

ADAMS DIVERSIFIED EQUITY FUND, INC.
Form N-CSR
February 29, 2016

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES**

Investment Company Act file number: 811-00248

ADAMS DIVERSIFIED EQUITY FUND, INC.

(Exact name of registrant as specified in charter)

500 East Pratt Street, Suite 1300, Baltimore, Maryland 21202

(Address of principal executive offices)

**Lawrence L. Hooper, Jr.
Adams Diversified Equity Fund, Inc.
500 East Pratt Street, Suite 1300
Baltimore, Maryland 21202**

(Name and address of agent for service)

Registrant's telephone number, including area code: (410) 752-5900

Date of fiscal year end: December 31

Date of reporting period: December 31, 2015

Item 1. Reports to Stockholders.

2015 AT A GLANCE

The Fund

a closed-end equity investment company
 objectives: preservation of capital
 reasonable income

opportunity for capital gain

internally-managed
 annual distribution rate of at least 6%

Stock Data (12/31/15)

NYSE Symbol ADX
 Market Price \$12.83
 52-Week Range \$12.39 \$14.35
 Discount 14.7%
 Shares Outstanding 97,913,946

Summary Financial Information

Year Ended December 31,	2015	2014
Net asset value per share (NASDAQ: XADEX)	\$ 15.04	\$ 15.87
Total net assets	1,472,144,157	1,527,772,661
Unrealized appreciation on investments	394,480,793	469,715,852
Net investment income	12,063,999	19,120,191
Net realized gain	74,763,845	93,558,308
Total return (based on market price)	0.7%	13.7%
Total return (based on net asset value)	1.8%	14.3%
Ratio of expenses to average net assets	0.96%*	0.58%
Annual distribution rate	6.8%	8.8%

* Excluding non-recurring charge for termination of defined benefit plans, ratio was 0.67%.

2015 Dividends and Distributions

Paid

Type

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	Amount (per share)	
March 2, 2015	\$ 0.01	Long-term capital gain
March 2, 2015	0.01	Short-term capital gain
March 2, 2015	0.03	Investment income
June 1, 2015	0.05	Investment income
September 1, 2015	0.05	Investment income
December 28, 2015	0.77	Long-term capital gain
December 28, 2015	0.01	Investment income
	\$ 0.93	

2016 Annual Meeting of Shareholders

Location: Adams Funds, 500 East Pratt Street, Suite 1300, Baltimore, MD 21202

Date: April 14, 2016

Time: 9:00 a.m.

Letter from Chief Executive Officer and President,

Mark E. Stoeckle

Dear Fellow Shareholders,

By simply looking at where the S&P 500 started the year and where it ended, one might assume that little happened in the U.S. equity markets in 2015. After factoring in dividends, the S&P 500 managed a 1.4% total return for the year. The nearly flat performance may suggest a stable and static market last year, but 2015 delivered a turbulent year for domestic equities, with the S&P 500 hitting a record high in May and assuming a far more volatile path from there.

An exceptionally strong dollar, declining commodity prices, and the long-awaited transition to a rising rate environment in the U.S. all contributed to a less certain environment than many investors had grown accustomed to in the years following the depths of the financial crisis. As a result, 2015 witnessed swings in volatility and a pronounced divergence in the performance of various markets, sectors and individual securities. But it was also a year in which experience, a long-term focus, and a commitment to a diversified strategy allowed the Fund to beat the market.

Against this backdrop, we are pleased to report that Adams Diversified Equity Fund, Inc. delivered a 1.8% total return on net asset value. This surpassed the S&P 500 and also came in well above our peer group as measured by the Lipper Large-Cap Core Funds Average, which finished the year in the red and registered a 0.6% loss. The Adams Diversified Equity Fund's total return on market price was 0.7%.

Growth stocks, particularly several mega-cap members of the S&P 500, enjoyed outsized returns.

2015 Market Recap

A harsh winter that stalled consumer activity along the East Coast and a West Coast port strike that effectively halted international trade between the U.S. and Asia kicked off the year. These two factors, as well as tepid growth in many foreign markets, contributed to a temporary slowdown in the first quarter. Despite this, consumer confidence levels remained high and served as the catalyst that pushed the S&P 500 to record levels in May. Robust merger and acquisition (M&A) activity and share buybacks also helped drive the market's rise. However, the positive market sentiment was fairly short-lived and couldn't overcome the growing number of issues in international markets.

Greece's long-brewing debt troubles introduced the possibility of Greece leaving the European Union (EU). While Greece was able to secure a bailout deal that would keep the country within the EU, China's unexpected move to devalue its currency in August frightened investors already

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nervous about global growth. Moreover, ongoing expectations that the Fed would begin raising rates, coupled with downward spiraling oil prices, stoked investor fears and led to a broad sell-off that wiped out the year's gains and sent market returns into negative territory by late September.

Equities rebounded in October, following announcements of monetary policy accommodations by major central banks. U.S. equities also benefited from an encouraging earnings season. Market volatility escalated during the final months of 2015, thanks to the Fed's December interest rate increase—the first since 2006—as well as renewed terrorism fears following the attacks in Paris a month earlier.

Just as volatility characterized equity markets in 2015, divergence best describes the performance of sectors and individual stocks. Unexpectedly large declines in commodity prices, as well as slower global economic growth, contributed to the dichotomy. Services and consumer-oriented sectors enjoyed solid returns, led by the Consumer Discretionary stocks, up 10.1%, as well as Consumer Staples, which registered a 6.6% gain on the year. Health Care and Information Technology also beat the broader index. This was in stark contrast to the declines in the Energy and Materials sectors. Energy posted a negative return of 21.2%, as the industry dealt with a supply glut, while the Materials sector suffered an 8.4% decline largely due to slackening demand in overseas markets.

LETTER TO SHAREHOLDERS (CONTINUED)

On an individual stock basis, companies that demonstrated strong earnings per share growth were rewarded. Growth stocks, particularly several mega-cap members of the S&P 500, enjoyed outsized returns and gave rise to what commentators began calling a "FANG market," referring to the strong performance from Facebook, Amazon, Netflix and Google (renamed Alphabet in August). Netflix saw its share price grow by 134% in 2015, while Amazon was up 118%.

The Adams Difference

As with the S&P 500, Consumer Discretionary and Technology sectors were two of the largest contributors to the success of Adams Diversified Equity Fund. Our position in Amazon was very successful in 2015. The company delivered outstanding earnings and cash flow growth, driven by success from its Amazon Web Services cloud-based business, as well as a strong holiday season. In one week in December, the online retail giant added 3 million new subscribers to its Amazon Prime subscription service and Prime members doubled their viewing hours of Prime Video, underscoring the many growth catalysts still in front of Amazon.

Our holding in Walt Disney also was rewarding. The Company benefited from its four core production assets (Disney, Pixar, Marvel and, Lucasfilm, whose Star Wars franchise continues to break box office records). The popularity of their characters and movies bolstered Disney's Consumer Products and Parks business, while driving significant margin expansion due to strong demand and improved pricing. The strength of these divisions, coupled with the leadership position of ESPN, continued to drive solid performance for the company.

In our letter last year, we highlighted the potential for the Technology sector to deliver above-average returns as internet advertising continues to take market share from other media channels. The Fund enjoyed an 8.6% return in the sector, surpassing the S&P 500 sector return of 5.9%. Our positions in Alphabet and Facebook were clear beneficiaries of this trend. Beyond robust growth in its core businesses, Alphabet was further rewarded for a major overhaul of its corporate structure and the hiring of a well-respected CFO, who arrived with a promise of more transparency and a focus on expense control. Facebook, meanwhile, consistently beat consensus earnings forecasts through finding new ways to monetize its growing and active user base.

Health Care proved to be very volatile and challenging in 2015. Investments in the sector during the first half were lifted by positive earnings growth, as well as some M&A activity. However, as the U.S. Presidential primary season kicked into gear, the political rhetoric drove negative sentiment that led to sharp declines in some pharmaceutical and biotech names, two of our larger-weighted industries. Health Care still delivered positive returns for the year, but our performance lagged.

Avoidance of high-cost operators and highly-levered companies in the Energy sector served the Fund well. We chose to focus our holdings on names like Schlumberger, the recognized global leader in energy services, and EOG Resources, an exploration and production company with high quality reserves and a strong commitment to prudent capital management.

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The decision to continue our share repurchase program demonstrated our confidence in our strategy and underscored our commitment to return value to shareholders. The Fund invested over \$13 million dollars repurchasing 977,800 shares of its Common Stock in 2015.

Looking Ahead to 2016

Much like last year, the new year begins with low oil prices, global growth challenges, and stocks that, while flat in 2015, still reside near all-time highs. The 2016 U.S. economic outlook remains positive and shares many similarities to expectations going into last year, albeit with a few wrinkles. Oil prices are 50% lower than last January, the dollar is stronger, and interest rates are set to resume a gradual path higher.

LETTER TO SHAREHOLDERS (CONTINUED)

Fortunately, several tailwinds exist that should continue to aid the consumer, including low gasoline prices and interest rates that remain historically low. Both of these factors, we believe, should support auto sales and residential housing conditions. The U.S. also enjoys a relatively strong economy, and with unemployment hovering near 5%, some wage growth can be expected this year. Moreover, outside of Energy, corporate profitability remains steady, which is indicative of continued expansion.

By contrast, growth in international markets, most importantly China, continues to decelerate, and weakness in commodity pricing will likely continue to weigh on emerging markets. The gains in mature markets will likely not be enough to offset this slowdown, so we expect that global growth will remain fragile in 2016. The threat of a China-driven recession remains the biggest risk to our current outlook.

Despite the economic challenges, however, we see opportunities for investors in the U.S. equity market. Specifically, we are attracted to companies that can grow earnings and cash flow, with a bias for those that generate the bulk of their revenue domestically. Strong balance sheets, ongoing attention to cost controls and initiatives to drive margin growth are also critical factors that will help identify the outperformers in 2016.

We continue to be optimistic about the Technology sector. As digital advertising surpasses traditional media and mobile advertising continues to grow, names like Facebook and Alphabet, as well as other software companies serving this space, should continue to benefit. Adobe Systems, a recent addition to the Fund, is well-positioned as the leading software provider for digital media and digital marketing users.

While the rising interest rate environment will continue to make headlines as commentators parse the Fed's comments, Financials often perform well as rates move off the bottom. Within the sector, we favor the financial exchanges as an industry that is well positioned to benefit from regulatory and secular changes. During the fourth quarter, we initiated a position in Intercontinental Exchange. The company is the largest beneficiary of the trend to globalize commodity trading, such as oil, gas, and agricultural goods through an electronic platform. Other new positions in this expansive sector include BlackRock and ACE Ltd. BlackRock, a diversified asset manager, holds a dominant market position in exchange-traded funds, which is the fastest growing segment of investment products. ACE Ltd, a global provider of insurance products, is a best-in-class property and casualty underwriter that is positioned to benefit from its recently announced and highly accretive merger with Chubb.

After giving up advances in 2015, and with little to no change in actual forecasts for earnings growth, we believe select biotech and pharmaceutical names will continue to be attractive. In the fourth quarter, we added AbbVie, a leading drug company trading at one of the most attractive valuations in the sector, to the portfolio. A strong pipeline of new products to address complex diseases complements solid earnings growth from its current products, including Humira, its blockbuster treatment for rheumatoid arthritis and other indications.

For many fund managers, the market proved to be quite challenging last year. Our long-term focus and proven strategy, however, helped us find compelling opportunities during this period of uncertainty. Through identifying high-quality companies that are executing well and trading at the right price, our track record reflects Adams Funds' ability to take advantage of market anomalies for the benefit of our shareholders.

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By order of the Board of Directors,

Mark E. Stoeckle

Chief Executive Officer & President

January 22, 2016

INVESTMENT GROWTH

(unaudited)

This chart shows the value of hypothetical \$10,000 investments in the Fund at net asset value and market price over the past 20 years. All Fund distributions are reinvested at the price received in the Fund's dividend reinvestment plan. Returns do not reflect taxes paid by shareholders on distributions or the sale of shares.

AVERAGE ANNUAL TOTAL RETURNS 12/31/15

	Years			
	1	3	5	10
ADX NAV	1.8%	14.7%	11.0%	7.0%
ADX Market Price	0.7%	14.7%	11.1%	7.0%
Lipper Large-Cap Core Funds Average*	(0.6)%	13.4%	10.9%	6.5%

* Source: Thomson Reuters

This report, including the financial statements herein, is transmitted to shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is no guarantee of future investment results.

PORTFOLIO HIGHLIGHTS

December 31, 2015

(unaudited)

Ten Largest Equity Portfolio Holdings

	<i>Market Value</i>	<i>Percent of Net Assets</i>
Apple Inc.	\$ 61,177,112	4.2%
Alphabet Inc. (Class A & Class C)	54,633,206	3.7
Microsoft Corp.	46,425,664	3.2
Wells Fargo & Co.	39,084,840	2.7
Adams Natural Resources Fund, Inc.*	38,793,371	2.6
PepsiCo, Inc.	34,322,520	2.3
Amazon.com, Inc.	33,794,500	2.3
Allergan plc	33,467,500	2.3
Facebook, Inc. (Class A)	31,743,378	2.2
Comcast Corp. (Class A)	31,589,514	2.1
	\$ 405,031,605	27.6%

* Non-controlled affiliated closed-end fund

Sector Weightings

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2015

Assets

Investments* at value:		
Common stocks:		
Unaffiliated issuers (cost \$1,024,218,365)	\$ 1,414,474,191	
Non-controlled affiliate (cost \$34,735,404)	38,793,371	
Other investment in controlled affiliate (cost \$150,000)	317,000	
Short-term investments (cost \$19,898,688)	19,898,688	\$ 1,473,483,250
Cash		235,422
Dividends and interest receivable		1,471,824
Prepaid expenses and other assets		467,170
<i>Total Assets</i>		1,475,657,666

Liabilities

Accrued expenses and other liabilities		3,513,509
<i>Total Liabilities</i>		3,513,509
Net Assets		\$ 1,472,144,157

Net Assets

Common Stock at par value \$0.001 per share, authorized 150,000,000 shares; issued and outstanding 97,913,946 shares (includes 134,082 nonvested restricted shares, 18,750 nonvested or deferred restricted stock units, and 34,089 deferred stock units) (note 7)	\$	97,914
Additional capital surplus		1,077,331,979
Distributions in excess of net investment income		(710,116)
Undistributed net realized gain on investments		943,587
Unrealized appreciation on investments		394,480,793
Net Assets Applicable to Common Stock	\$	1,472,144,157
Net Asset Value Per Share of Common Stock		\$15.04

* See Schedule of Investments on page 17.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2015

Investment Income

Income:	
Dividends (net of \$33,264 in foreign taxes)	\$ 26,639,364
Interest and other income	30,828
<i>Total Income</i>	26,670,192
Expenses:	
Investment research compensation and benefits	4,377,442
Administration and operations compensation and benefits	2,309,116
Pension cost (non-recurring, note 6)	4,724,746
Occupancy and other office expenses	1,084,854
Directors' compensation	461,280
Investment data services	417,140
Shareholder reports and communications	349,929
Transfer agent, custody, and listing fees	323,713
Insurance	160,469
Legal services	158,768
Accounting, recordkeeping, and other professional fees	144,759
Audit and tax services	93,977
<i>Total Expenses</i>	14,606,193
Net Investment Income	12,063,999

Realized Gain (Loss) and Change in Unrealized Appreciation on Investments

Net realized gain on security transactions	76,606,062
Net realized loss on total return swap agreements	(1,842,217)
Change in unrealized appreciation on investments	(75,235,059)
Net Loss on Investments	(471,214)

Other Comprehensive Income (non-recurring, note 6)

Defined benefit pension plans:	
Amortization of net loss	155,995
Effect of settlement	2,219,655
Other Comprehensive Income	2,375,650
Change in Net Assets Resulting from Operations	\$ 13,968,435

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the Year Ended December 31,

	2015	2014
From Operations:		
Net investment income	\$ 12,063,999	\$ 19,120,191
Net realized gain	74,763,845	93,558,308
Change in unrealized appreciation	(75,235,059)	75,872,224
Change in accumulated other comprehensive income (note 6)	2,375,650	(839,932)
<i>Increase in Net Assets Resulting from Operations</i>	13,968,435	187,710,791
Distributions to Shareholders from:		
Net investment income	(13,398,646)	(18,731,249)
Net realized gain	(75,358,557)	(91,506,911)
<i>Decrease in Net Assets from Distributions</i>	(88,757,203)	(110,238,160)
From Capital Share Transactions:		
Value of shares issued in payment of distributions (note 5)	32,287,094	42,002,202
Cost of shares purchased (note 5)	(13,600,866)	(13,744,866)
Deferred compensation (notes 5, 7)	474,036	491,774
<i>Increase in Net Assets from Capital Share Transactions</i>	19,160,264	28,749,110
Total Change in Net Assets	(55,628,504)	106,221,741
Net Assets:		
Beginning of year	1,527,772,661	

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CUSIP **SCHEDULE**
 No. 828806109 **13G**

II. HERBERT SIMON

(a) Amount beneficially owned:*

6,324,549 shares (2)

(b) Percent of class:**

2.0%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

5,426,429 shares

(ii) Shared power to vote or to direct the vote:

898,120 shares

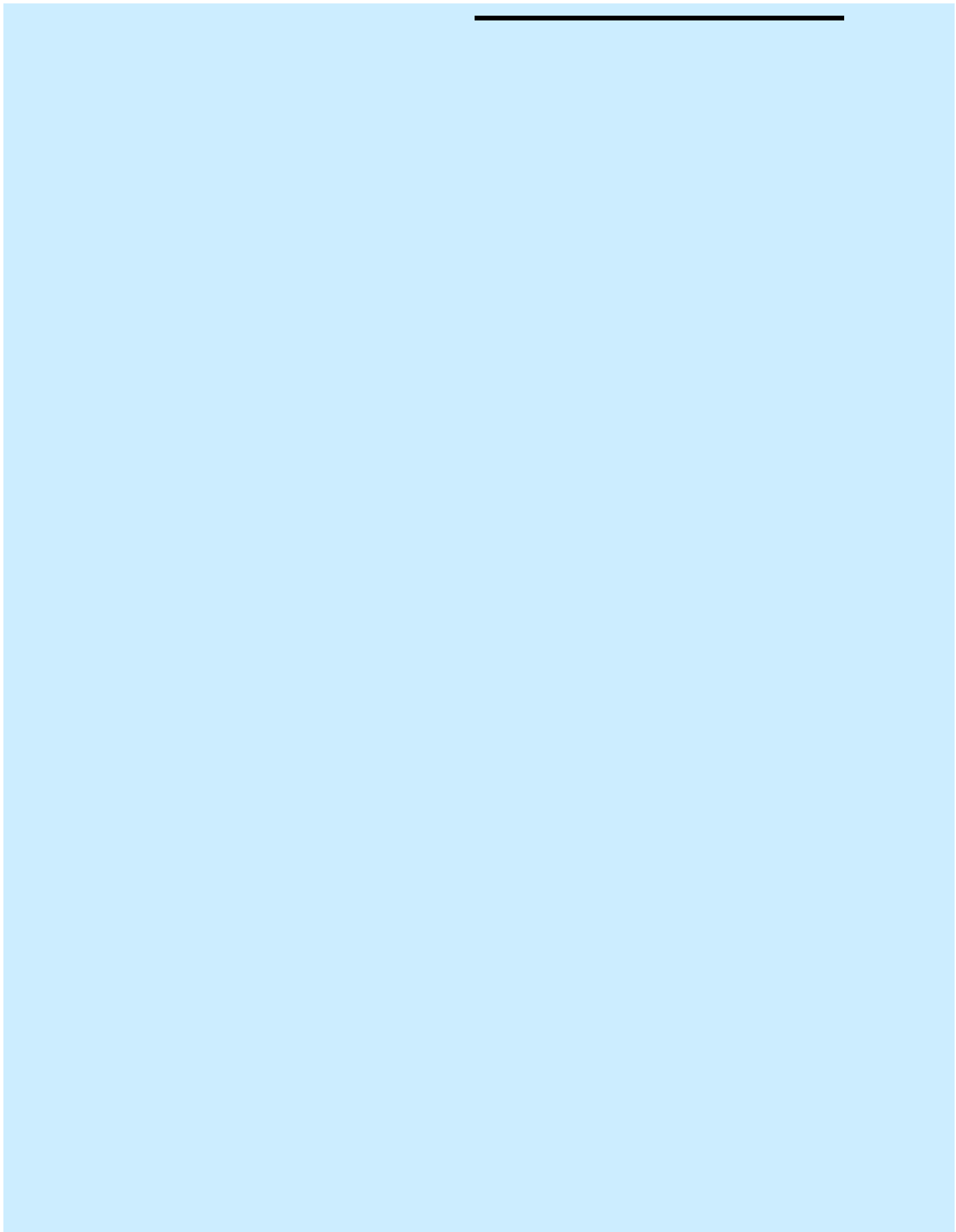
(iii) Sole power to dispose or to direct the disposition of:

5,426,429 shares

(iv) Shared power to dispose or to direct the disposition of:

898,120 shares

(2) Includes 2,353 shares of Common currently outstanding and 5,424,076 shares of Common issuable upon exchange of Units owned indirectly through trusts or other entities controlled by Herbert Simon, including 102 Units (which represents Herbert Simon's proportionate share of 204 Units owned by an entity that is owned by Herbert Simon and a third party). Also includes 889,747 shares of Common subject to the Amended and Restated Voting Trust of which Herbert Simon is one of two voting trustees. Also includes 8,000 shares of Class B Common and 373 shares of Common subject to the Class B Voting Trust of which Herbert Simon is one of two voting trustees. Does not include shares of Common and shares issuable upon exchange of Units owned by MSA, which is 30.94% owned by trusts controlled by Herbert Simon, which are reported separately.



CUSIP
No. 828806109

SCHEDULE
13G

III. DAVID SIMON

(a) Amount beneficially owned:*

9,912,715 shares (3)

(b) Percent of class:**

3.1%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

8,895,825 shares

(ii) Shared power to vote or to direct the vote:

1,016,890 shares

(iii) Sole power to dispose or to direct the disposition of:

1,977,558 shares

(iv) Shared power to dispose or to direct the disposition of:

7,935,157 shares

(3) Reflects 804,088 Units that are owned by David Simon, 57,546 Units that are owned by D & J Partnership (a general partnership between David Simon and his spouse) and 571,053 vested LTIP Units owned by David Simon that were received under the Stock Plan. Also reflects 6,918,267 Units directly held by SFG Company LLC over which David Simon has sole voting power and shared dispositive power. Also reflects (i) 8,000 shares of Class B Common (which are convertible on a one-for-one basis into shares of Common) and 373 shares of Common, which are subject to the Class B Voting Trust of which David Simon is one of two voting trustees and (ii) 889,747 shares of Common, which are subject to the Amended and Restated Voting Trust of which David Simon is one of two voting trustees. The ownership percentage is based on the number of outstanding shares of Common and 8,390,721 shares of Common into which the Units, LTIP Units and Class B Common beneficially owned by Mr. Simon may be converted. Does not include any shares of Common issuable pursuant to unearned and/or unvested awards under the Stock Plan. Does not include 760,922 Units held by a trust which David

Simon does not control but is a beneficiary. Does not include shares of Common and shares issuable upon exchange of Units owned by MSA, which is 3.04% owned by David Simon individually or by trusts owned or controlled by David Simon, which are reported separately.

CUSIP
No. 828806109

SCHEDULE
13G

IV. AMENDED AND RESTATED VOTING TRUST

(a) Amount beneficially owned:*

889,747 shares

(b) Percent of class:**

0.28%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

-0- shares

(ii) Shared power to vote or to direct the vote:

889,747 shares

(iii) Sole power to dispose or to direct the disposition of:

-0- shares

(iv) Shared power to dispose or to direct the disposition of:

889,747 shares

V. CLASS B VOTING TRUST

(a) Amount beneficially owned:*

8,373 shares (4)

(b) Percent of class:**

Less than 0.01%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

-0- shares

(ii) Shared power to vote or to direct the vote:

8,373 shares

(iii) Sole power to dispose or to direct the disposition of:

(iv) -0 shares
Shared power to dispose or
to direct the disposition
of:

8,373 shares

(4) Consists of 8,000 shares of Class B Common
and 373 shares of Common.

CUSIP
No. 828806109 **SCHEDULE 13G**

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

Not applicable

Item 8. Identification and Classification of Members of the Group.

The members of the group are MSA, Herbert Simon, David Simon, Amended and Restated Voting Trust, and Class B Voting Trust.

Item 9. Notice of Dissolution of Group.

Not applicable

CUSIP
No. 828806109

SCHEDULE
13G

Item
10. Certifications.

Not applicable

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14,
2017

MELVIN SIMON &
ASSOCIATES, INC., an
Indiana corporation

By: /s/ Herbert Simon
Herbert Simon,
Chairman

SECOND AMENDED AND
RESTATED VOTING TRUST
AGREEMENT, VOTING
AGREEMENT AND PROXY
entered into as of March 1,
2004 between Melvin Simon &
Associates, Inc. and Melvin
Simon, Herbert Simon and
David Simon

By: /s/ Herbert Simon
Herbert Simon, as
Voting Trustee and
in his individual
capacity

By: /s/ David Simon
David Simon, as
Voting Trustee and
in his individual
capacity

VOTING TRUST
AGREEMENT, VOTING
AGREEMENT AND PROXY
entered into as of March 1,
2004 between David Simon,
Melvin Simon and Herbert
Simon

By: /s/ David Simon
David Simon, as
Voting Trustee

By: /s/ Herbert Simon
Herbert Simon, as
Voting Trustee

13

CUSIP
No. 828806109

SCHEDULE
13G

Exhibit A

JOINT FILING AGREEMENT

The undersigned persons agree and consent to the joint filing on their behalf of this Amendment No. 8 to Schedule 13G in connection with their beneficial ownership of the Common Stock of Simon Property Group, Inc. at December 31, 2016.

Date: February 14,
2017

MELVIN SIMON &
ASSOCIATES, INC., an
Indiana corporation

By: /s/ Herbert Simon
Herbert Simon,
Chairman

SECOND AMENDED AND
RESTATED VOTING TRUST
AGREEMENT, VOTING
AGREEMENT AND PROXY
entered into as of March 1,
2004 between Melvin Simon &
Associates, Inc. and Melvin
Simon, Herbert Simon and
David Simon

By: /s/ Herbert Simon
Herbert Simon, as
Voting Trustee and
in his individual
capacity

By: /s/ David Simon
David Simon, as
Voting Trustee and
in his individual
capacity

VOTING TRUST
AGREEMENT, VOTING

AGREEMENT AND PROXY
entered into as of March 1,
2004 between David Simon,
Melvin Simon and Herbert
Simon

By: /s/ David Simon
David Simon, as
Voting Trustee

By: /s/ Herbert Simon
Herbert Simon, as
Voting Trustee