

American Eagle Outfitters
PF Chang's • Crate & Barrel Outlet
Kenneth Cole Outlet Store
Tommy Hilfiger Company Store
Victoria's Secret • H&M
Polo Ralph Lauren Factory Store
Neiman Marcus Last Call
Saks Fifth Avenue OFF 5TH
The Cheesecake Factory
Brooks Brothers • Rainforest Café
Build-a-Bear Works

The Mills:

RETAIL VERSATILITY



SPECIAL ADVERTISING SECTION

THE MILLS®
A SIMON® Company

David Simon, chairman and CEO of Simon Property Group, Inc., talks about The Mills portfolio and its value to the company.

In April of 2007, Simon Property Group (SPG) completed the acquisition of The Mills Corporation in a joint venture with funds managed by Farallon Capital Management. SPG owns 50% of the venture.

The Mills® properties are large retail venues focused on delivering value for the consumer. They are primarily well-located in major metropolitan markets. They have considerable consumer brand equity and large trade areas, and they generate significant sales volumes. Their value orientation is an excellent fit with SPG's regional mall and Premium Outlet portfolios.

Our Company has a proven track record of successfully acquiring and enhancing retail real estate assets, and The Mills portfolio will benefit from leasing and operational synergies with SPG's other retail real estate platforms.

We see significant redevelopment opportunities within The Mills portfolio, including the introduction of new full-priced regional mall retailers and Premium Outlet tenants into The Mills assets.

COVER: VICTORIA'S SECRET AND SAKS FIFTH AVENUE OFF 5TH AT ARUNDEL MILLS



BUILD-A-BEAR WORKSHOP® AT OPRY MILLS, NASHVILLE, TENN.



NAUTICA AT ARUNDEL MILLS, HANOVER, MD.

94.1%
Average occupancy*



BATH & BODY WORKS AT ARUNDEL MILLS

\$372 Average sales per square foot*



H&M AT ARUNDEL MILLS



RAINFOREST CAFÉ AT OPRY MILLS

223 million
Visitors annually to Mills properties

*AS OF 12/31/07

The All-Inclusive Retail Experience

SIMON AND THE MILLS ARE CREATING A NEW CONCEPT IN SHOPPING CENTERS

Simon Property Group had a clear vision of what The Mills could be when it acquired the properties in mid-2007: large, versatile, high-traffic centers in growing markets that would be highly desirable to a broad and nontraditional assortment of retail tenants, and appeal to customers with myriad shopping, entertainment and dining desires. In short, a whole lot more than what The Mills was, thus providing a more diverse experience.

"We're focused on providing a more complete offering for both customers and retailers," says J. Scott Mumphrey,

president of The Mills. "We're creating a total shopping experience that has a depth of merchandise and price points that other malls can't provide, with a stronger emphasis on dining and entertainment within the malls."

Over the past year, Simon has made that vision a reality, attracting national retailers such as Victoria's Secret, Ann Taylor LOFT and H&M, expanding the centers' restaurant offerings to include chains such as The Cheesecake Factory and P.F. Chang's, and fine-tuning the entertainment component of the properties.

"Simon brings with it tremendous experience in remerchandising centers," says Giovanni Scotti, director of real estate for Nike Retail. "These strategic remerchandising efforts always increase the center's sales productivity.

"The Mills centers have evolved to stay relevant to consumer desires. We like the traffic that Mills malls deliver, and our customers shop there."

**JAMIE BERSANI, EXECUTIVE VICE
PRESIDENT OF RETAIL REAL ESTATE
FOR LIMITED BRANDS**

Simon also brings a distinct professionalism to day-to-day center management, which enhances the shopping environment for the consumer."

Simon also has identified expansion and redevelopment opportunities for a number of the centers.

"The Mills centers have evolved to stay relevant to consumer desires," says Jamie Bersani, executive vice president of retail real estate for Limited Brands, which owns Victoria's Secret and Bath & Body Works. "We like the traffic that Mills malls deliver, and our customers shop there."

The Victoria's Secret at Opry Mills in Nashville, which opened in late 2007, is one of eight stores now open in The Mills portfolio. Columbus, Ohio-based Limited Brands plans to open five more stores in the coming months. These new stores add to the already unique and diverse mix of shopping and entertainment offerings available throughout The Mills portfolio.

The Mills' former emphasis primarily on outlet shopping has evolved to include a much broader array of retailers. Opry Mills, for example, now has more full-price tenants than outlet tenants, says general manager Jad Murphy. Roughly 56 percent of the tenants in the center are full-price retailers.

"We were reluctant to place Victoria's Secret in Mills centers for a number of years because we had concerns that they were too discount-oriented and wanted to maintain the integrity of the Victoria's Secret brand," says Bersani. "With the changes that have occurred at Mills, we got comfortable that our stores would do well without being dilutive to the brand."

Victoria's Secret began to open stores in Mills centers last year, and Bersani says that the stores opened to date are experiencing strong sales.

"With the Simon affiliation, Mills now has a built-in relationship with every meaningful retailer and restaurant chain in the industry," says Mumphrey. "When you combine the strength of the real estate, the asset knowledge and expertise of the dedicated Mills leasing, development and management teams with Simon's impressive track record, it makes for an unbeatable combination."



BIG AND DOMINANT

From the beginning, The Mills properties have been dominant centers in their markets.

“By nature of their size, they really are super destinations,” says Robert Wallstrom, president of Saks Fifth Avenue OFF 5TH.

Today, there are 17 Mills properties across the nation. The first Mills property, Potomac Mills in Prince William, Va., opened in 1985, and the newest Mills mall, Colorado Mills in Lakewood, Colo., opened in 2003. The properties range from the 719,000-square-foot The Block at Or-

ange in Orange, Calif., to the 2.3-million-square-foot Sawgrass Mills in Sunrise, Fla.

“Sawgrass Mills is ‘The Mall’ in Florida,” says Mark Gimbel, general manager of OFF 5TH at Sawgrass Mills. “It’s a destination. People from all over the world know where Sawgrass Mills is.”

Mills properties, with their unique combination of national brand retailers, restaurants and entertainment, generate more foot traffic than most traditional malls.

On an annual basis, Mills properties attract 223 million visitors and generate average sales

per square foot of \$372. “Retailers can come in here and expect to exceed their expectations,” says Gary Duncan, executive vice president of leasing for The Mills.

MORE TRAFFIC PER SQUARE FOOT

“We get great traffic at our Mills malls stores — they do higher sales per square foot than our stores at other centers,” says David Lawner, vice president of company stores for Tommy Hilfiger. Today, Tommy Hilfiger has 16 outlet stores in The Mills portfolio and is expanding at Sawgrass Mills with a Tommy Hilfiger Kids store.

Neiman Marcus Last Call is also expanding within The Mills portfolio, according to Wayne Hussey, senior vice president of properties for Neiman Marcus. Today, the

retailer has nine Last Call stores, including a Horchow Finale store that offers home furnishings at Grapevine Mills in Grapevine, Texas.

“The nine stores that we have in The Mills portfolio are clearly in the top half of our most productive units,” Hussey says.

The Mills properties are not only a big hit with local residents — they also attract millions of tourists. “When The Mills captures large population bases and then mixes in tourists, it’s a real home run,” says Jeffrey Cohen, president of consumer direct retail for Kenneth Cole.

The fashion retailer has eight outlet stores in The Mills portfolio and is considering expanding into two additional locations, Cohen says, adding that Kenneth Cole stores in The Mills malls typically post 10 percent higher sales productivity than other retail venues.

“We have gone to great lengths to diversify the tenant mix,” says Duncan, pointing out that Mills shoppers are very brand-driven. “Whether it’s full-price stores like American Eagle Outfitter and Victoria’s Secret, or outlet stores such as Tommy Hilfiger and Kenneth Cole, we’re

bringing all these brands under one roof. Retailers can come in here and expect to do a high volume of business.”

“For instance,” Duncan says, “Nike cuts across all demographics, and they will be in every Mills property at the beginning of 2009. A new concept that will be in our properties is AnnTaylor LOFT Outlet, and we also will have a large representation of J.Crew Outlet stores in our portfolio.”

Nike is just one of the brand names that The Mills has brought to its centers. The retailer, which opened its first store with The Mills in 2001, currently has seven Nike Factory Stores, and by mid-June it will open another five stores, according to Dan Sawall, U.S. general manager for Nike Factory Stores. “We like the fact that the Mills properties offer a pinnacle experience for the value consumer with a mix of stores in high-traffic centers,” he says.

“Bringing more brand names to the center and upgrading the tenant mix to include both off-price and full-price tenants is very beneficial to us because we have more of an upscale customer,” says Wallstrom of OFF 5TH. “Customers are trading up, and that makes The Mills all the more appealing.”

MANAGING EXPANSION

Beyond upgrading the tenant mix across the portfolio, The Mills also is looking at expansion and redevelopment opportunities.

“For several years, The Mills was a development-focused company that did not give a lot of attention to operating projects,” says Gregg Goodman, executive vice president of development for The Mills. “However, Simon has brought a dramatic change to the organization because it is laser-focused on maximizing the opportunities within the existing assets. We’re focused on taking this portfolio and enhancing the value of it.”

Goodman points out that The Mills expansion and redevelopment projects create opportunities for retailers,

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ROBERT WALLSTROM, PRESIDENT, SAKS FIFTH AVENUE OFF 5TH



“We’re creating a total shopping experience that has a depth of merchandise and price points that other malls can’t provide, with a stronger emphasis on dining and entertainment within the malls.”

J. SCOTT MUMPHREY, PRESIDENT OF THE MILLS



BURLINGTON COAT FACTORY AND MALL CENTER AT SAWGRASS MILLS, SUNRISE, FLA.

Q&A

WITH PACO UNDERHILL



Paco Underhill is the CEO of Envirosell, a New York City-based retail consultancy, and author of the best-selling book *Call of the Mall*.

ON THE DRAW OF THE MILLS:

The properties have the synergy, the scale and the traffic. The national merchants that have chosen to be there are doing extremely well. The Mills is a very unique product, and one that is well suited to the 21st century. The Mills takes the mall beyond its current dichotomy between outlet and full prices, and gives people a cross-section of places to shop, all on one level. It also provides dining and entertainment that other malls don't. The Mills has emerged as one-stop shopping for the nonurban consumer.

ON THE EVOLUTION OF SHOPPING HABITS:

Americans are being much more careful about where they spend their money. They're on a quest for value. Today, people can't negotiate their cell phone bills or their cable bills, but they can be smart shoppers as they shop for apparel and entertainment.

ON CONVENIENCE:

The American shopper can go out several times a month with different needs. At one point, they could be shopping because they need to escape something — they're indulging in a little shopping therapy — and it's not a big deal if they find something to buy or not. The clock is ticking very faintly. At other times, though, they shop with a mission, and the clock is ticking very loudly.



MEDIEVAL TIMES AT ARUNDEL MILLS

All Fun & Games

The cheers coming from Medieval Times are audible throughout Arundel Mills in Hanover, Md. Hundreds of people are enjoying the show — rooting for their favorite knights as they courageously and skillfully joust, and feasting on traditional medieval fare of roasted chicken, seasoned potatoes and vegetable soup served by wenches and serfs.

In addition to Arundel Mills, Medieval Times also has a "castle" at Discover Mills in Lawrenceville, Ga. Medieval Times is one of The Mills' most successful entertainment destinations, attracting tens of thousands of people a year.

With the exception of The Mills locations, all other Medieval Times castles are stand-alone. "I've been approached by a lot of mall developers, and their projects were just not good enough," says Ken Kim, president and CEO of Medieval Times Inc.

"The Mills gives us strong foot traffic. The locations are usually great, and the synergies created by other entertainment options help our stores. They do really well in Mills properties."

CHUCK STILLEY, PRESIDENT OF AMC REALTY, INC.

restaurants and entertainment operators to open new stores or launch new concepts in proven centers with high foot traffic instead of waiting for a new, unknown development to come out of the ground.

Most of The Mills properties have plenty of land around them for expansion. And, as the company tweaks its tenant mix, some previously occupied space is going to be available for new and expanding tenants.

At The Block at Orange, for example, The Mills is adding 120,000 square feet of new space and redeploying some of its existing space. The company has signed a Neiman Mar-



AMC 30 AT THE BLOCK AT ORANGE, ORANGE, CALIF.

In Kim's opinion, The Mills and Medieval Times are perfect partners. "We are looking for the same size market and target population," he says. "By being in a Mills mall, we have foot traffic and exposure. And we bring additional traffic to The Mills. It's a win-win situation."

Entertainment has always been a critical element of The Mills properties. From movie theaters to game-oriented destinations like Dave & Buster's to kid-themed venues like Wannado City at Sawgrass Mills, The Mills provides more than just shopping.

"What sets them apart is the addition of an entertainment component," says Giovanni Scotti, director of real estate for Nike Retail. "This additional component makes the trip to the center more than just a shopping excursion. It's an experience. Therefore the

consumer is likely to spend more time at a Mills center and, as a result, shop more."

The Mills entertainment options often bring in a completely different customer base and drive local and tourist traffic.

"The Mills gives us strong foot traffic," says Chuck Stilley, president of AMC Realty, Inc., the real estate arm of AMC Theaters. "The locations are usually great, and the synergies created by other entertainment options help our stores. They do really well in Mills properties."

"Mills continually evaluates all of its centers to see what other types of entertainment options it can add," says Gregg Goodman, executive vice president of development for The Mills. "We think there is an opportunity to expand our offerings," he notes. "We know the integration of shopping, dining and entertainment works."

cus Last Call — the only one in Orange County, according to Goodman. "We're also working to bring in more 'best-of-class brands,'" he says. "We're adding retailers that will expand the center's appeal to all segments of the market."

Across the country, Neiman Marcus has demonstrated its affinity for the Mills concept by announcing a Neiman Marcus Last Call at Potomac Mills in Virginia.

The Mills also is bringing its successful Colonnade concept to Grapevine Mills. Currently,

Sawgrass Mills is the only Mills property that has a Colonnade, a collection of luxury outlet retailers in an outdoor format flanked by upscale eateries. The Colonnade at Grapevine Mills will feature 40,000 square feet of luxury retail, along with two restaurant pad sites.

"The Grapevine Mills project will be in the same vein as Sawgrass Mills," Goodman says. "We're building off of the success of Sawgrass."

Sawgrass Mills already has expanded four times, and The Mills has entitlements for an



THE CHEESECAKE FACTORY AT SAWGRASS MILLS

Eat & Be Merry

The phrase “overwhelmed by choices” is particularly apropos when it comes to the restaurant options at The Mills. From themed restaurants like Rainforest Café to national chains like The Cheesecake Factory and TGI Fridays, there’s something to please almost anyone’s palate.

“Restaurants are an area where we are really striving to improve,” says Gary Duncan, executive vice president of leasing for The Mills. “They’re such huge traffic generators, and they always do incredible business at our centers.”

The Oasis at Sawgrass Mills, an outdoor section of the mall with retail, restaurants and entertainment, has had a tremendous impact on the surrounding center. “When The Oasis opened, it was a bonanza for us,” Mark Gimbel, general manager of OFF 5TH at Sawgrass Mills. “With its upscale restaurants, it’s a place that attracted people in the evening and that was huge for us.”

The Mills is planning to expand its restaurant offerings at Potomac Mills in Prince William, Va., and The Block at Orange in Orange, Calif., as well as Grapevine Mills and The Shops at Hunt Club at Gurnee Mills. “We know that we have a lot of underserved markets, and we’re working on meeting those needs,” says Gregg Goodman, executive vice president of development for The Mills.

“Restaurants are an area where we are really striving to improve. They’re such huge traffic generators, and they always do incredible business at our centers.”

GARY DUNCAN, EXECUTIVE VICE PRESIDENT OF LEASING FOR THE MILLS



CHEVYS AT ARUNDEL MILLS

additional 400,000 square feet of retail. In the coming months, the company will kick off the 15,000-square-foot second phase of the Colonnade. “We already have luxury tenants lining up to take this space,” Goodman says.

At Gurnee Mills in Gurnee, Ill., The Mills is doing something completely new: By leveraging Simon’s experience with lifestyle centers and open-air projects, The Mills is developing The Shops at Hunt Club, which will include two department stores, 140,000 square feet of shop space and three restaurants.

“The Gurnee Mills trade area has been underserved by full-priced retail, so we’re building an adjacent sister project that will offer a unique separate experience,” Goodman says. “The company believes that, together, Gurnee Mills and The Shops at Hunt Club will appeal to a broader customer base with the expanded shopping and dining offerings.”

The Mills expansion and redevelopment efforts are generating a lot of interest from retailers. “We’re excited to see The Mills invest in their properties,” says Robert Wallstrom,

president of Saks Fifth Avenue OFF 5TH. “It will increase the value of their centers even more and create more value for us retailers.”

CROSS-SECTION OF SOCIETY

Retailers like Neiman Marcus Last Call aren’t only attracted to the volume of traffic The Mills malls generate — they also benefit from the cross-section of American shoppers these malls pull in. From stay-at-home moms on a budget to single professionals looking for luxury goods, Mills properties attract a variety of shoppers. Indeed, one shopper can easily navigate Mills properties for both luxury and value items in the same trip.

“I love this place,” says Ettie Langer, a 49-year-old mother of two from Hollywood, Fla., who visits Sawgrass Mills with her sons, eight-year-old Sergey and five-year-old Peter. “I come here all the time.”

Langer’s favorites include Children’s Place, Stride Rite and Nordstrom Rack, and she often purchases her children’s shoes and clothes two sizes ahead while she’s there. “You can’t beat the prices,” she says.

For Lisa Springfield, it’s the variety. The 18-year-old college student visits Arundel Mills in Hanover, Md., at least three times a week, hitting favorite stores like Aéropostale, Abercrombie & Fitch and American Eagle Outfitters. “It has more stores than any other mall, and I can get everything I need here without having to drive to different places,” she says. “Arundel Mills is definitely the best mall in this area.”

The same day that Springfield and her family were shopping at Arundel Mills, 22-year-old Caleb Black was also at the mall, browsing the stores with a friend who was visiting from out of town. “I like the variety of stores,” he says, adding that his favorite store is Best Buy. “If you can’t find it here, it doesn’t exist.”

Because there’s something for everyone, The Mills properties have become a popular choice for families. “Opry Mills is a really good place for families to hang out,” says Lisa Doré, a 28-year-old wife and stay-at-home mom of one-year-old daughter Mikayla. She and her family often come to the mall to have dinner, and when her extended family comes into town, she brings them to Opry Mills because, she says, “They just love it here.”

Some tourists even bring extra suitcases so they can take advantage of shopping they can’t get at home. Talita Silva, a 26-year-old from São Paulo, Brazil, was recently in South Florida for work, but she took time to visit Sawgrass Mills.

“There are a lot of options here, and we don’t have stores like this at home,” she said. Her bright pink roller-board suitcase made the trip back to Brazil with \$300 worth of clothes purchased at The Colonnade at Sawgrass Mills.

Nicki Grossman, president and CEO of the Greater Fort Lauderdale Convention and Visitors Bureau, says Sawgrass Mills has helped boost the city’s tourism industry. “The mall added the western part of Broward County to our overall destination and began to attract people to places not remotely related to the beach,” she says. “You can’t separate the success of Sawgrass Mills from the success of Ft. Lauderdale over the last 10 years.”

Grossman has a long history with Sawgrass Mills: In her previous position as Broward County Commissioner, she approved the center’s development and construction. “We had no idea how big a star Sawgrass Mills would be,” she says. “It’s turned out to be a wonderful thing. It’s a sightseeing destination all its own.”

In fact, Grossman says, Sawgrass Mills has brought notoriety to its surrounding region: “We go to a lot of international travel shows and they don’t recognize Florida or Fort Lauderdale, but they recognize Sawgrass Mills.”

Communities reap economic and social rewards from Mills malls

Beyond the shops, restaurants and entertainment, The Mills properties have a tremendous impact on their communities. Not only do they enhance the quality of life in these communities, they also support the local economies by providing jobs and tax revenues. And, in many cases, they have spurred development and established certain regions as tourist destinations.

“Grapevine Mills generates several million dollars of tax revenue to the city,” says William Tate, mayor of Grapevine, Texas. “We consider it a prestigious venue and it’s an asset we’re very proud of.”

Across the United States in Anne Arundel County, Md., Arundel Mills ranks as the third largest taxpayer in the county and contributes substantially to the revenues that provide services to the 500,000 residents of Anne Arundel County, says Robert Hannon, president and CEO of Anne Arundel (Md.) Economic Development Corp.

In addition to tax revenue and jobs, Arundel Mills has attracted development throughout Anne Arundel County and the entire region, according to Hannon. “It has allowed us to develop West County in a way that was not previously experienced.”

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