5<sup>th</sup> of 2017, 2018 and 2019, subject to continued employment. The grant date fair value of the retention award was \$120.3 million which is being recognized as expense over the eight-year term of his employment agreement on a straight-line basis.

### Changes in Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to common stockholders and equity attributable to noncontrolling interests:

	<i>Preferred Stock</i>	<i>Common Stock</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>	<i>Capital in Excess of Par Value</i>	<i>Accumulated Deficit</i>	<i>Common Stock Held in Treasury</i>	<i>Noncontrolling interests</i>	<i>Total Equity</i>
January 1, 2012	\$ 45,047	\$ 30	\$ (94,263)	\$ 8,103,133	\$ (3,251,740)	\$ (152,541)	\$ 894,622	\$ 5,544,288
Exchange of limited partner units for common shares				1,418			(1,418)	—
Public offering of common stock		1		1,214,282				1,214,283
Issuance of limited partner units								—
Other	(82)			1,370	(136)	1,705	10,368	13,225
Purchase of noncontrolling interest				(63,226)			58,559	(4,667)
Adjustment to limited partners' interest from increased ownership in the Operating Partnership				(163,845)			163,845	—
Distributions to common stockholders and limited partners, excluding Operating Partnership preferred interests					(280,034)		(57,907)	(337,941)
Distributions to other noncontrolling interest partners							(191)	(191)
Comprehensive income, excluding \$479 attributable to preferred interests in the Operating Partnership and \$2,096 attributable to noncontrolling redeemable interests in properties in temporary equity			70,543		646,244		147,750	864,537
<b>March 31, 2012</b>	<b>\$ 44,965</b>	<b>\$ 31</b>	<b>\$ (23,720)</b>	<b>\$ 9,093,132</b>	<b>\$ (2,885,666)</b>	<b>\$ (150,836)</b>	<b>\$ 1,215,628</b>	<b>\$ 7,293,534</b>

## 8. Commitments and Contingencies

### Litigation

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters, and litigation in connection with

transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable and the amount can be reasonably estimated.

In May 2010, Opry Mills sustained significant flood damage. Insurance proceeds of \$50 million have been funded by the insurers and remediation work has been completed. The property was re-opened March 29, 2012. The excess insurance carriers (those providing coverage above \$50 million) have denied the claim under the policy for additional proceeds (of up to \$150 million) to pay further amounts for restoration costs and business interruption losses. We and our lenders are continuing our efforts through pending litigation to recover our losses under the excess insurance policies for Opry Mills and we believe recovery is probable, but no assurances can be made that our efforts to recover these funds will be successful.

### ***Guarantees of Indebtedness***

Joint venture debt is the liability of the joint venture and is typically secured by the joint venture property, which is non-recourse to us. As of March 31, 2012 and December 31, 2011, the Operating Partnership guaranteed joint venture related mortgage or other indebtedness of \$113.4 million and \$30.2 million, respectively. Mortgages guaranteed by us are secured by the property of the joint venture and that property could be sold in order to satisfy the outstanding obligation.

## **9. Real Estate Acquisitions and Dispositions**

On March 22, 2012, as part of the Mills transaction discussed in Note 5, we acquired additional interests in 26 of our joint venture properties in a transaction valued at approximately \$1.5 billion.

On March 14, 2012, as discussed in Note 5, we acquired a 28.7% equity stake in Klépierre for approximately \$2.0 billion, including the capitalization of acquisition costs.

On January 9, 2012, as discussed in Note 5, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A.

On January 6, 2012, as discussed in Note 5, we purchased an additional 25% interest in Del Amo Fashion Center.

During the first quarter of 2012, we sold one of our other retail properties with a carrying value of \$115.0 million for nominal consideration and the assumption of the related mortgage debt of \$115.0 million by the acquirer.

On December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. As a result, we have a 100% interest in and now consolidate the six properties we received in the distribution. The distribution resulted in a remeasurement of the distributed assets to estimated fair value and a corresponding non-cash gain of approximately \$168.3 million in the fourth quarter of 2011 representing the estimated fair value of the net assets received in excess of the carrying value of our interest in the joint venture portfolio. The resulting gain and the asset and liability fair value allocation were recorded based on preliminary portfolio fair value estimates at the date of distribution and will be finalized during 2012.

On August 25, 2011, we acquired additional controlling interests of approximately 83.75% in King of Prussia thereby increasing our ownership interest to 96.1%. The property is subject to a \$160.1 million mortgage. The consolidation of this previously unconsolidated property resulted in a remeasurement of our previously held interest to fair value and a corresponding non-cash gain of \$82.9 million in the third quarter of 2011.

We expense acquisition and potential acquisition costs related to business combinations and disposition related costs as they are incurred. We incurred a minimal amount of transaction expenses during the three months ended March 31, 2012 and 2011.

## 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 included in this report.

### Overview

Simon Property Group, Inc., or Simon Property, is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code. To qualify as a REIT, among other things, a company must distribute at least 90% of its taxable income to its stockholders annually. Taxes are paid by stockholders on dividends received and any capital gains distributed. Most states also follow this federal treatment and do not require REITs to pay state income tax. Simon Property Group, L.P., or the Operating Partnership, is a majority-owned partnership subsidiary that owns all of our real estate properties and other assets. In this discussion, the terms "we", "us" and "our" refer to Simon Property, the Operating Partnership, and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of regional malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of March 31, 2012, we owned or held an interest in 325 income-producing properties in the United States, which consisted of 161 regional malls, 58 Premium Outlets, 70 community/lifestyle centers, 13 properties in the Mills portfolio, and 23 other shopping centers or outlet centers in 41 states and Puerto Rico. Internationally, as of March 31, 2012, we had ownership interests in eight Premium Outlets in Japan, two Premium Outlets in South Korea, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, on March 14, 2012, we purchased a 28.7% equity stake in Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, approximately 271 shopping centers located in 13 countries in Europe.

We generate the majority of our revenues from leases with retail tenants including:

- base minimum rents,
- overage and percentage rents based on tenants' sales volume, and
- recoveries of substantially all of our recoverable expenditures, which consist of property operating, real estate taxes, repair and maintenance, and advertising and promotional expenditures.

Revenues of our management company, after intercompany eliminations, consist primarily of management fees that are typically based upon the revenues of the property being managed.

We invest in real estate properties to maximize total financial return which includes both operating cash flows and capital appreciation. We seek growth in earnings, funds from operations, or FFO, and cash flows by enhancing the profitability and operation of our properties and investments. We seek to accomplish this growth through the following:

- attracting and retaining high quality tenants and utilizing economies of scale to reduce operating expenses,
- expanding and re-tenanting existing highly productive locations at competitive rental rates,
- selectively acquiring or increasing our interests in high quality real estate assets or portfolios of assets,
- generating consumer traffic in our retail properties through marketing initiatives and strategic corporate alliances, and
- selling selective non-core assets.

We also grow by generating supplemental revenues from the following activities:

- establishing our malls as leading market resource providers for retailers and other businesses and consumer-focused corporate alliances, including: payment systems (such as handling fees relating to the sales of bank-issued prepaid cards), national marketing alliances, static and digital media initiatives, business development, sponsorship, and events,
- offering property operating services to our tenants and others, including waste handling and facility services, and the provision of energy services,

- selling or leasing land adjacent to our shopping center properties, commonly referred to as "outlots" or "outparcels," and
- generating interest income on cash deposits and investments in loans, including those made to related entities.

We focus on high quality real estate across the retail real estate spectrum. We expand or renovate properties to enhance profitability and market share of existing assets when we believe the investment of our capital meets our risk-reward criteria. We selectively develop new properties in metropolitan areas that exhibit strong population and economic growth.

We routinely review and evaluate acquisition opportunities based on their ability to complement our portfolio. Our international strategy includes partnering with established real estate companies and financing international investments with local currency to minimize foreign exchange risk.

To support our growth, we employ a three-fold capital strategy:

- provide the capital necessary to fund growth,
- maintain sufficient flexibility to access capital in many forms, both public and private, and
- manage our overall financial structure in a fashion that preserves our investment grade credit ratings.

### **Results Overview**

Diluted earnings per common share increased \$1.57 during the first three months of 2012 to \$2.18 from \$0.61 for the same period last year. The increase in diluted earnings per share was primarily attributable to:

- improved operating performance and core business fundamentals in 2012 and the impact of our acquisition and expansion activity, and
- a 2012 gain due to the acquisition of a controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net of \$494.8 million, or \$1.39 per diluted share, primarily driven by a gain of \$488.7 million resulting from the remeasurement of our previously held interest to fair value for those properties where we now have a controlling interest.

Core business fundamentals during the first three months of 2012 improved from the economic environment that existed during the first three months of 2011. Total sales per square foot, or psf, increased 11.2% from March 31, 2011 to \$546 psf at March 31, 2012 for our portfolio of regional malls and Premium Outlets. Average base minimum rent increased 4.4% to \$39.87 psf as of March 31, 2012, from \$38.18 psf as of March 31, 2011. Releasing spreads remained positive as we were able to lease available square feet at higher rents than the expiring rental rates on the same space, resulting in a releasing spread (based on total tenant payments — base minimum rent plus common area maintenance) of \$4.74 psf as of March 31, 2012, representing a 9.7% increase over expiring payments as of March 31, 2012. Ending occupancy was 93.6% as of March 31, 2012, as compared to 93.0% as of March 31, 2011, an increase of 60 basis points.

Our effective overall borrowing rate at March 31, 2012 decreased 37 basis points to 5.19% as compared to 5.56% at March 31, 2011. This decrease was primarily due to a decrease in the effective overall borrowing rate on fixed rate debt of 42 basis points (5.62% at March 31, 2012 as compared to 6.04% at March 31, 2011) and a decrease in the effective overall borrowing rate on variable rate debt of 45 basis points (1.47% at March 31, 2012 as compared to 1.92% at March 31, 2011). At March 31, 2012, the weighted average years to maturity of our consolidated indebtedness was approximately 6.2 years as compared to approximately 5.7 years at December 31, 2011. Our financing activities for the three months ended March 31, 2012, included the repayment of \$237.8 million in mortgage loans with a weighted average interest rate of 2.36% unencumbering six properties, the redemption of \$74.2 million of senior unsecured notes with a fixed rate of 5.75% and the repayment of \$735.0 million on a secured term loan. In addition, during the 2012 period, we issued \$600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, \$600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022 and \$550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. We also had net \$1.0 billion (U.S. dollar equivalent) of Euro-denominated borrowings on our unsecured revolving credit facility, or Credit Facility, and \$160.0 million of borrowings on our \$900.0 million unsecured term loan, or Term Loan.

### United States Portfolio Data

The portfolio data discussed in this overview includes the following key operating statistics: ending occupancy, average base minimum rent per square foot, and total sales per square foot for our domestic assets. We include acquired properties in this data beginning in the year of acquisition and remove properties sold in the year disposed. For comparative purposes, we separate the information related to community/lifestyle centers and The Mills from our other U.S. operations. We also do not include any properties located outside of the United States.

The following table sets forth these key operating statistics for:

- properties that are consolidated in our consolidated financial statements,
- properties we account for under the equity method of accounting as joint ventures, and
- the foregoing two categories of properties on a total portfolio basis.

	<u>March 31,</u> <u>2012</u>	<u>March 31,</u> <u>2011(2)</u>	<u>%/basis point</u> <u>Change(1)</u>
<b>U.S. Regional Malls and Premium Outlets:</b>			
<b>Ending Occupancy</b>			
Consolidated	93.6%	93.5%	+10 bps
Unconsolidated	93.5%	91.8%	+170 bps
<b>Total Portfolio</b>	<b>93.6%</b>	<b>93.0%</b>	<b>+60 bps</b>
<b>Average Base Minimum Rent per Square Foot</b>			
Consolidated	\$ 37.86	\$ 36.63	3.4%
Unconsolidated	\$ 47.93	\$ 42.53	12.7%
<b>Total Portfolio</b>	<b>\$ 39.87</b>	<b>\$ 38.18</b>	<b>4.4%</b>
<b>Total Sales per Square Foot</b>			
Consolidated	\$ 529	\$ 483	9.5%
Unconsolidated	\$ 630	\$ 523	20.5%
<b>Total Portfolio</b>	<b>\$ 546</b>	<b>\$ 491</b>	<b>11.2%</b>
<b>The Mills:</b>			
<b>Ending Occupancy</b>			
	96.5%	93.7%	+280 bps
<b>Average Base Minimum Rent per Square Foot</b>			
	\$ 21.93	\$ 21.18	3.5%
<b>Total Sales per Square Foot</b>			
	\$ 491	\$ 446	10.1%
<b>Community/Lifestyle Centers:</b>			
<b>Ending Occupancy</b>			
	93.1%	92.3%	+80 bps
<b>Average Base Minimum Rent per Square Foot</b>			
	\$ 13.78	\$ 13.40	2.8%

- (1) Percentages may not recalculate due to rounding. Percentage and basis point changes are representative of the change from the comparable prior period.
- (2) Prior year data has been restated as a result of the acquisition of additional interests in certain properties as discussed in Note 5 to the condensed notes to consolidated financial statements.

**Ending Occupancy Levels and Average Base Minimum Rent per Square Foot.** Ending occupancy is the percentage of gross leasable area, or GLA, which is leased as of the last day of the reporting period. We include all company owned space except for regional mall anchors and regional mall majors in the calculation. Base minimum rent per square foot is the average base minimum rent charge in effect for the reporting period for all tenants that would qualify to be included in ending occupancy.

**Total Sales per Square Foot.** Total sales include total reported retail tenant sales at owned GLA (for mall and freestanding stores with less than 10,000 square feet) in the regional malls and all reporting tenants at the Premium Outlets and the Mills. Retail sales at owned GLA affect revenue and profitability levels because sales determine the amount of minimum rent that can be charged, the percentage rent realized, and the recoverable expenses (common area maintenance, real estate taxes, etc.) that tenants can afford to pay.

#### **International Property Data**

The following are selected key operating statistics for our Premium Outlets in Japan. The information used to prepare these statistics has been supplied by the managing venture partner.

	<u>March 31,</u> <u>2012</u>	<u>March 31,</u> <u>2011</u>	<u>%/basis point</u> <u>Change</u>
Ending Occupancy	99.9%	99.8%	+10 bps
Comparable Sales per Square Foot	¥ 89,875	¥ 87,011	3.3%
Average Base Minimum Rent per Square Foot	¥ 4,930	¥ 4,808	2.5%

#### **Results of Operations**

In addition to the activity discussed above in the "Results Overview" section, the following acquisitions, openings, and dispositions of consolidated properties affected our consolidated results from continuing operations in the comparative periods:

- On March 29, 2012, Opry Mills re-opened after completion of the restoration of the property following the significant flood damage which occurred in May 2010.
- On March 22, 2012, we acquired additional interests in 26 joint venture properties, or the Mills transaction, from our joint venture partner. Of these 26 properties, nine became consolidated properties at the acquisition date.
- During the first three months of 2012, we disposed of one other retail property.
- During 2011, we disposed of three of our other retail properties and one of our regional malls.
- On December 31, 2011, as discussed in Note 9 of the condensed notes to consolidated financial statements, a 50% joint venture distributed a portfolio of properties to us and our joint venture partner. We now consolidate those properties we received in the distribution.
- On August 25, 2011, we acquired additional interests in The Plaza at King of Prussia and The Court at King of Prussia, or, collectively, King of Prussia, a 2.4 million square foot regional mall in the Philadelphia market, which had previously been accounted for under the equity method. We now have a controlling interest in this property and its results are consolidated as of the acquisition date.
- On July 19, 2011, we acquired a 100% ownership interest in ABQ Uptown, a 222,000 square foot lifestyle center located in Albuquerque, New Mexico.
- On June 28, 2011, we sold Prime Outlets — Jeffersonville.

In addition to the activities discussed above and in "Results Overview," the following acquisitions, dispositions and openings of joint venture properties affected our income from unconsolidated entities in the comparative periods:

- As discussed above, on March 22, 2012, we acquired additional interests in 26 joint venture properties. Of these 26 assets, 16 remained unconsolidated.
- On March 14, 2012, we acquired a 28.7% equity stake in Klépierre.

- On January 9, 2012, we sold our entire ownership interest in Gallerie Commerciali Italia, or GCI, which owns 45 properties located in Italy to our venture partner, Auchan S.A.
- On January 6, 2012, we acquired an additional 25% interest in Del Amo Fashion Center.
- During 2011, we disposed of one of our regional malls.
- On December 2, 2011, we and our partner, Genting Berhad, opened Johor Premium Outlets, a 173,000 square foot outlet center in Johor, Malaysia.
- During the third quarter of 2011, we contributed a wholly-owned property to a joint venture which holds our interests in nine unconsolidated properties. The transaction effectively exchanged a portion of our interest in this previously wholly-owned property for increased ownership interests in the nine unconsolidated properties.
- On March 17, 2011, we and our partner, Shinsegae International Co., opened Paju Premium Outlets, a 328,000 square foot outlet center in Paju, South Korea.

For the purposes of the following comparison between the three months ended March 31, 2012 and 2011, the above transactions are referred to as the property transactions. In the following discussions of our results of operations, "comparable" refers to properties open and operating throughout the periods in both 2012 and 2011.

***Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011***

Minimum rents increased \$57.8 million during the 2012 period, of which the property transactions accounted for \$35.6 million of the increase. Comparable rents increased \$22.2 million, or 3.6%. The increase in comparable rents was primarily attributable to a \$22.1 million increase in base minimum rents. Overage rents increased \$10.5 million, or 61.5%, as a result of an increase in tenant sales for the period compared to the prior period.

Tenant reimbursements increased \$25.0 million, due to a \$17.7 million increase attributable to the property transactions and a \$7.3 million, or 2.7%, increase in the comparable properties primarily due to annual increases related to common area maintenance reimbursements.

Total other income increased \$4.0 million, principally as a result of a \$7.6 million increase in financing and other fee revenue earned from joint ventures net of eliminations, partially offset by a decrease in interest income of \$3.9 million primarily related to a reduction in the aggregate amount of loans held for investment.

Property operating expense increased \$5.2 million primarily related to a \$7.3 million increase attributable to the property transactions partially offset by a \$2.1 million decrease in comparable property activity due primarily to a mild winter.

Depreciation and amortization expense increased \$18.8 million primarily due to the additional depreciable assets related to the property transactions.

Real estate tax expense increased \$5.4 million primarily related to the property transactions.

Repairs and maintenance expense decreased \$5.2 million primarily due to decreased snow removal costs as compared to the prior period, offset partially by the property transactions.

Home and regional office expense increased \$3.8 million primarily due to increased long-term incentive compensation costs.

General and administrative expense increased \$6.2 million primarily as a result of increased performance compensation costs.

Interest expense increased \$10.0 million primarily related to the property transactions. Increased interest expense from borrowings on the Euro tranche of the Credit Facility and the issuance of unsecured notes in the fourth quarter of 2011 and the first quarter of 2012 were partially offset by the repayment of mortgages at six properties, payoff of our \$735.0 million secured term loan, and payoff of \$542.5 million of unsecured notes in 2011 and \$74.2 million of unsecured notes in 2012.

Income from unconsolidated properties increased \$11.7 million as result of the property transactions, primarily our increased ownership in the joint venture properties acquired as part of the Mills transaction, and favorable results of operations from the portfolio of joint venture properties.

During the first quarter of 2012, we disposed of our interest in GCI for a gain of \$28.8 million and acquired a controlling interest in nine properties previously accounted for under the equity method in the Mills transaction which resulted in the recognition of a non-cash gain of \$488.7 million. In addition, we recorded an other-than-temporary impairment charge of \$22.4 million on our remaining investment in SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in The Mills Limited Partnership, or TMLP, representing the excess of carrying value over the estimated fair value.

Net income attributable to noncontrolling interests increased \$96.2 million primarily due to an increase in the income of the Operating Partnership.

## **Liquidity and Capital Resources**

Because we generate revenues primarily from long-term leases, our financing strategy relies primarily on long-term fixed rate debt. We manage our floating rate debt to be at or below 15-25% of total outstanding indebtedness by negotiating interest rates for each financing or refinancing based on current market conditions and entering into floating rate to fixed rate interest rate swaps. Floating rate debt currently comprises approximately 10.3% of our total consolidated debt at March 31, 2012. We also enter into interest rate protection agreements to assist in managing our interest rate risk. We derive most of our liquidity from leases that generate positive net cash flow from operations and distributions of capital from unconsolidated entities that totaled \$649.7 million during the three months ended March 31, 2012. In addition, the Credit Facility provides an alternative source of liquidity as our cash needs vary from time to time.

Our balance of cash and cash equivalents increased \$81.9 million during the first three months of 2012 to \$880.5 million as of March 31, 2012 as further discussed under "Cash Flows" below.

On March 31, 2012, we had available borrowing capacity of approximately \$2.0 billion under the Credit Facility, net of outstanding borrowings of \$1.9 billion and letters of credit of \$36.0 million, and \$740.0 million of borrowing capacity under the Term Loan. For the three months ended March 31, 2012, the maximum amount outstanding under the Credit Facility was \$3.1 billion and the weighted average amount outstanding was approximately \$1.3 billion. The weighted average interest rate was 1.29% for the three months ended March 31, 2012.

We and the Operating Partnership have historically had access to public equity and long term unsecured debt markets and access to private equity from institutional investors at the property level.

Our business model requires us to regularly access the debt markets to raise funds for acquisition, development and redevelopment activity, and to refinance maturing debt. We may also, from time to time, access the equity capital markets to accomplish our business objectives. We believe we have sufficient cash on hand and availability under the Credit Facility to address our debt maturities and capital needs through 2012.

### ***Loan to SPG-FCM***

As discussed in Note 5 to the condensed notes to consolidated financial statements, the loan to SPG-FCM was extinguished in the Mills transaction. During the three month periods ended March 31, 2012 and 2011, we recorded approximately \$2.0 million and \$2.5 million in interest income (net of inter-entity eliminations), related to this loan, respectively.

## **Cash Flows**

Our net cash flow from operating activities and distributions of capital from unconsolidated entities for the three months ended March 31, 2012 totaled \$649.7 million. In addition, we received net proceeds from our debt financing and repayment activities of \$1.8 billion in 2012. These activities are further discussed below under "Financing and Debt." During the 2012 period, we or the Operating Partnership also:

- issued 9,137,500 shares of common stock in a public offering for \$1.2 billion, net of issue costs,
- funded the acquisition of an additional interest in one property, the 28.7% equity stake in Klépierre and additional interests in 26 joint venture properties in the Mills transaction for \$3.62 billion,

- received proceeds of \$375.8 million from the sale of our interest in GCI,
- paid stockholder dividends and unitholder distributions totaling \$337.1 million,
- paid preferred stock dividends and preferred unit distributions totaling \$1.3 million,
- funded consolidated capital expenditures of \$124.2 million (includes development and other costs of \$42.9 million, renovation and expansion costs of \$43.5 million, and tenant costs and other operational capital expenditures of \$37.8 million), and
- funded investments in unconsolidated entities of \$61.7 million.

In general, we anticipate that cash generated from operations will be sufficient to meet operating expenses, monthly debt service, recurring capital expenditures, and distributions to stockholders necessary to maintain our REIT qualification on a long-term basis. In addition, we expect to be able to obtain capital for nonrecurring capital expenditures, such as acquisitions, major building renovations and expansions, as well as for scheduled principal maturities on outstanding indebtedness, from:

- excess cash generated from operating performance and working capital reserves,
- borrowings on the Credit Facility,
- additional secured or unsecured debt financing, or
- additional equity raised in the public or private markets.

We expect to generate positive cash flow from operations in 2012, and we consider these projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our retail tenants, many of whom are still recovering from the recent economic downturn. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds from the Credit Facility, curtail planned capital expenditures, or seek other additional sources of financing as discussed above.

## **Financing and Debt**

### ***Unsecured Debt***

At March 31, 2012, our unsecured debt consisted of \$12.3 billion of senior unsecured notes of the Operating Partnership, \$160.0 million outstanding on the Term Loan, and \$1.9 billion outstanding under the Credit Facility. The March 31, 2012 balance under the Credit Facility included \$270.7 million (U.S. dollar equivalent) of Yen-denominated borrowings and \$1.0 billion (U.S. dollar equivalent) of Euro-denominated borrowings which are designated as net investment hedges of our international investments. On March 31, 2012, we had available borrowing capacity of approximately \$2.0 billion under the Credit Facility. The maximum outstanding balance of the Credit Facility during the three months ended March 31, 2012 was \$3.1 billion and the weighted average outstanding balance on the Credit Facility was approximately \$1.3 billion. Letters of credit of approximately \$36.0 million were outstanding under the Credit Facility as of March 31, 2012.

The Credit Facility provides an initial borrowing capacity of \$4.0 billion which can be increased at our option to \$5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. The base interest rate on the Credit Facility is LIBOR plus 100 basis points with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a \$2.0 billion multi-currency tranche.

On November 1, 2011, we entered into a Term Loan providing a \$900.0 million borrowing capacity. The Term Loan will initially mature on July 30, 2013 and can be extended for an additional year at our sole option. The base interest rate on the Term Loan is LIBOR plus 100 basis points. We drew \$160.0 million on the Term Loan in the first quarter of 2012.

On March 13, 2012, the Operating Partnership issued \$600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, \$600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022, and \$550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. Proceeds from the unsecured notes offerings were used to fund a portion of the cost of the acquisition of our equity stake in Klépierre and the Mills transaction.

During the three months ended March 31, 2012, we redeemed at par \$74.2 million of senior unsecured notes with a fixed rate of 5.75%.

### Secured Debt

Total secured indebtedness was \$8.3 billion and \$6.8 billion at March 31, 2012 and December 31, 2011, respectively. During the three months ended March 31, 2012, we repaid \$237.8 million in mortgage loans with a weighted average interest rate of 2.36%, unencumbering six properties, and repaid our \$735.0 million secured term loan.

As a result of the acquisition of additional interests in the joint venture properties in the Mills transaction in March 2012, as further discussed in Note 5 to the condensed consolidated notes to financial statements, we consolidated nine properties encumbered by property-level mortgage debt totaling \$2.6 billion. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

### Covenants

Our unsecured debt contains financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of March 31, 2012, we are in compliance with all covenants of our unsecured debt.

At March 31, 2012, we or our subsidiaries are the borrowers under 91 non-recourse mortgage notes secured by mortgages on 91 properties, including 8 separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 38 properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At March 31, 2012, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions, have a material adverse effect on our financial condition, results of operations or cash flows.

### Summary of Financing

Our consolidated debt, adjusted to reflect outstanding derivative instruments, and the effective weighted average interest rates as of March 31, 2012 and December 31, 2011, consisted of the following (dollars in thousands):

<i>Debt Subject to</i>	<i>Adjusted Balance as of March 31, 2012</i>	<i>Effective Weighted Average Interest Rate</i>	<i>Adjusted Balance as of December 31, 2011</i>	<i>Effective Weighted Average Interest Rate</i>
<b>Fixed Rate</b>	<b>\$ 20,461,418</b>	<b>5.62%</b>	<b>\$ 16,407,374</b>	<b>5.83%</b>
<b>Variable Rate</b>	<b>2,339,144</b>	<b>1.47%</b>	<b>2,039,066</b>	<b>1.45%</b>
	<b>\$ 22,800,562</b>	<b>5.19%</b>	<b>\$ 18,446,440</b>	<b>5.35%</b>

As of March 31, 2012, we had \$485.2 million of notional amount fixed rate swap agreements that have a weighted average fixed pay rate of 2.52% and a weighted average variable receive rate of 0.61%. As of March 31, 2012, the net effect of these agreements effectively converted \$485.0 million of variable rate debt to fixed rate debt.

### Contractual Obligations and Off-Balance Sheet Arrangements

There have been no material changes to our outstanding capital expenditure and lease commitments previously disclosed in our 2011 Annual Report on Form 10-K.

In regards to long-term debt arrangements, the following table summarizes the material aspects of these future obligations on our consolidated indebtedness as of March 31, 2012, for the remainder of 2012 and subsequent years thereafter (dollars in thousands) assuming the obligations remain outstanding through initial maturities:

	<u>2012</u>	<u>2013-2014</u>	<u>2015-2017</u>	<u>After 2017</u>	<u>Total</u>
Long-Term Debt(1)	\$ 623,732	\$ 3,746,163	\$ 11,309,391	\$ 7,024,900	\$ 22,704,186
Interest Payments(2)	\$ 824,015	\$ 2,018,521	\$ 1,960,977	\$ 2,285,287	\$ 7,088,800

(1) Represents principal maturities only and therefore, excludes net premiums of \$96,376.

(2) Variable rate interest payments are estimated based on the LIBOR rate at March 31, 2012.

Our off-balance sheet arrangements consist primarily of our investments in joint ventures which are common in the real estate industry and are described in Note 5 of the condensed notes to consolidated financial statements. Our joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint venture debt is secured by a first mortgage, is without recourse to the joint venture partners, and does not represent a liability of the partners, except to the extent the partners or their affiliates expressly guarantee the joint venture debt. As of March 31, 2012, the Operating Partnership had guaranteed \$113.4 million of joint venture related mortgage or other indebtedness. We may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not required contractually or otherwise.

## Acquisitions and Dispositions

Buy-sell provisions are common in real estate partnership agreements. Most of our partners are institutional investors who have a history of direct investment in retail real estate. We or our partners in our joint venture properties may initiate these provisions (subject to any applicable lock up or similar restrictions). If we determine it is in our stockholders' best interests for us to purchase the joint venture interest and we believe we have adequate liquidity to execute the purchase without hindering our cash flows, then we may initiate these provisions or elect to buy. If we decide to sell any of our joint venture interests, we expect to use the net proceeds to reduce outstanding indebtedness or to reinvest in development, redevelopment, or expansion opportunities.

**Acquisitions.** On March 22, 2012, we acquired additional interests in 26 properties previously held in TMLP, from our joint venture partner. The transaction resulted in 16 of the properties remaining unconsolidated, the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at \$1.5 billion, which included repayment of the remaining \$562.1 million balance on TMLP's senior loan facility and retirement of \$100.0 million of TMLP's trust preferred securities. In connection with the transaction, our \$558.4 million loan to SPG-FCM was extinguished on a non-cash basis. We consolidated approximately \$2.6 billion in additional property-level mortgage debt in connection with this transaction. The transaction resulted in a remeasurement of our previously held interest in each of these properties to fair value and the recognition of a corresponding non-cash gain of approximately \$488.7 million.

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre for approximately \$2.0 billion.

On January 6, 2012, SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in the Mills Limited Partnership, or TMLP, distributed its interest in Del Amo Fashion Center to SPG-FCM's joint venture partners. We purchased our venture partner's 25% interest for \$50.0 million, which increased our ownership in the property to 50%. As a part of the transaction, we and our venture partner each contributed \$50.0 million to SPG-FCM which was used to pay down TMLP's senior loan and the loan we made to SPG-FCM, as discussed below.

On December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. As a result, we have a 100% interest and now consolidate the six properties we received in the distribution. The distribution resulted in a remeasurement of the distributed assets to estimated fair value and a corresponding non-cash gain of approximately \$168.3 million in the fourth quarter of 2011 representing the estimated fair value of the assets received in excess of the carrying value of our interest in the joint venture portfolio.

On August 25, 2011, we acquired additional controlling interests of approximately 83.75% in King of Prussia, thereby increasing our ownership interest to 96.1%. The property is subject to a \$160.1 million mortgage. The consolidation of this previously unconsolidated property resulted in a remeasurement of our previously held interest to fair value and a corresponding non-cash gain of \$82.9 million in the third quarter of 2011.

**Dispositions.** We continue to pursue the disposition of properties that no longer meet our strategic criteria or that are not a primary retail venue within their trade area.

During the first quarter of 2012, we sold one of our other retail properties with a carrying value of \$115.0 million for nominal consideration and the assumption of the related mortgage debt of \$115.0 million by the acquirer.

On January 9, 2012, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A. The aggregate cash we received was \$375.8 million and we recognized a gain on the sale of \$28.8 million.

## Development Activity

**New Domestic Development.** In March 2012, we began construction on Phoenix Premium Outlets located in Phoenix, Arizona. This new center, which is wholly owned by us, is expected to open in May of 2013. The estimated cost of this project is \$70.7 million.

In August 2011, we began construction on Tanger Outlets — Galveston located in Texas City, Texas. This new center is a joint venture with Tanger Factory Outlets Centers, Inc. in which we have a 50% interest. Our estimated share of the cost of this project is \$32.2 million.

During 2010, we began construction on Merrimack Premium Outlets located in Merrimack, New Hampshire. This new Premium Outlet, which is wholly owned by us, is scheduled to open on June 14, 2012. The estimated cost of this project is \$144.1 million, and the carrying amount of the construction in progress as of March 31, 2012 was \$113.6 million.

Other than these projects, our share of other 2012 new developments is not significant.

**Domestic Expansions and Renovations.** We routinely incur costs related to construction for significant renovation and expansion projects at our properties. We also have reinstated our redevelopment and expansion initiatives which we previously reduced given the downturn in the economy. Renovation and expansion projects are currently underway at 23 centers in the U.S. and more than 50 anchor and big box tenants are currently scheduled to open in 2012 and 2013. We expect our share of development costs for 2012 related to renovation or expansion initiatives to be approximately \$800.0 million compared to approximately \$265.0 million in 2011.

We expect to fund these capital projects with cash flows from operations. Our estimated stabilized return on invested capital ranges between 8-12% for all of our new development, expansion and renovation projects.

**International Development Activity.** We typically reinvest net cash flow from our international joint ventures to fund future international development activity. We believe this strategy mitigates some of the risk of our initial investment and our exposure to changes in foreign currencies. We have also funded most of our foreign investments with local currency-denominated borrowings that act as a natural hedge against fluctuations in exchange rates. Currently, our consolidated net income exposure to changes in the volatility of the Euro, Yen, Won, and other foreign currencies is not material. We expect our share of international development costs for 2012 will be approximately \$130.0 million at current FX rates, primarily funded through reinvested joint venture cash flow and construction loans.

Rinku Premium Outlets Phase IV, a 103,000 square foot expansion to the Rinku Premium Outlet located in Osaka, Japan, is under construction and is expected to open in July 2012. Kobe-Sanda Premium Outlets Phase III, a 78,000 square foot expansion to the Kobe-Sanda Premium Outlets in Osaka, Japan, is under construction and is expected to open in December 2012. The net cost of these projects is expected to be JPY 6.2 billion, of which our share is approximately JPY 2.5 billion, or \$30.1 million based on applicable YEN:USD exchange rates.

In April 2012, construction began on Shisui Premium Outlets, a 234,000 square foot new development in Chiba, Japan, which is due to open in April 2013. The net cost of this project is expected to be JPY 9.2 billion, of which our share is approximately JPY 3.7 billion, or \$44.4 million based on applicable YEN:USD exchange rates.

In April 2012, construction began on Toronto Premium Outlets, a 358,000 square foot new development in Ontario, Canada, which is expected to open in August 2013. The net cost of this project is expected to be CAD 159.6 million, of which our share is approximately CAD 79.8 million, or \$79.8 million based on applicable CAD:USD exchange rates.

In 2012, construction began on Busan Premium Outlets, a 243,500 square foot new development in Busan, South Korea, which is due to open in September 2013. The net cost of this project is expected to be KRW 129.2 billion, of which our share is approximately KRW 64.6 billion, or \$57 million based on applicable KRW:USD exchange rates.

On March 1, 2012, we and our partner, Bailian Group, the largest retail conglomerate in China, announced the signing of a Memorandum of Understanding, or MOU, to jointly develop a Premium Outlet Center in Pudong, Shanghai, China. The MOU also provides the joint venture the opportunity to develop additional Premium Outlet Centers in mainland China.

On April 9, 2012, we and our partner, BR Malls Participacoes S.A., signed a Joint Venture Agreement to develop and own Premium Outlet Centers in Brazil in which we would have a 50% interest. The first Premium Outlet is expected to be opened in the State of Sao Paulo in 2013.

## **Dividends**

We paid a common stock dividend of \$0.95 per share in the first quarter of 2012. On April 27, 2012, we announced a common stock dividend of \$1.00 per share payable on May 31, 2012 to stockholders of record on May 17, 2012. We must pay a minimum amount of dividends to maintain our status as a REIT. Our dividends typically exceed our net income generated in any given year primarily because of depreciation, which is a non-cash expense. Our future dividends and future distributions of the Operating Partnership will be determined by the Board of Directors based on actual results of operations, cash available for dividends and limited partner distributions, and what may be required to maintain our status as a REIT.

## **Forward-Looking Statements**

Certain statements made in this section or elsewhere 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. Such factors include, but are not limited to: our ability to meet debt service requirements, the availability of financing, changes in our credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, the ability to hedge interest rate risk, risks associated with the acquisition, development and expansion of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic climates, changes in market rental rates, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, intensely competitive market environment in the retail industry, costs of common area maintenance, competitive market forces, risks related to international activities, insurance costs and coverage, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. We discussed these and other risks and uncertainties under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. We may update that discussion in our Quarterly Reports on Form 10-Q, but otherwise 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.

## **Non-GAAP Financial Measure — Funds from Operations**

Industry practice is to evaluate real estate properties in part based on funds from operations, or FFO. We consider FFO to be a key measure of our operating performance that is not specifically defined by accounting principles generally accepted in the United States, or GAAP. We believe that FFO is helpful to investors because it is a widely recognized measure of the performance of REITs and provides a relevant basis for comparison among REITs. We also use this measure internally to measure the operating performance of our portfolio.

We determine FFO based on the definition set forth by the National Association of Real Estate Investment Trusts, or NAREIT, as consolidated net income computed in accordance with GAAP:

- excluding real estate related depreciation and amortization,
- excluding gains and losses from extraordinary items and cumulative effects of accounting changes,
- excluding gains and losses from the sales of previously depreciated retail operating properties,
- excluding impairment charges of depreciable real estate,
- plus the allocable portion of FFO of unconsolidated entities accounted for under the equity method of accounting based upon economic ownership interest, and
- all determined on a consistent basis in accordance with GAAP.

We have adopted NAREIT's clarification of the definition of FFO that requires us to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale of, or any impairment charges related to, previously depreciated operating properties. We include in FFO gains and losses realized from the sale of land, outlot buildings, marketable and non-marketable securities, and investment holdings of non-retail real estate. However, you should understand that our computation of FFO might not be comparable to FFO reported by other REITs and that FFO:

- does not represent cash flow from operations as defined by GAAP,
- should not be considered as an alternative to consolidated net income determined in accordance with GAAP as a measure of operating performance, and
- is not an alternative to cash flows as a measure of liquidity.

The following schedule reconciles total FFO to consolidated net income and diluted net income per share to diluted FFO per share.

	<i>For the Three Months Ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
(in thousands)		
<b>Funds from Operations</b>	<b>\$ 648,652</b>	<b>\$ 570,643</b>
<b>Increase in FFO from prior period</b>	<b>13.7%</b>	<b>75.3%</b>
<b>Consolidated Net Income</b>	<b>\$ 781,829</b>	<b>\$ 219,666</b>
<b>Adjustments to Arrive at FFO:</b>		
Depreciation and amortization from consolidated properties	281,349	262,546
Our share of depreciation and amortization from unconsolidated entities	86,141	93,381
(Gain) loss upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(494,837)	584
Net income attributable to noncontrolling interest holders in properties	(2,109)	(2,111)
Noncontrolling interests portion of depreciation and amortization	(2,408)	(2,110)
Preferred distributions and dividends	(1,313)	(1,313)
<b>Funds from Operations</b>	<b>\$ 648,652</b>	<b>\$ 570,643</b>
FFO Allocable to Simon Property	\$ 537,825	\$ 473,451
<b>Diluted net income per share to diluted FFO per share reconciliation:</b>		
<b>Diluted net income per share</b>	<b>\$ 2.18</b>	<b>\$ 0.61</b>
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, net of noncontrolling interests portion of depreciation and amortization	1.03	1.00
(Gain) loss upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(1.39)	—
<b>Diluted FFO per share</b>	<b>\$ 1.82</b>	<b>\$ 1.61</b>

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

**Sensitivity Analysis.** We disclosed a comprehensive qualitative and quantitative analysis regarding market risk in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2011 Annual Report on Form 10-K. There have been no material changes in the assumptions used or results obtained regarding market risk since December 31, 2011.

### **Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at a reasonable assurance level.

**Changes in Internal Control Over Financial Reporting.** There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II — Other Information**

### **Item 1. Legal Proceedings**

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters, and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable and the amount can be reasonably estimated.

#### **Item 1A. Risk Factors**

Through the period covered by this report, there were no significant changes to the Risk Factors disclosed in "Part 1: Business" of our 2011 Annual Report on Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the quarter ended March 31, 2012, we issued 90,465 shares of common stock to limited partners in exchange for an equal number of units. The issuance of the shares of common stock was made pursuant to the terms of the Partnership Agreement of the Operating Partnership and was exempt from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

There were no reportable purchases of equity securities during the quarter ended March 31, 2012.

### **Item 5. Other Information**

During the quarter covered by this report, the Audit Committee of Simon Property Group, Inc.'s Board of Directors approved certain audit-related, tax compliance and tax consulting to be provided by Ernst & Young, LLP, our independent registered public accounting firm. This disclosure is made pursuant to Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

**Item 6. Exhibits**

<i>Exhibit Number</i>	<i>Exhibit Descriptions</i>
10.1*	Form of Simon Property Group Series 2012 LTIP Unit Award Agreement.
31.1	Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

\* Represents a management contract, or compensatory plan, contract or arrangement required to be filed pursuant to Regulation S-K.

## SIGNATURES

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, INC.**

/s/ STEPHEN E. STERRETT

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

Date: May 8, 2012



**FORM OF SIMON PROPERTY GROUP  
SERIES 2012 LTIP UNIT AWARD AGREEMENT**

This Series 2012 LTIP Unit Award Agreement ("*Agreement*") made as of the date set forth below among Simon Property Group, Inc., a Delaware corporation (the "*Company*"), its subsidiary, Simon Property Group, L.P., a Delaware limited partnership and the entity through which the Company conducts substantially all of its operations (the "*Partnership*"), and the person identified below as the grantee (the "*Grantee*").

***Recitals***

A. The Grantee is an employee of the Company or one of its affiliates and provides services to the Partnership.

B. The Compensation Committee (the "*Committee*") of the Board of Directors of the Company (the "*Board*") approved this award (this "*Award*") pursuant to the Partnership's 1998 Stock Incentive Plan (as further amended, restated or supplemented from time to time hereafter, the "*Plan*") and the Eighth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended, restated and supplemented from time to time hereafter (the "*Partnership Agreement*"), to provide officers of the Company or its affiliates, including the Grantee, in connection with their employment, with the incentive compensation described in this Agreement, and thereby provide additional incentive for them to promote the progress and success of the business of the Company and its affiliates, including the Partnership. This Award was approved by the Committee pursuant to authority delegated to it by the Board as set forth in the Plan and the Partnership Agreement to make grants of LTIP Units (as defined in the Partnership Agreement).

C. This Agreement evidences an award of a series of LTIP Units that have been designated as the Series 2012 LTIP Units pursuant to the Partnership Agreement and the Certificate of Designation of Series 2012 LTIP Units of the Partnership (the "*Certificate of Designation*").

D. Effective as of the grant date specified in *Schedule A*, the Committee has made an award to the Grantee of the number of LTIP Units (the "*Award LTIP Units*") set forth in *Schedule A*.

**NOW, THEREFORE**, the Company, the Partnership and the Grantee agree as follows:

1. *Administration*. This Award shall be administered by the Committee which has the powers and authority as set forth in the Plan. Should there be any conflict between the terms of this Agreement and the Certificate of Designation, on the one hand, and the Plan and the Partnership Agreement, on the other hand, the terms of this Agreement and the Certificate of Designation shall prevail.

2. *Definitions*. Capitalized terms used herein without definitions shall have the meanings given to those terms in the Plan. In addition, as used herein:

"*Absolute TSR Goal*" means the goal for TSR on an absolute basis as set forth on *Exhibit A*.

"*Annualized TSR Percentage*" means the annualized equivalent of the TSR Percentage.

"*Award Date*" means the date that the Award LTIP Units were granted as set forth on *Schedule A*.

"*Award LTIP Units*" has the meaning set forth in the Recitals.

"*Baseline Value*" means \$128.94, the per share closing price of the Common Stock reported by The New York Stock Exchange for the last trading date preceding January 1, 2012. For purposes of the REIT Index and S&P Index measures used in determining the attainment of each of the respective Relative TSR Goals, the baseline value for each shall also be the ending value of the applicable index as of the last day of the year prior to the Effective Date.

"*Change of Control*" means:

(i) Any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any of its subsidiaries, or the estate of Melvin Simon, Herbert Simon or David Simon (the "*Simons*"), or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Exchange Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the Company's then outstanding voting securities

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entitled to vote generally in the election of directors; provided that for purposes of determining the "beneficial ownership" (as such term is defined in Rule 13d-3 under the Exchange Act) of any "group" of which the Simons or any of their affiliates or associates is a member (each such entity or individual, a "Related Party"), there shall not be attributed to the beneficial ownership of such group any shares beneficially owned by any Related Party;

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "*Incumbent Board*") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors;

(iii) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case unless, following such reorganization, merger or consolidation, (A) more than sixty percent (60%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such reorganization, merger or consolidation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Company's outstanding voting securities immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their beneficial ownership, immediately prior to such reorganization, merger or consolidation, of the Company's outstanding voting securities, (B) no person (excluding the Company, the Simons, any employee benefit plan or related trust of the Company or such corporation resulting from such reorganization, merger or consolidation and any person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, twenty-five percent (25%) or more of the Company's outstanding voting securities) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such reorganization, merger or consolidation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(iv) Approval by the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which following such sale or other disposition (x) more than sixty percent (60%) of the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Company's outstanding voting securities entitled to vote generally in the election of directors immediately prior to such sale or other disposition in substantially the same proportion as their beneficial ownership, immediately prior to such sale or other disposition, of the Company's outstanding voting securities, (y) no person (excluding the Company, the Simons, and any employee benefit plan or related trust of the Company or such corporation and any person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, twenty-five percent (25%) or more of the Company's outstanding voting securities) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board of Directors of the Company providing for such sale or other disposition of assets of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the Company's common stock, par value \$0.0001 per share, either currently existing or authorized hereafter.

"Continuous Service" means the continuous service to the Company or any subsidiary or affiliate, without interruption or termination, in any capacity of employment. Continuous Service shall not be considered interrupted in the case of: (A) any approved leave of absence; (B) transfers among the Company and any subsidiary or affiliate, or

any successor, in any capacity of employment; or (C) any change in status as long as the individual remains in the service of the Company and any subsidiary or affiliate in any capacity of employment. An approved leave of absence shall include sick leave (including, due to any mental or physical disability whether or not such condition rises to the level of a Disability), military leave, or any other authorized personal leave.

"*Designation*" means the Certificate of Designation of Series 2012 LTIP Units of the Partnership approved by the Company as the general partner of the Partnership.

"*Disability*" means, with respect to the Grantee, a "permanent and total disability" as defined in Section 22(e)(3) of the Code.

"*Earned LTIP Units*" means those Award LTIP Units that have been determined by the Committee to have been earned on the Valuation Date based on the extent to which the Absolute TSR Goal and the Relative TSR Goals have been achieved as set forth in *Section 3(c)* or have otherwise been earned under *Section 4*.

"*Effective Date*" means the close of business on January 1, 2012.

"*Employment Agreement*" means, as of a particular date, any employment or similar service agreement then in effect between the Grantee, on the one hand, and the Company or one of its Subsidiaries, on the other hand, as amended or supplemented through such date.

"*Ending Common Stock Price*" means, as of a particular date, the average of the closing prices of the Common Stock reported by The New York Stock Exchange for the twenty (20) consecutive trading days ending on (and including) such date; provided, however, that if such date is the date upon which a Change of Control occurs, the Ending Common Stock Price as of such date shall be equal to the fair value, as determined by the Committee, of the total consideration paid or payable in the transaction resulting in the Change of Control for one share of Common Stock. For purposes of determining whether the Absolute TSR Goals and the Relative TSR Goals have been attained, an average of the closing measurements published for the twenty (20) consecutive trading days ending on (and including) Valuation Date shall be used for determining the ending REIT Index and S&P Index measures.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Family Member*" has the meaning set forth in *Section 7*.

"*LTIP Units*" means the Series 2012 LTIP Units issued pursuant to the Designation.

"*Partial Service Factor*" means a factor carried out to the sixth decimal to be used in calculating the Earned LTIP Units pursuant to *Section 4* in the event of a Qualified Termination of the Grantee's Continuous Service or a Change of Control prior to the Valuation Date, determined by dividing the number of calendar days that have elapsed since the Effective Date to and including the date of the Grantee's Qualified Termination or a Change of Control, whichever is applicable, by 1,095.

"*Partnership Units*" or "*Units*" has the meaning provided in the Partnership Agreement.

"*Person*" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, other entity or "group" (as defined in the Exchange Act).

"*Per Unit Purchase Price*" has the meaning set forth in *Section 5*.

"*Plan*" has the meaning set forth in the Recitals.

"*Qualified Termination*" has the meaning set forth in *Section 4(b)*.

"*REIT Index*" means the MSCI REIT Total Return Index or any successor index.

"*Relative TSR Goals*" means the goals set for TSR on a relative basis as compared to the REIT Index and the S&P Index as set forth on *Exhibit A*.

"*S&P Index*" means the Standard & Poors 500 Total Return Index (Symbol: SPXT) of large capitalization U.S. stocks or any successor index.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Total Stockholder Return*" or "*TSR*" means, with respect to a share of Common Stock as of a particular date of determination, the sum of: (A) the difference, positive or negative, of the Ending Common Stock Price as of such date

over the Baseline Value, plus (B) the total per-share dividends and other distributions (excluding distributions described in *Section 7*) with respect to the Common Stock declared between the Effective Date and such date of determination and assuming contemporaneous reinvestment in Common Stock of all such dividends and distributions, using as a re-investment price, the closing price per share of the Common Stock as of the most recent ex-dividend date so long as the "ex-dividend" date with respect thereto falls prior to such date of determination.

"*Transfer*" has the meaning set forth in *Section 7*.

"*TSR Percentage*" means the TSR achieved with respect to a share of Common Stock from the Effective Date to the Valuation Date determined by following quotient: (A) the TSR divided by (B) the Baseline Value.

"*Valuation Date*" means the earlier of (A) December 31, 2014, or (B) the date upon which a Change of Control shall occur.

"*Vested LTIP Units*" means those Earned LTIP Units that have fully vested in accordance with the time-based vesting conditions of *Section 3(d)* or have vested on an accelerated basis under *Section 4*.

### 3. *Award.*

(a) The Grantee is granted as of the Award Date, the number of Award LTIP Units set forth on *Schedule A* which are subject to forfeiture provided in this *Section 3* and *Section 4*. The Award LTIP Units will be forfeited unless within ten (10) business days from the Award Date the Grantee executes and delivers a fully executed copy of this Agreement and such other documents that the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws, and the Grantee pays the Per Unit Purchase Price for each such Award LTIP Unit issued.

(b) The Award LTIP Units are subject to forfeiture during a maximum of a five-year period based on a combination of (i) the extent to which the Absolute TSR Goal and the Relative TSR Goals are achieved and (ii) the passage of five years or a shorter period in certain circumstances as provided herein in *Section 4*. Award LTIP Units may become Earned LTIP Units and Earned LTIP Units may become Vested LTIP Units in the amounts and upon the conditions set forth in this *Section 3* and in *Section 4*, provided that, except as otherwise expressly set forth in this Agreement, the Continuous Service of the Grantee continues through and on each applicable vesting date.

(c) As soon as practicable following the Valuation Date, but as of the Valuation Date, the Committee will determine:

- (i) the extent to which the Absolute TSR Goal has been achieved;
- (ii) the extent to which the Relative TSR Goals have been achieved;
- (iii) using the payout matrix on *Exhibit A*, the number of Earned LTIP Units to which the Grantee is entitled; and
- (iv) the calculation of the Partial Service Factor, if applicable to the Grantee.

If the number of Earned LTIP Units is smaller than the number of Award LTIP Units, then the Grantee, as of the Valuation Date, shall forfeit a number of Award LTIP Units equal to the difference without payment of any consideration by the Partnership other than as provided in the last sentence of *Section 5*; thereafter the term LTIP Units will refer only to the Earned LTIP Units and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the Award LTIP Units that were so forfeited.

(d) The Earned LTIP Units shall become Vested LTIP Units in the following amounts and at the following times, provided that the Continuous Service of the Grantee continues through and on the applicable vesting date or the accelerated vesting date provided in *Section 4*, as applicable:

- (i) fifty percent (50%) of the Earned LTIP Units shall become Vested LTIP Units on January 1, 2016; and
- (ii) fifty percent (50%) of the Earned LTIP Units shall become Vested LTIP Units on January 1, 2017.

(e) Except as otherwise provided under *Section 4*, upon termination of Continuous Service before the applicable vesting date, any Earned LTIP Units that have not become Vested LTIP Units pursuant to *Section 3(d)* shall, without payment of any consideration by the Partnership other than as provided in the last sentence of *Section 5*, automatically and without notice be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Earned LTIP Units.

4. *Termination of Grantee's Employment; Death and Disability; Change of Control.*

(a) If the Grantee ceases to be an employee of the Company or any of its affiliates, the provisions of *Sections 4(b)* through *Section 4(f)* shall govern the treatment of the Grantee's Award LTIP Units exclusively, unless an Employment Agreement contains provisions that expressly refer to this *Section 4(a)* and provides that those provisions of the Employment Agreement shall instead govern the treatment of the Grantee's LTIP Units. In the event an entity of which the Grantee is an employee ceases to be a subsidiary or affiliate of the Company, such action shall be deemed to be a termination of employment of the Grantee for purposes of this Agreement, unless the Grantee promptly thereafter becomes an employee of the Company or any of its affiliates, provided that, the Committee or the Board, in its sole and absolute discretion, may make provision in such circumstances for lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Grantee's Award LTIP Units and Earned LTIP Units that have not previously been forfeited, effective immediately prior to such event. If a Change of Control occurs, *Section 4(d)* shall govern the treatment of the Grantee's Award LTIP Units exclusively, notwithstanding the provisions of the Plan.

(b) In the event of termination of the Grantee's Continuous Service before the Valuation Date by Grantee's death or Disability (each a "Qualified Termination"), the Grantee will not forfeit the Award LTIP Units upon such termination, but the following provisions of this *Section 4(b)* shall modify the treatment of the Award LTIP Units:

(i) the calculations provided in *Section 3(c)* shall be performed as of the Valuation Date as if the Qualified Termination had not occurred;

(ii) the number of Earned LTIP Units calculated pursuant to *Section 3(c)* shall be multiplied by the Partial Service Factor (with the resulting number being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Grantee's Earned LTIP Units for all purposes under this Agreement; and

(iii) the Grantee's Earned LTIP Units as adjusted pursuant to *Section 4(b)(ii)* shall, as of the Valuation Date, become Vested LTIP Units and shall no longer be subject to forfeiture pursuant to *Section 3(e)*.

(c) In the event of Qualified Termination after the Valuation Date, all Earned LTIP Units that have not previously been forfeited pursuant to the calculations set forth in *Section 3(c)* shall, as of the date of such Qualified Termination, become Vested LTIP Units and no longer be subject to forfeiture pursuant to *Section 3(e)*; provided that, notwithstanding that no Continuous Service requirement pursuant to *Section 3(d)* will apply to the Grantee after the effective date of a Qualified Termination after the Valuation Date, the Grantee will not have the right to Transfer (as defined in *Section 7*) except by reason of the Grantee's death or request conversion of his or her Vested LTIP Units under the Designation until such dates as of which his or her Earned LTIP Units would have become Vested LTIP Units pursuant to *Section 3(d)* absent a Qualified Termination.

(d) If the calculations provided in *Section 3(c)* are triggered by a Change of Control prior to the Valuation Date, the Grantee's Award LTIP Units shall be multiplied by the Partial Service Factor determined as of the date of the Change of Control and the resulting number of LTIP Units shall become Vested LTIP Units immediately and automatically as of the Valuation Date. If a Change of Control occurs on or after the Valuation Date and prior to January 1, 2016, all Earned LTIP Units shall become Vested LTIP Units immediately and automatically upon the occurrence of the Change of Control.

(e) Notwithstanding the foregoing, in the event any payment to be made hereunder after giving effect to this *Section 4* is determined to constitute "nonqualified deferred compensation" subject to Section 409A of the Code, then, to the extent the Grantee is a "specified employee" under Section 409A of the Code subject to the six-month delay thereunder, any such payments to be made during the six-month period commencing on the

Grantee's "separation from service" (as defined in Section 409A of the Code) shall be delayed until the expiration of such six-month period.

(f) In the event of a termination of the Grantee's employment other than a Qualified Termination or a termination that is related to a Change of Control, all Award LTIP Units and Earned LTIP Units that have not theretofore become Vested LTIP Units shall, without payment of any consideration by the Partnership other than as provided in the last sentence of *Section 5*, automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award LTIP Units or Earned LTIP Units, provided, however, in the event the termination of Grantee's employment is due to Grantee's retirement after age 55, the Committee may determine, in its sole discretion, that all or any portion of the Award LTIP Units or the Earned LTIP Units shall become Vested LTIP Units, together with the terms and conditions upon which any such Award LTIP Units or Earned LTIP Units shall become Vested LTIP Units.

5. *Payments by Award Recipients.* The Grantee shall have no rights with respect to this Agreement (and the Award evidenced hereby) unless he or she shall have accepted this Agreement prior to the close of business on the date described in *Section 3(a)* by (a) making a contribution to the capital of the Partnership by certified or bank check or other instrument acceptable to the Committee (as defined in the Plan), of \$0.25 (the "*Per Unit Purchase Price*"), multiplied by the number of Award LTIP Units, (b) signing and delivering to the Partnership a copy of this Agreement and (c) unless the Grantee is already a Limited Partner (as defined in the Partnership Agreement), signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached as *Exhibit B*). The Per Unit Purchase Price paid by the Grantee shall be deemed a contribution to the capital of the Partnership upon the terms and conditions set forth herein and in the Partnership Agreement. Upon acceptance of this Agreement by the Grantee, the Partnership Agreement shall be amended to reflect the issuance to the Grantee of the LTIP Units so accepted. Thereupon, the Grantee shall have all the rights of a Limited Partner of the Partnership with respect to the number of Award LTIP Units, as set forth in the Designation and the Partnership Agreement, subject, however, to the restrictions and conditions specified herein. Award LTIP Units constitute and shall be treated for all purposes as the property of the Grantee, subject to the terms of this Agreement and the Partnership Agreement. In the event of the forfeiture of the Grantee's Award LTIP Units pursuant to this Agreement, the Partnership will pay the Grantee an amount equal to the number of Award LTIP Units so forfeited multiplied by the lesser of the Per Unit Purchase Price or the fair market value of an Award LTIP Unit on the date of forfeiture as determined by the Committee.

6. *Distributions.*

(a) The holders of Award LTIP Units, Earned LTIP Units and Vested LTIP Units (until and unless forfeited pursuant to *Section 3(e)* or *Section 4(f)*), shall be entitled to receive the distributions to the extent provided for in the Designation and the Partnership Agreement.

(b) All distributions paid with respect to LTIP Units shall be fully vested and non-forfeitable when paid.

7. *Restrictions on Transfer.*

(a) Except as otherwise permitted by the Committee in its sole discretion, none of the Award LTIP Units, Earned LTIP Units, Vested LTIP Units or Partnership Units into which Vested LTIP Units have been converted shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed or encumbered, whether voluntarily or by operation of law (each such action a "*Transfer*"); provided that Earned LTIP Units and Vested LTIP Units may be Transferred to the Grantee's Family Members (as defined below) by gift, bequest or domestic relations order; and provided further that the transferee agrees in writing with the Company and the Partnership to be bound by all the terms and conditions of this Agreement and that subsequent transfers shall be prohibited except those in accordance with this *Section 7*. Additionally, all such Transfers must be in compliance with all applicable securities laws (including, without limitation, the Securities Act) and the applicable terms and conditions of the Partnership Agreement. In connection with any such Transfer, the Partnership may require the Grantee to provide an opinion of counsel, satisfactory to the Partnership, that such Transfer is in compliance with all federal and state securities laws (including, without limitation, the Securities Act). Any attempted Transfer not in accordance with the terms and conditions of this *Section 7* shall be null and void, and neither the Partnership nor the Company shall reflect on its records any change in record ownership of any Earned LTIP Units or Vested LTIP Units as a result of any such Transfer,

shall otherwise refuse to recognize any such Transfer and shall not in any way give effect to any such Transfer. Except as provided in this *Section 7*, this Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

(b) For purposes of this Agreement, "*Family Member*" of a Grantee, means the Grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant of the Grantee), a trust in which one or more of these persons (or the Grantee) own more than 50 percent of the beneficial interests, and a partnership or limited liability company in which one or more of these persons (or the Grantee) own more than 50 percent of the voting interests.

#### 8. *Miscellaneous.*

(a) *Amendments; Recoupment.* This Agreement may be amended or modified only with (i) the consent of the Company and the Partnership acting through the Committee and (ii) the written consent of the Grantee. Notwithstanding the foregoing, Grantee acknowledges that The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that the Company develop and implement a policy to recover from executive officers excess incentive based compensation paid which is based on erroneous data and for which the Company is required to prepare an accounting restatement ("*Incentive Clawback*"). At such time as the applicable regulations are finalized with respect to the Incentive Clawback, either through rules and regulations adopted by the Securities and Exchange Commission or the listing exchange on which the Common Stock is then listed, Grantee agrees at the Company's request, to promptly execute any amendment or modification to this Agreement to reflect any Incentive Clawback policy applicable to the LTIP Units adopted by the Company or the Committee to comply with such rules and regulations. This grant shall in no way affect the Grantee's participation or benefits under any other plan or benefit program maintained or provided by the Company or the Partnership or any of their subsidiaries or affiliates.

(b) *Incorporation of Plan and Designation; Committee Determinations.* The provisions of the Plan and the Designation are hereby incorporated by reference as if set forth herein. The Committee will make the determinations and certifications required by this Award as promptly as reasonably practicable following the occurrence of the event or events necessitating such determinations or certifications. In the event of a Change of Control, the Committee will make such determinations within a period of time that enables the Company to make any payments due hereunder not later than the date of consummation of the Change of Control.

(c) *Status of LTIP Units; Plan Matters.* This Award constitutes an incentive compensation award under the Plan. The LTIP Units are equity interests in the Partnership. The number of shares of Common Stock reserved for issuance under the Plan underlying outstanding Award LTIP Units will be determined by the Committee in light of all applicable circumstances, including calculations made or to be made under *Section 3*, vesting, capital account allocations and/or balances under the Partnership Agreement, and the exchange ratio in effect between Partnership Units and shares of Common Stock. The Company will have the right, at its option, as set forth in the Partnership Agreement, to issue shares of Common Stock in exchange for Partnership Units in accordance with the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such shares of Common Stock, if issued, will be issued under the Plan. The Grantee acknowledges that the Grantee will have no right to approve or disapprove such determination by the Company.

(d) *Legend.* The records of the Partnership evidencing the LTIP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP Units are subject to restrictions as set forth herein and in the Partnership Agreement.

(e) *Compliance With Law.* The Partnership and the Grantee will make reasonable efforts to comply with all applicable securities laws. In addition, notwithstanding any provision of this Agreement to the contrary, no LTIP Units will become Vested LTIP Units at a time that such vesting would result in a violation of any such law.

(f) *Grantee Representations; Registration.*

(i) The Grantee hereby represents and warrants that (A) he or she understands that he or she is responsible for consulting his or her own tax advisor with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Grantee is or by reason of this Award may become subject, to his or her particular situation; (B) the Grantee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such; (C) the Grantee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Grantee believes to be necessary and appropriate to make an informed decision to accept this Award; (D) LTIP Units are subject to substantial risks; (E) the Grantee has been furnished with, and has reviewed and understands, information relating to this Award; (F) the Grantee has been afforded the opportunity to obtain such additional information as he or she deemed necessary before accepting this Award; and (G) the Grantee has had an opportunity to ask questions of representatives of the Partnership and the Company, or persons acting on their behalf, concerning this Award.

(ii) The Grantee hereby acknowledges that: (A) there is no public market for LTIP Units or Partnership Units into which Vested LTIP Units may be converted and neither the Partnership nor the Company has any obligation or intention to create such a market; (B) sales of LTIP Units and Partnership Units are subject to restrictions under the Securities Act and applicable state securities laws; (C) because of the restrictions on transfer or assignment of LTIP Units and Partnership Units set forth in the Partnership Agreement and in this Agreement, the Grantee may have to bear the economic risk of his or her ownership of the LTIP Units covered by this Award for an indefinite period of time; (D) shares of Common Stock issued under the Plan in exchange for Partnership Units, if any, will be covered by a Registration Statement on Form S-8 (or a successor form under applicable rules and regulations of the Securities and Exchange Commission) under the Securities Act, to the extent that the Grantee is eligible to receive such shares under the Plan at the time of such issuance and such Registration Statement is then effective under the Securities Act; and (E) resales of shares of Common Stock issued under the Plan in exchange for Partnership Units, if any, shall only be made in compliance with all applicable restrictions (including in certain cases "blackout periods" forbidding sales of Company securities) set forth in the then applicable Company employee manual or insider trading policy and in compliance with the registration requirements of the Securities Act or pursuant to an applicable exemption therefrom.

(g) *Section 83(b) Election.* The Grantee hereby agrees to make an election to include the Award LTIP Units in gross income in the year in which the Award LTIP Units are issued pursuant to Section 83(b) of the Code substantially in the form attached as *Exhibit C* and to supply the necessary information in accordance with the regulations promulgated thereunder. The Grantee agrees to file such election (or to permit the Partnership to file such election on the Grantee's behalf) within thirty (30) days after the Award Date with the IRS Service Center where the Grantee files his or her personal income tax returns, to provide a copy of such election to the Partnership and the Company, and to file a copy of such election with the Grantee's U.S. federal income tax return for the taxable year in which the Award LTIP Units are issued to the Grantee. So long as the Grantee holds any Award LTIP Units, the Grantee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(h) *Tax Consequences.* The Grantee acknowledges that (i) neither the Company nor the Partnership has made any representations or given any advice with respect to the tax consequences of acquiring, holding, selling or converting LTIP Units or making any tax election (including the election pursuant to Section 83(b) of the Code) with respect to the LTIP Units and (ii) the Grantee is relying upon the advice of his or her own tax advisor in determining such tax consequences.

(i) *Severability.* If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect.

(j) *Governing Law.* This Agreement is made under, and will be construed in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflict of laws of such state.

(k) *No Obligation to Continue Position as an Employee, Consultant or Advisor.* Neither the Company nor any affiliate is obligated by or as a result of this Agreement to continue to have the Grantee as an employee, consultant or advisor and this Agreement shall not interfere in any way with the right of the Company or any affiliate to terminate the Grantee's employment at any time.

(l) *Notices.* Any notice to be given to the Company shall be addressed to the Secretary of the Company at 225 West Washington Street, Indianapolis, Indiana 46204 and any notice to be given to the Grantee shall be addressed to the Grantee at the Grantee's address as it appears on the employment records of the Company, or at such other address as the Company or the Grantee may hereafter designate in writing to the other.

(m) *Withholding and Taxes.* No later than the date as of which an amount first becomes includible in the gross income of the Grantee for income tax purposes or subject to the Federal Insurance Contributions Act withholding with respect to this Award, the Grantee will pay to the Company or, if appropriate, any of its affiliates, or make arrangements satisfactory to the Committee regarding the payment of any United States federal, state or local or foreign taxes of any kind required by law to be withheld with respect to such amount; provided, however, that if any LTIP Units or Partnership Units are withheld (or returned), the number of LTIP Units or Partnership Units so withheld (or returned) shall be limited to the number which have a fair market value on the date of withholding equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Grantee.

(n) *Headings.* The headings of paragraphs of this Agreement are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

(o) *Counterparts.* This Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

(p) *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the parties and any successors to the Company and the Partnership, on the one hand, and any successors to the Grantee, on the other hand, by will or the laws of descent and distribution, but this Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Grantee.

(q) *Section 409A.* This Agreement shall be construed, administered and interpreted in accordance with a good faith interpretation of Section 409A of the Code, to the extent applicable. Any provision of this Agreement that is inconsistent with applicable provisions of Section 409A of the Code, or that may result in penalties under Section 409A of the Code, shall be amended, with the reasonable cooperation of the Grantee and the Company and the Partnership, to the extent necessary to exempt it from, or bring it into compliance with, Section 409A of the Code.

(r) *Delay in Effectiveness of Exchange.* The Grantee acknowledges that any exchange of Partnership Units for Common Stock or cash, as selected by the General Partner, may not become effective until six (6) months from the date the Vested LTIP Units that were converted into Partnership Units became fully vested.

[Remainder of page left intentionally blank]

SIMON PROPERTY GROUP, INC., a Delaware corporation

By:

---

Name: John Rulli  
Executive Vice President and  
Chief Administrative Officer

SIMON PROPERTY GROUP, L.P., a Delaware limited partnership

By: Simon Property Group, Inc., a  
Delaware corporation, its general partner

By:

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Name: John Rulli  
Executive Vice President and  
Chief Administrative Officer

GRANTEE

---

Name:

**EXHIBIT A**  
**PAYOUT MATRIX**

The Committee will determine the number of Award LTIP Units that become Earned LTIP Units by determining the extent to which the Absolute TSR Goal and the Relative TSR Goals have been achieved as set forth in the following payout matrix.

<u>Absolute TSR(1)</u>		<u>Relative TSR (TSR %-ile Rank)(2)</u>			
<i>Weighted 20%</i>		<u>vs. MSCI REIT Index</u>		<u>vs. S&amp;P 500 Index</u>	
<u>Performance</u>	<u>Payout % of Target(3)</u>	<i>Weighted 60%</i>		<i>Weighted 20%</i>	
<u>Performance</u>	<u>Payout % of Target(3)</u>	<u>Performance</u>	<u>Payout % of Target(3)</u>	<u>Performance</u>	<u>Payout % of Target(3)</u>
<=20%	0.0%	Index -1%	0.0%	Index -2%	0.0%
24%	33.3%	= Index	33.3%	= Index	33.3%
27%	50.0%	Index +1%	50.0%	Index +2%	100.0%
30%	66.7%	Index +2%	66.7%		
33%	83.3%	Index +3%	100.0%		
>=36%	100.0%				

- (1) Percentage of total shareholder return over three-year performance period commencing on the Effective Date
- (2) Percentage of relative performance over three-year performance period commencing on the Effective Date
- (3) Linear interpolation between payout percentages

**EXHIBIT B**  
**FORM OF LIMITED PARTNER SIGNATURE PAGE**

The Grantee, desiring to become one of the within named Limited Partners of Simon Property Group, L.P., hereby accepts all of the terms and conditions of and becomes a party to, the Eighth Amended and Restated Agreement of Limited Partnership, dated as of May 8, 2008, of Simon Property Group, L.P. as amended through this date (the "*Partnership Agreement*"). The Grantee agrees that this signature page may be attached to any counterpart of the Partnership Agreement.

Signature Line for Limited Partner:

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Name:

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Date:

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Address of Limited Partner:

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**EXHIBIT C**  
**ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF**  
**PROPERTY PURSUANT TO SECTION 83(b) OF THE INTERNAL REVENUE CODE**

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:

Name: \_\_\_\_\_ (the "Taxpayer")

Address: \_\_\_\_\_

Social Security No./Taxpayer Identification No.: \_\_\_\_-\_\_\_\_-\_\_\_\_

2. Description of property with respect to which the election is being made: Series 2012 LTIP Units ("*LTIP Units*") in Simon Property Group, L.P. (the "*Partnership*").
3. The date on which the LTIP Units were issued is March 5, 2012. The taxable year to which this election relates is calendar year 2012.
4. Nature of restrictions to which the LTIP Units are subject:
- (a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.
  - (b) The Taxpayer's LTIP Units are subject to forfeiture until they vest in accordance with the provisions in the applicable Award Agreement and Certificate of Designation for the LTIP Units.
5. The fair market value at time of issue (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the LTIP Units with respect to which this election is being made was \$0.25 per LTIP Unit.
6. The amount paid by the Taxpayer for the LTIP Units was \$0.25 per LTIP Unit.
7. A copy of this statement has been furnished to the Partnership and Simon Property Group, Inc.

Dated: \_\_\_\_\_

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

---

**SCHEDULE A TO SERIES 2012 LTIP UNIT AWARD AGREEMENT**

Award Date:

March 5, 2012

Name of Grantee:

\_\_\_\_\_

Number of Award LTIP Units:

\_\_\_\_\_

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[Exhibit 10.1](#)

[FORM OF SIMON PROPERTY GROUP SERIES 2012 LTIP UNIT AWARD AGREEMENT](#)

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Simon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simon Property Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ DAVID SIMON

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David Simon  
Chairman of the Board of Directors and  
Chief Executive Officer

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[EXHIBIT 31.1](#)

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen E. Sterrett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simon Property Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ STEPHEN E. STERRETT

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

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[EXHIBIT 31.2](#)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Simon Property Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID SIMON

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David Simon  
Chairman of the Board of Directors and  
Chief Executive Officer

Date: May 8, 2012

/s/ STEPHEN E. STERRETT

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

Date: May 8, 2012

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