

PRICE LEGACY CORP
Form DEFM14A
November 22, 2004

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION
(RULE 14A-101)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
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PRICE LEGACY CORPORATION

(Name of Registrant as Specified in its Charter)

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(4) Date Filed:

November 19, 2004

Merger Proposal Your Vote Is Very Important

To the Stockholders of Price Legacy Corporation:

You are cordially invited to attend our annual meeting of stockholders to be held on Monday, December 20, 2004, at 10:00 a.m. local time at the Rancho Bernardo Inn, 17550 Bernardo Oaks Drive, San Diego, California.

We have entered into an Agreement and Plan of Merger, dated as of August 24, 2004 and amended as of November 18, 2004 (which we refer to in this letter and in the accompanying proxy statement as the merger agreement), with PL Retail LLC, a joint venture between affiliates of Kimco Realty Corporation and clients advised by DRA Advisors LLC, pursuant to which PL Acquisition Corp., a wholly-owned subsidiary of PL Retail, will merge with and into Price Legacy and Price Legacy will be the surviving corporation, with all of its common stock owned by PL Retail. If the merger is completed, Price Legacy common stockholders will receive cash consideration for each outstanding share of Price Legacy common stock of (a) \$18.85 plus (b) an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to total approximately \$19.10 based upon an estimated closing date of December 21, 2004. Price Legacy's existing Series A and Series 1 preferred stock will remain issued and outstanding as preferred stock of the surviving corporation. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing. At our annual meeting of stockholders, we will ask you to, among other things, consider and vote on the approval and adoption of the merger agreement and the approval of the merger.

After careful consideration, the board of directors (other than Murray Galinson and myself who abstained from voting due to our affiliation with The Price Group LLC, an entity discussed below) unanimously approved and adopted the merger agreement and approved the merger and determined that the merger is advisable, fair to and in the best interests of Price Legacy and our stockholders. **Our board of directors (including Mr. Galinson and myself) unanimously recommends that you vote "FOR" the proposal to approve and adopt the merger agreement and approve the merger.**

Your vote is important. The merger cannot be completed unless stockholders holding at least a majority of the combined voting power of the outstanding Price Legacy common stock and Series A preferred stock, voting together as a single class, approve and adopt the merger agreement and approve the merger. In addition, the completion of the merger is conditioned upon The Price Group LLC, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, entering into a put agreement with PL Retail under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets for approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger. The completion of the merger is also subject to the satisfaction or waiver of customary closing conditions. More information about the merger is contained in the accompanying proxy statement. We encourage you to read the accompanying proxy statement in its entirety because it explains the proposed merger, the documents related to the merger and other related matters.

Whether or not you plan to attend the annual meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your shares are held in an account at a brokerage firm, bank or other nominee, you should instruct your broker, bank or nominee how to vote in accordance with the voting instruction form furnished by your broker, bank or nominee. **If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting against the approval and adoption of the merger agreement and the approval of the merger.**

If you sign, date and send us your proxy but do not indicate how you want to vote, your proxy will be voted "FOR" the approval and adoption of the merger agreement and the approval of the merger.

I enthusiastically support this transaction and join the other members of our board of directors in recommending that you vote for the approval and adoption of the merger agreement and the approval of the merger.

Sincerely,

Jack McGrory

Chairman of the Board and Chief Executive Officer

This proxy statement is dated November 19, 2004 and is first being mailed to stockholders on or about November 22, 2004.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held December 20, 2004**

To the Stockholders of Price Legacy Corporation:

We will hold our annual meeting of the stockholders of Price Legacy Corporation on Monday, December 20, 2004, at 10:00 a.m. local time, at the Rancho Bernardo Inn, 17550 Bernardo Oaks Drive, San Diego, California, to consider and vote on the following proposals:

1. To approve and adopt the Agreement and Plan of Merger, dated as of August 24, 2004 and amended as of November 18, 2004, by and among Price Legacy Corporation, a Maryland corporation, PL Retail LLC, a Delaware limited liability company, and PL Acquisition Corp., a Maryland corporation and a wholly-owned subsidiary of PL Retail LLC, and to approve the merger;
2. To elect seven persons to the board of directors of Price Legacy to serve as directors until the earlier of (a) the next annual meeting of stockholders and until his or her successor has been duly elected and qualified or (b) the completion of the merger; and
3. To transact any other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Only holders of record of Price Legacy's common stock and Series A preferred stock at the close of business on November 4, 2004, the record date for the annual meeting, may vote at the annual meeting and any adjournments or postponements of the annual meeting. In accordance with Price Legacy's amended and restated charter, holders of Price Legacy's Series 1 preferred stock are not entitled to vote at the annual meeting. **Your vote is very important. Please submit your proxy or voting instructions as soon as possible to make sure that your shares are represented and voted at the annual meeting, whether or not you plan to attend the annual meeting.**

Whether you attend the annual meeting or not, you may revoke a proxy at any time before it is voted: (a) by filing with our corporate secretary a duly executed revocation of proxy, (b) by submitting a duly executed proxy to our corporate secretary with a later date or (c) by appearing at the annual meeting and voting in person. You may revoke a proxy by any of these methods, regardless of the method used to deliver your previous proxy. Attendance at the annual meeting without voting will not itself revoke a proxy. If your shares are held in an account at a brokerage firm, bank or other nominee, you must contact your broker, bank or nominee to revoke your proxy.

For more information about the annual meeting and the merger described above and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the merger agreement attached to it as Annex A.

By Order of the Board of Directors,

Robert M. Siordia
Chief Operating Officer and Secretary

San Diego, California
November 19, 2004

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q:
What matters will be voted on at the annual meeting?

A:
You are being asked to:

approve and adopt the Agreement and Plan of Merger, dated as of August 24, 2004 and amended as of November 18, 2004, by and among Price Legacy, PL Retail and PL Acquisition Corp., and to approve the merger;

elect seven persons to the board of directors of Price Legacy to serve as directors until the earlier of (a) the next annual meeting of stockholders and until his or her successor has been duly elected and qualified or (b) the completion of the merger; and

transact any other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Q:
What is the proposed merger transaction?

A:
The proposed transaction is the acquisition of all of the common stock interests in Price Legacy by PL Retail pursuant to the merger agreement you are being asked to approve and adopt. Once the merger agreement has been approved and adopted by Price Legacy's stockholders and the other closing conditions under the merger agreement have been satisfied or waived, PL Acquisition Corp. will merge with and into Price Legacy. Price Legacy will be the surviving corporation in the merger and all of the issued and outstanding shares of Price Legacy common stock will be owned by PL Retail.

Q:
As a stockholder, what will I receive in the merger?

A:
Price Legacy's common stockholders will receive cash consideration for each outstanding share of Price Legacy common stock of (a) \$18.85 plus (b) an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to total approximately \$19.10 based upon an estimated closing date of December 21, 2004, less any required withholding for taxes. Price Legacy's existing Series A and Series 1 preferred stock will remain issued and outstanding as preferred stock of the surviving corporation. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing. For additional information about the merger consideration described above, please review the merger agreement attached to this proxy statement as Annex A. We encourage you to read the merger agreement carefully and in its entirety. It is the principal document governing the merger.

Q:
When and where is the annual meeting of our stockholders?

A:
The annual meeting of stockholders will take place on Monday, December 20, 2004, at 10:00 a.m. local time at the Rancho Bernardo Inn, 17550 Bernardo Oaks Drive, San Diego, California.

Q:
Who can vote and attend the annual meeting?

A:
All holders of record of Price Legacy's common stock and Series A preferred stock as of the close of business on November 4, 2004, the record date for the annual meeting, are entitled to receive notice of and to attend and vote at the annual meeting, or any postponement or adjournment thereof. In accordance with Price Legacy's amended and restated charter, holders of Price Legacy's Series 1 preferred stock are not entitled to vote at the annual meeting. If you want to attend the annual meeting and your shares are held in an account at a brokerage firm, bank or other nominee, you must bring to the annual meeting a proxy from the record holder

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(your broker, bank or nominee) of the shares authorizing you to vote at the annual meeting.

Q-1

Q: What constitutes a quorum at the annual meeting?

A: In order to constitute a quorum and to transact business at the annual meeting, a majority of the combined voting power of the outstanding shares of Price Legacy's common stock and Series A preferred stock on the record date must be represented at the annual meeting, either in person or by proxy. Shares represented by proxies that reflect abstentions or "broker non-votes" (which occur when shares held by brokers or nominees for beneficial owners are voted on some matters but not on others) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Q: What vote of our stockholders is required to approve and adopt the merger agreement and approve the merger?

A: For us to complete the merger, stockholders holding at least a majority of the combined voting power of Price Legacy's common stock and Series A preferred stock outstanding at the close of business on the record date, voting together as a single class, must vote "FOR" the proposal to approve and adopt the merger agreement and to approve the merger.

Q: Besides the vote of our stockholders, what are the other conditions to the completion of the merger?

A: There are a number of other conditions to the completion of the merger which are described in this proxy statement under the heading "The Merger Agreement Conditions to the Merger." These conditions include, among other things, the absence of a material adverse change to Price Legacy, the correctness and accuracy, as of the closing of the merger, of both parties' representations and warranties contained in the merger agreement, and the receipt by PL Retail of an opinion, dated as of the closing of the merger, from Price Legacy's legal counsel related to Price Legacy's qualification as a real estate investment trust, or REIT, in substantially the form attached to this proxy statement as Annex E. In addition, The Price Group LLC, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, must have entered into a put agreement under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets for approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger.

Q: What vote of our stockholders is required to elect the seven directors?

A: If a quorum is present, directors are elected by a plurality of the votes of the shares of Price Legacy's common stock and Series A preferred stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. Therefore, the nominees for director who receive the most votes will be elected. Provided that a quorum is present, the failure to vote, abstentions and broker non-votes will have no effect on the election of nominees to our board of directors.

Q: How does our board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our stockholders vote "FOR" the proposal to approve and adopt the merger agreement and to approve the merger and "FOR" the election to the board of directors of the seven proposed director nominees.

Q: Why is our board of directors recommending that I vote in favor of the proposal to approve and adopt the merger agreement and to approve the merger?

A: After careful consideration, our board of directors unanimously (other than Jack McGrory and Murray Galinson who abstained from voting due to their affiliation with The Price Group) approved and adopted the merger agreement and approved the merger, and unanimously determined that the merger is advisable, fair to and in the best interests of Price Legacy and our stockholders. In reaching its decision to approve and adopt the merger agreement and approve the merger and to recommend the approval and adoption of the merger agreement and the approval of the merger by our stockholders, our board of directors consulted with management, as well as our legal and financial advisors, and considered the terms of the proposed merger agreement and the transactions contemplated by the merger agreement. Our board of directors also considered each of the items set forth on pages 17 through 19 under "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger Recommendation of Our Board of Directors and Its Reasons for the Merger."

Q: How do I cast my vote?

A: If you were a holder of record of either Price Legacy's common stock or Series A preferred stock on November 4, 2004, you may vote in person at the annual meeting or by submitting a proxy for the annual meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope.

If you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted "**FOR**" the approval and adoption of the merger agreement and the approval of the merger and "**FOR**" the director nominees.

Q: How do I cast my vote if my Price Legacy shares are held in "street name" by my bank, broker or another nominee?

A: If you hold your shares in "street name," which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares in accordance with the voting directions provided by your broker, bank or nominee. **If you do not provide your broker, banker or nominee with instructions on how to vote your shares, your broker will not be permitted to vote your shares, commonly referred to as a "broker non-vote." This will have the same effect as voting against the approval and adoption of the merger agreement and approval of the merger but will have no effect on the election of nominees to the Price Legacy board of directors.** Please refer to the voting instruction card used by your broker, bank or nominee to see if you may submit voting instructions using the Internet or telephone.

Q: What will happen if I abstain from voting or fail to vote?

A: If you abstain from voting, fail to cast your vote in person or by proxy or fail to give voting instructions to your broker, bank or nominee, it will have the same effect as a vote against approval and adoption of the merger agreement and approval of the merger. Provided that a quorum is present, failure to vote, a vote to abstain or a broker non-vote will have no effect on the election of nominees to our board of directors.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the annual meeting by delivering a later-dated, signed proxy card to our corporate secretary or attending the annual meeting in person and voting. You also may revoke your proxy by delivering a notice of revocation to our corporate secretary prior to the vote at the annual meeting. If your

shares are held in street name, you must contact your broker, bank or nominee to revoke your proxy.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: How will the merger affect my dividends?

A: Under the terms of the merger agreement, Price Legacy has agreed, except in limited circumstances, not to pay dividends to its common stockholders after the signing date of August 24, 2004 without the prior written consent of PL Retail. However, upon completion of the merger, Price Legacy common stockholders will be entitled to receive an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to be approximately \$0.25 based upon an estimated closing date of December 21, 2004 (resulting in total merger consideration of approximately \$19.10 per share). Holders of Price Legacy's Series A preferred stock and Series 1 preferred stock will continue to be entitled to receive the same dividends that they were entitled to receive prior to the signing of the merger agreement, which equal \$0.35 and \$0.29 per quarter per share, respectively. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing. For additional information about dividends, please review the merger agreement attached to this proxy statement as Annex A.

Q: Do Price Legacy's common or preferred stockholders have dissenters' rights or appraisal rights with respect to the merger?

A: No. Price Legacy is incorporated under Maryland law. Under Maryland law, because shares of Price Legacy's common stock and preferred stock are listed on a national securities exchange, holders of Price Legacy's common stock and preferred stock do not have any appraisal rights or dissenters' rights in connection with the merger.

Q: Is the merger expected to be taxable to me?

A: Generally, yes. The receipt of the merger consideration in cash for each share of our common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Generally, for United States federal income tax purposes, you will recognize gain or loss as a result of the merger measured by the difference, if any, between the merger consideration per share and your adjusted tax basis in that share.

You should read "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger Material United States Federal Income Tax Consequences" beginning on page 30 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. **We urge you to consult your tax advisor regarding the tax consequences of the merger to you.**

Q: Should I send in my common stock certificates now?

A: No. Promptly after the merger is completed, each holder of record of Price Legacy's common stock at the effective time of the merger will be sent written instructions for exchanging your stock

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certificates for the merger consideration payable to you. These instructions will tell you how and where to send in your certificates in return for the merger consideration.

Q:
When do you expect the merger to be completed?

A:
We are working to complete the merger as quickly as possible. We currently expect to complete the merger on or about December 21, 2004. However, we cannot predict the exact timing of the merger because the merger is subject to certain closing conditions. See "The Merger Agreement Conditions to the Merger."

Q:
How do I obtain an Annual Report on Form 10-K?

A:
If you would like a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 that we filed with the Securities & Exchange Commission (SEC), we will send you one without charge. Please write to:

Investor Relations
Price Legacy Corporation
17140 Bernardo Center Drive
Suite 300
San Diego, California 92128

or

mergerproxy@pricelegacy.com

Q:
Who can help answer my questions?

A:
If you have any questions about the proposals or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact:

Investor Relations
Price Legacy Corporation
17140 Bernardo Center Drive
Suite 300
San Diego, California 92128
(858) 675-9400
mergerproxy@pricelegacy.com

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all the information about the merger that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this proxy statement in its entirety, including the annexes, and the other documents to which we have referred you. In particular, you should carefully read the documents attached to this proxy statement, including the merger agreement, the put agreement and the two fairness opinions of UBS Securities LLC, which are attached as Annexes A, B, C and D, respectively, and made a part of this proxy statement. In addition, you should carefully read the important business and financial information relating to Price Legacy that appears in Price Legacy's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as amended, and Price Legacy's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004, both of which are enclosed with this proxy statement. See "Where You Can Find More Information" and "Financial and Other Information" on page 84.

The Companies

Price Legacy Corporation

Price Legacy Corporation, a Maryland corporation, acquires, operates and develops open-air shopping centers nationwide. The company manages its properties through regional offices located in Arizona, California, Florida and Virginia. Price Legacy has its corporate offices in San Diego, is organized as a real estate investment trust, or REIT, and has a taxable REIT subsidiary, Excel Legacy Holdings, Inc. Price Legacy's common stock is quoted on The Nasdaq Stock Market under the symbol "PLRE." Our principal executive offices are located at 17140 Bernardo Center Drive, Suite 300, San Diego, California 92128, and our telephone number is (858) 675-9400. For additional information about Price Legacy and our business, see "Where You Can Find More Information" on page 84.

PL Retail LLC

PL Retail LLC is a joint venture in which affiliates of Kimco Realty Corporation, a publicly-traded company organized as a REIT, own a 15% interest and clients advised by DRA Advisors LLC, a registered investment advisor specializing in real estate investment management services for institutional and private investors, own an 85% interest. PL Retail's principal executive offices are located at 220 East 42nd Street, 27th Floor, New York, New York 10017, and its telephone number is (212) 697-4740.

Kimco Realty Corporation

Kimco Realty Corporation, a publicly-traded REIT, has specialized in shopping center acquisitions, development and management for over 45 years. Kimco owns and operates one of the nation's largest portfolios of neighborhood and community shopping centers with interests in 699 properties comprising approximately 102.0 million square feet of leasable space located throughout 42 states, Canada and Mexico. Kimco's common stock is traded on the New York Stock Exchange under the symbol "KIM." Kimco's principal executive offices are located at 3333 New Hyde Park Road, New Hyde Park, New York 11042-0020, and its telephone number is (516) 869-9000.

DRA Advisors LLC

DRA Advisors LLC is a New York-based registered investment advisor specializing in real estate investment management services for institutional and private investors, including pension funds, university endowments, foundations and insurance companies. Founded in 1986, the firm currently manages approximately \$3 billion in assets. DRA's principal executive offices are located at 220 East 42nd Street, 27th Floor, New York, New York 10017, and its telephone number is (212) 697-4740.

PL Acquisition Corp.

PL Acquisition Corp., a Maryland corporation and a wholly-owned subsidiary of PL Retail, was formed in 2004 solely for the purpose of facilitating PL Retail's acquisition of Price Legacy. PL Acquisition Corp. has not carried on any activities to date other than those incident to its formation and the negotiation and execution of the merger agreement. Its principal executive offices are located at 220 East 42nd Street, 27th Floor, New York, New York 10017, and its telephone number is (212) 697-4740.

The Merger (page 47)

PL Retail has agreed to acquire Price Legacy under the terms of the merger agreement that is described in this proxy statement and attached as Annex A. We encourage you to read the merger agreement carefully and in its entirety. It is the principal document governing the merger.

Under the terms of the merger agreement, PL Acquisition Corp. will merge with and into Price Legacy and Price Legacy will be the surviving corporation, with all of its common stock owned by PL Retail. Under the merger, each share of Price Legacy's common stock, par value \$0.0004 per share (other than shares owned by Price Legacy and PL Retail and their respective subsidiaries, which will be cancelled, and which we collectively refer to as the "unconverted shares"), will be converted into the right to receive cash consideration of (a) \$18.85 plus (b) an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to total approximately \$19.10 based upon an estimated closing date of December 21, 2004, less any required withholding for taxes (we refer to the aggregate consideration to be received by Price Legacy common stockholders as the "merger consideration"). Price Legacy's existing Series A and Series 1 preferred stock will remain issued and outstanding as preferred stock of the surviving corporation. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing.

Upon consummation of the merger, each share of Price Legacy's common stock outstanding immediately prior to the merger, other than the unconverted shares, will cease to be outstanding and will be cancelled and will cease to exist, and each holder of a certificate or certificates which immediately prior to the merger represented shares of Price Legacy's common stock will cease to have any rights with respect to such shares. Each certificate representing shares of Price Legacy's common stock will thereafter represent the right to receive the merger consideration.

All outstanding unvested options to purchase shares of Price Legacy's common stock will be accelerated so that these options will be fully vested prior to the consummation of the merger. Upon consummation of the merger, all unexercised options to purchase shares of Price Legacy's common stock will be cancelled and converted into the right to receive the merger consideration, less the exercise price for each share underlying the options. Options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration.

The Put Transaction (page 25)

The completion of the merger is conditioned upon The Price Group LLC, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, entering into a put agreement with PL Retail under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets consisting primarily of two vacant land parcels, a hotel, two office properties, a retail center, a retail/entertainment center and bonds secured by the land and parking garage at the retail/entertainment center at a price of approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger. The put agreement is attached as Annex B to this proxy statement. We encourage you to read the put agreement carefully and in its entirety.

Recommendation of Our Board of Directors (page 17)

On August 23, 2004, after careful consideration of the factors described in the section "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger

Recommendation of Our Board of Directors and Its Reasons for the Merger," our board of directors unanimously (other than Messrs. McGrory and Galinson who abstained from voting due to their affiliation with The Price Group):

determined that it was advisable, fair to and in the best interests of Price Legacy and our stockholders for Price Legacy to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement; and

approved and adopted the merger agreement and approved the merger.

Our board of directors (including Messrs. McGrory and Galinson) also unanimously determined to recommend to Price Legacy's stockholders that they vote for the approval and adoption of the merger agreement and to approve the merger.

To review the background and reasons for the merger in greater detail, see pages 13 through 19.

The Annual Meeting (page 9)

The annual meeting of our stockholders will be held at the Rancho Bernardo Inn, 17550 Bernardo Oaks Drive, San Diego, California, at 10:00 a.m., local time, on Monday, December 20, 2004. At the annual meeting, you will be asked to:

vote to approve and adopt the merger agreement and to approve the merger;

elect seven persons to the Price Legacy board of directors to serve as directors until the earlier of (a) the next annual meeting of stockholders and until his or her successor has been duly elected and qualified or (b) the completion of the merger; and

consider and act upon such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Stockholders Entitled to Vote; Vote Required (page 9)

You may vote at the annual meeting if you owned shares of Price Legacy's common stock or Series A preferred stock at the close of business on November 4, 2004, the record date for the annual meeting. In accordance with Price Legacy's amended and restated charter, holders of Price Legacy's Series 1 preferred stock are not entitled to vote at the annual meeting. On that date, there were 36,921,206 shares of Price Legacy's common stock and 2,424,494 shares of Series A preferred stock outstanding and entitled to vote. You may cast one vote for each share of Price Legacy common stock that you owned on that date and one-tenth (1/10) of one vote for each share of Price Legacy Series A preferred stock that you owned on that date. Approval and adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of at least a majority of the combined voting power of Price Legacy's common stock and Series A preferred stock outstanding at the close of business on the record date and entitled to vote, voting together as a single class. The seven director nominees receiving the greatest number of votes will be elected as directors.

Opinion of Financial Advisor as to the Merger Consideration (page 20)

On August 23, 2004, UBS Securities LLC (UBS), financial advisor to Price Legacy, delivered its oral opinion to our board of directors, subsequently confirmed in writing, that, as of that date, and based upon and subject to the considerations described in its written opinion, the merger consideration to be received by the holders of Price Legacy's common stock, other than certain affiliates, in the merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of UBS is attached as Annex C to this proxy statement. **We encourage you to read this opinion carefully in its entirety for a description of the procedures followed,**

assumptions made, matters considered and limitations on the review undertaken. The opinion was directed to our board of directors and does not constitute a recommendation by UBS to any stockholder as to any matter relating to the merger.

Opinion of Financial Advisor as to the Put Transaction (page 26)

On August 23, 2004, UBS delivered its oral opinion to our board of directors, subsequently confirmed in writing, that, as of that date, and based upon and subject to the considerations described in its written opinion, the consideration of \$147.7 million to be received under the put agreement by Price Legacy for certain properties and other assets described in the put agreement was fair, from a financial point of view, to Price Legacy.

The full text of the written opinion of UBS is attached as Annex D to this proxy statement. **We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken.** The opinion was directed to our board of directors and does not constitute a recommendation by UBS to any stockholder as to any matter relating to the put transaction.

Interests of Our Directors and Executive Officers in the Merger (page 28)

Members of our board of directors and our executive officers may have interests in the merger that differ from, or are in addition to, those of other stockholders. For example:

Jack McGrory, our chairman and chief executive officer, and Murray Galinson, one of our directors, are co-managers of The Price Group, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, which may acquire certain non-core properties and other assets of Price Legacy under the put agreement. As a result of their positions with The Price Group, Messrs. McGrory and Galinson may have interests in the put transaction that differ from, or are in addition to, those of other stockholders;

each vested option to purchase Price Legacy common stock, including options held by our directors and executive officers, will cease to represent the right to acquire Price Legacy common stock and will, at the time the merger is consummated, be converted into the right to receive an amount in cash equal to the merger consideration, less the exercise price for each share of Price Legacy common stock underlying the option;

each unvested option to purchase Price Legacy common stock, including unvested options held by our directors and executive officers, will be accelerated so that these options will be fully vested prior to the consummation of the merger;

certain of our executive officers will be entitled to severance benefits, consisting of lump sum cash payments, under a newly-adopted Price Legacy severance plan if they are not offered similar employment with PL Retail or the surviving corporation after the merger or if their employment is terminated without cause within 12 months following the merger;

certain of our executive officers are entitled to severance benefits, consisting of lump sum cash payments and the continuation of medical benefits, under their existing employment agreements with Price Legacy if they are terminated without cause or if they quit for good reason (including as a result of a change in control, such as the merger); and

our current directors and officers and certain of our former directors will continue to be indemnified for six years after the completion of the merger and will have the benefit of directors' and officers' liability insurance for six years after completion of the merger.

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The members of our board of directors were informed of the foregoing interests of our directors and executive officers in the merger and considered them when they approved and adopted the merger agreement and approved the merger.

Delisting and Deregistration of Price Legacy Stock (page 46)

If the merger is completed, Price Legacy's common stock will no longer be listed on the Nasdaq National Market and will be deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act). Price Legacy's Series A preferred stock and Series 1 preferred stock will continue to be registered and listed on the Nasdaq National Market. However, PL Retail has indicated that it may (a) continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing and/or (b) seek to deregister the Series A and Series 1 preferred stock under the Exchange Act and delist the Series A and Series 1 preferred stock from the Nasdaq National Market. Depending on the number of shares of Series A preferred stock and Series 1 preferred stock redeemed by PL Retail, the Series A preferred stock and/or Series 1 preferred stock may not continue to meet the listing requirements of the Nasdaq National Market. If either the Series A preferred stock or Series 1 preferred stock fail to meet the listing requirements, PL Retail has indicated that it does not intend to contest a delisting or to seek to list these shares on another trading market and cannot assure that an active trading market for either the Series A preferred stock or the Series 1 preferred stock will continue to exist.

Litigation Related to the Merger (page 46)

On August 25, 2004 and August 26, 2004, two purported class action complaints were filed in Superior Court of the State of California, County of San Diego, against Price Legacy and each current member and one past member of Price Legacy's board of directors. The court has consolidated these two actions. The operative complaint alleges breaches of the defendants' fiduciary duty to Price Legacy's stockholders in connection with the merger. The complaint challenges the sufficiency of the merger consideration, the adequacy of disclosures and the independence of the directors, and seeks a preliminary and permanent injunction of the merger transaction and unspecified damages from the defendants.

On September 23, 2004, a purported class action complaint was filed in the Circuit Court for Baltimore City, Maryland, against Price Legacy and members of its board of directors, as well as The Price Group. On October 21, 2004, an amended class action complaint was filed, which alleges that the defendants breached their fiduciary duty to Price Legacy's stockholders in connection with the merger. The amended complaint challenges the sufficiency of the merger consideration, the adequacy of disclosures and the independence of the directors, and seeks a preliminary and permanent injunction of the merger transaction, the imposition of a constructive trust, and unspecified damages from the defendants.

The Merger Agreement

Conditions to the Merger (page 53)

Completion of the merger depends upon meeting or waiving a number of conditions including:

approval and adoption of the merger agreement and approval of the merger by the stockholders of Price Legacy;

receipt of a satisfactory legal opinion regarding Price Legacy's REIT status for federal income tax purposes;

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continued accuracy of the respective representations and warranties and compliance with the covenants made by Price Legacy and PL Retail in the merger agreement;

The Price Group must have entered into the put agreement under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets for approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger; and

other customary closing conditions.

Where the law permits, PL Retail, on the one hand, or Price Legacy, on the other hand, could decide to complete the merger even though one or more conditions were not satisfied. By law, neither PL Retail nor Price Legacy can waive:

the requirement that Price Legacy's stockholders approve and adopt the merger agreement and approve the merger; or

any court order or law preventing the closing of the merger.

Whether any of the other conditions would be waived would depend on the facts and circumstances as determined by the reasonable business judgment of the board of directors of PL Retail or Price Legacy, as the case may be.

Termination of the Merger Agreement (page 57)

PL Retail and Price Legacy can jointly agree to terminate the merger agreement at any time, even if the Price Legacy stockholders have approved the merger. In addition, either PL Retail or Price Legacy can decide, without the consent of the other, to terminate the merger agreement if:

any order, decree, ruling or other action of a governmental entity permanently restraining, enjoining or otherwise prohibiting the merger has become final and non-appealable;

the merger has not been consummated by January 31, 2005; or

the required approval by Price Legacy's stockholders has not been obtained at the annual meeting.

PL Retail may unilaterally terminate the merger agreement if:

(a) Price Legacy's board of directors has withdrawn or materially modified its recommendation of the merger agreement or the merger in a manner adverse to PL Retail or its stockholders or has resolved to do so; (b) Price Legacy's board of directors has approved or recommended any acquisition proposal made by a person other than PL Retail; or (c) Price Legacy has entered into a definitive agreement with respect to such an acquisition proposal; or

Price Legacy has breached any of its representations, warranties or covenants contained in the merger agreement, which would lead to the failure of a condition to the consummation of the merger that is incapable of being cured prior to January 31, 2005.

Price Legacy may unilaterally terminate the merger agreement if:

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PL Retail has breached any of its representations, warranties or covenants contained in the merger agreement, which would lead to the failure of a condition to the consummation of the merger that is incapable of being cured prior to January 31, 2005; or

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Price Legacy's board of directors has approved, and Price Legacy has concurrently entered into, a definitive agreement for the implementation of a "superior proposal" (as defined in the merger agreement), provided this occurs prior to approval of the merger agreement at the Price Legacy annual meeting, Price Legacy has complied with the terms of the non-solicitation provisions in the merger agreement, and before terminating the merger agreement, Price Legacy has paid to PL Retail the required termination fee.

Termination Fees and Termination Expenses (page 58)

The merger agreement provides that, in certain circumstances, Price Legacy may be required to pay to PL Retail a termination fee of up to \$20 million. In addition, the merger agreement provides that Price Legacy may be obligated under specified circumstances to reimburse up to \$2 million of PL Retail's expenses, if the merger agreement is terminated.

Effect on Outstanding Stock Options (page 61)

All outstanding unvested options to purchase shares of Price Legacy common stock will be accelerated so that these options will be fully vested prior to the consummation of the merger. Upon consummation of the merger, all unexercised options to purchase shares of Price Legacy common stock will be cancelled and converted into the right to receive the merger consideration in cash, less the exercise price for each share underlying the options. Options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration.

Material United States Federal Income Tax Consequences (page 30)

The receipt of the merger consideration in cash for each share of our common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Generally, for United States federal income tax purposes, you will recognize gain or loss as a result of the merger measured by the difference, if any, between merger consideration per share and your adjusted tax basis in that share.

You should read "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger Material United States Federal Income Tax Consequences" beginning on page 30 for a more complete discussion of the federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor regarding the tax consequences of the merger to you.

Regulatory Matters (page 30)

No material federal or state regulatory requirements must be complied with or approvals obtained by Price Legacy or PL Retail in connection with the merger.

Exchange Agent (page 48)

Mellon Investor Services LLC or another comparable institution will act as the exchange agent in connection with the merger.

Dissenters' Rights (page 30)

Price Legacy is incorporated under Maryland law. Under Maryland law, because shares of Price Legacy's common stock and preferred stock are listed on a national securities exchange, holders of Price Legacy's common stock and preferred stock do not have any appraisal rights or dissenter's rights in connection with the merger.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "intend," "anticipate," "believe," "will," "may," "should," "would," and similar expressions are intended to identify forward-looking statements. These statements are based on the current expectations and beliefs of our management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed in the forward-looking statement.

In any forward-looking statement in which we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished. Risks and uncertainties pertaining to the following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements:

the effect of economic, credit and capital market conditions in general and on real estate companies in particular, including changes in interest rates;

our ability to compete effectively;

developments in the retail industry;

the possibility that the proposed merger with PL Retail will not be consummated on the terms described in this proxy statement, or at all;

the operating covenants in the merger agreement;

the diversion of management's attention to effectuating the proposed merger;

costs related to the proposed merger;

our ability to attract and retain key employees, particularly in light of the proposed merger;

the lawsuits arising out of the proposed merger;

the financial stability of our tenants, including our reliance on major tenants;

our ability to successfully complete real estate acquisitions, developments and dispositions;

the financial performance of our properties, joint ventures and investments;

government approvals, actions and initiatives, including the need for compliance with environmental requirements;

our ability to continue to qualify as a REIT; and

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our ability to realize the value of various assets through negotiated transactions.

These and other important factors are detailed in various SEC filings made periodically by Price Legacy, particularly its latest Annual Report on Form 10-K and Quarterly Report on Form 10-Q, copies of which are enclosed with this proxy statement or available from Price Legacy without charge or online at <http://www.PriceLegacy.com>. Please review such filings and do not place undue reliance on these forward-looking statements.

You should consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We do not undertake any obligation to release publicly any revisions to any forward-looking statements contained herein to reflect events or circumstances that occur after the date of this proxy statement or to reflect the occurrence of unanticipated events.

THE PRICE LEGACY ANNUAL MEETING

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our board of directors in connection with the annual meeting of our stockholders.

Date, Time and Place

We will hold the annual meeting on Monday, December 20, 2004, at 10:00 a.m. local time, at the Rancho Bernardo Inn, 17550 Bernardo Oaks Drive, San Diego, California.

Purpose of the Annual Meeting

At the annual meeting, we are asking holders of record of Price Legacy's common stock and Series A preferred stock to consider and vote on the following proposals:

The approval and adoption of the merger agreement by and among Price Legacy Corporation, PL Retail LLC and PL Acquisition Corp. and the approval of the merger (see "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger" beginning on page 13 and "The Merger Agreement" beginning on page 47);

To elect seven persons to the board of directors of Price Legacy to serve as directors until the earlier of (a) the next annual meeting of stockholders and until his or her successor has been duly elected and qualified or (b) the completion of the merger; and

The transaction of any other business that properly comes before the annual meeting or any adjournment or postponement of the annual meeting.

Recommendation of Our Board of Directors

Our board of directors has unanimously (other than Messrs. McGrory and Galinson who abstained from voting due to their affiliation with The Price Group) determined it is advisable, fair to and in the best interests of Price Legacy and our stockholders for Price Legacy to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement.

Our board of directors (including Messrs. McGrory and Galinson) unanimously recommends that our stockholders vote "FOR" the approval and adoption of the merger agreement and the approval of the merger and "FOR" the election of the seven director nominees to the board of directors.

Record Date; Stockholders Entitled to Vote; Quorum

Only holders of record of Price Legacy's common stock and Series A preferred stock at the close of business on November 4, 2004, the record date, are entitled to notice of and to vote at the annual meeting. In accordance with Price Legacy's amended and restated charter, holders of Price Legacy's Series 1 preferred stock are not entitled to vote at the annual meeting. On the record date, 36,921,206 shares of Price Legacy's common stock were issued and outstanding and held by 370 holders of record and 2,424,494 shares of Price Legacy's Series A preferred stock were issued and outstanding and held by 229 holders of record. Holders of record of Price Legacy's common stock on the record date are entitled to one vote per share at the annual meeting on each proposal and holders of record of Price Legacy's Series A preferred stock on the record date are entitled to one-tenth (1/10) of one vote per share at the annual meeting on each proposal.

A quorum is necessary to hold a valid annual meeting. A quorum will be present at the annual meeting if the holders of a majority of the combined voting power of the outstanding shares of Price Legacy's common stock and Series A preferred stock on the record date are represented at the annual meeting, either in person or by proxy. Abstentions, discussed below, or "broker non-votes" (which

occur when shares held by brokers or nominees for beneficial owners are voted on some matters but not on others), count as present for establishing a quorum for the transaction of all business.

Vote Required for Approval and Adoption of Merger Agreement and Approval of the Merger

The approval and adoption of the merger agreement and the approval of the merger by our stockholders requires the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of Price Legacy's common stock and Series A preferred stock entitled to vote at the annual meeting as of the record date, either in person or by proxy, voting together as a single class. Because the vote is based on the number of shares outstanding rather than the number of votes cast, failure to vote your shares, abstentions and broker non-votes will have the same effect as voting against the merger agreement and the merger.

Vote Required to Elect the Seven Directors

If a quorum is present, directors are elected by a plurality of the votes of the shares of Price Legacy's common stock and Series A preferred stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. Provided that a quorum is present, failure to vote, abstentions and broker non-votes will have no effect on the election of nominees to our board of directors.

Voting; Proxies

You may vote by proxy or in person at the annual meeting.

Voting in Person

If you plan to attend the annual meeting and wish to vote in person, you will be given a ballot at the annual meeting. Please note, however, that if your shares are held in "street name," which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the annual meeting, you must bring to the annual meeting a proxy from the record holder (your broker, bank or nominee) of the shares authorizing you to vote at the annual meeting.

Voting by Proxy

All shares represented by properly executed proxies received in time for the annual meeting will be voted at the annual meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted for the approval and adoption of the merger agreement and the approval of the merger and for the election of the seven director nominees named in this proxy statement to our board of directors.

Only shares affirmatively voted for the approval and adoption of the merger agreement and the approval of the merger and properly executed proxies that do not contain voting instructions will be counted as favorable votes for the merger proposal. Shares of Price Legacy common stock and Series A preferred stock held by persons attending the annual meeting but not voting, and shares of Price Legacy's common stock and Series A preferred stock for which we received proxies but with respect to which holders of those shares have abstained from voting or failed to provide instructions to their brokers resulting in a broker non-vote, will have the same effect as votes against the merger agreement and the merger. Failure to vote, a vote to abstain or a broker non-vote will have no effect on the election of nominees to our board of directors.

Adjournments; Other Business

Adjournments of the annual meeting may be made for the purpose of, among other things, soliciting additional proxies. An adjournment may be made from time to time by approval of the holders of shares representing a majority of the votes present in person or by proxy at the annual meeting, whether or not a quorum exists, without further notice other than by an announcement made at the annual meeting of the date, time and place at which the meeting will be reconvened. If the adjournment is to a date more than 120 days from the initially established record date for the annual meeting, or if after the adjournment a new record date is fixed by our board of directors for the adjourned meeting, a notice of the adjourned meeting will be given to each stockholder of record on the new record date and entitled to vote at the meeting. We do not currently intend to seek an adjournment of the annual meeting.

We do not expect that any matter other than the proposals to approve and adopt the merger agreement and to approve the merger and to elect seven persons to our board of directors will be brought before the annual meeting. If, however, other matters are properly presented at the annual meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

Revocation of Proxies

Submitting a proxy on the enclosed form does not preclude a stockholder from voting in person at the annual meeting. A stockholder of record may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by submitting a duly executed proxy to our corporate secretary with a later date or by appearing at the annual meeting and voting in person. A stockholder of record may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder's previous proxy. Attendance at the annual meeting without voting will not itself revoke a proxy. If your shares are held in street name, you must contact your broker, bank or nominee to revoke your proxy.

Solicitation of Proxies

We are soliciting proxies for the annual meeting from our stockholders. We will bear the entire cost of soliciting proxies from our stockholders. In addition to the solicitation of proxies by mail, we will request that banks, brokers and other record holders send proxies and proxy materials to the beneficial owners of Price Legacy's common stock and Series A preferred stock held by them and secure their voting instructions if necessary. We will reimburse those record holders for their reasonable expenses in so doing. We may use several of our regular employees, who will not be specially compensated, to solicit proxies from our stockholders, either personally or by telephone, Internet, telegram, facsimile or special delivery letter.

Dissenters' Rights

Price Legacy is incorporated under Maryland law. Under Maryland law, because shares of Price Legacy's common stock and preferred stock are listed on a national securities exchange, holders of Price Legacy's common stock and preferred stock do not have any appraisal rights or dissenters' rights in connection with the merger.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Price Legacy annual meeting, please contact:

Investor Relations
Price Legacy Corporation
17140 Bernardo Center Drive
Suite 300
San Diego, California 92128
(858) 675-9400
mergerproxy@pricelegacy.com

**PROPOSAL 1 APPROVAL AND ADOPTION OF THE MERGER AGREEMENT
AND APPROVAL OF THE MERGER**

The following is a description of the material aspects of the merger. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, including the merger agreement attached to this proxy statement as Annex A, for a more complete understanding of the merger. The following description is subject to, and is qualified in its entirety by reference to, the merger agreement.

General Description of the Merger

Under the merger agreement, PL Acquisition Corp. will merge with and into Price Legacy and Price Legacy will be the surviving corporation, with all of its common stock owned by PL Retail. Pursuant to the merger agreement, each outstanding share of Price Legacy's common stock, par value \$0.0004 per share (other than shares owned by Price Legacy and PL Retail and their respective subsidiaries, which will be cancelled, and which we collectively refer to as the "unconverted shares"), will be converted into the right to receive cash consideration of (a) \$18.85 plus (b) an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to total approximately \$19.10 based upon an estimated closing date of December 21, 2004, less any required withholding for taxes (we refer to the aggregate consideration to be received by Price Legacy common stockholders as the "merger consideration"). Price Legacy's existing Series A and Series 1 preferred stock will remain issued and outstanding as preferred stock of the surviving corporation. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing.

All outstanding unvested options to purchase shares of Price Legacy common stock will be accelerated so that these options will be fully vested prior to the consummation of the merger. Upon consummation of the merger, all unexercised options to purchase shares of Price Legacy common stock will be cancelled and converted into the right to receive the merger consideration in cash, less the exercise price for each share underlying the options. Options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration.

The completion of the merger is conditioned upon The Price Group, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, entering into a put agreement with PL Retail under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets for approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger. The completion of the merger is also subject to the satisfaction or waiver of customary closing conditions.

Background of the Merger

On March 12, 2004, Price Legacy completed a recapitalization transaction intended to improve and simplify its capital structure and increase the marketability and liquidity of its common stock. The recapitalization transaction was accomplished by (a) eliminating all of Price Legacy's Series B preferred stock by exchanging it for common stock, (b) eliminating a substantial portion of Price Legacy's Series A preferred stock by exchanging it for common stock and/or Series 1 preferred stock and (c) effecting a 1-for-4 reverse split of its common stock.

During the week of March 15, 2004, Price Legacy management began receiving unsolicited inquiries regarding the company's interest in being acquired. Price Legacy had received inquiries

regarding potential acquisitions prior to and during the recapitalization transaction but Price Legacy had informed all parties that it would not enter into any discussions until the recapitalization transaction was completed. With property values trading at historical highs, management determined that it would be in the best interests of Price Legacy stockholders to review these inquiries with the help of a qualified investment banker.

On March 17 and 18, 2004, Jack McGrory, chairman and chief executive officer of Price Legacy, met with representatives of UBS to discuss strategic alternatives for Price Legacy. There had been prior discussions with other investment banks who had expressed interest in providing these services to Price Legacy. On March 30, 2004, based on recommendations from management, the board of directors of Price Legacy approved negotiating an advisory agreement with UBS to review strategic alternatives and to review these inquiries.

Meetings between Price Legacy's management and UBS took place on March 31, 2004 and April 1, 2004 to (a) discuss the terms of the advisory agreement, (b) perform initial due diligence on Price Legacy and (c) develop strategies for responding to purchase inquiries.

On April 12, 2004, Price Legacy entered into the advisory agreement with UBS pursuant to which UBS agreed to act as exclusive financial advisor to Price Legacy in connection with the company's review of strategic and financial alternatives.

Immediately thereafter, UBS entered into discussions with the parties that had sent inquiries to Price Legacy and established contact with several other parties that UBS believed could be interested in purchasing the company. During this time, UBS had discussions with 14 potential buyers, including seven publicly traded REITs, four private real estate companies and three investment funds.

Throughout the remainder of April 2004, due diligence information was provided to potential buyers who agreed to sign confidentiality agreements. A total of nine parties agreed to sign confidentiality agreements, including six publicly traded REITs, two private real estate companies and one investment fund.

During May 2004, Price Legacy received preliminary indications of interest from five parties, all of which were publicly traded REITs with extensive retail shopping center portfolios. These indications of interest were premised on the buyers having the right to sell certain non-income producing assets (put agreement) for \$75 million to The Price Group, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, who was the only party to express any interest in purchasing all of these non-core assets at a value that management believed was fair. These non-income producing assets included two notes receivable secured by land in Scottsdale, Arizona and membership interests in an NHL Hockey team (Los Arcos/Hockey Notes) and three land parcels located in Anaheim, California; Orlando, Florida and Farmington, Utah. These proposals were all at a purchase price of \$18.50 per share of Price Legacy common stock.

From May 2004 to early June 2004, several of these interested parties performed further due diligence on Price Legacy, including meetings with management and an extensive review of the company's real estate portfolio. As a result of these meetings, it became apparent to Price Legacy management that there were reservations regarding not only the non-income producing assets, but also certain non-core assets owned by Price Legacy which did not meet the investment criteria of the interested parties. These non-core assets included Newport on the Levee, a large retail/entertainment project located in northern Kentucky, bonds secured by the land and parking garage at Newport on the Levee (Newport Bonds), a 121-room hotel near the Grand Canyon in Arizona (Grand Hotel), an office building in Sacramento, California (Sacramento/Bradshaw) and an office building in Scottsdale, Arizona (Scottsdale City Center).

Price Legacy management believed that the interested parties were not offering full value for these non-core assets and determined to analyze, with the assistance of UBS and Price Legacy's outside legal

counsel, Latham & Watkins LLP, strategic alternatives for maximizing the value of these assets. The alternatives included transferring all of the non-core assets into a separate company and distributing shares of the new company to existing Price Legacy stockholders in a spin-off transaction, placing the assets in a liquidating trust, or selling the assets to a third party.

In late May 2004, UBS requested the interested parties to submit revised bids, assuming that these assets would be transferred into a separate company, the stock of which would be distributed to Price Legacy stockholders in a spin-off structure. The company received three revised proposals based on the spin-off structure. These proposals ranged from \$12.75 per share to \$15.00 per share of Price Legacy common stock (excluding the non-core assets). DRA Advisors, along with its REIT partner, proposed \$15.00 per share.

On June 16, 2004, Price Legacy management, Sol Price, UBS, DRA Advisors and the potential REIT buyer met in San Diego, California to discuss and finalize the terms of the proposed transaction. These discussions continued telephonically on June 17 and June 18, 2004. Price Legacy and the potential REIT buyer were unable to agree on several significant terms and the negotiations were terminated. Furthermore, Price Legacy management determined that the spin-off and liquidating trust alternatives were not the most favorable structure for Price Legacy stockholders because, among other things, the stockholders would not be fully cashed out at the closing of such a transaction. Instead, management concluded that it would be preferable to sell the assets to a third party, either in connection with a sale of the entire company or in a separate transaction.

In late June 2004, Price Legacy management and DRA Advisors met with the objective of resurrecting the merger discussions without DRA Advisors' previous REIT partner. Several telephonic discussions were subsequently held regarding the terms of the proposed transaction, including a structure that allowed DRA Advisors to purchase the company without purchasing the non-core assets. The structure that was discussed provided DRA Advisors the right to sell these assets to The Price Group through a put agreement. On June 30, 2004, DRA Advisors met with Price Legacy management and Sol Price in San Diego to discuss the terms of the merger agreement and put agreement. The properties subject to the put agreement included Newport on the Levee, the Newport Bonds, the Los Arcos/Hockey Notes, the Grand Hotel, Sacramento/Bradshaw, Scottsdale City Center and the land parcels located in Anaheim and Farmington, none of which DRA Advisors expressed any interest in acquiring. Furthermore, a shopping center located in Orlando, Florida known as Millenia I was added to the put properties as DRA Advisors wanted to reduce the valuation of this property because one of the tenants in the center possesses a six-month option to purchase this property at its discretion commencing in 2007. The land parcel located in Orlando (unrelated to the Millenia I property) was sold on June 23, 2004 and therefore not included in the put agreement.

During July 2004, DRA Advisors and its representatives continued to conduct legal and property due diligence on Price Legacy. In addition, DRA Advisors, Price Legacy and their respective legal counsel held numerous discussions to finalize the terms of the merger agreement, and DRA Advisors, Sol Price and their respective legal counsel held numerous discussions to finalize the terms of the put agreement. The purchase price under discussion was \$19.00 per share of common stock, including \$4.00 per share to be obtained from the sale of the put properties.

Throughout, Mr. McGrory had a series of periodic conversations with members of Price Legacy's board of directors to apprise them of events and to seek their views regarding the ongoing discussions with DRA Advisors.

On or about July 15, 2004, DRA Advisors informed Price Legacy that it had entered into an agreement with Kimco Realty Corporation, a publicly traded REIT, to co-invest in the acquisition of Price Legacy and manage the properties to be acquired. The joint venture between DRA Advisors and Kimco was later named PL Retail.

On July 29, 2004, the Price Legacy board met to discuss the terms of the merger agreement and put agreement. Prior to the meeting, the directors received a package of information which included drafts of the proposed agreements and a detailed financial analysis of the transaction prepared by UBS. Price Legacy management, together with Latham & Watkins, reviewed with the board the terms of the proposed agreements and the outcome of recent negotiations with DRA Advisors. They also discussed the interests of certain Price Legacy directors, namely Jack McGrory and Murray Galinson, in The Price Group, which was the entity affiliated with Sol Price that was expected to enter into the put agreement. Messrs. McGrory and Galinson serve as two of the co-managers of The Price Group. Latham & Watkins advised the directors on their duties to stockholders. UBS reviewed its financial analysis of the proposed transaction, including its preliminary determination that it would be able to render an opinion that the merger consideration of \$19.00 per share was fair, from a financial point of view, to the unaffiliated common stockholders of Price Legacy. After extensive discussions, the board requested that UBS prepare a financial analysis relating to the consideration to be received by the company under the put agreement. The board agreed to vote on the transaction if and when the terms of the transaction were finalized and the board received fairness opinions from UBS covering the \$19.00 per share merger consideration and the consideration to be received by the company for the put properties.

On July 30, 2004, the Price Legacy board met telephonically with management, UBS and Latham & Watkins and engaged in a detailed discussion of the put properties. UBS presented to the board an analysis of the consideration to be received by the company for the put properties and informed the board that UBS would be able to render an opinion that the consideration to be paid under the put agreement was fair to the company.

The Price Legacy board reconvened telephonically on August 2, 2004, at which time UBS presented a summary of the detailed financial analyses previously provided to the board. UBS also delivered to the board its oral opinions, subsequently confirmed in writing, that, as of August 2, 2004, and based upon and subject to the considerations described in its written opinions, (a) the merger consideration of \$19.00 per share to be received by the unaffiliated holders of Price Legacy's common stock was fair, from a financial point of view, to such holders, and (b) the consideration to be received under the put agreement was fair, from a financial point of view, to Price Legacy. Following lengthy discussions, the board unanimously approved the terms of the merger agreement and unanimously (other than Messrs. McGrory and Galinson who abstained from voting due to their affiliation with The Price Group) approved the terms of the put agreement.

Following the board's approval, Price Legacy management was directed to resolve any remaining open issues and finalize the merger agreement and put agreement. One of the remaining open issues related to the form of REIT opinion to be delivered by Latham & Watkins to PL Retail at the closing. Based on the results of the firm's due diligence investigation of Price Legacy, Latham & Watkins determined that its REIT opinion should be qualified as described under "Material United States Federal Income Tax Consequences Tax Opinion of Latham & Watkins LLP." The form of REIT opinion resulted in numerous telephonic discussions between Price Legacy, PL Retail and their respective legal counsel during the ensuing weeks. This process required the outside closing date to be extended by 30 days to January 31, 2005, which caused PL Retail to incur additional costs associated with the transaction, including additional unrecoverable hedging or financing costs and professional fees. PL Retail therefore requested a reduction and Price Legacy management agreed to reduce the purchase price to \$18.85 per share of common stock to mitigate PL Retail's additional expenses, subject to the approval of Price Legacy's board of directors.

On August 23, 2004, the Price Legacy board met telephonically to discuss the revised terms of the transaction. Price Legacy management, together with Latham & Watkins, presented to the board a detailed summary of the revised terms, including the purchase price of \$18.85 per share. UBS orally provided the board with an updated financial analysis of the proposed transaction. UBS also delivered

to the board its oral opinion, subsequently confirmed in writing, that, as of August 23, 2004, and based upon and subject to the considerations described in its written opinion, the merger consideration of \$18.85 per share to be received by the unaffiliated holders of Price Legacy's common stock was fair, from a financial point of view, to such holders. In addition, UBS confirmed and updated its prior oral opinion, subsequently confirmed in writing, that, as of August 23, 2004, and based upon and subject to the considerations described in its written opinion, the consideration to be received under the put agreement was fair, from a financial point of view, to Price Legacy. After extensive discussions, the board unanimously (other than Messrs. McGrory and Galinson who abstained from voting) approved the revised terms of the merger agreement and put agreement.

On August 24, 2004, the parties executed the merger agreement and issued a press release announcing the transaction.

Between August 24, 2004 and November 11, 2004, Latham & Watkins continued to conduct due diligence on Price Legacy in support of its REIT opinion to be delivered to PL Retail at the closing. Based upon the results of this due diligence review, Latham & Watkins concluded that its REIT opinion should be further qualified as described under "Material United States Federal Income Tax Consequences Tax Opinion of Latham & Watkins LLP," and the form of opinion modified to read in substantially the form attached to this proxy statement as Annex E.

Price Legacy, PL Retail and their respective representatives entered into discussions to amend the merger agreement to incorporate the revised REIT opinion, which resulted in a proposal to amend and restate the REIT opinion in its entirety to read as set forth in Annex E to this proxy statement. On November 18, 2004, the Price Legacy board met telephonically to discuss the revised REIT opinion and the proposed amendment to the merger agreement. After an extensive discussion, the board unanimously (other than Messrs. McGrory and Galinson who abstained from voting) approved the proposed amendment to the merger agreement, including the revised REIT opinion attached as an exhibit thereto.

Also on November 18, 2004, Price Legacy, PL Retail and PL Acquisition Corp. executed the amendment to the merger agreement.

Recommendation of Our Board of Directors and Its Reasons for the Merger

Price Legacy's board of directors, at a special meeting held on August 23, 2004, after due consideration, unanimously (other than Messrs. McGrory and Galinson who abstained from voting due to their affiliation with The Price Group):

determined that it was advisable, fair to and in the best interests of Price Legacy and our stockholders for Price Legacy to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement; and

approved and adopted the merger agreement and approved the merger.

Our board of directors unanimously (including Messrs. McGrory and Galinson) also recommended that Price Legacy's stockholders vote for the approval and adoption of the merger agreement and the approval of the merger.

In reaching its decision to approve and adopt the merger agreement and approve the merger and to recommend that our stockholders approve and adopt the merger agreement and approve the merger, the board of directors consulted with management and its legal and financial advisors. These consultations included discussions regarding our strategic business plan, the historical prices for Price Legacy's capital stock, our past and current business operations and financial condition, our future prospects, the potential merger with PL Retail and other strategic alternatives. The board of directors also consulted with UBS as to the fairness, from a financial point of view, to our stockholders of the merger consideration.

The board of directors identified and considered a number of positive factors in its deliberations, including:

the current and historical market prices of Price Legacy common stock relative to the merger consideration, including the fact that the merger consideration represented a premium of 2.6% over the average closing price of Price Legacy common stock during the 90-day period ended on August 24, 2004 (the date on which the merger was announced), a premium of 6.9% over the average closing price of Price Legacy common stock during the 180-day period ended on August 24, 2004, and a premium of 15.8% over the average closing price of Price Legacy common stock during the twelve-month period ended on August 24, 2004;

the fact that the merger consideration of \$18.85 per share corresponds to an implied capitalization rate (computed by dividing Price Legacy's estimated 2004 net operating income by the merger consideration) of approximately 7.0%, which is a favorable rate compared to other comparable merger transactions;

the fact that the merger consideration is all cash, which provides certainty of value to holders of Price Legacy's common stock, compared to a transaction in which stockholders would receive non-cash consideration, such as stock;

the opinion of UBS delivered on August 23, 2004 to our board of directors that, as of that date, based upon and subject to the considerations set forth in its opinion, the merger consideration to be received by holders of Price Legacy's common stock, other than certain affiliates, in the merger was fair, from a financial point of view, to such holders (for more information about the opinion of UBS, please see the section "Opinion of Our Financial Advisor as to the Merger Consideration" beginning on page 20);

the opinion of UBS delivered on August 23, 2004 to our board of directors that, as of that date, based upon and subject to the considerations set forth in its opinion, the consideration to be received under the put agreement was fair, from a financial point of view, to Price Legacy (for more information about the opinion of UBS, please see the section "Opinion of Our Financial Advisor as to the Put Transaction" beginning on page 26);

the fact that the merger would be subject to the approval of our stockholders and that our stockholders would be free to reject the transaction with PL Retail (although Price Legacy would be required to pay PL Retail a termination fee if the merger agreement were terminated under certain circumstances) by voting against the merger if, for instance, a higher offer were to be made prior to the stockholder meeting and the merger agreement had not been terminated;

the risks and uncertainties associated with the other strategic options available to Price Legacy, including remaining independent and continuing to implement Price Legacy's growth strategy or pursuing other strategic alternatives;

the terms of the merger agreement, as reviewed by the board of directors with Price Legacy's legal advisors, including:

the representation of PL Retail that it has or will have access to and, at the closing, will have sufficient funds available to pay the merger consideration;

the absence of a financing condition; and

Price Legacy's ability to furnish information to and conduct negotiations with a third party, and to terminate the merger agreement if a third party makes a superior proposal for a business combination or acquisition, as more fully described below under "The Merger Agreement No Solicitation by Price Legacy" on page 55 and "The Merger Agreement Termination of the Merger Agreement" on page 57; and

management's assessment, after discussion with Price Legacy's financial advisor, among others, that PL Retail has the financial capability to complete the merger.

Our board of directors also identified and considered a number of potentially negative factors in its deliberations concerning the merger, including:

that Price Legacy would no longer exist as an independent company and our common stockholders would no longer participate in its growth;

that, under the terms of the merger agreement, Price Legacy would not be permitted to solicit other acquisition proposals and would have to pay to PL Retail a termination fee if the merger agreement were terminated under certain circumstances, which might deter others from proposing an alternative transaction that might be more advantageous to our stockholders;

the fact that gains from an all-cash transaction would be taxable to our stockholders for United States federal income tax purposes;

that, while the merger was expected to be completed, there could be no assurance that all conditions to the parties' obligations to complete the merger would be satisfied, and as a result, it was possible that the merger might not be completed even if approved by our stockholders (see "The Merger Agreement - Conditions to the Merger" on page 53) or might be significantly delayed; and

that if the merger did not close, Price Legacy would have incurred significant expenses and our employees would have expended extensive efforts to attempt to complete the transaction and would have experienced significant distractions from their work during the pendency of the transaction, and as a result, Price Legacy might experience adverse effects on its operating results, its ability to attract or retain employees, and its general competitive position in its markets.

During its consideration of the transaction with PL Retail, our board of directors also noted that certain of our directors and executive officers have interests in the merger that are, or may be, different from, or in addition to, those of the stockholders generally, as described under "Interests of Our Directors and Executive Officers in the Merger" on page 28.

Our board of directors concluded, however, that the potentially negative factors could be managed or mitigated by Price Legacy or were unlikely to have a material impact on the completion of the merger or on Price Legacy or its stockholders, and that, overall, the potentially negative factors associated with the merger were outweighed by the benefits of the merger.

The above discussion of the factors considered by our board of directors is not intended to be exhaustive, but does set forth the principal factors considered by our board of directors. Our board of directors reached the conclusion to approve and adopt the merger agreement and approve the merger in light of the various factors described above and other factors that each member of our board of directors felt were appropriate. In view of the wide variety of factors considered by our board of directors in connection with its evaluation of the merger and the complexity of these matters, the board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. Rather, our board of directors made its recommendation based on the totality of information presented to, and the investigation conducted by, the board of directors. In considering the factors discussed above, individual directors may have given different weight to different factors.

Our board of directors unanimously recommends that our stockholders vote "FOR" the approval and adoption of the merger agreement and the approval of the merger.

Opinion of Our Financial Advisor as to the Merger Consideration

Our board retained UBS to act as its financial advisor in connection with the merger. Our board selected UBS to act as financial advisor based on UBS' qualifications, expertise and reputation and its knowledge of our business and affairs. At the meeting of our board on August 23, 2004, UBS rendered its oral opinion, subsequently confirmed in writing as of that date, that as of August 23, 2004, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, the per share cash consideration to be received by holders of our outstanding common stock (other than the common stock held by The Price Group, affiliates of The Price Group, The 520 Group LLC and affiliates of The 520 Group, which are major stockholders of Price Legacy and which we refer to collectively as The Price Group and 520 Group Stock) pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of UBS' opinion, dated as of August 23, 2004, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS, is attached as Annex C to this proxy statement. We urge you to read this opinion carefully and in its entirety. This summary is qualified in its entirety by reference to the full text of the opinion.

UBS' opinion, which was directed to our board, addressed only the fairness, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, from a financial point of view to holders of our outstanding common stock (other than to holders of The Price Group and 520 Group Stock) of the per share cash consideration to be received by such holders in the merger, and did not address any other aspect of the merger. Our board did not request, and the opinion of UBS does not in any manner address, the fairness of the merger to the holders of The Price Group and 520 Group Stock.

UBS' opinion did not address the relative merits of the merger as compared to other business strategies or transactions that might be available to us or our underlying business decision to proceed with or effect the merger, nor did it constitute a recommendation to any stockholder as to how such stockholder should vote with respect to the merger. At our board's direction, UBS was neither asked to, nor did it, offer any opinion as to the material terms of the merger agreement or the put agreement or the form of the merger. In rendering its opinion, UBS assumed, with our board's consent, that the final forms of the merger agreement and the put agreement do not differ in any material respect from drafts that UBS examined dated August 23, 2004. In rendering its opinion, UBS also assumed, with our board's consent, that each party to the merger agreement would comply with all the material terms of the merger agreement.

In arriving at its opinion, UBS, among other things:

reviewed certain publicly available business and historical financial information relating to us;

reviewed certain internal financial information and other data relating to our business and financial prospects, including estimates and financial forecasts prepared by our management, that were provided to UBS by us and were not publicly available;

conducted discussions with members of our senior management concerning our business and financial prospects;

reviewed publicly available financial and stock market data with respect to certain other companies in lines of business UBS believed to be generally comparable to ours;

compared the financial terms of the merger with the publicly available financial terms of certain other transactions which UBS believed to be generally relevant;

reviewed the financial terms of certain transactions that UBS believed to be generally relevant with respect to the Put Properties (as defined in the merger agreement);

reviewed the financial terms, which are not generally publicly available, of certain transactions that we identified for UBS and directed it to consider with respect to Anaheim Garden Walk;

reviewed the financial terms of purchase and sale contracts of certain of the Put Properties that are currently contracted to be sold;

reviewed drafts of the merger agreement and the put agreement; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with our board's consent, UBS did not assume any responsibility for independent verification of any of the information reviewed by UBS for the purpose of its opinion and, with our board's consent, relied on such information being complete and accurate in all material respects. In addition, at our board's direction, UBS did not make any independent evaluation or appraisal of any of our assets or liabilities (contingent or otherwise). With respect to the financial forecasts and estimates referred to above, UBS assumed, at our board's direction, that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of our management as to our future financial performance. UBS, with our board's consent, did not independently verify the relevance of the transactions referred to in the seventh bullet point above and did, at our board's discretion, rely on the representations of our management that these are a sufficient basis on which to arrive at an appropriate range of values for Anaheim Garden Walk. UBS assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on us or the merger. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to UBS as of, August 23, 2004.

The following summaries of UBS' financial analyses present some information in tabular format. In order to fully understand the financial analyses used by UBS, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying UBS' opinion.

In connection with the preparation and delivery of its opinion, UBS performed a variety of financial and comparative analyses. All material analyses performed by UBS are described below.

In arriving at its opinion, UBS made its determination as to the fairness, from a financial point of view, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, of the per share cash consideration to be received by holders of our outstanding common stock (other than by holders of The Price Group and 520 Group Stock) pursuant to the merger agreement, to such holders, on the basis of the multiple financial and comparative analyses described below.

Comparable Companies Analysis. UBS compared selected publicly available information about Price Legacy with the corresponding data of certain publicly traded companies that UBS considered to be comparable to us. These companies included:

Federal Realty Investment Trust	Pan Pacific Retail Properties, Inc.
Kimco Realty Corporation	Weingarten Realty Investors
Regency Centers Corporation	New Plan Excel Realty Trust, Inc.
Equity One, Inc.	Developers Diversified Realty Corporation
Ramco-Gershenson Properties Trust	Heritage Property Investment Trust, Inc.
Saul Centers, Inc.	

The comparable company trading analysis provided a market valuation benchmark based on the common stock trading multiples of the above selected comparable companies. UBS calculated and analyzed each company's equity market value, enterprise value (defined as equity market value as of August 20, 2004, assuming the conversion of all of the operating partnership's common units, plus total debt, preferred units and preferred stock, if any, less cash on hand), funds from operations (FFO) and earnings before interest, taxes, depreciation and amortization (EBITDA) as of August 20, 2004. UBS used this information to calculate each company's estimated FFO multiple and EBITDA multiple for 2004 and 2005, as well as each company's estimated dividend yield. This information is summarized in the table below:

	<u>Price/FFO(x)(1)</u>		<u>2004E Payout Ratio FFO%</u>	<u>Enterprise Value/EBITDA(x)(2)</u>		<u>Dividend Yield(%)</u>
	<u>2004E</u>	<u>2005E</u>		<u>2004E</u>	<u>2005E</u>	
Average	13.2	12.3	69.9	14.3	13.1	5.4
Median	13.2	12.2	69.0	13.9	13.1	5.1
High	15.6	14.8	80.1	16.7	15.7	7.3
Low	10.6	10.3	61.6	12.2	11.1	4.2
Price Legacy at Offer Price	14.7	13.0	87.4	15.8	14.6	5.9

(1) The 2004 and 2005 FFO multiples were derived by dividing equity market value by estimated (E) FFO for such year. FFO estimates were obtained from SNL Financial.

(2) The 2004 and 2005 EBITDA multiples were calculated by dividing enterprise value by estimated EBITDA for such year. EBITDA estimates were obtained from analyst research reports.

Because of the inherent differences between the businesses, operations and prospects of Price Legacy and the businesses, operations and prospects of the selected comparable companies, UBS believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis. Accordingly, UBS also made qualitative judgments concerning differences between our financial and operating characteristics and those of the selected comparable companies that would affect our public trading values and such comparable companies.

Implied Capitalization Rate Analysis. Using information provided by us, UBS divided net operating income by the net asset value implied by the offer price of \$18.85 per share of common stock. In order to calculate net asset value, UBS multiplied the per share cash consideration to be received by holders of our outstanding common stock by our fully-diluted share count, subtracted the value of our non-income generating assets (including raw land, cash, accounts receivables, notes receivables and other assets), and added the value of our outstanding debt, preferred stock and other liabilities. This analysis indicated a net asset value of \$1,296.6 million estimated as of September 30, 2004. Based on our net operating income estimates, UBS arrived at an implied capitalization rate of 7.0% for 2004 and 7.5% for 2005

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Comparable Transactions Analysis. UBS reviewed nine transactions involving REITs announced from May 15, 2000 to the date of its opinion. These transactions included:

Target	Acquirer
Bradley Real Estate, Inc.	Heritage Properties Investment Trust, Inc.
Western Properties Trust	Pan Pacific Retail Properties, Inc.
Centrefund Realty Corporation	Equity One, Inc.
JDN Realty Corporation	Developers Diversified Realty Corporation
IRT Property Company	Equity One, Inc.
Center Trust, Inc.	Pan Pacific Retail Properties, Inc.
Mid-Atlantic Realty Trust	Kimco Realty Corporation
M&H Realty Partners	US Trust owned by Centro Properties Group (48.5%), Prime Retail Group (48.5%) and Watt Commercial Properties Inc. (3%)
Benderson Development	Developers Diversified Realty Corporation

For each comparable transaction, UBS calculated and analyzed the target company's total enterprise value, the offer price and the forward net operating income capitalization rate. UBS used this information to calculate the FFO multiple and EBITDA multiple of the respective transaction at the time of announcement of each transaction, in each case for both the remainder of the year in which the acquisition took place and through the remainder of the next succeeding year. This information is summarized in the table below:

	Total Enterprise Value (\$mm)	Offer Price/Share (\$)	Forward NOI Cap Rate (%) ⁽¹⁾	Enterprise Value/EBITDA(x)		FFO Multiple(x)	
				Forward Year (2)	Forward Year + 1(2)	Forward Year (3)	Forward Year + 1(3)
Average	859.8	13.97	8.9	11.5	10.3	7.9	6.6
Median	680.0	12.15	8.9	11.5	10.6	7.3	6.6
High	2,300.0	22.00	11.7	13.0	11.6	9.6	7.0
Low	280.0	7.46	7.4	9.3	8.2	6.6	6.2
Price Legacy at Offer Price	1,333.3	18.85	7.0	15.8	14.6	14.7	13.0

- (1) Derived by dividing forward year net operating income by the total consideration. Data obtained from analyst research reports.
- (2) Derived by dividing the total consideration by the forward year or forward year plus one estimated EBITDA. EBITDA estimates obtained from analyst research reports.
- (3) FFO multiples obtained from analyst research reports.

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Because the market conditions, rationale and circumstances surrounding each of the transactions analyzed were specific to each transaction and because of the inherent differences between our businesses, operations and prospects and those of the comparable acquired companies, UBS believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis. Accordingly, UBS also made qualitative judgments concerning differences between the characteristics of

these transactions and the proposed merger that would affect our acquisition values and those of such acquired companies.

Discounted Cash Flow Analysis. Using free cash flow projections provided by us, UBS calculated our implied equity valuation at capitalization rates ranging from 8.0% to 9.0% and discount rates ranging from 7.5% to 9.0%. This information is summarized in the table below:

Discount Rate	Equity Valuation Matrix Per Share (\$)		
	Terminal Net Operating Income Capitalization Rate		
	8.0%	8.5%	9.0%
7.5%	\$ 19.04	\$ 17.62	\$ 16.35
8.0%	\$ 18.33	\$ 16.94	\$ 15.71
8.5%	\$ 17.64	\$ 16.29	\$ 15.09
9.0%	\$ 16.98	\$ 15.65	\$ 14.48

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, UBS considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. UBS believes that the summary provided and the analyses described above must be considered as a whole and that selecting portions of these analyses, without considering all of them, would create an incomplete view of the process underlying its analyses and opinion.

In performing its analyses, UBS made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. No company, transaction or business used in the analyses described above is identical to us or the proposed merger. Any estimates contained in UBS' analysis are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of UBS' analysis of the fairness from a financial point of view, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, of the per share cash consideration to be received by holders of our outstanding common stock (other than by holders of The Price Group and 520 Group Stock) pursuant to the merger agreement to such holders and were conducted in connection with the delivery by UBS of its opinion dated August 23, 2004, to our board. UBS' analyses do not purport to be appraisals or to reflect the prices at which shares of our common stock might actually trade. The consideration to be paid to holders of our common stock in the merger agreement was determined through negotiations between us and PL Retail and was approved by our board. UBS did not recommend any specific consideration to us or that any given consideration constituted the only appropriate consideration for the merger.

UBS' opinion was one of the many factors taken into consideration by our board in making its determination to approve the merger. UBS' analyses summarized above should not be viewed as determinative of the opinion of our board with respect to our value or of whether the board would have been willing to agree to a different form of consideration.

UBS is an internationally recognized investment banking and advisory firm. UBS, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, UBS and its affiliates have and may from time to time invest, underwrite or trade in our securities or our indebtedness or those of Kimco and DRA Advisors for its own account, the accounts of investment funds and other

clients under the management of UBS and for the accounts of its customers and, accordingly, may at any time hold a long or short position in these securities or indebtedness.

Description of the Put Transaction

The following summary describes the material provisions of the put agreement, which is attached to this proxy statement as Annex B and is incorporated by reference into this proxy statement. This summary may not contain all of the information about the put agreement that is important to you. We encourage you to read the put agreement carefully and in its entirety.

As a condition to the completion of the merger, PL Retail required that The Price Group enter into the put agreement. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition. Under the put agreement, PL Retail has the right in its discretion to cause the sale of a 100% ownership interest in two newly formed Price Legacy subsidiaries to The Price Group concurrently with the closing of the merger by delivering notice to The Price Group no earlier than September 12, 2004 and no later than September 30, 2004. On September 28, 2004, PL Retail exercised its right to cause The Price Group to purchase all right, title and interest in and to the two newly formed Price Legacy subsidiaries which will own, as of the closing of the merger, certain non-core properties and other Price Legacy assets consisting of: (a) Newport on the Levee, a large retail/entertainment project located in northern Kentucky, (b) bonds secured by the land and parking garage at Newport on the Levee (Newport Bonds), (c) two notes receivable secured by land in Scottsdale, Arizona and membership interests in an NHL Hockey team (Los Arcos/Hockey Notes), (d) a 121-room hotel near the Grand Canyon in Arizona (Grand Hotel), (e) an office building in Sacramento, California (Sacramento/Bradshaw), (f) an office building in Scottsdale, Arizona (Scottsdale City Center), (g) two land parcels located in Anaheim, California and Farmington, Utah and (h) a shopping center located in Orlando, Florida (Millenia I). In the event that any of these properties or other assets are sold prior to the closing of the merger, The Price Group will be entitled to receive the net proceeds from any such sale. On August 9, 2004, Los Arcos Development, LLC and entities affiliated with Steve Ellman repaid the Los Arcos/Hockey Notes for \$30.3 million. On October 22, 2004, Price Legacy sold the Grand Hotel for \$9.5 million. For additional information about these transactions, please review Note 5, Note 6 and Note 9 to the Consolidated Financial Statements contained in Price Legacy's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004 enclosed with this proxy statement. The proceeds from the repayment of the Los Arcos/Hockey Notes and the sale of the Grand Hotel will be included in the assets to be purchased under the put agreement.

Under the put agreement, all right, title and interest in and to the two newly formed Price Legacy subsidiaries will be assigned to The Price Group in exchange for an amount of cash and/or shares of Price Legacy common stock (valued on a per share basis equal to the merger consideration) equal to (a) \$147.7 million plus (b) an amount equal to the product of \$4.00 multiplied by the number of additional shares of Price Legacy common stock, if any, issued and outstanding between the signing date of the put agreement and the effective time of the merger. Revenues and expenses allocable to the properties and other assets purchased by The Price Group will be prorated in a mutually agreeable manner prior to the closing of the put transaction. The exercise by PL Retail of its put right has no effect on the merger consideration to be received by Price Legacy's common stockholders under the merger agreement.

The put agreement contemplates that Price Legacy will form the new subsidiaries and transfer the agreed upon properties and other assets to the newly formed subsidiaries prior to the closing of the put transaction. PL Retail has agreed that Price Legacy may take all actions necessary prior to the closing to satisfy its obligations under the put agreement, and has further agreed to take all actions within PL Retail's control to cause these obligations to be satisfied, provided that PL Retail will not be required to incur any material expense as a result of its actions.

The Price Group is allowed to designate another purchaser of the properties and assets so long as (a) The Price Group guarantees the obligations of the designated purchaser and (b) the fact that the purchaser becomes a party to the put agreement or purchases the properties and other assets does not violate any laws applicable to PL Retail or Price Legacy or cause adverse tax consequences to PL Retail or Price Legacy.

The Price Group has agreed to indemnify, and to cause the acquired subsidiaries to indemnify, PL Retail and its subsidiaries (including Price Legacy), after the closing of the sale of the specified properties and other assets, against third party claims, liabilities and losses arising out of Price Legacy's or its subsidiaries' (including the newly formed subsidiaries) ownership and operation of the specified properties and other assets.

The put agreement also provides that the parties will take all actions and execute all documents reasonably necessary to carry out the transactions contemplated by the put agreement.

The put agreement and PL Retail's put right terminate if the merger agreement is terminated.

Opinion of Our Financial Advisor as to the Put Transaction

At the meeting of our board on August 23, 2004, UBS rendered its oral opinion (the Put Consideration opinion), subsequently confirmed in writing as of that date, that as of August 23, 2004, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, that the \$147.7 million that we will receive in exchange for the Put Properties (the Put Consideration) if PL Retail exercises its rights under the put agreement (the Put Right) concurrently with the closing of the merger agreement was fair from a financial point of view to us, assuming the Put Right had been exercised as of the date of the Put Consideration opinion.

The full text of UBS' Put Consideration opinion, dated as of August 23, 2004, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS, is attached as Annex D to this proxy statement. We urge you to read the Put Consideration opinion carefully and in its entirety. This summary is qualified in its entirety by reference to the full text of the Put Consideration opinion.

UBS' Put Consideration opinion, which was directed to our board, addressed only the fairness, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, from a financial point of view to us of the Put Consideration assuming the Put Right was exercised as of the date of the Put Consideration opinion.

UBS' Put Consideration opinion did not address the relative merits of the put agreement or the merger as compared to other business strategies or transactions that might be available to us or our underlying business decision to effect the put agreement or the merger, nor did it constitute a recommendation to any stockholder as to how such stockholder should vote with respect to the merger. At our board's direction, UBS was neither asked to, nor did it, offer any opinion as to the material terms of the merger agreement or the put agreement or the form of the merger. In rendering its Put Consideration opinion, UBS assumed, with our board's consent, that the final forms of the merger agreement and the put agreement do not differ in any material respect from drafts that UBS examined dated August 23, 2004.

In arriving at its Put Consideration opinion, UBS, among other things:

reviewed certain publicly available business and historical financial information relating to the Put Properties;

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reviewed certain internal financial information and other data relating to the business and financial prospects of the Put Properties, including estimates and financial forecasts prepared by our management, that were provided to UBS by us and were not publicly available;

conducted discussions with members of our senior management concerning the business and financial prospects of the Put Properties;

reviewed the financial terms of certain transactions that UBS believed to be generally relevant;

reviewed the financial terms, which are not generally publicly available, of certain transactions that we identified for UBS and directed it to consider with respect to Anaheim Garden Walk;

reviewed the financial terms of purchase and sale contracts of certain of the Put Properties that are currently contracted to be sold;

reviewed drafts of the merger agreement and the put agreement; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with our board's consent, UBS did not assume any responsibility for independent verification of any of the information reviewed by UBS for the purpose of its Put Consideration opinion and, with our board's consent, relied on such information being complete and accurate in all material respects. In addition, at our board's direction, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the newly formed companies that will own the Put Properties. With respect to the financial forecasts and estimates referred to above, UBS assumed, at our board's direction, that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of our management as to the future financial performance of the Put Properties. UBS, with our board's consent, did not independently verify the relevance of the transactions referred to in the fifth bullet point above and did, at our board's discretion, rely on the representations of our management that these are a sufficient basis on which to arrive at an appropriate range of values for Anaheim Garden Walk. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to UBS as of August 23, 2004.

In arriving at its Put Consideration opinion, UBS made its determination as to the fairness, from a financial point of view, as of the date of the Put Consideration opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its Put Consideration opinion, of the Put Consideration to be received by us assuming the Put Right were to be exercised as of the date of the Put Consideration opinion, on the basis of the financial and comparative analyses described below.

UBS performed a comparable sales valuation and a discounted cash flow valuation on the Income Generating Assets (Newport on the Levee, Grand Hotel, Scottsdale City Center, Sacramento/Bradshaw and Millenia I). The comparable sales valuation and the discounted cash flow valuations were used to produce an estimated total Income Generating Assets enterprise value range of \$111.5 million to \$140.0 million.

UBS added to this total Income Generating Assets range the estimated enterprise value range for non-income generating assets. This range was derived based on information provided to UBS by our management. The addition of the enterprise value ranges for the non-income generating assets resulted in a total Put Properties estimated enterprise value range of \$135.5 million to \$182.9 million.

This total Put Properties enterprise value range was added to a range of values for the other assets of the Put Properties, including cash, the tax-exempt Newport bonds, the taxable Newport bonds, our interest in Gameworks LLC and other miscellaneous assets, less a range of values for the outstanding

debt of Newport on the Levee and Millenia I, the present value of the Newport debt guarantee and minority interest. This analysis resulted in a Put Properties estimated equity value range of \$117.6 million to \$165.0 million.

In performing its analyses, UBS made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. No company, transaction or business used in the analyses described above is identical to us or the proposed merger. Any estimates contained in UBS' analysis are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of UBS' analysis of the fairness from a financial point of view, as of the date of the Put Consideration opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its Put Consideration opinion, of the Put Consideration to be received by us assuming exercise of the Put Right on the date of the Put Consideration opinion and were conducted in connection with the delivery by UBS of its Put Consideration opinion dated August 23, 2004, to our board. UBS' analyses do not purport to be appraisals or to reflect the prices at which the Put Properties might actually sell on the open market. The consideration to be received by us pursuant to the put agreement was determined through negotiations between The Price Group and PL Retail. UBS did not recommend any specific consideration to us or that any given consideration constituted the only appropriate consideration for the Put Properties.

UBS' Put Consideration opinion was one of the many factors taken into consideration by our board in making its determination to approve the put agreement. UBS' analyses summarized above should not be viewed as determinative of the opinion of our board with respect to the value of the Put Properties or of whether the board would have been willing to agree to a different form of consideration.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors to vote for the proposal to approve and adopt the merger agreement and to approve the merger, you should be aware that our directors and executive officers may have agreements or arrangements that provide them with interests in the merger that differ from, or are in addition to, those of other Price Legacy stockholders. Our board of directors was aware of these agreements and arrangements as they relate to our directors and executive officers during its deliberations of the merits of the merger agreement and in determining to recommend to our stockholders that they vote to approve and adopt the merger agreement and to approve the merger.

Put Transaction

Jack McGrory, our chairman and chief executive officer, and Murray Galinson, one of our directors, are co-managers of The Price Group, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, which may acquire certain non-core properties and other Price Legacy assets under the put agreement. As a result of their positions with The Price Group, Messrs. McGrory and Galinson may have interests in the put transaction that differ from, or are in addition to, those of other stockholders. Messrs. McGrory and Galinson abstained from voting on the approval and adoption of the merger agreement and the approval of the merger due to their affiliation with The Price Group.

Treatment of Stock Options

All outstanding unvested options to purchase shares of Price Legacy common stock will be accelerated so that these options will be fully vested prior to the consummation of the merger. Upon consummation of the merger, all unexercised options to purchase shares of Price Legacy common stock

will be cancelled and converted into the right to receive the merger consideration in cash, less the exercise price for each share underlying the options. Options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration.

As of November 4, 2004, our non-executive directors held stock options to acquire 25,000 shares of Price Legacy common stock, all of which are vested, with a weighted average exercise price of \$15.13 per share, representing \$99,139 of value based on the estimated \$19.10 per share merger consideration, assuming a closing date of December 21, 2004. As of November 4, 2004, our executive officers held stock options to acquire 69,751 shares of Price Legacy common stock, with a weighted average exercise price of \$15.13 per share, comprised of vested options representing \$30,692 of value and unvested options representing \$246,223 of value based on the estimated \$19.10 per share merger consideration, assuming a closing date of December 21, 2004.

Severance Plan

Pursuant to the merger agreement, we have established a severance plan under which certain of our employees, including Jack McGrory, our chairman and chief executive officer, are entitled to severance payments in the event any such employee is not offered similar employment with PL Retail or the surviving corporation or if such employee's employment is terminated by PL Retail or the surviving corporation without cause within 12 months after the merger. Under the proposed severance plan, Mr. McGrory would be entitled to receive a severance payment of \$750,000 in the event his employment is terminated as described above. With the exception of John Visconsi, our senior vice president, asset management, who has held discussions with PL Retail regarding a future consulting arrangement, as of the date of this proxy statement, none of our executive officers expect to be offered employment with PL Retail or the surviving corporation after the consummation of the merger.

Employment Agreements

We currently have employment agreements with Robert Siordia, our chief operating officer and secretary, and Jeffrey Fisher, our chief financial officer.

Under the terms of these employment agreements, if the employment of either Mr. Siordia or Mr. Fisher is terminated (a) by Price Legacy prior to the closing of the merger or by PL Retail or the surviving corporation after the merger, in either event without cause, (b) by Mr. Siordia or Mr. Fisher within 30 days of a change in control, such as the merger or (c) by Mr. Siordia or Mr. Fisher for good reason either before or after the merger, each would be entitled to payment of his accrued base salary and paid time off to the date of termination, payment of an amount equal to two times his current base salary and additional compensation, as well as the continuation of his and his dependents' medical, hospitalization, dental, disability and life insurance benefits for a period of one year. We currently expect these severance payments to total approximately \$621,600 and \$610,300 for Messrs. Siordia and Fisher, respectively. See "Certain Relationships and Related Transactions Employment Agreements."

Indemnification and Insurance

The merger agreement provides that for a period of six years from and after the completion of the merger, the surviving corporation will indemnify and hold harmless each of our present directors and officers, certain of our former directors, and certain other named individuals with whom we currently have indemnification agreements, in respect of acts or omissions at or prior to the consummation of the merger to the fullest extent permitted under applicable law.

The merger agreement also provides that Price Legacy will purchase, at a cost not to exceed \$1.2 million, a prepaid officers' and directors' liability insurance policy for a period of six years after the consummation of the merger. In addition, if PL Retail, the surviving corporation or any of its

successors or assigns merges into any other person and is not the surviving corporation or transfers or conveys all or substantially all of its assets to any person, proper provisions must be made so that the successors and assigns of PL Retail or the surviving corporation will assume, jointly and severally, all of the obligations set forth in the section of the merger agreement relating to directors' and officers' liability.

Dividends

Under the terms of the merger agreement, Price Legacy has agreed, except in limited circumstances, not to pay dividends to its common stockholders after the signing date of August 24, 2004 without the prior written consent of PL Retail. However, upon completion of the merger, common stockholders will be entitled to receive an amount equal to a quarterly common dividend of \$0.28 per share prorated from October 1, 2004 through the closing of the merger, which we currently expect to be approximately \$0.25 based upon an estimated closing date of December 21, 2004 (resulting in total merger consideration of approximately \$19.10 per share). Holders of Price Legacy's Series A preferred stock and Series 1 preferred stock will continue to be entitled to receive the same dividends that they were entitled to receive prior to the signing of the merger agreement, which equal \$0.35 and \$0.29 per quarter per share, respectively. PL Retail has indicated that it may continue to redeem shares of Series A preferred stock subject to the availability of financing and may also redeem shares of Series 1 preferred stock subject to the availability of financing.

Regulatory Matters

No material federal or state regulatory requirements must be complied with or approvals obtained by Price Legacy or PL Retail in connection with the merger.

Dissenters' Rights

Price Legacy is incorporated under Maryland law. Under Section 3-202 of the Maryland General Corporation Law, because shares of Price Legacy's common stock and preferred stock are listed on a national securities exchange, holders of Price Legacy's common stock and preferred stock do not have any appraisal rights or dissenter's rights in connection with the merger. If holders of Price Legacy's common stock or Series A preferred stock do not vote in favor of the merger and the merger takes place anyway, these stockholders will be bound by the terms of the merger agreement and entitled only to the merger consideration, if any, applicable to their shares under the merger agreement.

Material United States Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the merger to United States Holders (as defined below) of Price Legacy common stock who receive cash for their shares pursuant to the merger. This summary is based on current law, is for general information only and is not tax advice. The information in this section is based on:

the Internal Revenue Code of 1986, as amended (the Code),

current, temporary and proposed Treasury regulations promulgated under the Code,

the legislative history of the Code,

current administrative interpretations and practices of the Internal Revenue Service, and

court decisions,

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in each case, as of the date hereof. In addition, the administrative interpretations and practices of the Internal Revenue Service include its practices and policies as expressed in private letter rulings which are not binding on the Internal Revenue Service, except with respect to the particular taxpayers who requested and received these rulings. Future legislation, Treasury regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any change could apply retroactively to transactions preceding the date of the change. Except as described below, Price Legacy has not requested, and does not plan to request, any rulings from the Internal Revenue Service concerning its tax treatment or the tax treatment of the merger, and the statements in this proxy are not binding on the Internal Revenue Service or any court. Thus, Price Legacy can provide no assurance that the tax consequences contained in this discussion will not be challenged by the Internal Revenue Service or if challenged, will be sustained by a court. This summary does not address all of the tax consequences that may be relevant to particular holders of Price Legacy common stock in light of their personal circumstances, or to other types of holders, including, without limitation:

banks, insurance companies or other financial institutions;

broker-dealers;

traders;

expatriates;

tax-exempt organizations;

Non-United States Holders (as defined below), except to the extent set forth below;

persons who are subject to alternative minimum tax;

persons who hold their shares of common stock as a position in a "straddle" or as part of a "hedging", "conversion" or other risk reduction transaction;

persons deemed to sell their shares of common stock under the constructive sale provisions of the Code;

persons that have a functional currency other than the United States dollar; or

persons who acquired their shares of Price Legacy common stock upon the exercise of stock options or otherwise as compensation.

In addition, this discussion does not address any state, local or foreign tax consequences of the merger. You are urged to consult your tax advisors regarding the specific tax consequences to you of the merger and Price Legacy's election to be taxed as a REIT.

For purposes of this discussion, a "United States Holder" means a holder of Price Legacy common stock that is:

a citizen or resident of the United States;

a corporation, a partnership or an entity treated as a corporation or a partnership for United States federal income tax purposes created or organized in or under the laws of the United States or any State or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust whose the administration is subject to the primary supervision of a United States court and one or more United States persons who have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in

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Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date that elect to be treated as United States persons, shall also be considered United States Holders.

A "Non-United States Holder" is a holder other than a United States Holder.

If a partnership or other pass-through entity holds Price Legacy common stock, the tax treatment of a partner in the partnership or member in the other entity will generally depend upon the status of the partner or member and the activities of the partnership or other entity. Partnerships or other pass-through entities holding Price Legacy common stock, and partners in such partnerships or members in such other entities, should consult their tax advisors regarding the tax consequences of the merger to them.

Consequences of the Merger

The receipt of cash in exchange for shares of Price Legacy common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, a United States Holder who receives cash in exchange for shares of Price Legacy common stock pursuant to the merger will recognize capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the amount of cash received and the holder's adjusted tax basis in the shares of Price Legacy common stock exchanged for cash pursuant to the merger. Such gain or loss will be long-term capital gain or loss if the United States Holder has held the shares of Price Legacy common stock for more than one year at the time of the merger. Long-term capital gains of noncorporate taxpayers generally are taxable at a maximum federal income tax rate of 15%. Capital gains of corporate stockholders generally are taxable at the regular tax rates applicable to corporations. The deductibility of capital losses may be subject to limitations.

In connection with the merger, it is possible that PL Retail or one or more of its subsidiaries will incur debt to fund a portion of the merger consideration to be received by the Price Legacy common stockholders. Immediately following the merger, the obligation to repay all or a portion of such debt could be an obligation of Price Legacy or one of its subsidiaries. To this extent, Price Legacy may be treated for Federal income tax purposes as redeeming a portion of the Price Legacy common stock in the merger. Any such redemption would be treated as a distribution taxable as a dividend (to the extent of Price Legacy's current or accumulated earnings and profits) to Price Legacy's common stockholders at ordinary income rates and without reduction for a holder's adjusted tax basis in its shares of common stock, rather than as capital gain or loss as discussed above, unless the redemption satisfies one of the tests set forth in Section 302(b) of the Code. In general, a redemption of Price Legacy's common stock will not be treated as a distribution taxable as a dividend if it (a) results in a "complete termination" of the stockholder's interest in Price Legacy, or (b) is "not essentially equivalent to a dividend" with respect to the stockholder, all within the meaning of Section 302(b) of the Code. In determining whether these tests have been met, Price Legacy stock deemed to be owned by the stockholder by reason of certain constructive ownership and attribution rules set forth in the Code, as well as Price Legacy stock actually owned by such stockholder, must generally be taken into account. If a particular holder of Price Legacy common stock will own no other shares of Price Legacy stock (actually or constructively) after the merger, a redemption of that holder's common stock generally would not be treated as a distribution taxable as a dividend. Because the determination as to whether any of the tests of Section 302(b) of the Code will be satisfied with respect to any particular holder of Price Legacy common stock depends upon the facts and circumstances at the time that the determination must be made, holders of Price Legacy common stock are advised to consult their tax advisors to determine such tax treatment.

Backup Withholding

Backup withholding may apply to payments made in connection with the merger. Backup withholding will not apply, however, to a holder who (a) in the case of a United States Holder, furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to holders of Price Legacy common stock prior to completion of the merger, (b) in the case of a Non-United States Holder, furnishes an applicable Form W-8, or (c) is otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

FIRPTA

Pursuant to the Foreign Investment in Real Property Tax Act, referred to as "FIRPTA," if the Price Legacy common stock is treated as a United States real property interest, a Non-United States Holder will be subject to United States federal income tax at regular graduated rates on the gain recognized in the merger, subject to a special alternative minimum tax in the case of nonresident alien individuals. In addition, under FIRPTA, the cash consideration received in the merger by such holder will be subject to income tax withholding at a rate of 10%. The Price Legacy common stock will not be treated as a United States real property interest if Price Legacy is a domestically controlled REIT within the meaning of the Code. Furthermore, any gain recognized by a Non-United States Holder in the merger generally will not be subject to tax if the Non-United States Holder has not owned, actually or constructively under section 897(c) of the Code, more than 5% of the fair market value of the Price Legacy common stock at any time during the shorter of the five-year period preceding the merger or the holder's holding period for such stock. Although Price Legacy believes that it is a domestically controlled REIT, because the Price Legacy common stock is publicly traded, no assurances can be given that Price Legacy is or will continue to be a domestically controlled REIT. Accordingly, holders of Price Legacy common stock that do not establish an exemption from withholding taxes under FIRPTA by providing a completed substitute Form W-9 or successor form included in the letter of transmittal certifying under penalties of perjury that the holder is a United States Holder or by providing other satisfactory evidence of an exemption should anticipate that the cash received in the merger will be reduced by such withholding taxes. A holder of Price Legacy common stock may be entitled to a refund or credit against the holder's United States tax liability with respect to any amounts withheld. Non-United States Holders should consult their tax advisors regarding the federal, state, local and foreign tax consequences to them of the merger.

THE FOREGOING DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO THE MERGER AND IS NOT TAX ADVICE. THEREFORE, HOLDERS OF PRICE LEGACY COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Taxation of Price Legacy

General. The merger is conditioned upon PL Retail's receipt of an opinion from Latham & Watkins in substantially the form attached to this proxy statement as Annex E regarding Price Legacy's qualification and taxation as a REIT. Price Legacy elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its short taxable year ended December 31, 1997. Price Legacy believes that it has been organized and has operated in a manner that allows it to qualify for taxation as a REIT under the Code commencing with its short taxable year ended December 31, 1997, and it intends to continue to be organized and operate in this manner. However, Price Legacy's

qualification and taxation as a REIT depends upon its ability to meet the various qualification tests imposed under the Code, including through its actual annual operating results, asset diversification, distribution levels and diversity of stock ownership. Accordingly, although Price Legacy believes that it has qualified as a REIT, no assurance can be given that Price Legacy has been organized or has operated in a manner so as to qualify, or that it will remain qualified, as a REIT. See " Failure to Qualify" and " Tax Opinion of Latham & Watkins LLP." The sections of the Code that relate to the qualification and operation as a REIT are highly technical and complex. The following sets forth the material aspects of the sections of the Code that govern the federal income tax treatment of a REIT. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and Treasury regulations, and related administrative and judicial interpretations. Further, the anticipated income tax treatment of Price Legacy described in this proxy may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time.

Provided Price Legacy qualifies for taxation as a REIT, Price Legacy generally will not be required to pay federal corporate income taxes on its net income that is currently distributed to its stockholders. This treatment substantially eliminates the "double taxation" that generally results from investment in a C corporation. A C corporation generally is a corporation required to pay full corporate-level tax. Double taxation generally means taxation that occurs once at the corporate-level when income is earned and once again at the stockholder level when the income is distributed. Price Legacy will, however, be required to pay federal income tax as follows:

First, Price Legacy will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

Second, Price Legacy may be required to pay the "alternative minimum tax" on its items of tax preference under some circumstances.

Third, if Price Legacy has (a) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, Price Legacy will be required to pay tax at the highest corporate rate on this income. Foreclosure property is generally defined as property Price Legacy acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.

Fourth, Price Legacy will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property.

Fifth, if Price Legacy fails to satisfy the 75% or 95% gross income test, as described below, but has maintained its qualification as a REIT because certain other requirements are met, Price Legacy will be required to pay a tax equal to (a) the greater of (1) the amount by which 75% of its gross income exceeds the amount qualifying under the 75% gross income test, and (2) the amount by which 90% of its gross income exceeds the amount qualifying under the 95% gross income test, multiplied by (b) a fraction intended to reflect Price Legacy's profitability.

Sixth, Price Legacy will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for the year, (b) 95% of its REIT capital gain net income for the year, and (c) any undistributed taxable income from prior periods.

Seventh, if Price Legacy acquires any asset from a corporation which is or has been a C corporation in a transaction in which the basis of the asset in Price Legacy's hands is determined by reference to the basis of the asset in the hands of the C corporation, and Price Legacy subsequently recognizes gain on the disposition of the asset during the ten-year period beginning on the date on which Price Legacy acquired the asset, then Price Legacy will be required to pay tax at the highest

regular corporate tax rate on this gain to the extent of the excess of (a) the fair market value of the asset over (b) Price Legacy's adjusted basis in the asset, in each case determined as of the date on which Price Legacy acquired the asset. The results described in this paragraph with respect to the recognition of such gain assume that Price Legacy will comply with Treasury regulations promulgated under Section 337 of the Code such that it will not be subject to an immediate tax when the asset is acquired. Price Legacy elected to have such treatment apply with respect to the assets it acquired from Excel Legacy Corporation in the merger with Excel Legacy Corporation in September 2001.

Eighth, Price Legacy will be subject to a 100% tax on any "redetermined rents," "redetermined deductions" or "excess interest." In general, redetermined rents are rents from real property that are overstated as a result of services furnished by one of Price Legacy's "taxable REIT subsidiaries" to any of Price Legacy's tenants. See " Ownership of Interests in Taxable REIT Subsidiaries." Redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary for amounts paid to Price Legacy that are in excess of the amounts that would have been deducted based on arm's-length negotiations. See " Penalty Tax" below for a description of these items.

Requirements for Qualification as a Real Estate Investment Trust. The Code defines a "REIT" as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors,
- (2) that issues transferable shares or transferable certificates to evidence its beneficial ownership,
- (3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code,
- (4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code,
- (5) that is beneficially owned by 100 or more persons,
- (6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of each taxable year, and
- (7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of twelve months, or during a proportionate part of a taxable year of less than twelve months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), pension funds and other specified tax-exempt entities generally are treated as individuals, except that a "look-through" exception applies with respect to pension funds. Price Legacy believes that it has been organized, has operated and has issued sufficient shares of capital stock with sufficient diversity of ownership to allow it to satisfy conditions (1) through (7) inclusive.

In addition, a corporation may not elect to become a REIT unless its taxable year is the calendar year. Price Legacy has a calendar taxable year.

Ownership Limitations. As set forth in conditions (5) and (6) above, to qualify as a REIT, (a) Price Legacy's outstanding shares of capital stock must be held by 100 or more persons during at least 335 days of a taxable year of twelve months (or during a proportionate part of a taxable year of less than twelve months) (the "100-person requirement") and (b) no more than 50% in value of Price Legacy's outstanding shares of capital stock may be owned, directly or constructively under the applicable attribution rules of the Code, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (the "five-fifty test"). Price Legacy has taken, and

intends to continue to take, all necessary measures within its control to ensure that the beneficial ownership of its stock will at all times be held by 100 or more persons. In addition, Price Legacy's charter contains certain restrictions on the ownership and transfer of its stock which are designed to help ensure that Price Legacy will be able to satisfy the five-fifty test. These restrictions (the "ownership limits") provide that, subject to some exceptions, no person may actually or beneficially own, or be deemed to own, more than 5% (by number or value, whichever is more restrictive) of Price Legacy's outstanding capital stock, no person may constructively own more than 9.8% of Price Legacy's outstanding capital stock, and no person may actually, beneficially or constructively own shares of Price Legacy's capital stock that would result in Price Legacy violating the five-fifty test or otherwise cause Price Legacy to fail to qualify as a REIT.

Price Legacy's charter provides that its board may exempt a person or persons from the 9.8% and 5% ownership limits if the procedures set forth in the charter are complied with and the board has determined that the exemption will not cause Price Legacy to fail to qualify as a REIT. The board has waived the 9.8% and 5% ownership limits (a) with respect to the Price family and affiliated entities, (b) for the Price Family Charitable Fund, and (c) for The 520 Group. The board has also taken action allowing for the grant of an ownership limit waiver to PL Retail in anticipation of the merger.

There can be no assurance that the 9.8% and 5% ownership limits in Price Legacy's charter will, in all cases, operate to prevent a violation of the five-fifty test. For example, by reason of the grant of these exemptions and the Price family's substantial ownership of Price Legacy's stock, it is possible that one or more persons beneficially owning less than 5% of Price Legacy's outstanding stock (when combined with stock owned by certain other stockholders) could have, under certain circumstances, caused Price Legacy to fail to satisfy the five-fifty test. However, as described above, Price Legacy's charter also provides, without exception and without regard to any percentage ownership of Price Legacy capital stock, that no person may actually, beneficially or constructively own shares of Price Legacy's stock that would result in Price Legacy violating the five-fifty test or otherwise cause Price Legacy to fail to qualify as a REIT. In addition, Price Legacy's charter provides that if any transfer of shares of its stock occurs which, if effective, would result in any person actually, beneficially or constructively owning shares of Price Legacy's stock in excess or in violation of the above transfer or ownership limitations (except to the extent which an exemption from the 9.8% and 5% ownership limits has been granted), then the number of shares of Price Legacy's stock which otherwise would cause the person to violate the above transfer or ownership limitations would be subject to a number of remedies designed to prevent Price Legacy from violating the five-fifty test or otherwise failing to qualify as a REIT. Nevertheless, there can be no assurance that such remedies would operate in every instance to allow Price Legacy to satisfy the five-fifty test. If Price Legacy fails or failed to satisfy these share ownership requirements, except as provided in the next sentence, its status as a REIT will terminate for the year in which the failure occurs. If, however, Price Legacy complies with the rules contained in applicable Treasury regulations that require it to ascertain the actual ownership of its shares and Price Legacy does not know, or would not have known through the exercise of reasonable diligence, that it failed to meet the requirement described in condition (6) above, Price Legacy will be treated as having met this requirement. See the section below entitled " Failure to Qualify."

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. In the case of a REIT which is a partner in a partnership or a member in a limited liability company treated as a partnership for federal income tax purposes, Treasury regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be. Also, the REIT will be deemed to be entitled to the income of the partnership or limited liability company attributable to its proportionate share of the assets of that entity. The character of the assets and gross income of the partnership or limited liability company retains the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, Price Legacy's proportionate share of the

assets and items of income of the partnerships and limited liability companies in which it owns an interest, are treated as assets and items of income of Price Legacy for purposes of applying the REIT qualification requirements described in this prospectus, including the income and asset tests described below. Price Legacy has included a brief summary of the rules governing the federal income taxation of partnerships and limited liability companies and their partners or members below in " Tax Aspects of the Partnership and the Limited Liability Companies."

Price Legacy has direct control of some partnerships and limited liability companies and will continue to operate each of them consistent with the requirements for qualification as a REIT. However, Price Legacy is a limited partner or non-managing member in certain of its partnerships and limited liability companies. If a partnership or limited liability company takes or expects to take actions that could jeopardize Price Legacy's status as a REIT or require Price Legacy to pay tax, Price Legacy may be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause Price Legacy to fail a REIT income or asset test, and that Price Legacy would not become aware of such action in a time frame which would allow it to dispose of its interest in the partnership or limited liability company or take other corrective action on a timely basis. In such a case, Price Legacy would fail to qualify as a REIT unless entitled to relief, as described below.

Price Legacy owns 100% of the stock of a number of subsidiary corporations that are qualified REIT subsidiaries, each a QRS, and may acquire stock of one or more new subsidiary corporations. A corporation will qualify as a QRS if Price Legacy owns 100% of its stock and it is not a "taxable REIT subsidiary" (as described below). A QRS is not treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a QRS are treated as Price Legacy's assets, liabilities and such items (as the case may be) for all purposes of the Code, including the REIT qualification tests. For this reason, references under "Material United States Federal Income Tax Consequences" to Price Legacy's income and assets should be understood to include the income and assets of any QRS owned by Price Legacy. Income of a QRS is not subject to federal income tax, and Price Legacy's ownership of the voting stock of a QRS does not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the voting power or value of such issuer's securities or more than 5% of the value of Price Legacy's total assets, as described below under " Asset Tests."

Ownership of Interests in Taxable REIT Subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in which Price Legacy directly or indirectly holds stock, and that has made a joint election with Price Legacy to be treated as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation, other than a REIT with respect to which a taxable REIT subsidiary in which Price Legacy owns an interest, owns securities, other than certain "straight debt" securities, possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is required to pay federal income tax, and state and local income tax where applicable, as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirectly by Price Legacy if certain tests regarding the taxable REIT subsidiary's debt to equity ratio and interest expense are not satisfied. Price Legacy holds an indirect interest in Excel Legacy Holdings, Inc., a wholly-owned subsidiary of Excel Legacy Corporation that has elected, together with Price Legacy, to be treated as a taxable REIT subsidiary of Price Legacy effective September 18, 2001. See " Asset Tests." In addition, Excel Legacy Holdings, Inc. owns securities in a number of other corporations which satisfy the 35% ownership requirement set forth above, and, accordingly, are treated as taxable REIT subsidiaries of Price Legacy. Although Price Legacy does not currently hold an interest in any other taxable REIT

subsidiary, Price Legacy may acquire securities in one or more additional taxable REIT subsidiaries in the future.

Income Tests. Price Legacy must satisfy two gross income requirements annually to maintain its qualification as a REIT. First, in each taxable year Price Legacy must derive directly or indirectly at least 75% of its gross income, excluding gross income from prohibited transactions, from investments relating to real property or mortgages on real property, including "rents from real property" and, in certain circumstances, interest, or from certain types of temporary investments. Second, in each taxable year Price Legacy must derive at least 95% of its gross income, excluding gross income from prohibited transactions, from these real property investments, dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. For these purposes, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents received by Price Legacy from a tenant will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if the following conditions are met:

the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued by Price Legacy generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales,

Price Legacy, or an actual or constructive owner of 10% or more of Price Legacy's capital stock, must not actually or constructively own 10% or more of the interests in the tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents received from such tenant that is a taxable REIT subsidiary, however, will not be excluded from the definition of "rents from real property" as a result of this condition if either (a) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are comparable to rents paid by Price Legacy's other tenants for comparable space or (b) the property is a qualified lodging facility and such property is operated on behalf of the taxable REIT subsidiary by a person who is an independent contractor and certain other requirements are met,

rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this requirement is not met, then the portion of rent attributable to personal property will not qualify as "rents from real property", and

Price Legacy generally must not operate or manage the property or furnish or render services to the tenants of the property, subject to a 1% *de minimis* exception, other than through an independent contractor from whom Price Legacy derives no revenue. Price Legacy may, however, directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of such services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, Price Legacy may employ an independent contractor to provide customary services, or a taxable REIT subsidiary, which may be wholly or partially owned by Price Legacy, to provide both customary and non-customary services to Price Legacy's tenants without causing the rent Price Legacy receives from those tenants to fail to qualify as "rents from real property." Any amounts Price Legacy receives from a taxable REIT subsidiary with respect to the taxable REIT subsidiary's provision of noncustomary services will, however, be nonqualified income under the

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75% gross income test and, except to the extent received through the payment of dividends, the 95% REIT gross income test.

Price Legacy generally has not and expects not to take actions it believes will cause it to fail to satisfy the rental conditions described above. Notwithstanding the foregoing, Price Legacy may intentionally fail to satisfy these conditions to the extent the failure will not, based on the advice of Price Legacy's tax counsel, jeopardize its tax status as a REIT.

Income derived from development, property management, administrative and miscellaneous services generally does not qualify under either the 75% or the 95% gross income test. Price Legacy's taxable REIT subsidiaries have provided and may provide certain services in exchange for a fee or derive other income that would not qualify under the REIT gross income tests. Such fees and other income do not accrue directly to Price Legacy, but Price Legacy derives dividend income from its taxable REIT subsidiaries. Such dividend income qualifies under the 95%, but not the 75%, REIT gross income test. In addition, one or more of the partnerships or limited liability companies in which Price Legacy owns an interest have provided or may provide certain development, property management or administrative services to third parties or Price Legacy's affiliates in exchange for a fee. The fees derived by these partnerships and limited liability companies as a result of the provision of such services are nonqualifying income to Price Legacy under both the 95% and 75% gross income tests. The amount of any future dividend and fee income will depend on a number of factors that cannot be determined with certainty, including the level of services provided by the taxable REIT subsidiaries, the partnerships and the limited liability companies. Price Legacy has monitored and will continue to monitor its compliance with the REIT income test, which it believes it has satisfied. While Price Legacy will take actions intended to allow it to continue to satisfy such tests, no assurance can be given that such actions will in all cases prevent Price Legacy from violating a REIT income test.

If Price Legacy fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Code. Generally, Price Legacy may avail itself of the relief provisions if:

Price Legacy's failure to meet these tests was due to reasonable cause and not due to willful neglect,

Price Legacy attaches a schedule of the sources of its income to its federal income tax return, and

any incorrect information on the schedule was not due to fraud with intent to evade tax.

It is not possible, however, to state whether in all circumstances Price Legacy would be entitled to the benefit of these relief provisions. For example, if Price Legacy fails to satisfy the gross income tests because non-qualifying income that it intentionally accrues or receive exceeds the limits on non-qualifying income, the Internal Revenue Service could conclude that Price Legacy's failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, Price Legacy will not qualify as a REIT. As discussed above in " Taxation of Price Legacy General," even if these relief provisions apply, and Price Legacy retains its status as a REIT, a tax would be imposed with respect to Price Legacy's non-qualifying income. Price Legacy may not always be able to maintain compliance with the gross income tests for REIT qualification despite periodic monitoring of its income.

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Prohibited Transaction Income. Any gain that Price Legacy realizes on the sale of any property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. This prohibited transaction income may also adversely affect Price Legacy's ability to satisfy the income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Price Legacy intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with its investment objectives. However, the Internal Revenue Service may successfully contend that one or more of these sales is subject to the 100% penalty tax.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest Price Legacy generates will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by one of Price Legacy's taxable REIT subsidiaries to any of Price Legacy's tenants, and redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary for amounts paid to Price Legacy that are in excess of the amounts that would have been deducted based on arm's-length negotiations. Rents Price Legacy receives will not constitute redetermined rents if they qualify for the safe harbor provisions contained in the Code. Safe harbor provisions are provided where:

amounts are received by a REIT for services customarily furnished or rendered by its taxable REIT subsidiary in connection with the rental of real property,

amounts are excluded from the definition of impermissible tenant service income as a result of satisfying the 1% de minimis exception,

the taxable REIT subsidiary renders a significant amount of similar services to unrelated parties and the charges for such services are substantially comparable,

rents paid to the REIT by tenants who are not receiving services from the taxable REIT subsidiary are substantially comparable to the rents paid by the REIT's tenants leasing comparable space who are receiving such services from the taxable REIT subsidiary and the charge for the services is separately stated, and

the taxable REIT subsidiary's gross income from the service is not less than 150% of the subsidiary's direct cost of furnishing the service.

Asset Tests. At the close of each quarter of its taxable year, Price Legacy must also satisfy four tests relating to the nature and diversification of its assets. First, at least 75% of the value of Price Legacy's total assets must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, real estate assets include stock or debt instruments that are purchased with the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date Price Legacy receives such proceeds. Second, not more than 25% of Price Legacy's total assets may be represented by securities, other than those securities includable in the 75% asset test. Third, of the investments included in the 25% asset class, and except for certain investments in REITs, QRS and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of Price Legacy's total assets, and Price Legacy may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test (the "10% Value Limitation"), certain securities including securities which qualify for the "straight debt safe harbor." Fourth, not more than 20% of the value of Price Legacy's total assets may be represented by the securities of one or more taxable REIT subsidiaries.

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Price Legacy indirectly owns 100% of the outstanding stock of Excel Legacy Holdings, Inc. Excel Legacy Holdings, Inc. elected, together with Price Legacy, to be treated as a taxable REIT subsidiary of Price Legacy effective at the time of the merger with Excel Legacy in September 2001. Provided Excel Legacy Holdings, Inc. qualifies as a taxable REIT subsidiary, Price Legacy will not be subject to the 5% asset test, 10% voting securities limitation or 10% value limitation with respect to its ownership of securities in Excel Legacy Holdings, Inc. If Excel Legacy Holdings, Inc. failed to qualify for treatment as a taxable REIT subsidiary, Price Legacy would fail to satisfy the REIT asset tests. Price Legacy or Excel Legacy Holdings, Inc. may acquire securities in other taxable REIT subsidiaries in the future. Price Legacy believes that the aggregate value of its taxable REIT subsidiaries has not exceeded and will not exceed, 20% of the aggregate value of its gross assets.

With respect to each issuer in which Price Legacy currently owns an interest that does not qualify as a REIT, a QRS or a taxable REIT subsidiary, Price Legacy believes that (1) the value of the securities of any such issuer has not exceeded 5% of the total value of Price Legacy's assets and (2) Price Legacy's ownership of the securities of any such issuer has complied with the 10% voting securities limitation and 10% value limitation. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the Internal Revenue Service will agree with Price Legacy's determinations of value, or of the character of Price Legacy's assets for purposes of these asset tests. The asset tests must be satisfied not only on the last day of the calendar quarter in which Price Legacy, directly or through its partnerships or limited liability companies, acquires securities in the applicable issuer, but also on the last day of any calendar quarter in which Price Legacy increases its ownership of securities of such issuer, including as a result of increasing its interest in a partnership or limited liability company which owns such securities. For example, Price Legacy's indirect ownership of securities of an issuer which are directly owned by a limited liability company will increase as a result of Price Legacy's capital contributions to such limited liability company. After initially meeting the asset tests at the close of any quarter, Price Legacy will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If Price Legacy fails to satisfy an asset test because it acquires securities or other property during a quarter, including as a result of an increase in its interest in a partnership or limited liability company, Price Legacy can cure this failure by disposing of sufficient non-qualifying assets within 30 days after the close of that quarter. Although Price Legacy believes that it has satisfied the REIT asset tests and plans to take steps to ensure that it satisfies such tests for any quarter with respect to which testing is to occur, there can be no assurance that such steps have been or will always be successful, or will not require a reduction in Price Legacy's overall interest in an issuer (including in one or more of the taxable REIT subsidiaries). If Price Legacy fails to timely cure any noncompliance with the asset tests, Price Legacy would cease to qualify as a REIT. See " Failure to Qualify" and " Tax Opinion of Latham & Watkins LLP."

Annual Distribution Requirements. To maintain its qualification as a REIT, Price Legacy is required to distribute dividends, other than capital gain dividends, to its stockholders in an amount at least equal to the sum of:

90% (95% for taxable years beginning before January 1, 2001) of its "REIT taxable income," and

90% (95% for taxable years beginning before January 1, 2001) of its after tax net income, if any, from foreclosure property, minus

the excess of the sum of certain items of non-cash income over 5% of its "REIT taxable income."

Price Legacy's "REIT taxable income" is computed without regard to the dividends paid deduction and Price Legacy's net capital gain. In addition, for purposes of this test, non-cash income means

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income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable.

In addition, if Price Legacy disposes of any asset it acquired from a corporation which is or has been a C corporation in a transaction in which Price Legacy's basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten year period following Price Legacy's acquisition of such asset, Price Legacy would be required to distribute at least 90% (95% for taxable years beginning before January 1, 2001) of the after-tax gain, if any, Price Legacy recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset on the date Price Legacy acquired the asset over (b) Price Legacy's adjusted basis in the asset on the date Price Legacy acquired the asset.

Price Legacy must pay these distributions in the taxable year to which they relate, or in the following taxable year if they are declared before Price Legacy timely files its tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the twelve-month period following the close of such year. These distributions are taxable to Price Legacy's stockholders, other than tax-exempt entities, in the year in which paid. This is so even though these distributions relate to the prior year for purposes of Price Legacy's 90% distribution requirement. The amount distributed must not be preferential i.e., every stockholder of the class of stock with respect to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class. To the extent that Price Legacy does not distribute all of its net capital gain or distribute at least 90%, but less than 100%, of its "REIT taxable income," as adjusted, Price Legacy will be required to pay tax on the undistributed amount at regular ordinary and capital gain corporate tax rates, as applicable. Price Legacy believes it has made, and intends to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize its corporate tax obligations. Price Legacy expects that Price Legacy's REIT taxable income will be less than its cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, Price Legacy anticipates that it will generally have sufficient cash or liquid assets to enable it to satisfy the distribution requirements described above. However, from time to time, Price Legacy may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in arriving at Price Legacy's taxable income. If these timing differences occur, Price Legacy may need to arrange for short-term, or possibly long-term, borrowings or need to pay dividends in the form of taxable stock dividends in order to meet the distribution requirements. Distributions with declaration and record dates falling in the last three months of the calendar year, which are paid to Price Legacy's stockholders by the end of the January immediately following that year, will be treated for federal income tax purposes as having been paid on December 31 of the prior year.

Under some circumstances, Price Legacy may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying "deficiency dividends" to its stockholders in a later year, which may be included in Price Legacy's deduction for dividends paid for the earlier year. Thus, Price Legacy may be able to avoid being taxed on amounts distributed as deficiency dividends. However, Price Legacy will be required to pay interest to the Internal Revenue Service based upon the amount of any deduction claimed for deficiency dividends.

Furthermore, Price Legacy will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year, or in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January immediately following such year, at least the sum of 85% of its REIT ordinary income for such year, 95% of its REIT capital gain income for the year and any undistributed taxable income from prior periods. Any REIT taxable

income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

Like-Kind Exchanges. Price Legacy may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could subject Price Legacy to federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Earnings and Profits Distribution Requirement. In order to qualify as a REIT, Price Legacy cannot have at the end of any taxable year any undistributed "earnings and profits" that are attributable to a C corporation taxable year (*i.e.*, a year in which a corporation is neither a REIT nor an S corporation). In connection with the merger with Excel Legacy Corporation in September 2001, Price Legacy succeeded to various tax attributes of Excel Legacy Corporation (if, as expected, the merger qualified as a tax-free reorganization under the Code), including any undistributed C corporation earnings and profits of Excel Legacy Corporation. Price Legacy believes that Excel Legacy Corporation did not have any undistributed C corporation earnings and profits at the time of the merger. However, the Internal Revenue Service may contend otherwise on a subsequent audit of Price Legacy and its subsidiaries or Excel Legacy Corporation. If Excel Legacy Corporation did have undistributed C corporation earnings and profits at the time of the merger, then Price Legacy would have acquired undistributed C corporation earnings and profits that, if not distributed by Price Legacy prior to the end of its 2001 taxable year, would require Price Legacy to pay a "deficiency dividend" to its stockholders, and interest to the Internal Revenue Service, to distribute any remaining earnings and profits. If Price Legacy were required to make this deficiency dividend, its failure to do so would prevent it from qualifying as a REIT. See " Failure to Qualify."

Failure To Qualify. If Price Legacy fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, it will be required to pay tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to stockholders in any year in which Price Legacy fails to qualify will not be deductible by Price Legacy, and Price Legacy will not be required to distribute any amounts to its stockholders. As a result, Price Legacy's failure to qualify as a REIT would reduce the cash available for distribution by Price Legacy to its stockholders. In addition, if Price Legacy fails to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of Price Legacy's current and accumulated earnings and profits, and subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, Price Legacy will also be disqualified from taxation as a REIT for the four taxable years following the year during which Price Legacy lost its qualification. It is not possible to state whether in all circumstances Price Legacy would be entitled to this statutory relief. Price Legacy's failure to qualify for taxation as a REIT could have an adverse effect on the market value and marketability of its stock.

New Legislation

The American Jobs Creation Act of 2004 (the 2004 Act), signed into law by President Bush on October 22, 2004, amended certain rules relating to the taxation of REITs. The 2004 Act includes, among other things, the following changes:

The 2004 Act expands the "straight debt safe harbor" under which certain types of securities are disregarded as securities when calculating the 10% Value Limitation discussed above under " Taxation of Price Legacy Asset Tests."

As discussed above under " Taxation of Price Legacy Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries," a look-through rule applies with

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respect to a REIT's investment in an entity that is treated as a partnership for federal income tax purposes. The 2004 Act contains a special partnership look-through rule for purposes of the 10% Value Limitation discussed above under "Taxation of Price Legacy Asset Tests." Under the 2004 Act, solely for purposes of the 10% Value Limitation, the determination of a REIT's interest in the assets of an entity treated as a partnership for federal income tax purposes in which the REIT owns an interest will be based on the REIT's proportionate interest in any securities issued by the partnership, excluding for this purposes, certain securities which are not subject to the 10% Value Limitation.

The 2004 Act clarifies a rule regarding a REIT's ability to enter into leases with its taxable REIT subsidiaries.

As discussed above under "Taxation of Price Legacy Asset Tests," Price Legacy may not own more than 10% by vote or value of any one issuer's securities. If Price Legacy fails to meet this test at the end of any quarter and such failure is not cured within 30 days thereafter, it would fail to qualify as a REIT. Under the 2004 Act, after the 30 day cure period, a REIT may dispose of sufficient assets (generally within 6 months after the last day of the quarter in which the failure to satisfy the asset test is discovered) to cure such a violation that does not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter and \$10,000,000. For violations due to reasonable cause that are larger than this amount, the 2004 Act permits the REIT to avoid disqualification as a REIT, after the 30 day cure period, by taking steps including the disposition of sufficient assets (generally within 6 months after the last day of the quarter in which the failure to satisfy the asset test is discovered) to meet the asset test and paying a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets.

The 2004 Act also changes the formula for calculating the tax imposed for certain violations of the 75% and 95% gross income tests described above under "Taxation of Price Legacy Income Tests" and makes certain changes to the requirements for availability of the applicable relief provisions for failure to meet such tests.

As discussed above under "Taxation of Price Legacy Redetermined Rents," amounts received by a REIT for services customarily furnished or rendered in connection with the rental of real property are excluded from treatment as "redetermined rents" and therefore avoid the 100% penalty tax. The 2004 Act eliminates this exclusion.

The foregoing is a non-exhaustive list of changes that were made by the 2004 Act. The provisions contained in the 2004 Act relating to the "straight debt safe harbor" and Price Legacy's ability to enter into leases with its taxable REIT subsidiaries apply retroactively to Price Legacy's taxable years beginning after December 31, 2000, and the remaining provisions described above (including the new 10% Value Limitation look-through rule) generally apply to Price Legacy's taxable years commencing after the date of enactment of the 2004 Act (i.e., January 1, 2005).

Tax Opinion of Latham & Watkins LLP

The merger is conditioned upon PL Retail's receipt of an opinion from Latham & Watkins regarding Price Legacy's qualification and taxation as a REIT. As described above, Price Legacy's qualification and taxation as a REIT depends upon its ability to meet the various qualification tests imposed under the Code, including through its actual annual operating results, asset diversification, distribution levels and diversity of stock ownership. Certain issues regarding Price Legacy's compliance with these requirements have been identified. These issues relate to Price Legacy's ownership of certain notes (the Note Issue) and to the operation of a hotel owned by a subsidiary of Price Legacy and leased to Excel Legacy Holdings, Inc. (the Hotel Issue). While Price Legacy continues to believe it has satisfied the requirements for qualification and taxation as a REIT, in some cases the facts are not

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entirely clear and there is no authority which directly addresses these issues. Due to this lack of authority, the opinion of Latham & Watkins required as a condition to the closing of the merger is generally as follows:

(1) Certain of the notes relating to the Note Issue should be treated as "real estate assets" and, as a result, should not prevent Price Legacy from satisfying the 10% Value Limitation.

(2) Certain other notes relating to the Note Issue should not be treated as "securities," within the meaning of the Investment Company Act of 1940 and, as a result, should not prevent Price Legacy from satisfying the 10% Value Limitation.

(3) The remaining notes relating to the Note Issue should qualify for the "straight debt safe harbor" and, as a result, should not prevent Price Legacy from satisfying the 10% Value Limitation.

(4) The manner in which the hotel has been operated should not cause Excel Legacy Holdings, Inc. to fail to qualify as a taxable REIT subsidiary of Price Legacy, or cause Price Legacy to be treated as deriving income which fails to qualify under the REIT income tests.

(5) Other than with respect to the matters referenced in paragraphs (1), (2), (3) and (4) above, commencing with Price Legacy's short taxable year ended December 31, 1997, Price Legacy was organized in conformity with the requirements for qualification as a REIT under the Code, and its method of operation enabled it to meet the requirements for qualification and taxation as a REIT under the Code through its taxable year ended December 31, 2003 (or 2004, if the merger closes in 2005).

(6) Other than with respect to the matters referenced in paragraphs (1), (2), (3) and (4) above, Price Legacy has been organized and has operated in accordance with the requirements for qualification and taxation as a REIT under the Code during its taxable year beginning January 1, 2004 (or January 1, 2005, if the merger closes in 2005) through the date of the closing of the merger (without regard to REIT distribution requirements); provided that Price Legacy's 2004 (or 2005, if the merger closes in 2005) taxable year will not close at the time of the closing of the merger, and Price Legacy's qualification as a REIT for 2004 (or 2005, if the merger closes in 2005) will depend, in part, upon its organization and method of operation post-closing.

(7) Because a determination on any Note Issue or the Hotel Issue contrary to the conclusions set forth in paragraphs (1), (2), (3) and (4) above would prevent Price Legacy from qualifying as a REIT for the years at issue, Price Legacy should qualify as a REIT for the taxable years set forth in paragraphs (5) and (6) above, subject to the limitations and assumptions set forth therein.

The opinion of Latham & Watkins will be based on various assumptions and representations as to factual matters, including representations made by Price Legacy in a factual certificate provided by one of the officers of Price Legacy, and upon factual assumptions and representations set forth in this proxy statement and other documents incorporated by reference in this proxy statement. If any factual assumptions and representations upon which Latham & Watkins' opinion is based are untrue, Price Legacy could fail to qualify as a REIT. Moreover, the opinion will state that there is no authority directly on point regarding certain issues. Price Legacy's qualification and taxation as a REIT depend upon its ability to meet the various qualification tests imposed under the Code discussed above, including through actual annual operating results, asset diversification, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins. Accordingly, no assurance can be given that Price Legacy's actual results of operation for any particular taxable year have satisfied or will satisfy those requirements. See " Failure to Qualify." Latham & Watkins has no obligation to update its opinion subsequent to its date.

This discussion of the opinion of Latham & Watkins may not contain all of the information about the opinion, the Note Issue and the Hotel Issue that may be important to you. You are urged to review the form of tax opinion attached to this proxy statement as Annex E carefully and in its entirety.

Delisting And Deregistration of Price Legacy Stock

If the merger is completed, Price Legacy's common stock will no longer be listed on the Nasdaq National Market and will be deregistered under the Exchange Act. Price Legacy's Series A preferred stock and Series 1 preferred stock will continue to be registered and listed on the Nasdaq National Market. However, PL Retail has indicated that it may (a) continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing and/or (b) seek to deregister the Series A and Series 1 preferred stock under the Exchange Act and delist the Series A and Series 1 preferred stock from the Nasdaq National Market. Depending on the number of shares of Series A preferred stock and Series 1 preferred stock redeemed by PL Retail, the Series A preferred stock and/or Series 1 preferred stock may not continue to meet the listing requirements of the Nasdaq National Market. If either the Series A preferred stock or Series 1 preferred stock fail to meet the listing requirements, PL Retail has indicated that it does not intend to contest a delisting or to seek to list these shares on another trading market and cannot assure that an active trading market for either the Series A preferred stock or the Series 1 preferred stock will continue to exist.

Litigation Related to the Merger

On August 25, 2004 and August 26, 2004, two purported class action complaints were filed in the Superior Court of California, County of San Diego, against Price Legacy and each current member and one past member of Price Legacy's board of directors. The lawsuits, *Jeanne M. Calamore v. Price Legacy Corporation, Jack McGrory, James F. Cahill, Murray Galinson, Charles L. Goldberg, Robert N. Goodman, Keene Wolcott, Jacklyn Horton, and Giles H. Bateman* (Case No. GIC834768) and *Carl E. Atkinson, Jr. v. Price Legacy Corporation, Jack McGrory, James F. Cahill, Murray Galinson, Charles L. Goldberg, Robert N. Goodman, Keene Wolcott, Jacklyn Horton, and Giles H. Bateman* (Case No. GIC834830), were consolidated by the court. The operative complaint alleges the defendants breached their fiduciary duty to Price Legacy's stockholders in connection with the merger. The complaint challenges the sufficiency of the merger consideration, the adequacy of disclosures and the independence of the directors, and seeks a preliminary and permanent injunction of the merger transaction and unspecified damages from the defendants. The discovery process has been ongoing. On October 27, 2004, the defendants filed in Court a demurrer to the plaintiff's complaint contending that the complaint fails to state a valid cause of action against any of the defendants and is fatally uncertain. The demurrer is set for hearing on January 14, 2005. On October 27, 2004, the defendants also filed in Court a motion to stay the action. The motion to stay is set for hearing on January 21, 2005.

On September 23, 2004, a purported class action complaint was filed in the Circuit Court for Baltimore City, Maryland, against Price Legacy and members of its board of directors, as well as The Price Group. The lawsuit is captioned *Robert Allen v. Price Legacy Corporation, Jack McGrory, Murray Galinson, Keene Wolcott, Charles Goldberg, Robert N. Goodman, Giles H. Bateman, Jacklyn Horton, and The Price Group LLC* (Case No. 24-C-04-007204 OT). On October 21, 2004, an amended class action complaint was filed, which alleges that the defendants breached their fiduciary duty to Price Legacy's stockholders in connection with the merger. The amended complaint challenges the sufficiency of the merger consideration, the adequacy of disclosures and the independence of the directors, and seeks a preliminary and permanent injunction of the merger transaction, the imposition of a constructive trust, and unspecified damages from the defendants.

THE MERGER AGREEMENT

The following summary of the merger agreement is qualified by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement and is incorporated in this proxy statement by reference.

The Merger

Pursuant to the merger agreement, PL Acquisition Corp. will merge with and into Price Legacy and Price Legacy will be the surviving corporation, with all of its common stock owned by PL Retail. At the effective time of the merger, all of Price Legacy's property, rights, privileges, immunities, powers and franchises before the merger (other than the non-core properties and other Price Legacy assets that may be sold pursuant to the put transaction) will remain with Price Legacy as the surviving corporation and all of its debts, liabilities and duties before the merger (other than the debts, liabilities and duties of the non-core properties and other Price Legacy assets that may be sold pursuant to the put transaction) will continue as the debts, liabilities and duties of Price Legacy. Following the merger, the directors and officers of PL Acquisition Corp. at the effective time of the merger will be the directors and officers of the surviving corporation.

Merger Consideration

The merger agreement provides that each share of Price Legacy common stock outstanding immediately prior to the effective time of the merger (other than unconverted shares), will be converted into the right to receive the merger consideration. Holders of stock options will receive a per-share amount equal to the merger consideration, less the exercise price of such option. Stock options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration. Price Legacy's existing Series A and Series 1 preferred stock will remain issued and outstanding as preferred stock of the surviving corporation. PL Retail has indicated that it may continue to redeem outstanding shares of Series A preferred stock subject to the availability of financing and may also redeem outstanding shares of Series 1 preferred stock subject to the availability of financing.

Deposit

Upon signing the merger agreement, PL Retail paid Price Legacy a deposit of \$25 million to be used by Price Legacy to redeem as many of its outstanding shares of Series A preferred stock as possible but only to the extent consistent with Price Legacy's REIT status and allowable under Maryland law. On September 2, 2004, Price Legacy announced the redemption of 1,562,500 shares of its Series A preferred stock using the \$25 million deposit for that purpose.

If the merger agreement is terminated by PL Retail or Price Legacy for any reason, other than by Price Legacy as a result of PL Retail's breach of any of its representations, warranties or covenants contained in the merger agreement, PL Retail will be entitled to receive, in lieu of cash payment of the \$25 million deposit, all of Price Legacy's right, title and interest in and to one of the specific Price Legacy properties identified by PL Retail and Price Legacy for this purpose. PL Retail will pay Price Legacy the amount (if any) by which the equity value of the selected Price Legacy property exceeds \$25 million. In the event that the equity value of the Price Legacy property selected by PL Retail is less than \$25 million, Price Legacy will pay PL Retail the shortfall within five business days after transfer of the property to PL Retail.

Procedures for Payment of Merger Consideration

Price Legacy's common stockholders should not return stock certificates with the enclosed proxy card.

Mellon Investor Services will act as the exchange agent for the payment of the merger consideration. Promptly after the completion of the merger, PL Retail will cause Mellon Investor Services to mail the following materials to each holder of record of Price Legacy common stock at the time the merger is consummated:

a letter of transmittal for the common stockholder's use in submitting its shares to the exchange agent for payment of the merger consideration, and

instructions explaining what a common stockholder must do to effect the surrender of its stock certificates in exchange for the merger consideration.

Upon receipt of a letter of transmittal, each common stockholder should complete and sign the letter of transmittal and return it to the exchange agent together with the common stockholder's stock certificates in accordance with the instructions.

Upon completion of the merger, each Price Legacy common stock certificate, other than those representing unconverted shares, will represent only the right to receive the merger consideration in cash.

At the effective time of the merger, PL Retail will deposit, or will cause to be deposited, in trust with the exchange agent for the benefit of our former common stockholders, cash sufficient to deliver the aggregate merger consideration.

PL Retail and the surviving corporation are entitled to deduct and withhold from the consideration otherwise payable such amounts as are required by applicable law.

Transfers of Ownership and Lost Stock Certificates

Following the effective time of the merger, there will be no further transfers of shares of Price Legacy common stock. If, after such time, stock certificates are presented to the surviving corporation, they will be cancelled and exchanged for the merger consideration. If any portion of the merger consideration is to be paid to a person other than the person in whose name the surrendered stock certificate is registered in our records, the exchange agent will only issue such merger consideration if (a) the certificate representing such shares and presented to the exchange agent is properly endorsed or is otherwise accompanied by all documents required to evidence and effect such transfer and (b) the person surrendering the stock certificate for payment pays to the exchange agent any applicable stock transfer taxes or otherwise produces evidences that such taxes have been paid.

In the event any stock certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such stock certificate to be lost, stolen or destroyed and, if required by the surviving corporation, the posting by such person of a bond in such amount as the surviving corporation may reasonably direct as indemnity against any claim that may be made against it with respect to such stock certificate, the exchange agent will issue the merger consideration in exchange for such lost, stolen or destroyed stock certificate.

Unclaimed Amounts

Any portion of the merger consideration which remains undistributed to our common stockholders 12 months after the effective time of the merger will be delivered by the exchange agent to PL Retail, and any of our common stockholders who have not previously exchanged shares for the merger consideration will only be entitled to look to PL Retail for payment of the merger consideration and any dividends or distributions due, without interest, with respect to the shares formerly represented by their certificates. If any certificate shall not have been surrendered (a) prior to three years after the effective time of the merger or (b) immediately prior to such earlier time when such amounts would otherwise escheat to or become the property of any governmental entity, any amounts remaining unclaimed by our former common stockholders will, to the extent permitted by applicable law, become the property of PL Retail, free and clear of all claims or interests of any person previously entitled thereto.

Representations and Warranties

Price Legacy

We have made a number of customary representations and warranties to PL Retail relating to, among other things:

due organization and good standing;

capital structure;

authorization to enter into the merger agreement and to consummate the merger;

enforceability of the merger agreement;

required stockholder approvals;

compliance with SEC reporting requirements;

no material undisclosed liabilities;

the absence of certain changes since December 31, 2003;

required governmental and third-party consents;

no breach of organizational documents or material agreements as a result of the merger agreement or the consummation of the merger;

material legal proceedings;

compliance with laws;

real property;

environmental matters;

tax matters, including qualification as a REIT;

receipt of opinion of financial advisor;

brokers' or finders' fees;

exemption from anti-takeover statutes;

no defaults under existing agreements;

appropriate funding of employee benefit plans and compliance with applicable regulations;

labor and employee matters;

material contracts and debt instruments;

disclosure of all related party transactions;

inapplicability of the Investment Company Act of 1940;

intellectual property; and

insurance.

PL Retail

PL Retail has made a number of representations and warranties to us regarding various matters pertinent to the merger. The topics covered by these representations and warranties include the following:

due organization and good standing;

authorization to enter into the merger agreement and to consummate the merger;

required consents and approvals;

brokers' or finders' fees;

availability of funds; and

exemption from anti-takeover statutes.

Conduct of Price Legacy's Business Pending the Merger

Until the completion of the merger, Price Legacy has agreed that, unless permitted by obtaining PL Retail's prior written consent or except as contemplated by the merger agreement, it will, and will cause its subsidiaries to, among other things:

conduct its operations, and cause its subsidiaries to conduct their respective operations, only in the ordinary course of business and in a manner that is consistent with past practice;

use reasonable best efforts to preserve intact its business organizations and goodwill, to keep available the services of its officers and employees, and to preserve its relationships with tenants, suppliers and others with whom it does business;

give prompt notice to PL Retail if any representation or warranty contained in the merger agreement that is qualified by materiality becomes untrue or inaccurate in any respect, or any representation or warranty contained in the merger agreement that is not qualified by materiality becomes untrue or inaccurate in any material respect; and

give prompt notice to PL Retail of any failure of Price Legacy materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it pursuant to the merger agreement.

In addition, pending the merger, Price Legacy has agreed that, without PL Retail's prior written consent or except as contemplated by the merger agreement, it will not, and will cause its subsidiaries not to, among other things:

amend its organizational documents;

authorize, issue, sell or commit to authorize, issue or sell any Price Legacy securities or securities convertible into, or exchangeable for, Price Legacy securities, except in specified instances;

split, combine or re-classify any shares of Price Legacy stock;

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declare, set aside or pay any dividend or make any other distribution or payment with respect to the Price Legacy common stock or preferred stock, other than dividends permitted by the merger agreement, or in transactions between Price Legacy and its wholly owned subsidiaries or solely between wholly owned subsidiaries;

redeem, purchase or acquire any securities of Price Legacy or any Price Legacy subsidiary, except as necessary to maintain REIT status;

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recommend, propose or announce an intention to adopt or effect, or adopt or effect a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, except as otherwise permitted by the merger agreement;

alter, through merger, liquidation, dissolution, reorganization, restructuring or otherwise, the corporate structure of Price Legacy or its subsidiaries or its ownership of any subsidiary or joint venture, except as otherwise permitted by the merger agreement;

incur or assume any indebtedness or issue any debt securities, except for working capital or contractual obligations under its existing lines of credit and for specified purposes;

assume, guarantee, endorse or otherwise become liable or responsible for the obligations of another person, except for specified purposes;

make any loans, advances or capital contributions to, or investments in, any other person, except in specified instances;

pledge or encumber shares of Price Legacy stock or stock of its subsidiaries;

mortgage or pledge any of Price Legacy's or its subsidiaries' assets, or create or suffer to exist any lien on such assets, except under specified instances and in specified amounts;

enter into any new employee benefit plan or amend any existing employment, severance or other arrangement with any of its officers, directors or employees, other than as required by law, or increase the compensation or benefits of any officer, director or employee, except under specified instances;

grant any awards under any employee benefit plan, except in specified instances;

sell, lease, transfer or dispose of any personal property that exceeds a specified amount or any real property, except in specified instances;

prepay any indebtedness, or modify in any material respect the terms of any indebtedness or of any documents evidencing or securing such indebtedness;

enter into any contract or letter of intent for the sale, lease, transfer, mortgage or disposition of any real property, except in specified instances, or amend or modify any existing contracts or letters of intent specified in the merger agreement;

terminate, modify or amend any lease, except for changes that have specified net effective rent, are on commercially reasonable terms consistent with past practices and do not reduce rent under or terminate any other lease at the applicable property;

enter into any new lease at a company property, except for leases which are less than 5,000 square feet, on commercially reasonable terms consistent with past practices, and do not reduce rent under or terminate any other lease at the applicable property;

terminate or grant any reciprocal easement or similar agreements affecting a property, unless contractually obligated to do so or in connection with a transaction otherwise permitted by the merger agreement;

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consent to or enter into the sublease or assignment of any lease, or terminate, enter into, sublease, assign or modify any ground lease;

change any accounting principles or material accounting practices, except as required by changes in law or GAAP;

acquire or agree to acquire any third party or any equity interest in such third party, except for contractual obligations to contribute to or fund any existing joint venture;

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acquire, enter into any option to acquire, or exercise an option or other right or election or enter into any commitment for the acquisition of any real property, or other transaction involving nonrefundable deposits or for the acquisition of other assets, except for acquisitions of other assets in the ordinary course of business consistent with past practices not in excess of \$25,000;

authorize, or enter into any commitment for, any new capital expenditure relating to Price Legacy's properties, except as specified in budgets approved by PL Retail, or authorize, or enter into any commitment for, any other expenditure relating to Price Legacy's properties, except in the ordinary course of business consistent with past practice;

authorize, or enter into any commitment, contract or agreement that has a duration of greater than one year and that may not be terminated (without termination fee or penalty) by Price Legacy;

make or rescind any election relating to Price Legacy's REIT status, unless required by law or necessary to qualify or preserve Price Legacy's status as a REIT or the status of any subsidiary of Price Legacy as a partnership for federal income tax purposes;

settle or compromise any claim, litigation or other legal proceeding, or pay, discharge or satisfy any other claims, liabilities or obligations whether absolute, accrued, asserted or unasserted, contingent or otherwise, except in specified instances;

enter into any agreement or arrangement that limits or otherwise restricts Price Legacy or any of its subsidiaries or any successor thereto from engaging or competing in any line of business or in any geographic area;

enter into any new line of business or related party transaction;

amend or terminate, or waive compliance with the terms of, or breaches under, any material contract or enter into any new material contract except as permitted by the merger agreement;

permit any insurance policy naming Price Legacy or any of its subsidiaries or officers or directors as a beneficiary or an insured or a loss payable payee, or Price Legacy's directors and officers liability insurance policy, to be cancelled, terminated or allowed to expire, unless an insurance policy with substantially similar terms and conditions to the cancelled, terminated or expired policy is obtained;

take any action that would be reasonably likely to result in any of the conditions to consummation of the merger not being satisfied or adversely affect Price Legacy's ability to consummate the merger;

authorize, approve, consent to or otherwise permit any transaction or property to be subject to a participation interest, except for specified agreements;

proceed with any additional real property tax protests or related litigation, other than as specified in the merger agreement; or

take, propose to take or agree in writing or otherwise to take, any of the foregoing prohibited actions.

Dividends and Distributions

Price Legacy has agreed not to make any dividend or distribution to its stockholders without the prior written consent of PL Retail, other than the redemption by Price Legacy of 1,500,000 shares of Series A preferred stock as announced by Price Legacy on August 13, 2004 and completed on September 15, 2004 and the redemption of 1,562,500 shares of Series A preferred stock as announced

by Price Legacy on September 2, 2004 and completed on October 1, 2004; provided, however, that the written consent of PL Retail will not be required for the authorization and payment by Price Legacy of the greater of (a) distributions required for Price Legacy to maintain its status as a REIT under the Code or to avoid the payment of income or excise tax under Sections 857 or 4981 of the Code; or (b) dividends or distributions of up to \$1.40 per year per share to holders of Price Legacy's Series A preferred stock and up to \$1.16 per year per share to holders of Price Legacy's Series 1 preferred stock, in accordance with the terms of Price Legacy's amended and restated charter as in effect on the date of the signing of the merger agreement.

Conditions to the Merger

Conditions to Each Party's Obligations to Effect the Merger

The obligations of Price Legacy and PL Retail to complete the merger are subject to the fulfillment or, where permissible, waiver of the following conditions:

the approval and adoption of the merger agreement and approval of the merger by the affirmative vote of the holders of at least a majority of the combined voting power of all outstanding shares of Price Legacy's common stock and Series A preferred stock entitled to vote, voting together as a single class;

no law shall have been enacted or enforced by any court or governmental entity that restrains or otherwise prevents consummation of the merger; and

the waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 shall have expired or been terminated and all other consents and authorizations required to be obtained to consummate the merger shall have been obtained, except where the failure to obtain any consent or authorization would not be reasonably likely to, either individually or in the aggregate, have a material adverse effect on Price Legacy or PL Retail.

Conditions to the Obligations of PL Retail to Effect the Merger

The obligations of PL Retail to complete the merger are subject to the satisfaction or, where permissible, waiver of the following additional conditions:

each of the representations and warranties of Price Legacy contained in the merger agreement, without giving effect to any limitation as to "materiality" or "material adverse effect," shall be correct and accurate as of the closing of the merger as if made on the date of closing, except to the extent that these representations and warranties are expressly limited by their terms to a particular date or only with respect to a particular period of time, in which case these representations and warranties will be correct and accurate as of that date or period of time, and except where the failure of these representations and warranties to be correct and accurate would not, individually or in the aggregate, have or would not reasonably be likely to have a material adverse effect on Price Legacy;

Price Legacy shall have performed or complied in all material respects with all covenants required by the merger agreement to be performed by Price Legacy on or prior to the effective time of the merger;

PL Retail will have received a certificate dated as of the closing of the merger from the chief executive officer or chief financial officer of Price Legacy certifying on behalf of Price Legacy to each of the above;

PL Retail will have received an opinion, dated as of the closing date of the merger, from Latham & Watkins relating to the REIT status of Price Legacy in substantially the form attached to this proxy statement as Annex E;

from August 24, 2004 through the effective time of the merger, no event or series of events shall have occurred that individually or in the aggregate would be reasonably likely to have a material adverse effect on Price Legacy;

The Price Group shall have entered into a put agreement pursuant to which PL Retail shall have the right to sell one or more newly formed subsidiaries of Price Legacy that will own certain non-core properties and other Price Legacy assets to The Price Group, and if such right is exercised the sale shall be consummated concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger;

PL Retail shall have received an exemption from the beneficial and constructive ownership limitations in Price Legacy's amended and restated charter;

subject to certain exceptions, all other consents, approvals and authorizations required to be obtained by Price Legacy to consummate the merger shall have been obtained within 30 days after the date of the merger agreement from all lenders of fixed rate debt, debt with prepayment lock-out periods or debt that has prepayment or exit fees payable by Price Legacy or any of its subsidiaries, which debt by its terms requires consent of such lenders to consummate the merger (on November 18, 2004, PL Retail waived this closing condition in writing); and

Price Legacy shall have received, within 30 days after the date of the merger agreement, written confirmation from certain lenders of the resolution of certain issues with respect to outstanding loan balances and cross defaults to the reasonable satisfaction of PL Retail (on November 18, 2004, PL Retail waived this closing condition in writing).

Conditions to the Obligations of Price Legacy to Effect the Merger

The obligations of Price Legacy to complete the merger are subject to the satisfaction or, where permissible, waiver of the following additional conditions:

each of the representations and warranties of PL Retail contained in the merger agreement, without giving effect to any limitation as to "materiality" or "material adverse effect," shall be correct and accurate as of the closing of the merger as if made on the date of closing, except to the extent that these representations and warranties are expressly limited by their terms to a particular date or only with respect to a particular period of time, in which case these representations and warranties will be correct and accurate as of that date or period of time, and except where the failure of these representations and warranties to be correct and accurate would not, individually or in the aggregate, have or would not reasonably be likely to have a material adverse effect on PL Retail;

PL Retail shall have performed or complied in all material respects with all covenants required by the merger agreement to be performed by PL Retail on or prior to the effective time of the merger; and

Price Legacy will have received a certificate dated as of the closing of the merger from the chief executive officer or chief financial officer of PL Retail certifying on behalf of PL Retail to each of the above.

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As used in the merger agreement in connection with Price Legacy or PL Retail, a "material adverse effect" means any change, effect or circumstance that is reasonably likely to:

materially adversely affect the business, assets, financial condition or results of operations of Price Legacy or its subsidiaries or PL Retail or its subsidiaries, as the case may be, taken as a whole, except, in each case, an adverse effect or change arising from:

conditions in the U.S. economy or capital or financial markets generally, including changes in interest or exchange rates;

changes in GAAP;

general changes in, or conditions in or otherwise affecting, real estate properties generally unless these changes have a materially disproportionate effect, relative to other industry participants, on Price Legacy or PL Retail;

the merger agreement, the announcement or performance of the merger agreement or the merger, including the impact on suppliers or employees; or

materially adversely affect the ability of Price Legacy or PL Retail, as the case may be, to perform its obligations under the merger agreement or consummate the merger.

Notwithstanding the foregoing, a material adverse effect will also be deemed to have occurred, except as otherwise contemplated by the merger agreement, if Price Legacy breaches any of its representations, warranties or covenants contained in the merger agreement, which breach materially and adversely affects any one of six specified properties owned by Price Legacy in a manner resulting in the reduction in value of such property by at least \$25 million.

No Solicitation by Price Legacy

Price Legacy has agreed that it will not, nor will it permit any of its subsidiaries, or any officer, director, employee, agent or representative, which we collectively refer to as "Price Legacy's representatives," directly or indirectly, to:

solicit, initiate or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an "acquisition proposal," as defined below;

participate in any discussions or negotiations in furtherance of such inquiries or to obtain an acquisition proposal, or the making of any proposal that constitutes an acquisition proposal; or

agree to, approve or recommend any acquisition proposal.

Price Legacy has agreed to:

immediately cease and terminate any existing activities, discussions or negotiations with any persons or entities conducted before execution of the merger agreement with respect to any acquisition proposal, and instruct each Price Legacy representative to comply with this obligation;

notify PL Retail promptly if Price Legacy or any Price Legacy representative receives: (a) an acquisition proposal or any inquiries indicating that any person or entity is reasonably likely to make an acquisition proposal, including the material terms and conditions of the acquisition proposal and the identity of the person or entity making it; or (b) any request for nonpublic information relating to Price Legacy or any of its subsidiaries by any person or entity that to Price Legacy's knowledge is reasonably likely to make, or has made, an acquisition proposal; and

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keep PL Retail informed on a prompt basis of any material change in the financial terms or structure of any acquisition proposal.

However, under certain circumstances, Price Legacy may furnish information to, or enter into or participate in discussions or negotiations with, any person or entity that makes an unsolicited bona fide written acquisition proposal to Price Legacy, provided that:

the board of directors of Price Legacy determines in good faith, after consultation with outside legal counsel, that failure to do so would create a reasonable probability of a breach of its duties to stockholders imposed by law;

the board of directors of Price Legacy determines in good faith, after consultation with its outside financial advisors, that the acquisition proposal would be reasonably likely, if consummated, to constitute a "superior proposal," as defined below;

prior to taking any action, Price Legacy complies in all material respects with the procedures set forth in the merger agreement; and

Price Legacy enters into a confidentiality agreement with that person or entity the terms of which are at least as restrictive to the person or entity making the alternative acquisition proposal as the terms of the confidentiality agreement entered into with PL Retail.

For purposes of the merger agreement, an "acquisition proposal" means an inquiry, offer or proposal regarding any of the following (other than the merger) involving Price Legacy:

any merger, consolidation, share exchange, recapitalization, business combination, or other similar transaction in which the other party to the transaction or its stockholders will own 20% or more of the combined voting power of the surviving entity resulting from the transaction;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of the assets of Price Legacy and its subsidiaries, taken as a whole, in a single transaction or a series of related transactions;

any tender offer or exchange offer for 20% or more of the outstanding shares of any class of Price Legacy securities or the filing of a registration statement under the Securities Act of 1933, as amended, in connection with the tender offer or exchange offer;

any other transaction or series of related transactions pursuant to which any third party proposes to acquire control of the assets of Price Legacy and its subsidiaries having a fair market value equal to or greater than 20% of the fair market value of all of the assets of Price Legacy and its subsidiaries, taken as a whole, immediately prior to the transaction; or

any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

If an acquisition proposal constitutes a superior proposal, as described below, the board of directors of Price Legacy may withdraw, modify, amend or qualify its recommendation of the merger agreement and the merger and recommend the superior proposal to its stockholders provided that:

Price Legacy complies fully with the non-solicitation provisions of the merger agreement;

Price Legacy's board of directors determines in good faith, after consultation with outside legal counsel, that to do otherwise would create a reasonable probability of a breach of its duties to stockholders imposed by law; and

during the three-business day period after Price Legacy has provided written notice to PL Retail as discussed above, Price Legacy shall have offered to negotiate with and, if accepted, negotiated in good faith with, PL Retail toward a proposal that would be superior to the superior proposal.

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For purposes of the merger agreement, a "superior proposal" means any bona fide written acquisition proposal which:

in the good faith judgment of the board of directors of Price Legacy is reasonably likely to be consummated; and

a majority of the board of directors of Price Legacy determines in their good faith judgment, after consultation with outside financial advisors, to be more favorable to Price Legacy's stockholders from a financial point of view (which determination may take into account legal and regulatory matters) than the merger.

Termination of the Merger Agreement

Right to Terminate

The merger agreement may be terminated and the merger abandoned at any time prior to the effective time, whether before or after approval of the merger by the Price Legacy stockholders:

by mutual written consent of PL Retail and Price Legacy;

by either PL Retail or Price Legacy if:

any governmental entity shall have issued an order, decree or ruling or taken any other action in each case permanently restraining, enjoining or otherwise prohibiting the merger substantially on the terms contemplated by the merger agreement and such order, decree, ruling or other action has become final and non-appealable;

the merger has not been consummated by January 31, 2005; however, neither PL Retail nor Price Legacy may terminate the merger agreement if its breach of a representation, warranty or covenant is the reason that the merger has not been consummated;

the holders of at least a majority of the combined voting power of all outstanding shares of Price Legacy common stock and Series A preferred stock, voting together as a single class, fail to approve and adopt the merger agreement and approve the merger at the Price Legacy annual meeting;

by PL Retail if:

(a) the Price Legacy board of directors has withdrawn or materially modified its recommendation of the merger agreement or the merger in a manner adverse to PL Retail or its stockholders, or has resolved to withdraw or modify its recommendation; (b) the Price Legacy board of directors has approved or recommended any acquisition proposal made by another person or entity other than PL Retail; or (c) Price Legacy has entered into a definitive agreement with respect to such an acquisition proposal;

Price Legacy has breached any of its representations, warranties or covenants contained in the merger agreement, which breach would lead to the failure of a condition to the consummation of the merger contained in the merger agreement and is incapable of being cured by Price Legacy prior to January 31, 2005;

(a) subject to certain exceptions, if all of the required lender consents have not been obtained within 30 days after the date of the merger agreement; or (b) the required lender consents which have been obtained are no longer in effect; provided PL Retail notifies Price Legacy in writing of its election to terminate within five business days after the expiration of this 30-day period. PL Retail's right to terminate the merger agreement due to Price Legacy's failure to obtain all required lender consents within 30 days after the date of the merger agreement lapsed on September 30, 2004 and is of no further force or effect;

Price Legacy has not received written confirmation from certain lenders of the resolution of certain issues with respect to outstanding loan balances and cross defaults within 30 days after the date of the merger agreement; provided PL Retail notifies Price Legacy in writing of its election to terminate within five business days after the expiration of this 30-day period. PL Retail's right to terminate the merger agreement due to Price Legacy's failure to receive written confirmation from these lenders within 30 days after the date of the merger agreement lapsed on September 30, 2004 and is of no further force or effect;

(a) The Price Group has not entered into the put agreement by September 30, 2004; provided PL Retail notifies Price Legacy of its election to terminate by October 7, 2004 (The Price Group entered into the put agreement on September 28, 2004); or (b) the transactions contemplated by the put agreement are not consummated concurrently with the closing of the merger; or

(a) PL Retail has not, as of the closing of the merger, received the REIT opinion from Latham & Watkins in substantially the form attached to this proxy statement as Annex E; (b) there has been a change in the officer's certificates referenced in the opinion to be delivered pursuant to the merger agreement which is materially adverse to either Price Legacy or PL Retail; or (c) this proxy statement includes facts which, if set forth in the officer's certificates, would have been a change or modification to such certificates which is materially adverse to either Price Legacy or PL Retail.

by Price Legacy if:

PL Retail has breached any of its representations, warranties or covenants contained in the merger agreement, which breach would lead to the failure of a condition to the consummation of the merger contained in the merger agreement and is incapable of being cured by PL Retail prior to January 31, 2005; or

the Price Legacy board of directors has approved, and Price Legacy has concurrently entered into, a definitive agreement for the implementation of a superior proposal, provided Price Legacy has complied with the terms of the non-solicitation provisions contained in the merger agreement and, before terminating the merger agreement, has paid to PL Retail the applicable termination fee.

Effect of Termination

Except for provisions in the merger agreement regarding confidentiality of non-public information, payment of fees and expenses, the effect of termination and specified miscellaneous provisions, if the merger agreement is terminated as described above, the merger agreement will become void and have no effect. In addition, if the merger agreement is so terminated, there will be no liability on the part of PL Retail or Price Legacy, except to the extent that the termination results from a willful or intentional breach by any party of any of its representations, warranties, covenants or agreements contained in the merger agreement. The confidentiality agreement, dated April 27, 2004, as amended, between Price Legacy and PL Retail will continue in effect notwithstanding any termination of the merger agreement.

Termination Fees and Termination Expenses

Except as described below, each party to the merger agreement will bear its own fees and expenses in connection with the transactions contemplated by the merger agreement.

Price Legacy will pay to PL Retail a specified termination fee if the merger agreement is terminated:

by PL Retail, if (a) the Price Legacy board of directors has withdrawn or materially modified its recommendation of the merger agreement or the merger in a manner adverse to PL Retail or its stockholders, or has resolved to withdraw or modify its recommendation; (b) the Price Legacy board of directors has approved or recommended any acquisition proposal made by another person or entity other than PL Retail; or (c) Price Legacy has entered into a definitive agreement with respect to such an acquisition proposal;

by Price Legacy, if the Price Legacy board of directors has approved, and Price Legacy concurrently enters into, a definitive agreement for the implementation of a superior proposal, provided Price Legacy has complied with the terms of the non-solicitation provisions contained in the merger agreement;

by PL Retail, if Price Legacy has breached any of its representations, warranties or covenants contained in the merger agreement, provided that such breach is a result of fraud by Price Legacy and would have or would reasonably be likely to have, individually or in the aggregate, a material adverse effect on Price Legacy;

by Price Legacy or PL Retail, if the holders of at least a majority of the combined voting power of all outstanding shares of Price Legacy's common stock and Series A preferred stock, voting together as a single class, fail to approve and adopt the merger agreement and approve the merger at the Price Legacy annual meeting and an acquisition proposal shall at the time of the termination or thereafter be publicly proposed or publicly announced (and not subsequently withdrawn) and within six months after the termination, Price Legacy consummates the acquisition proposal.

The termination fee that PL Retail may be entitled to receive in the event of the foregoing will be an amount equal to the lesser of (a) \$20 million and (b) the maximum amount that can be paid to PL Retail without causing PL Retail to fail to meet the REIT income requirements under the Code. The unpaid amount, if any, will be placed in escrow and will be paid in subsequent years to the extent the payment would not cause PL Retail to fail to meet the REIT income requirements under the Code. Price Legacy's obligation to pay any unpaid portion of the termination fee will terminate on August 24, 2007.

Price Legacy will pay PL Retail the amount of \$10 million if the merger agreement is terminated:

by Price Legacy or PL Retail, if the holders of at least a majority of the combined voting power of all outstanding shares of Price Legacy's common stock and Series A preferred stock, voting together as a single class, fail to approve and adopt the merger agreement and approve the merger; or

by PL Retail if (a) The Price Group has not entered into the put agreement by September 30, 2004; provided PL Retail notifies Price Legacy of its election to terminate by October 7, 2004 (The Price Group entered into the put agreement on September 28, 2004); or (b) the transactions contemplated by the put agreement are not consummated concurrently with the closing of the merger.

Price Legacy will reimburse PL Retail for its actual out-of-pocket expenses up to a maximum amount of \$2 million if the merger agreement is terminated:

by PL Retail, if Price Legacy has breached any of its representations, warranties or covenants contained in the merger agreement, which breach would lead to the failure of a condition to the consummation of the merger contained in the merger agreement and is incapable of being cured by Price Legacy prior to January 31, 2005; or

by PL Retail if (a) PL Retail has not, as of the closing of the merger, received the REIT opinion from Latham & Watkins in substantially the form attached to this proxy statement as Annex E; (b) there has been a change in the officer's certificates to be delivered pursuant to the merger agreement which is materially adverse to either Price Legacy or PL Retail; or (c) this proxy statement includes facts which, if set forth in the officer's certificates, would have been a change or modification to such certificates which is materially adverse to either Price Legacy or PL Retail.

Return or Retention of Deposit

If the merger agreement is terminated by PL Retail or Price Legacy for any reason, other than by Price Legacy as a result of PL Retail's breach of any of its representations, warranties or covenants contained in the merger agreement, PL Retail will be entitled to receive, in lieu of cash payment of the \$25 million deposit, all of Price Legacy's right, title and interest in and to one of the specific Price Legacy properties identified by PL Retail and Price Legacy for this purpose. PL Retail will pay Price Legacy the amount (if any) by which the equity value of the selected Price Legacy property exceeds \$25 million. In the event that the equity value of the Price Legacy property selected by PL Retail is less than \$25 million, Price Legacy will pay PL Retail the shortfall within five business days after transfer of the property to PL Retail.

Price Legacy will be entitled to retain the \$25 million deposit received from PL Retail if the merger agreement is terminated by Price Legacy as a result of PL Retail's breach any of its representations, warranties or covenants contained in the merger agreement.

Waiver and Amendment of the Merger Agreement

The merger agreement may be amended by the parties in writing by action of the Price Legacy board of directors at any time before or after stockholder approval is obtained, but after stockholder approval, no amendment may be made which by law requires the further approval of Price Legacy's stockholders without obtaining that further approval. If the merger agreement is amended after the mailing of this proxy statement and your vote is required for the amendment, Price Legacy will resolicit your vote.

At any time before the completion of the merger, the parties may, in writing:

extend the time for the performance of any of the obligations or other acts of the other party;

waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement or in any document delivered under the merger agreement; or

waive compliance with any of the agreements or conditions of the other party contained in the merger agreement, except as specified.

By law, neither PL Retail nor Price Legacy can waive:

the requirement that Price Legacy's common and Series A preferred stockholders approve and adopt the merger agreement and approve the merger; or

any court order or law preventing the closing of the merger.

Whether any of the other conditions would be waived would depend on the facts and circumstances as determined by the reasonable business judgment of the board of directors of PL Retail or Price Legacy, as the case may be.

Severance Payments

Under the merger agreement, Price Legacy is obligated to establish a severance plan under which certain Price Legacy employees, including its executive officers, will be entitled to severance payments in the event any such employee's employment is terminated by PL Retail or the surviving corporation without cause, or is terminated by such employee due to a reduction in salary, benefits, job responsibilities or other terms of employment, or a change in job location, within 12 months after the closing of the merger.

Effect on Outstanding Stock Options

All outstanding unvested options to purchase shares of Price Legacy common stock will be accelerated so that these options will be fully vested prior to the consummation of the merger. Upon consummation of the merger, all unexercised options to purchase shares of Price Legacy common stock will be cancelled and converted into the right to receive the merger consideration in cash, less the exercise price for each share underlying the options. Options with an exercise price per share greater than the merger consideration will be cancelled upon the closing without payment of any consideration.

Stockholder Meeting

Price Legacy has agreed to call a meeting of its stockholders as promptly as practicable after September 15, 2004. Price Legacy's board of directors has unanimously agreed to recommend the approval and adoption of the merger agreement and the approval of the merger by its stockholders (subject to the board's right to change its recommendation, as discussed above under "No Solicitation by Price Legacy"), and Price Legacy has agreed to use its reasonable best efforts to obtain the required stockholder approval of the merger agreement and the merger subject at all times to Price Legacy's and its directors' right and duty to act in a manner consistent with their fiduciary duties.

Indemnification; Directors' and Officers' Insurance

Under the merger agreement, Price Legacy, as the surviving corporation, will indemnify and hold harmless each person who has been at any time on or before August 24, 2004, or who becomes before the completion of the merger, an officer or director of Price Legacy or any Price Legacy subsidiary to the same extent provided to these persons by Price Legacy and its subsidiaries immediately prior to the completion of the merger in each entity's respective charter and bylaws or under employment agreements or indemnification agreements, as applicable, as in effect on August 24, 2004 in respect of actions or omissions occurring at or prior to the closing of the merger (including the transactions contemplated in the merger agreement).

After the completion of the merger, Price Legacy, as the surviving corporation, will be obligated to promptly pay and advance reasonable expenses and costs incurred by each of these persons as they become due and payable in advance of the final disposition of any claim, action, suit, proceeding or investigation to the full extent and in the manner permitted by law. The merger agreement also provides that Price Legacy will purchase, at a cost not to exceed \$1.2 million, a liability insurance policy for Price Legacy's directors and officers for a period of six years that will provide the directors and officers with coverage on substantially similar terms as currently provided by Price Legacy to these directors and officers.

Put Transaction

The completion of the merger is conditioned upon The Price Group, an entity affiliated with Sol Price, a founder and major stockholder of Price Legacy, entering into a put agreement with PL Retail under which PL Retail has the right in its discretion to require The Price Group to purchase certain non-core properties and other Price Legacy assets consisting primarily of two vacant land parcels, a hotel, two office properties, a retail center, a retail/entertainment center and bonds secured by the land and parking garage at the retail/entertainment center at a price of approximately \$147.7 million concurrently with the closing of the merger. On September 28, 2004, The Price Group entered into the put agreement, satisfying this condition, and PL Retail exercised its right under the put agreement to cause The Price Group to purchase all right, title and interest in and to two newly formed Price Legacy subsidiaries that will own these non-core properties and other assets as of the closing of the merger. See "Proposal 1 Approval and Adoption of the Merger Agreement and Approval of the Merger Description of the Put Transaction."

REIT Qualification of Price Legacy

The merger is conditioned upon PL Retail's receipt of an opinion from Latham & Watkins LLP, in substantially the form attached to this proxy statement as Annex E. For a discussion of the opinion, see "Material United States Income Tax Consequences Taxation of Price Legacy Tax Opinion of Latham & Watkins LLP" above. The opinion of Latham & Watkins LLP is incorporated by reference into this proxy statement. We encourage you to read the opinion carefully and in its entirety.

PROPOSAL 2 ELECTION OF DIRECTORS**General**

Our board of directors currently consists of the following seven directors: Jack McGrory, Giles H. Bateman, Murray Galinson, Charles L. Goldberg, Robert N. Goodman, Jacklyn Horton and Keene Wolcott. Our current directors will serve until the annual meeting and until their respective successors have been duly elected and qualified.

The following table sets forth information regarding the persons who are nominees. This information includes each nominee's name, position with Price Legacy, if any, and age. Each of the nominees listed below has been nominated and recommended for election to our board of directors and will serve as a director until the earlier of (a) the next annual meeting of stockholders and until his or her successor has been duly elected and qualified or (b) the completion of the merger. Each of the nominees has individually advised the board of directors that he or she is able and willing to serve as a director of Price Legacy.

Director Nominees

Name	Age	Position with Price Legacy
Jack McGrory	55	Chairman of the Board, President and Chief Executive Officer
Giles H. Bateman	59	Director
Murray Galinson	67	Director
Charles L. Goldberg	64	Director
Robert N. Goodman	52	Director
Jacklyn Horton	55	Director
Keene Wolcott	73	Director

Although it is anticipated that each nominee will be able to serve as a director, should any nominee become unable to serve, the shares represented by the proxies will be voted for another person or persons designated by Price Legacy's board of directors. In no event will the proxies be voted for more than seven nominees.

Set forth below is information regarding each of the above named individuals, including a description of his or her positions and offices with Price Legacy, a description of his or her principal occupation and business experience during at least the last five years, directorships presently held by him or her in other companies and the date he or she was first elected to our board of directors.

Jack McGrory has served as Chairman of the Board of Price Legacy since September 2001 and as President and Chief Executive Officer since October 2003. Mr. McGrory served as Chairman of the Board of Price Legacy's predecessor, Price Enterprises, Inc., and as a director of Excel Legacy Corporation from November 1999 to September 2001. Mr. McGrory currently serves as Executive Vice President of San Diego Revitalization Corp., a non-profit organization focused on real estate development in an inner city community of San Diego, a position he has held since November 2001. Mr. McGrory also has served as Managing Director of The Price Group, which is engaged in securities and real estate investments, since August 2000. Mr. McGrory served as Chief Operating Officer of the San Diego Padres from October 1999 to August 2000 and is a member of its board of directors. Mr. McGrory served as President and Chief Executive Officer of Price Enterprises from September 1997 to November 1999 and as City Manager of the City of San Diego from March 1991 to August 1997. Mr. McGrory is also a director of PriceSmart, Inc., a publicly traded operator of international membership shopping stores.

Giles H. Bateman has served as a director of Price Legacy since May 2004. Mr. Bateman has an extensive retailing background. In addition, from 1976 to 1991, Mr. Bateman served as the Chief Financial Officer of The Price Company. Mr. Bateman currently serves on several boards, including WD-40 Company, a publicly traded global consumer products company, and Tuesday Morning

Corporation, a publicly traded retailer of upscale, decorative home accessories and famous-maker gifts. He previously served as the Chairman of the Board for CompUSA Inc., a publicly traded retailer and reseller of personal computer-related products and services. Mr. Bateman holds a degree from Oxford University and an MBA from the Harvard Business School.

Murray Galinson has served as a director of Price Legacy since September 2001. Mr. Galinson served as a director of Price Enterprises from August 1994 to November 1999 and from January 2001 to September 2001. Mr. Galinson also has served as Chairman of the Board of San Diego National Bank and SDNB Financial Corp. since May 1996 and as a director of both entities since their inception in 1981. Mr. Galinson served as President of both entities from September 1984 until May 1996 and as Chief Executive Officer of both entities from September 1984 to September 1997. Mr. Galinson is also a director of PriceSmart, Inc.

Charles L. Goldberg has served as a director of Price Legacy since March 2004. Mr. Goldberg is a member of the law firm of Seltzer Caplan McMahon Vitek where he heads the Specialized Criminal Defense Group. He has practiced law in San Diego for more than 30 years specializing in defense of white collar fraud cases, complex civil defense litigation and administrative law. Mr. Goldberg has previously served on the board of directors of First International Bank.

Robert N. Goodman has served as a director of Price Legacy since March 2004. Mr. Goodman has served as President of Resmark Equity Partners, LLC (formerly known as Olympic Realty Advisors II, LLC), a finance company providing equity and debt capital for single family residential homebuilding projects primarily in California, since 1999. Mr. Goodman owns a controlling equity interest in JDT Consulting Group, the sole general partner of La Jolla Village Professional Center Associates, L.P., a California limited partnership. Mr. Goodman is also a director of Orleans Homebuilders, Inc.

Jacklyn Horton has served as a director of Price Legacy since May 2004. Ms. Horton was Executive Vice President and General Counsel of The Price Company from 1984 to 1993. She also served as a director of The Price Company from 1988 to 1993. She currently serves on the board of directors of the Community Christian Service Agency and Casa de los Pobres, U.S.A. Ms. Horton holds a J.D. degree from the University of San Diego School of Law, where she graduated Summa Cum Laude.

Keene Wolcott has served as a director of Price Legacy since September 2001. Mr. Wolcott has also served as President of Wolcott Investments, Inc., a private investment company, since 1975. Mr. Wolcott served as a director of The Price REIT, Inc. from January 1995 until 1998. From 1969 to 1973, Mr. Wolcott served as Chief Executive Officer of the Colorado Corporation, which managed investor funds in oil and gas exploration. Prior to 1969, he served as Senior Vice President of Hayden, Stone and Company, a securities brokerage firm.

Vote Required

Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. The holders of Price Legacy's common stock and Series A preferred stock, voting as a single class, will vote for the election of the director nominees. Stockholders are not permitted to cumulate their votes for the purpose of electing directors. Provided that a quorum is present, the failure to vote, a vote to abstain and any "broker non-votes" will have no effect on the election of nominees to Price Legacy's board of directors.

If no contrary indication is made, proxies received by Price Legacy will be voted for each of the seven nominees for director or, if for any reason any of them becomes unavailable for election, the individuals named in the enclosed proxy may exercise their discretion to vote for any substitute nominee or nominees proposed by the board.

Board Recommendation

Our board of directors unanimously recommends that you vote for each of the nominees set forth above.

Board Independence

As required under the Nasdaq Stock Market qualification standards, our board of directors has affirmatively determined that, with the exception of Mr. McGrory, each of our board members is an independent director within the meaning of the applicable Nasdaq Stock Market qualification standards. Mr. McGrory is not considered independent because he is an executive officer of the company. As required under new Nasdaq Stock Market qualification standards, our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

Meetings of the Board

During 2003, our board of directors held five meetings. Each director attended at least 75% of the aggregate of all meetings held in 2003 by the board and all meetings held by all committees of the board on which each director served.

Committees of the Board of Directors

Audit Committee. The audit committee, established by our board of directors in accordance with Section 10A-3 of the Exchange Act, consists of Messrs. Bateman (Chairman), Goodman and Wolcott. Our board of directors has determined that Mr. Bateman qualifies as an "audit committee financial expert," as that term is defined in the rules and regulations established by the SEC. During 2003, the audit committee consisted of Melvin L. Keating, a former director, and Messrs. McGrory and Wolcott and held seven meetings. Pursuant to the terms of a written charter adopted by our board of directors in March 2004, a copy of which is included as Annex F to this proxy statement, the audit committee reviews the annual audits of Price Legacy's independent public accountants, reviews and evaluates internal accounting controls, selects Price Legacy's independent public accountants, reviews and passes upon (or ratifies) related party transactions and conducts the reviews and examinations as it deems necessary with respect to the practices and policies of, and the relationship between, Price Legacy and its independent public accountants. All current members of the audit committee are independent, as defined in Nasdaq Stock Market qualification standards.

Compensation Committee. The compensation committee consists of Messrs. Wolcott (Chairman) and Galinson. During 2003, the compensation committee consisted of Reuben S. Leibowitz and James F. Cahill, both former directors, and Mr. Galinson and held one meeting. The compensation committee reviews compensation of senior officers of Price Legacy and administers its executive compensation policies and stock based compensation plans. All current members of the compensation committee are independent, as defined in the Nasdaq Stock Market qualification standards. The compensation committee is governed by a written charter approved by our board of directors.

Nominating/Corporate Governance Committee. The nominating/corporate governance committee was formed in February 2004 and currently consists of Ms. Horton (Chairperson) and Messrs. Bateman and Goldberg. The nominating/corporate governance committee identifies and recommends to the board of directors qualified candidates for nomination as directors, develops and recommends to the board of directors Price Legacy's corporate governance principles and oversees the evaluation of the board of directors and management of Price Legacy. All members of the nominating/corporate governance committee are independent, as defined in the Nasdaq Stock Market qualification standards. The nominating/corporate governance committee is governed by a written charter approved by our board of directors.

Director Nomination Process

Director Qualifications

In evaluating director nominees, the nominating/corporate governance committee considers, among other things, the following factors:

personal and professional integrity, ethics and values;

experience in corporate management, such as serving as an officer or former officer of a publicly held company;

experience in our industry and with relevant social policy concerns;

experience as a board member of another publicly held company;

diversity of expertise and experience in substantive matters pertaining to our business relative to other board members; and

practical and mature business judgment.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the nominating/corporate governance committee may also consider such other facts as it may deem are in the best interests of our company and our stockholders. The nominating/corporate governance committee does, however, believe it appropriate for at least one, and, preferably, several, members of our board of directors to meet the criteria for an "audit committee financial expert" as defined by SEC rules, and that a majority of the members of our board of directors be independent as required by the Nasdaq Stock Market qualification standards. At this time, the nominating/corporate governance committee also believes it appropriate for our chief executive officer to serve as a member of our board of directors.

Identifying and Evaluating Nominees for Directors

The nominating/corporate governance committee identifies nominees by first evaluating the current members of the board willing to continue in service. Current members with qualifications and skills that are consistent with the nominating/corporate governance committee's criteria for board service are re-nominated. As to new candidates, the nominating/corporate governance committee will generally poll board members and members of management for their recommendations. The nominating/corporate governance committee may also hire a search firm if deemed appropriate. An initial slate of candidates will be presented to the chairman of the nominating/corporate governance committee, who will then make an initial determination as to the qualification and fit of each candidate. Final candidates will be interviewed by our chief executive officer and a nominating/corporate governance committee member. The nominating/corporate governance committee will then approve final director candidates and, after review of and deliberation over all feedback and data, will make its recommendation to our board of directors. Recommendations received by stockholders will be processed and are subject to the same criteria as are candidates nominated by the nominating/corporate governance committee.

Stockholder Nominations

The nominating/corporate governance committee's policy is to consider candidates recommended by stockholders. The stockholder must submit a detailed resume of the candidate and an explanation of the reasons why the stockholder believes the candidate is qualified for service on our board and how the candidate satisfies our board's criteria. The stockholder must also provide such other information about the candidate that would be required by the SEC rules to be included in a proxy statement. In addition, the stockholder must include the consent of the candidate and describe any arrangements or undertakings between the stockholder and the candidate regarding the nomination. The stockholder must submit proof of Price Legacy stockholdings. All communications are to be directed to the chairperson of the nominating/corporate governance committee, care of our corporate secretary. Recommendations received within 120 days of the mailing of proxy materials will likely not be considered timely for consideration at that year's annual meeting.

We have not received any director candidate recommendations from our stockholders for this annual meeting of stockholders.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship existed during 2003 or currently exists between any member of the compensation committee and any member of any other company's board of directors or compensation committee.

Communications with our Board of Directors

Our stockholders may contact our board of directors or a specified individual director by writing to the Office of the General Counsel, Price Legacy Corporation, 17140 Bernardo Center Drive, Suite 300, San Diego, CA 92128. The Office of the General Counsel will forward all such communications (excluding routine advertisements, business solicitations and communications that he or she, in his or her sole discretion, deems to be a security risk or for harassment purposes) to each member of our board of directors, or, if applicable, to the individual director(s) named in the correspondence with a courtesy copy to the chairman of our board of directors.

Code of Ethics

Price Legacy has adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees. Price Legacy's Code of Business Conduct and Ethics is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K promulgated by the SEC. The full text of Price Legacy's Code of Business Conduct and Ethics is available on our website at www.PriceLegacy.com.

Corporate Governance Documents

Copies of our corporate governance documents, including the Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter and Nominating/Corporate Governance Committee Charter are available, free of charge, on our website at www.PriceLegacy.com under the heading "Investor Relations." Please note, however, that the information contained on the website is not incorporated by reference in, or considered part of, this proxy statement. We will also provide copies of these documents, free of charge, to any stockholder upon written request to Investor Relations, 17140 Bernardo Center Drive, Suite 300, San Diego, CA 92128.

Compensation of Directors

During 2003, each non-employee director of Price Legacy received cash compensation of \$15,000 for serving on Price Legacy's board of directors. In addition, each non-employee director received \$1,000 for each board of directors meeting attended in person. Each director who sits on a committee of the board of directors also received \$500 for each committee meeting attended in person. The chairman of the audit committee received additional annual compensation in the amount of \$15,000 for service as chairman of that committee. In addition to directors fees, each non-employee director of Price Legacy is granted an option to purchase 2,500 shares of Price Legacy common stock on the date the director is first elected to the board of directors. At each subsequent annual meeting of stockholders at which the non-employee director is re-elected, the director receives an option to purchase 1,250 shares of Price Legacy common stock.

Director Attendance at Annual Meetings

Although our company does not have a formal policy regarding attendance by members of our board of directors at our annual meeting, we encourage the attendance of our directors and director nominees at our annual meeting and historically more than a majority have done so. For example, seven out of eight of our directors attended our 2002 annual meeting and four out of six of our directors attended our 2003 annual meeting.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Set forth below are the names, positions and ages of the executive officers and other key employees of Price Legacy:

Name	Age	Position
Jack McGrory	55	Chairman, President and Chief Executive Officer
Robert M. Siordia	44	Chief Operating Officer and Secretary
Jeffrey R. Fisher	46	Chief Financial Officer
Marjorie G. Rubin	58	General Counsel
John A. Visconsi	60	Senior Vice President Asset Management
Susan M. Wilson	46	Senior Vice President Development

Jack McGrory has served as Chairman of the Board of Price Legacy since September 2001 and as President and Chief Executive Officer since October 2003. Mr. McGrory served as Chairman of the Board of Price Legacy's predecessor, Price Enterprises, and as a director of Excel Legacy from November 1999 to September 2001. For a more detailed discussion of Mr. McGrory's business experience, see "Director Nominees."

Robert M. Siordia has served as Chief Operating Officer and Secretary of Price Legacy since October 2003. From March 2003 to October 2003, Mr. Siordia was employed by The Price Group. From February 2000 to December 2002, Mr. Siordia served as Vice President for Deutsche Bank in the firm's real estate investment banking operations and from January 2003 to March 2003 served as Director. From October 1994 to November 1999, Mr. Siordia served as Vice President of West Coast Real Estate for Price Enterprises. From 1986 through September 1993, Mr. Siordia worked for The Price Company in various capacities within the company's real estate operations. Mr. Siordia assumed the position of Assistant Vice President of Price/Costco, Inc. following the merger of The Price Company and Costco Wholesale Corporation in 1993.

Jeffrey R. Fisher has served as Chief Financial Officer of Price Legacy since January 2004. Prior to joining Price Legacy, Mr. Fisher served as Chief Financial Officer of National Retail Partners, a private real estate company, from October 2000. From August 1993 to September 2000, Mr. Fisher served as Corporate Controller of Burnham Pacific Properties, Inc., a publicly-traded REIT. Prior to joining Burnham Pacific Properties, Mr. Fisher was a senior manager at Deloitte & Touche LLP. Mr. Fisher is a certified public accountant.

Marjorie G. Rubin has served as General Counsel of Price Legacy since December 2003. Prior to joining Price Legacy, from 1998 to 2002, Ms. Rubin served as Senior Corporate Counsel of TrizecHahn Development Corporation, a publicly-traded developer and operator of regional shopping centers. From 1988 to 1997, Ms. Rubin practiced law with Andersen & Waldron, where she was the partner in charge of the firm's transactional department. Prior to that, Ms. Rubin practiced law with Gibson, Dunn & Crutcher LLP.

John A. Visconsi has served as Senior Vice President Asset Management of Price Legacy since September 2001. Mr. Visconsi served as Senior Vice President Asset Management of Price Enterprises from November 1999 to September 2001 and in the same position with Excel Legacy from May 1999 to September 2001. Mr. Visconsi served as Vice President Leasing with Excel Realty Trust and then New Plan Excel from January 1995 to April 1999. He also served as Senior Vice President of Price Enterprises from January 1994 to March 1995. From 1981 to 1994, Mr. Visconsi was Director of Leasing and Land Development of Trizec Hahn, Inc.

Susan M. Wilson has served as Senior Vice President Development of Price Legacy since September 2001. Ms. Wilson served as Senior Vice President Mixed Use/Development of Price

Enterprises and as Senior Vice President Office/Industrial/Hospitality of Excel Legacy from December 1999 to September 2001. From May 1992 to May 1998, Ms. Wilson owned and operated her own real estate development and property management firm specializing in office, industrial and multi-family projects.

Executive Compensation

The following Summary Compensation Table sets forth summary information concerning compensation paid by or on behalf of Price Legacy for each of the three years ended December 31, 2003 to Price Legacy's Chief Executive Officer and each of Price Legacy's other four most highly compensated executive officers (collectively, the Named Executive Officers).

Summary Compensation Table

Name and Principal Position(s)	Year	Annual Compensation(1)		Long-Term Compensation	All Other Compensation(3)
		Salary	Bonus(2)	Securities Underlying Options	
Jack McGrory(4) Chairman, President and Chief Executive Officer	2003	\$	\$		\$ 1,000
Gary B. Sabin(5) Co-Chairman and Chief Executive Officer	2003	\$ 283,332	\$ 77,513		\$ 25,953
	2002	321,875			29,452
	2001	75,000	150,000	762,333	6,239
James Y. Nakagawa(6) Chief Financial Officer	2003	\$ 200,463	\$ 81,508		\$ 26,515
	2002	170,625	35,000		24,205
	2001	30,000	70,000	307,500	4,521
Richard B. Muir(5) Vice Chairman	2003	\$ 187,500	\$ 46,507		\$ 23,803
	2002	221,875			24,770
	2001	50,000	100,000	697,000	4,896
Graham R. Bullick, Ph.D.(5) President and Chief Operating Officer	2003	\$ 178,207	\$ 112,530		\$ 25,103
	2002	193,750			25,092
	2001	37,500	75,000	314,500	5,114
Mark T. Burton(7) Senior Vice President Acquisitions	2003	\$ 175,000	\$ 46,507		\$ 21,790
	2002	171,875			21,915
	2001	37,500	75,000	307,500	4,852

(1)

Price Legacy's executive officers received no compensation directly from Price Legacy prior to the merger of Excel Legacy and Price Enterprises that resulted in the formation of Price Legacy. Prior to the Excel Legacy/Price Enterprises merger, Excel Legacy paid the compensation of the officers, and Price Enterprises reimbursed Excel Legacy for the operational expenses of Price Enterprises under an administrative services agreement between the companies, which totaled approximately

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\$2.4 million in 2001. The following table provides information regarding the amounts paid to certain of the Named Executive Officers by Excel Legacy during 2001.

Name	Salary	All Other Compensation
Gary B. Sabin	\$ 225,000	\$ 18,717
Richard B. Muir	150,000	14,688
Graham R. Bullick, Ph.D.	112,500	13,563
James Y. Nakagawa	112,500	13,563
Mark T. Burton	112,500	14,566

- (2) The bonuses represent amounts awarded by the compensation committee related to 2002 and 2001 paid by Price Legacy in 2003 and 2002.
- (3) All other compensation consists of medical and dental benefits, life insurance, long-term disability insurance, car allowances and contributions to Price Legacy's 401(k) plan on behalf of the Named Executive Officer.
- (4) Mr. McGrory was appointed Price Legacy's President and Chief Executive Officer on October 15, 2003. Mr. McGrory receives no salary for serving as Chief Executive Officer.
- (5) Messrs. Sabin, Muir and Bullick resigned their positions with Price Legacy on October 15, 2003. In connection with their resignations, Messrs. Sabin, Muir and Bullick entered into resignation and release agreements and a master separation agreement providing for certain benefits from Price Legacy. See "Certain Relationships and Related Transactions."
- (6) Mr. Nakagawa resigned his position with Price Legacy on January 2, 2004.
- (7) Mr. Burton resigned his position with Price Legacy on February 1, 2004.

Aggregated Option Exercises in 2003 and Fiscal Year-End Option Values

The following table provides information concerning exercises of stock options by each of the Named Executive Officers during 2003, and the number of options and value of unexercised options held by each person on December 31, 2003 (after adjusting such number and value for the impact of Price Legacy's 1-for-4 reverse stock split effected in March 2004).

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options At Fiscal Year-End		Value of Unexercised In-The-Money Options At Fiscal Year-End (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jack McGrory			7,251		\$ 7,340	
Gary B. Sabin			197,752		527,392	
Richard B. Muir			180,918		481,973	
Graham R. Bullick, Ph.D.			83,628		217,701	
James Y. Nakagawa			33,209		86,687	
Mark T. Burton			81,878		212,731	

- (1) Calculated by determining the difference between the fair market value of the securities underlying the options and the closing price of Price Legacy's common stock on December 31, 2003.

Compensation Plans

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Price Legacy Stock Option Plans. The Amended and Restated Price Legacy Corporation 2001 Stock Option and Incentive Plan (Price Legacy Option Plan) provides for the grant to executive officers, other key employees, consultants and directors of Price Legacy of a broad variety of stock-

based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock, dividend equivalent awards, deferred stock awards, stock payment awards, stock appreciation rights and performance awards. The Price Legacy Option Plan currently provides for aggregate award grants of up to 998,250 shares of common stock. This aggregate limit automatically increases on January 1 of each calendar year by 10% of the aggregate limit in effect for the immediately preceding calendar year, up to a maximum of 1,250,000 shares of common stock. In connection with the merger of Excel Legacy and Price Enterprises in September 2001, Price Legacy assumed Excel Legacy's stock option plan, which provided for the grant of a broad variety of stock-based compensation alternatives. The number of shares of common stock and the exercise price underlying each option granted under this plan prior to the Excel Legacy/Price Enterprises merger were adjusted to reflect the exchange ratio in the merger. No future grants will be made under this plan. As of November 4, 2004, options to purchase an aggregate of 165,799 shares of Price Legacy common stock, at prices ranging from \$12.40 to \$27.76, were outstanding under the Price Legacy Option Plan and the Excel Legacy stock option plan assumed by Price Legacy in the Excel Legacy/Price Enterprises merger.

401(k) Retirement Plan and Trust. Price Legacy has established a tax-qualified employee savings and retirement plan (401(k) Plan) covering all employees who have been employed by Price Legacy for at least six months and who are at least 21 years of age. Pursuant to the 401(k) Plan, eligible employees may elect to reduce their current compensation by up to the maximum amount determined by the federal government each year and have the amount of such reduction contributed to the 401(k) Plan. Price Legacy contributes three percent of each eligible employee's base salary to the 401(k) Plan. The 401(k) Plan permits, but does not require, additional cash contributions to the 401(k) Plan by Price Legacy. The 401(k) Plan is intended to qualify under the Internal Revenue Code so that contributions to the 401(k) Plan, and income earned on plan contributions, are not taxable to employees until withdrawn, and so that contributions by Price Legacy are deductible by Price Legacy when made for income tax purposes.

COMPENSATION COMMITTEE REPORT

Set forth below in full is the Report of Price Legacy's compensation committee regarding the compensation paid by Price Legacy to its executive officers during 2003:

The philosophy of Price Legacy's compensation program is to employ, retain and reward executives capable of leading Price Legacy in achieving its business objectives. These objectives include:

enhancing stockholder value;

maximizing financial performance;

preserving a strong financial posture;

increasing Price Legacy's assets;

attracting and retaining highly qualified executive management; and

positioning its assets and business in geographic markets offering long-term growth opportunities.

The accomplishment of these objectives is measured against the conditions characterizing the industry within which Price Legacy operates. Price Legacy and the compensation committee believe this philosophy will properly motivate the executives, and thereby promote achievement of Price Legacy's business objectives.

Components of Executive Compensation

Base Salary. Base salary is established by Price Legacy's compensation committee based on each executive's job responsibilities, level of experience, individual performance and contribution to the business, with reference to the competitive marketplace for executive officers at other similar companies. The compensation committee believes that the base salaries paid to executive officers of Price Legacy are at competitive levels relative to the various markets from which Price Legacy attracts its executive talent. The base salary and other employment benefits for Price Legacy's executive officers are provided pursuant to employment agreements with the executive officers.

Annual Cash Incentive Bonus. Annual cash incentive bonuses are established by the compensation committee at the end of the fiscal year and are based on Price Legacy's performance, individual performance and compensation surveys. Bonuses awarded in prior years are also taken into consideration. While executive officers of Price Legacy with employment agreements historically were able to receive up to 100% of their base salary in the form of a bonus, in connection with the execution of amended and restated employment agreements with these executive officers, the compensation committee established a Performance Based Incentive Plan intended to provide cash bonus awards to these executive officers if Price Legacy achieves strategic objectives established by the compensation committee.

Long-Term Incentives. Long-term incentives generally include awards of stock options, though under Price Legacy's stock option and incentive plan they may also include a variety of stock-based compensation alternatives such as restricted stock, dividend equivalent awards, deferred stock awards, stock payment awards, stock appreciation rights and performance awards. The objective for the awards is to closely align executive interests with the longer term interests of stockholders. These awards, which are at risk and dependent on the creation of incremental stockholder value or the attainment of cumulative financial targets over several years, represent a portion of the total compensation opportunity provided for the executive officers. Award sizes are based on individual performance, level of responsibility, the individual's potential to make significant contributions to Price Legacy and award levels at other similar companies.

Compensation of Chief Executive Officer

During 2003, Gary B. Sabin served as Price Legacy's Chief Executive Officer until October 15, 2003, and Jack McGrory served as Price Legacy's Chief Executive Officer beginning October 15, 2003. During 2003, prior to his resignation, Mr. Sabin was compensated pursuant to an employment agreement with Price Legacy at an annual rate of \$325,000. Mr. Sabin was eligible to participate in Price Legacy's stock option and incentive plan. Mr. McGrory receives no salary from and is not party to any employment agreement with Price Legacy in connection with serving as Price Legacy's Chief Executive Officer. Mr. McGrory is eligible to participate in Price Legacy's stock option and incentive plan.

Tax Considerations

Section 162(m) of the Internal Revenue Code generally limits the tax deductions a public corporation may take for compensation paid to its Chief Executive Officer and its other four most highly compensated executive officers to \$1 million per executive per year. Price Legacy does not presently anticipate that any of its executive officers will exceed the non-performance based compensation threshold of Section 162(m). The Compensation Committee intends to evaluate Price Legacy's executive compensation policies and benefit plans during the coming year to determine whether any actions to maintain the tax deductibility of executive compensation are in the best interest of Price Legacy's stockholders.

This report of the compensation committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, except to the extent that Price Legacy specifically incorporates this information by reference, and shall not otherwise be deemed to be "soliciting material" or deemed "filed" under the Securities Act or the Exchange Act.

The foregoing report has been furnished by the Compensation Committee.

James Cahill (1)
Murray Galinson
January 16, 2004

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- (1) Subsequent to the date the compensation committee furnished its report, Mr. Cahill resigned as a member of the compensation committee.

AUDIT COMMITTEE REPORT

The audit committee of Price Legacy's board of directors is comprised of three independent directors as required by the qualification standards of the Nasdaq National Market and by Section 10A of the Exchange Act. The audit committee operates pursuant to a written charter adopted by the board of directors. The composition of the audit committee, the attributes of its members and the responsibilities of the audit committee, as reflected in its written charter, are intended to be in accordance with the requirements for corporate audit committees under applicable Nasdaq and SEC rules. Our board of directors reviews and assesses the adequacy of the audit committee's written charter on an annual basis in light of applicable Nasdaq and SEC rules. Each year, the company will also provide a written certification of adoption of the charter and its adequacy as required by the Nasdaq Stock Market qualification standards.

The role of the audit committee is to oversee Price Legacy's financial reporting process on behalf of the board of directors. Price Legacy's management has the primary responsibility for its financial statements as well as Price Legacy's financial reporting process, principles and internal controls. Price Legacy's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an audit of Price Legacy's financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States. The committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or Price Legacy's independent registered public accounting firm, nor can the audit committee certify that Price Legacy's independent registered public accounting firm is "independent" under applicable rules. The audit committee has authority to engage its own outside advisors, including experts in particular areas of accounting, as it determines appropriate, apart from counsel or advisors hired by management.

Among other matters, the audit committee monitors the activities and performance of Price Legacy's independent registered public accounting firm, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit services. The audit committee and the board of directors have ultimate authority and responsibility to select, evaluate and, when appropriate, replace Price Legacy's independent registered public accounting firm. The audit committee also reviews the results of the audit work with regard to the adequacy and appropriateness of Price Legacy's financial, accounting and internal controls.

In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed the audited consolidated financial statements in our annual report with management including a discussion of the quality, not just acceptability, of the accounting principles, reasonableness of significant judgment, and clarity of disclosures in the financial statements. The audit committee discussed the

interim financial information contained in each quarterly earnings announcement with management and Price Legacy's independent registered public accounting firm prior to public release. The audit committee also discussed with management, and Price Legacy's independent registered public accounting firm the quality and adequacy of the company's internal controls as well as the requirements of the Sarbanes-Oxley Act of 2002. In addition, the audit committee also discussed with management the process used to support the certifications of the Chief Executive Officer and Chief Financial Officer that are required in periodic reports filed by the company with the SEC. The audit committee reviewed with Price Legacy's independent registered public accounting firm its audit plans, audit scope, and identification of audit risks. The audit committee engaged the independent registered public accounting firm and approved auditor services and fees, including audit, audit related, and non audit fees.

The audit committee reviewed with the independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just acceptability, of the accounting principles, reasonableness of significant judgments, and clarity of disclosures in the financial statements. In addition, Price Legacy's independent registered public accounting firm represented that its presentations included the matters required to be discussed with the audit committee by Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees."

Price Legacy's independent registered public accounting firm also provided the audit committee with the written disclosures required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and the audit committee discussed with Price Legacy's independent registered public accounting firm that firm's independence.

In reliance on the review and discussions noted above and the report of the independent registered public accounting firm, the audit committee recommended to the board of directors that Price Legacy's audited financial statements be included in Price Legacy's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and be filed with the SEC.

This report of the audit committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, except to the extent that Price Legacy specifically incorporates this information by reference, and shall not otherwise be deemed to be "soliciting material" or deemed "filed" under the Securities Act or the Exchange Act.

Submitted on March 11, 2004 by the members of the audit committee of Price Legacy's board of directors.

James Cahill (1)
Murray Galinson (1)
Keene Wolcott

-
- (1) Subsequent to the date the audit committee furnished its report, Messrs. Cahill and Galinson resigned as members of the audit committee.

RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS

Price Legacy's financial statements for 2003 have been audited by PricewaterhouseCoopers LLP. Representatives of PricewaterhouseCoopers LLP are expected to be available at the annual meeting to respond to appropriate questions from stockholders and to make a statement if they desire to do so. In August 2004, Price Legacy's board of directors selected PricewaterhouseCoopers LLP as Price Legacy's independent registered public accounting firm for the current year.

The aggregate fees billed to Price Legacy by PricewaterhouseCoopers LLP, its independent registered public accounting firm, for the indicated services for each of the last two fiscal years were as follows (in thousands):

	2002	2003
Audit Fees(1)	\$ 171,650	\$ 218,124
Audit-Related Fees(2)	34,235	-0-
Tax Fees(3)	53,699	79,324
All Other Fees(4)	52,000	116,877

- (1) Audit Fees consist of the audit of Price Legacy's annual financial statements included in Price Legacy's Annual Report on Form 10-K and Annual Report to Stockholders, review of interim financial statements included in Price Legacy's Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) Audit-Related Fees consist of fees for assurance and related services performed by Price Legacy's independent registered public accounting firm that are reasonably related to the performance of the audit or review of Price Legacy's financial statements, including employee benefit plan audits; due diligence related to acquisitions; and consulting on financial accounting/reporting standards.
- (3) Tax Fees consist of the aggregate fees billed for professional services for tax compliance, tax advice, and tax planning, including preparation of tax returns for Price Legacy and its consolidated subsidiaries; refund claims; payment planning; tax audit assistance; and tax work stemming from audit-related items.
- (4) All Other Fees consist of other permissible work performed by Price Legacy's independent registered public accounting firm that does not meet with the above category descriptions.

Audit Committee Policy Regarding Pre-Approval of Audit and Permissible Non-Audit Services of Our Independent Registered Public Accounting Firm

Our audit committee has established a policy that all audit and permissible non-audit services provided by our independent registered public accounting firm will be pre-approved by the audit committee. These services may include audit services, audit-related services, tax services and other services. The audit committee considers whether the provision of each non-audit service is compatible with maintaining the independence of our auditors. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Our independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

PERFORMANCE GRAPH

The following performance graph compares the performance of Price Legacy's common stock to the Standard & Poor's (S&P) 500 Index and to the published National Association of Real Estate Investment Trust's All Equity Total Return Index, or the NAREIT Equity Index, in each case for the period commencing December 31, 1998 through December 31, 2003. The NAREIT Equity Index includes all tax qualified REITs listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq National Market. The graph assumes that the value of the investment in Price Legacy's common stock and each index was \$100 at December 31, 1998 and that all dividends were reinvested. The stock price performance shown on the graph is not necessarily indicative of future price performance.

**SECURITIES OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of shares of Price Legacy's common stock, Series A preferred stock and Series 1 preferred stock as of November 4, 2004, by: (1) each director and nominee for director; (2) each of the Named Executive Officers; (3) all executive officers and directors of Price Legacy as a group; and (4) all other stockholders known by Price Legacy to be beneficial owners of more than five percent of its common stock, Series A preferred stock or Series 1 preferred stock. Except as otherwise indicated, each individual named has a business address of 17140 Bernardo Center Drive, Suite 300, San Diego, California 92128, and has sole investment and voting power with respect to the securities shown.

Name	Number of Shares Beneficially Owned			Percent Beneficially Owned (%) ⁽²⁾			Percent of Total Voting Power (%)
	Common (1)	Series A Preferred	Series 1 Preferred	Common	Series A Preferred	Series 1 Preferred	
Jack McGrory (3)(4)(5)(6)(7)	5,360,408			14.5%	*	*	14.4%
Giles H. Bateman (8)	23,500			*	*	*	*
Murray Galinson (3)(4)(5)(6)(9)	5,424,404			14.7	*	*	14.6
Charles L. Goldberg (10)	8,330			*	*	*	*
Robert N. Goodman (11)	2,500			*	*	*	*
Jacklyn Horton (12)	27,049			*	*	*	*
Keene Wolcott (13)	17,500			*	*	*	*
Robert Siordia				*	*	*	*
Jeffrey Fisher.				*	*	*	*
James F. Cahill (3)(4)(5)(6)(14)	5,555,381			15.0	*	*	14.9
The Price Group (6)	3,166,194			8.6	*	*	8.5
The Price Family Charitable Fund	2,045,152			5.5	*	*	5.5
The Price Family Charitable Trust	4,200,000			11.4	*	*	11.3
Robert & Allison Price Charitable Trust	2,098,496			5.7	*	*	5.6
Sol Price (3)(4)(5)(6)(15)	9,709,369			26.3	*	*	26.1
Robert E. Price (3)(4)(5)(6)(16)	8,893,522		599	24.1	*	*	23.9
Helen Price (4)	2,045,152			5.5	*	*	5.5
Allison Price (4)(5)(17)	5,723,559			15.5	*	*	15.4
William Gorham (4)(5)	2,172,650			5.9	*	*	5.8
Joseph Satz (3)(4)(5)(6)	5,335,944			14.5	*	*	14.4
Kathy Hillan (3)(4)(5)(6)	5,333,844			14.4	*	*	14.4
The 520 Group LLC	9,043,295			24.5	*	*	24.3
Mark Daitch (18)(19)	9,046,700			24.5	*	*	24.3
Barry McComic (19)	9,043,295			24.5	*	*	24.3
Charles T. Munger (20)		748,640		*	30.9%	*	*
All executive officers and directors as a group (9 persons)	5,529,847			15.0	*	*	14.8

*
Less than 1%.

(1) Includes the following shares issuable upon the exercise of outstanding stock options that are exercisable within 60 days of November 4, 2004: Mr. McGrory 7,251; Mr. Bateman 2,500; Mr. Galinson 5,000; Mr. Goldberg 2,500; Mr. Goodman 2,500; Ms. Horton 2,500; Mr. Wolcott 5,000 and Mr. Cahill 5,000.

(2) Percentages are based on 36,921,206 shares of common stock, 2,424,494 shares of Series A preferred stock and 2,942,463 shares of Series 1 preferred stock outstanding as of November 4, 2004, plus, for each person, the shares that would be issued assuming that person exercises all options held that are exercisable within 60 days of November 4, 2004.

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- (3) Jack McGrory, James F. Cahill, Murray Galinson, Kathy Hillan and Joseph Satz are co-managers, and Sol Price and Robert E. Price are managers of The Price Group. As such, for purposes of this table, they are each deemed to beneficially own 3,140,994 shares of common stock. Each of Sol Price, Robert E. Price, James F. Cahill, Murray Galinson, Jack McGrory Kathy Hillan and Joseph Satz has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by The Price Group. The business address for James F. Cahill, Murray Galinson, Sol Price, Robert E. Price, Kathy Hillan and Joseph Satz is c/o The Price Entities, 7979 Ivanhoe Avenue, Suite 520, La Jolla, California 92037.
- (4) Jack McGrory, James F. Cahill, Murray Galinson, Sol Price, Robert E. Price, Allison Price, Helen Price, William Gorham, Kathy Hillan and Joseph Satz are directors of The Price Family Charitable Fund. As such, for purposes of this table, they are each deemed to beneficially own 2,045,152 shares of common stock held by the Charitable Fund. Each of Sol Price, Robert E. Price, James F. Cahill, Murray Galinson, Jack McGrory, Allison Price, Helen Price, William Gorham, Kathy Hillan and Joseph Satz has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by the Charitable Fund. The business address for Allison Price, Helen Price and William Gorham is c/o The Price Entities, 7979 Ivanhoe Avenue, Suite 520, La Jolla, California 92037.
- (5) Jack McGrory, James F. Cahill, Murray Galinson, Sol Price, Robert E. Price, Allison Price, William Gorham, Kathy Hillan, and Joseph Satz are directors of San Diego Revitalization Corp. As such, for purposes of this table, they are each deemed to beneficially own 122,498 shares of common stock held by San Diego Revitalization. Each of Sol Price, Robert E. Price, James F. Cahill, Murray Galinson, Jack McGrory, Allison Price, William Gorham, Kathy Hillan and Joseph Satz has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by San Diego Revitalization.
- (6) Includes 25,200 shares of common stock held by TPG Sherman LLC, an entity managed by The Price Group. Jack McGrory, James F. Cahill, Murray Galinson, Kathy Hillan and Joseph Satz are co-managers, and Sol Price and Robert E. Price are managers of The Price Group. As such, for purposes of this table, they are each deemed to beneficially own these shares. Each of Jack McGrory, James F. Cahill, Murray Galinson, Kathy Hillan, Joseph Satz, Sol Price and Robert E. Price has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, these shares.
- (7) Includes 2,524 shares of common stock held by Mr. McGrory as custodian for his minor children. Mr. McGrory disclaims beneficial ownership of such shares.
- (8) Mr. Bateman's business address is 251 Stratford Park Circle, Del Mar, California 92014.
- (9) Includes 47,250 shares of common stock held by the Galinson Charitable Remainder Trust 2, 22,099 shares of common stock held by the Murray and Elaine Galinson Family Trust, 10,500 shares of common stock held by the Galinson Family Partnership, 3,743 shares of common stock held by Kindervest and 1,968 shares of common stock held by Mr. Galinson's spouse. Mr. Galinson disclaims beneficial ownership of such shares.
- (10) Mr. Goldberg's business address is 2100 Symphony Towers, 750 B Street, San Diego, California 92101.
- (11) Mr. Goodman's business address is 10880 Wilshire Blvd., Suite 1420, Los Angeles, California 90024.
- (12) Ms. Horton's business address is 2245 Soledad Rancho Road, San Diego, California 92109.
- (13) Mr. Wolcott's business address is 4545 North Lane, Del Mar, California 92014.
- (14) Includes 4,616 shares of common stock held by Mr. Cahill as custodian for his minor children and 100,710 shares of common stock held by trusts in which Mr. Cahill is a trustee. Mr. Cahill has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by the trusts.
- (15)

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Includes 4,375,525 shares of common stock held by trusts of which Sol Price is a trustee, and as to which Sol Price has sole voting and dispositive power.

- (16) Includes 3,555,909 shares of common stock held by trusts of which Robert E. Price is a trustee. Robert E. Price has shared voting and dispositive power with respect to such shares. Also includes 599 shares of Series 1 preferred stock held