Centro NP LLC
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _______ to _______

Commission file number 1-12244

CENTRO NP LLC

(Exact name of registrant as specified in its charter)

MARYLAND	**64-0955724**
(State or other Jurisdiction of Incorporation)	(IRS Employer Identification No.)

420 Lexington Avenue, New York, New York 10170
(Address of Principal Executive Offices) (Zip Code)

212-869-3000
(Registrant s Telephone Number, Including Area Code)

New Plan Excel Realty Trust, Inc.
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

Large Accelerated Filer x **Accelerated Filer** o **Non-Accelerated Filer** o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **YES** o **NO** x

The common stock of New Plan Excel Realty Trust, Inc. ceased to be outstanding as of April 20, 2007, and was accordingly de-listed under Section 12 of the Securities Exchange Act of 1934, as amended.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by Centro NP LLC (as successor by merger and liquidation to New Plan Excel Realty Trust, Inc.) (we), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- national or local economic, business, real estate and other market conditions, including the ability of the general economy to recover timely from economic downturns;
- the competitive environment in which we operate;
- property ownership and management risks;
- financial risks, such as the inability to obtain debt financing on favorable terms;
- possible future downgrades in our credit rating;
- the level and volatility of interest rates and changes in the capitalization rates with respect to the acquisition and disposition of properties;
- financial stability of tenants, including the ability of tenants to pay rent, the decision of tenants to close stores and the effect of bankruptcy laws;
- governmental approvals, actions and initiatives;
- environmental/safety requirements and costs;
- risks of real estate acquisition and development, including the failure of pending developments and redevelopments to be completed on time and within budget and the failure of newly acquired or developed properties to perform as expected;
- risks of disposition strategies, including the failure to complete sales on a timely basis and the failure to reinvest sale proceeds in a manner that generates favorable returns;
- risks of joint venture activities; and
- other risks identified in this Quarterly Report on Form 10-Q and, from time to time, in other reports we file with the Securities and Exchange Commission (the SEC) or in other documents that we publicly disseminate.

We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRO NP LLC (THE COMPANY)
(AS SUCCESSOR TO NEW PLAN EXCEL REALTY TRUST, INC. (THE PREDECESSOR))
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited, in thousands, except per share amounts)

	Company Period from April 5, through June 30, 2007	**Predecessor Period from April 1, through April 4, 2007**	**Three Months Ended June 30, 2006**	**Period from January 1, through April 4, 2007**	**Six Months Ended June 30, 2006**
Revenues:					
Rental income	$ 96,360	$ 4,595	$ 81,774	$ 92,663	$ 169,276
Percentage rents	770	423	1,004	2,169	3,360
Expense reimbursements	24,250	2,578	26,318	27,775	47,798
Fee income	6,835	196	3,480	8,832	8,052
Total revenues	128,215	7,792	112,576	131,439	228,486
Operating Expenses:					
Operating costs	22,195	1,311	17,782	22,042	35,989
Real estate taxes	15,380	758	13,921	17,234	27,879
Depreciation and amortization	53,797	1,346	21,437	25,895	43,856
Provision for doubtful accounts	510	866	2,173	3,277	4,366
General and administrative	6,176	36,157	7,327	51,932	14,338
Total operating expenses	98,058	40,438	62,640	120,380	126,428
Income before real estate sales, minority interest and other income and expenses	30,157	(32,646)	49,936	11,059	102,058
Other income and expenses:					
Interest, dividend and other income	602	278	843	1,524	1,678
Equity in income of unconsolidated ventures	1,636	(619)	1,172	974	2,063
Interest expense	(25,704)	(1,600)	(22,894)	(26,845)	(45,675)
Minority interest in income of consolidated partnership and joint ventures	(2,741)	(6)	(201)	(297)	(351)
Income (loss) from continuing operations	3,950	(34,593)	28,856	(13,585)	59,773
Discontinued operations:					
Income (loss) from discontinued operations (Note 7)	16	(60)	5,813	2,976	13,405
Net income (loss)	$ 3,966	$ (34,653)	$ 34,669	$ (10,609)	$ 73,178
Preferred dividends		(6,574)	(5,489)	(12,079)	(10,973)
Net (loss) income available to common stock basic		(41,227)	29,180	(22,688)	62,205
Minority interest in income of consolidated partnership		6	201	297	351
Net (loss) income available to common stock diluted		$ (41,221)	$ 29,381	$ (22,391)	$ 62,556
Basic earnings per common share:					
(Loss) income from continuing operations		$ (0.40)	$ 0.22	$ (0.25)	$ 0.46
Discontinued operations			0.06	0.03	0.14
Basic earnings per share		$ (0.40)	$ 0.28	$ (0.22)	$ 0.60
Diluted earnings per common share:					

(Loss) income from continuing operations		$ (0.37)	$ 0.21	$ (0.23)	$ 0.44
Discontinued operations			0.06	0.03	0.14
Diluted earnings per share		$ (0.37)	$ 0.27	$ (0.20)	$ 0.58
Average shares outstanding basic		103,407	104,493	103,355	104,376
Average shares outstanding diluted		110,146	108,894	109,558	108,750
Dividends per common share	$ 0.3125	$ 0.3125	$ 0.3125	$ 0.6250	$ 0.6250
Other comprehensive income:					
Net income (loss)	$ 3,966	$ (34,653)	$ 34,669	$ (10,609)	$ 73,178
Unrealized (loss) gain on available-for-sale securities	(47)	164	(278)	512	256
Unrealized (loss) gain on deferred compensation		(123)	(34)	(168)	(16)
Realized gain on interest risk hedges, net		167	(42)	359	(97)
Unrealized loss on interest risk hedges, net			400	166	814
Comprehensive income (loss)	$ 3,919	$ (34,445)	$ 34,715	$ (9,740)	$ 74,135

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

CENTRO NP LLC (THE COMPANY)
(AS SUCCESSOR TO NEW PLAN EXCEL REALTY TRUST, INC. (THE PREDECESSOR))
CONSOLIDATED BALANCE SHEETS
(In thousands, except fractions, percentages and par value amounts)

	Company June 30, 2007 (Unaudited)	Predecessor December 31, 2006
ASSETS		
Real estate:		
Land	$ 1,634,513	$ 724,596
Building and improvements	2,888,095	2,841,158
Accumulated depreciation and amortization	(21,168)	(430,207)
Net real estate	4,501,440	3,135,547
Real estate held for sale	1,260	28,649
Cash and cash equivalents	10,524	7,916
Restricted cash	20,539	23,662
Marketable securities	6,184	5,847
Receivables:		
Trade, net of allowance for doubtful accounts of $329 and $19,386 at June 30, 2007 and December 31, 2006, respectively	31,738	29,422
Deferred rent, net of allowance of $0 and $1,702 at June 30, 2007 and December 31, 2006, respectively	2,625	32,169
Other, net	36,597	22,582
Mortgages and notes receivable	603	4,412
Prepaid expenses and deferred charges	16,096	47,550
Investments in/advances to unconsolidated ventures	186,332	91,401
Intangible assets, net of accumulated amortization of $30,365 and $19,754 at June 30, 2007 and December 31, 2006, respectively	828,544	88,256
Goodwill	811,514	
Other assets	22,023	17,486
Total assets	$ 6,476,019	$ 3,534,899
LIABILITIES AND MEMBERS CAPITAL / STOCKHOLDERS EQUITY		
Liabilities:		
Mortgages payable, including unamortized premium of $15,933 and $11,563 at June 30, 2007 and December 31, 2006, respectively	$ 437,463	$ 448,910
Notes payable, net of unamortized premium (discount) of $34,830 and $(5,911) at June 30, 2007 and December 31, 2006, respectively	873,167	1,166,950
Credit agreements	275,509	191,000
Capital leases	31,229	27,500
Due to Centro Property Trust	303,400	
Dividends payable		37,529
Other liabilities	436,352	150,585
Tenant security deposits	10,599	10,203
Total liabilities	2,367,719	2,032,677
Minority interest in consolidated partnership and joint ventures	90,571	57,485
Commitments and contingencies		
Members capital / Stockholders equity:		
Preferred stock, $0.01 par value, 0 and 25,000 shares authorized at June 30, 2007 and December 31, 2006, respectively; Series D: 1,500 depositary shares, each representing 1/10 of one share of Series D Cumulative Voting Step-Up Premium Rate Preferred, 0 and 150 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively; Series E: 8,000 depositary shares, each representing 1/10 of one share of 7.625% Series E Cumulative Redeemable Preferred, 0 and 800 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively		10
Common stock, $0.01 par value, 0 and 250,000 shares authorized at June 30, 2007 and December 31, 2006; 0 and 103,420 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively		1,034
Additional paid-in capital		2,009,705
Members capital	4,013,810	
Accumulated other comprehensive loss	(47)	(10,850)

Accumulated distribution in excess of net income	3,966	(555,162)
Total members capital / stockholders equity	4,017,729	1,444,737
Total liabilities and members capital / stockholders equity	$ 6,476,019	$ 3,534,899

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

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CENTRO NP LLC (THE COMPANY)
(AS SUCCESSOR TO NEW PLAN EXCEL REALTY TRUST, INC. (THE PREDECESSOR))
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2007 and 2006
(Unaudited, in thousands)

	Company Period from April 5, through June 30, 2007	**Predecessor Period from January 1, through April 4, 2007**	**Six Months Ended June 30, 2006**
Cash flows from operating activities:			
Net (loss) income	$ 3,966	$ (10,609)	$ 73,178
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	53,798	25,897	45,547
Amortization of net premium/discount on mortgages and notes payable	(2,216)	(690)	(1,047)
Amortization of deferred debt and loan acquisition costs	16	1,891	1,146
Amortization of stock options		17,961	1,163
(Gain) loss on swaps	(3,737)	292	851
Amortization of asset retirement liabilities		15	278
Amortization of below market leases	(11,397)	(847)	(780)
Gain on sale of discontinued operations, net		(2,122)	(10,139)
Minority interest in income of partnership	2,741	297	351
Impairment of real estate assets			305
Equity in income of unconsolidated ventures	(1,636)	(974)	(2,063)
Distributions of income from unconsolidated ventures	883	2,203	2,875
Changes in operating assets and liabilities, net:			
Change in restricted cash	(1,551)	4,673	250
Change in trade receivables	2,855	(5,171)	(908)
Change in deferred rent receivables	(2,625)	(1,490)	(1,450)
Change in other receivables	(5,780)	(7,726)	3,706
Change in other liabilities	(8,692)	19,582	(9,678)
Change in tenant security deposits	651	(255)	356
Change in sundry assets and liabilities	(22,610)	10,469	(3,396)
Net cash provided by (used in) operating activities	4,666	53,396	100,545
Cash flows from investing activities:			
Payment for purchase of Predecessor	(3,857,641)		
Real estate and building improvements	(36,387)	(53,543)	(54,112)
Acquisition, net of cash and restricted cash received		(27,014)	(16,985)
Proceeds from real estate sales, net	1,721	4,404	27,354
Repayments of mortgage notes receivable, net	23	3,787	64
Leasing commissions paid	(2,106)	(2,730)	(4,880)
Cash from joint venture consolidation (Note 3)		14	
Capital contributions to unconsolidated joint ventures	(292)	(1,328)	(5,312)
Distributions of capital from unconsolidated joint ventures		1,442	14,342
Net cash used in investing activities	(3,894,682)	(74,968)	(39,529)
Cash flows from financing activities:			
Principal payments of mortgages and notes payable	(35,991)	(10,017)	(10,356)
Proceeds from credit facility borrowing	565,976	85,000	75,000
Repayment of credit facility	(409,467)	(7,000)	(55,000)
Repayment of secured term loan	(150,000)		
Proceeds from public debt offering		529	
Redemption of convertible notes payable	(364,365)		
Loan from Centro Property Trust	303,400		
Financing fees	(500)		(179)
Distributions paid to minority partners	(1,023)	(2,134)	(1,920)
Dividends paid	(38,957)	(37,597)	(75,859)
Proceeds from exercise of stock options		693	3,236
Repayment of loans receivable for the purchase of common stock			115
Proceeds from dividend reinvestment plan		1,839	3,874

Capital contribution from Centro	4,013,810		
Net cash provided by (used in) financing activities	3,882,883	31,313	(61,089)
Net (decrease) increase in cash and cash equivalents	(7,133)	9,741	(73)
Cash and cash equivalents at beginning of period	17,657	7,916	9,202
Cash and cash equivalents at end of period	$ 10,524	$ 17,657	$ 9,129
Supplemental Cash Flow Disclosure, including Non-Cash Activities:			
Cash paid for interest	$ 38,533	$ 22,598	$ 50,702
Capitalized interest	4,734	4,474	6,071
State and local taxes paid	158	145	210
Mortgages assumed, net			8,953
Fair value of assets acquired	6,270,330 (1)		
Cash paid for stock	3,857,556 (1)		
Liabilities assumed	2,412,773 (1)		

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(1) Recorded in connection with the Merger discussed in Note 1.

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

CENTRO NP LLC (THE COMPANY)
(AS SUCCESSOR TO NEW PLAN EXCEL REALTY TRUST, INC. (THE PREDECESSOR))
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Merger and Liquidation

Merger Transaction

On February 27, 2007, New Plan Excel Realty Trust, Inc. (New Plan), and Excel Realty Partners, L.P., a Delaware limited partnership in which New Plan, through a wholly owned subsidiary, is the general partner, entered into an Agreement and Plan of Merger (the Merger Agreement) with Centro NP LLC (formerly Super IntermediateCo LLC) (Centro NP), Super MergerSub Inc. (MergerSub), and Super DownREIT MergerSub LLC (Super REIT MergerSub and together with Centro NP and MergerSub, the Buyer Parties). The Buyer Parties are affiliates of Centro Properties Group, an Australian publicly traded real estate company (Centro). Pursuant to the Merger Agreement, MergerSub commenced and completed a tender offer (the Offer) to purchase all outstanding shares of common stock, par value $0.01 per share (Common Stock), of New Plan at a price of $33.15 per share, net to the holders thereof, in cash (the Offer Price). The Offer, as supplemented by a subsequent offering period, expired at 12:00 midnight, New York City time, on Wednesday, April 18, 2007. On April 5, 2007, following the expiration of the initial offering period of the Offer, MergerSub accepted for payment, and purchased, all of the approximately 69,105,909 shares of Common Stock, representing approximately 66.7% of the outstanding shares of Common Stock, that had been validly tendered in the initial offering period of the Offer. On April 19, 2007, following the expiration of the subsequent offering period of the Offer, MergerSub accepted for payment, and purchased, all of the approximately 22,096,621 shares of Common Stock, which, together with the shares purchased in the initial offering period, represented approximately 88.0% of the outstanding shares of Common Stock, that had been validly tendered in the subsequent offering period of the Offer. On April 19, 2007, MergerSub exercised its top-up option pursuant to the Merger Agreement to acquire an additional 52,929,108 shares of Common Stock from New Plan at a purchase price equal to the Offer Price, which number of shares was sufficient to permit MergerSub to effect a short-form merger of MergerSub into New Plan under Maryland law without the vote of, or any action by, the New Plan stockholders. MergerSub used approximately $1.5 billion of borrowings under a term facility (the Tender Facility) from J.P. Morgan Securities Inc. and certain of its affiliates to finance payments related to the Offer. The Tender Facility was outstanding from April 5, 2007 to April 20, 2007, and amounts outstanding thereunder bore interest at a rate per annum equal to the monthly Eurodollar rate determined as set forth in the Tender Facility Agreement. On April 20, 2007, the Tender Facility was repaid in full and terminated in connection with the closing of the Mergers (as defined below).

On April 20, 2007, New Plan and the Buyer Parties completed the other transactions contemplated by the Merger Agreement, pursuant to which, among other things, MergerSub merged with and into New Plan (the Merger), with New Plan surviving the Merger, and in connection therewith, Super DownREIT Acquisition L.P. (DownREIT Acquisition) merged with and into Excel Realty Partners, L.P. (the DownREIT Partnership), with the DownREIT Partnership continuing as the surviving limited partnership (the DownREIT Merger, and together with the Merger, the Mergers). In connection with the Merger, (a) each share of Common Stock (other than shares held by New Plan or any subsidiary of New Plan or by Purchaser) was converted into the right to receive the same $33.15 in cash per share as was paid in the Offer, without interest, and (b) each outstanding option to purchase Common Stock under any employee stock option or incentive plan became fully vested and exercisable (whether or not then vested or subject to any performance condition that has not been satisfied, and regardless of the exercise price thereof or the terms of any other agreement regarding the vesting, delivery or payment thereof) and was cancelled in exchange for the right to receive, for each share of Common Stock issuable upon exercise of such option, cash in the amount equal to the excess, if any, of the Offer Price over the exercise price per share of such option. As a result of the Merger, New Plan became a wholly owned subsidiary of Centro NP and any stockholder who held shares of Common Stock prior to the Merger ceased to be a stockholder effective as of the Merger.

Immediately following the Merger, on April 20, 2007, New Plan, as the surviving corporation of the Merger, was liquidated (the Liquidation), and in connection with the Liquidation, (a) all of New Plan s assets were transferred to, and all of its liabilities were assumed by, Centro NP, (b) all outstanding shares of preferred stock of New Plan were automatically converted into, and cancelled in exchange for the right to receive, cash liquidating distributions in accordance with their terms, and (c) all shares of common stock of New Plan were cancelled. As a result of the Merger and Liquidation, New Plan filed a Certification and Notice of Termination of Registration on Form 15 pursuant to which it terminated its reporting obligations under the Securities Exchange Act of 1934, as

amended (the Exchange Act), with respect to its Common Stock and 7.625% Series E Cumulative Redeemable Preferred Stock.

In connection with the Mergers, Centro NP, New Plan Realty Trust, LLC (as successor to New Plan Realty Trust, but only with respect to the 1999 Indenture (as defined below)) and U.S. Bank Trust National Association, as trustee (the Trustee) entered into supplemental indentures (the Supplemental Indentures), each dated as of April 20, 2007, to (i) the Indenture dated as of March 29, 1995 (the 1995 Indenture), by and between New Plan (as successor to New Plan Realty Trust) and the Trustee (as successor to State Street Bank and Trust Company, as successor to The First National Bank of Boston), (ii) the Indenture dated as of February 3, 1999 (the 1999 Indenture), by and among New Plan, New Plan Realty Trust, as guarantor, and the Trustee (as successor to State Street Bank and Trust Company), and (iii) the Indenture dated as of January 30, 2004 (the 2004 Indenture , and collectively with the 1995 Indenture and the 1999 Indenture, the Indentures), by and between New Plan and the Trustee. The Supplemental Indentures each provided for the assumption by Centro NP of all of the obligations of New Plan under each of the Indentures, effective upon consummation of the Merger.

Centro NP, as the successor obligor on New Plan s unsecured senior notes, intends to continue to file with the SEC any annual reports, quarterly reports and other documents that it is required to file with the SEC pursuant to the Indentures governing the unsecured senior notes or pursuant to Section 15(d) of the Exchange Act.

Accounting Treatment

In accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141), a business combination occurs when an entity acquires net assets that constitute a business or acquires equity interest of one or more other entities and obtains control over that entity or entities. Control is defined by SFAS No. 141 as ownership by one company, directly or indirectly, of over fifty percent of the outstanding voting shares of another company. For accounting purposes, SFAS No. 141 further states that the designated acquisition date should be the date that effective control of the acquired entity is transferred to the acquiring entity without restrictions, except those required to protect the shareholders or other owners of the acquired entity. Accordingly, and in conjunction with the transactions described above, Centro NP LLC acquired a 66.7% controlling interest in New Plan on April 5, 2007. As such, with respect to the results of operations of Centro NP, April 5, 2007 is used as the acquisition date throughout the remainder of this document. Accordingly, the Consolidated Financial Statements contained in this report represent the results of operations and financial condition of New Plan (which is referred to as the Predecessor herein) prior to April 5, 2007, and of Centro NP for the period from April 5, 2007 through June 30, 2007. However, New Plan s stock remained outstanding until April 20, 2007, at which point MergerSub, subsequently Centro NP, acquired the remaining outstanding shares of Common Stock. Accordingly, any discussion pertaining to New Plan s common stock, preferred stock or stock-based compensation will reference April 20, 2007.

The aggregate purchase price of the Merger has been allocated in accordance with SFAS No. 141 at the date of acquisition, based on the Company s evaluation of information and estimates available at such date. Accordingly, all assets were recorded at their fair values at the time of acquisition. As final information regarding the fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments will be made to the purchase price allocation. The allocations will be finalized no later than 12 months from the date of acquisition. As of June 30, 2007, the total aggregate purchase price had been allocated as follows:

ASSETS	
Net real estate	$ 4,486,113
Cash and cash equivalents	96,964
Restricted cash	18,988
Marketable securities	6,230
Receivables:	
Trade, net of allowance for doubtful accounts	34,593
Other, net	30,818
Mortgages and notes receivable	626
Prepaid expenses and deferred charges	16,028
Investments in/advances to unconsolidated ventures	186,476
Intangible assets, net of accumulated amortization	861,963
Goodwill	811,515
Other assets	19,379
Total assets	$ 6,569,693
LIABILITIES AND MEMBERS CAPITAL	
Liabilities:	
Mortgages payable, including unamortized premium	$ 444,649
Notes payable, net of unamortized premium	1,266,814
Credit agreements	305,412
Capital leases	31,331
Due to Centro Property Trust	303,400
Other liabilities	534,407
Tenant security deposits	9,948
Total liabilities	2,895,961
Minority interest in consolidated partnership and joint ventures	88,673
Commitments and contingencies	
Members capital:	
Members capital	3,585,059
Total members capital	3,585,059
Total liabilities and members capital	$ 6,569,693

Note 2: Description of Business

Centro NP LLC (formerly known as Super IntermediateCo LLC) (together with its wholly-owned and majority-owned subsidiaries and consolidated entities, the Company) was formed in February 2007 in connection with the Offer and the Mergers, and to succeed the operations of New Plan Excel Realty Trust, Inc. (together with its wholly-owned and majority-owned subsidiaries and consolidated entities, New Plan or the Predecessor). Prior to the consummation of the Offer and the Mergers, the Company engaged in no activities other than those incident to its formation and the execution of the Merger Agreement. The principal business of the Company is the ownership and management of community and neighborhood shopping centers throughout the United States. Prior to the consummation of the Mergers and the Liquidation (described Note 3, Summary of Significant Accounting Policies) the Predecessor was operated as a self-administered, self-managed real estate investment trust (REIT). As a result of the Merger and Liquidation, the Company is no longer operating as a REIT. On May 3, 2007, the Company s name was changed from Super IntermediateCo LLC to Centro NP LLC.

Note 3: Summary of Significant Accounting Policies

Principles of Consolidation

All references to we, us, our, ours, Centro NP or the Company in these notes refer to Centro NP LLC and its wholly-owned and majority subsidiaries and consolidated entities unless the context indicates otherwise. All references to the Predecessor or New Plan in these notes refer to New Plan Excel Realty Trust,

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Inc. and its wholly-owned and majority owned subsidiaries and consolidated entities, as it existed prior to April 5, 2007, unless the context indicates otherwise.

The consolidated financial statements covered in this report represent the results of operations and financial condition of the Predecessor prior to April 5, 2007, and of the Company for the period from April 5, 2007 through June 30, 2007. The accompanying consolidated financial statements of the Company and the Predecessor include accounts of their wholly-owned subsidiaries and all partnerships in which they have a controlling interest. The portion of these entities not owned by the Company or the Predecessor is presented as minority interest as of and during the periods presented. All inter-entity transactions have been eliminated.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine (i) if the entity is a variable interest entity (VIE), (ii) if the Company is the primary beneficiary, in accordance with FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities* (FIN 46) and (iii) whether the Company has a controlling interest in the entity, in accordance with the FASB s Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary in accordance with FIN 46 and (ii) entities that are non-VIEs which the Company controls in accordance with EITF 04-5. Entities that the Company accounts for under the equity method (i.e., at cost, increased or decreased by the Company s share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Company is not deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence. The Company will reconsider its determination of whether an entity is a VIE and who qualifies as the primary beneficiary if certain events occur that are likely to cause a change in the original determinations.

Basis of Presentation

The consolidated financial statements of the Company and the Predecessor have been prepared pursuant to the rules of the SEC and, in the opinion of the Company, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States (GAAP). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures made are adequate to make the information presented not misleading. The consolidated statements of income and comprehensive income for the periods presented are not necessarily indicative of the results expected for the full fiscal year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Predecessor s latest annual report on Form 10-K.

Earnings per Share of Common Stock

As of June 30, 2007, the Company did not have any outstanding shares of common stock, and all potentially issuable shares of the Predecessor s common stock had been cancelled. For periods prior to April 5, 2007, the Predecessor presented both basic and diluted earnings per share in accordance with SFAS No. 128, *Earnings per Share* (SFAS No. 128). Earnings per common share (basic EPS) was computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Earnings per share of common stock assuming dilution (diluted EPS) was computed by giving effect to all dilutive potential shares of common stock that were outstanding during the period. Dilutive potential shares of common stock consisted of the incremental shares of common stock issuable upon (a) the conversion of (i) limited partnership units of the DownREIT Partnership, (ii) convertible senior notes, (iii) restricted stock grants and (iv) contingent compensation awards and (b) the exercise of in-the-money stock options.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid debt instruments with maturities of three months or less at acquisition. Items classified as cash equivalents include insured bank certificates of deposit and commercial paper. At times, cash balances at a limited number of banks may exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions.

Restricted Cash

Restricted cash consists primarily of cash held in escrow accounts for deferred maintenance, capital improvements, environmental expenditures, taxes, insurance, operating expenses and debt service as required by certain loan agreements. Substantially all restricted cash is invested in money market mutual funds and carried at market value.

Accounts Receivable

Accounts receivable is stated net of allowance for doubtful accounts of $0.3 million and $19.4 million as of June 30, 2007 and December 31, 2006, respectively. The Company makes, and the Predecessor made, estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims.

Real Estate

Land, buildings and building and tenant improvements are recorded at cost and stated at cost less accumulated depreciation. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives, and ordinary repairs and maintenance are expensed as incurred. Land, buildings and building and tenant improvements that are under redevelopment, or are being developed, are carried at cost and no depreciation is recorded on these assets. Additionally, amounts essential to the development of the property, such as pre-construction costs, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development are capitalized. The Company ceases capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in any event no later than one year from the completion of major construction activity.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	35 to 40 years
Building Improvements	5 to 40 years
Tenant Improvements	The shorter of the term of the related lease or useful life

Business Combinations

In connection with the Company s acquisition of properties, purchase costs are allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of the tangible assets, consisting of land, buildings and building and tenant improvements, are determined as if vacant (i.e., at replacement cost). Intangible assets, including the above-market value of leases and the value of in-place leases, are recorded at their relative fair values. The below-market value of leases is recorded in Other liabilities.

Above-market, below-market and in-place lease values for owned properties are recorded based on the present value (using an interest rate reflecting the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the leases negotiated and in-place at the time of acquisition and (ii) management s estimate of fair market lease rates for the property or equivalent property, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market or below-market lease value

is amortized as a reduction of, or increase to, rental income over the remaining non-cancelable term of each lease, plus any renewal periods with fixed rental terms that are considered to be below-market.

The total amount of other intangible assets allocated to in-place lease values is based on management s evaluation of the specific characteristics of each lease and the Company s overall relationship with each tenant. Factors considered in the allocation of these values include, but are not limited to, the nature of the existing relationship with the tenant, the tenant s credit quality, the expectation of lease renewals, the estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and costs to execute similar leases. Management will also consider information obtained about a property in connection with its pre-acquisition due diligence. Estimated carrying costs include real estate taxes, insurance, other property operating costs and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, based on management s assessment of specific market conditions. Management will estimate costs required to execute leases including commissions and legal costs to the extent that such costs are not already incurred with a new lease that has been negotiated in connection with the purchase of a property. Independent appraisals and/or management s estimates will be used to determine these values.

The value of in-place leases is amortized to expense over the remaining initial term of each lease. The value of tenant relationship intangibles is amortized to expense over the initial terms of the leases; however, no amortization period for intangible assets will exceed the remaining depreciable life of the building.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, lease origination costs, in-place values and tenant relationship values, will be charged as an expense.

Long-Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of its real estate properties may be impaired. A property s value is impaired only if management s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property (taking into account the anticipated holding period of the asset) is less than the carrying value of the property. Such estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property, and reflected as an adjustment to the basis of the property.

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management s opinion, the net sales price of the assets that have been identified for sale is less than the net book value of the assets, a valuation allowance is established. For investments accounted for under the equity method, a loss is recognized if the loss in value of the investment is other than temporary.

Deferred Leasing and Loan Origination Costs

Costs incurred in obtaining tenant leases (including internal leasing costs) are amortized using the straight-line method over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Costs incurred in obtaining long-term financing are amortized and charged to interest expense using the straight-line method over the terms of the related debt agreements, which approximates the effective interest method.

Internal Leasing Costs

The Company capitalizes internal leasing costs in accordance with SFAS No. 91, *Nonrefundable Fees & Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.* Please refer to the

following table for additional information regarding the capitalization of internal leasing costs (dollars in thousands).

Balance at April 5, 2007	$
Costs capitalized	1,843
Amortization / write-offs	(40)
Balance at June 30, 2007	$ 1,803

As of December 31, 2006, the balance of capitalized internal leasing costs was approximately $16.0 million.

Investments in /Advances to Unconsolidated Ventures

The Company has direct equity investments in several joint venture projects. The Company accounts for these investments in unconsolidated ventures using the equity method of accounting, as the Company exercises significant influence over, but does not control, and is not the primary beneficiary of, these entities. These investments are initially recorded at cost, as Investments in/advances to unconsolidated ventures , and subsequently adjusted for equity in earnings and cash contributions and distributions. Intercompany fees and gains on property transactions are eliminated to the extent of the Company s ownership interest.

To the extent that the Company contributes assets to a joint venture project, the difference between the Company s cost basis in the assets and the basis reflected at the joint venture level is amortized over the life of the related asset and included in the Company s share of equity in income of unconsolidated ventures.

Intangible Assets

The Company s intangible assets, other than those acquired in business combinations, include property management rights, an asset management fee stream and the Company s domain name. These assets were initially measured based on their fair values and are being amortized on a straight-line basis over a period of 10 to 40 years. These assets are stated at cost, net of accumulated amortization.

Goodwill

The Company accounts for its goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). SFAS No. 142 modifies the previous accounting treatment of goodwill, eliminating the amortization of goodwill and requiring that goodwill be tested on an annual basis for possible impairment. As of June 30, 2007, the Company does not believe that any impairment of its goodwill existed.

Derivative/Financial Instruments

The Company accounts for derivative and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133) and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. These accounting standards require the Company to measure derivatives, including certain derivatives embedded in other contracts, at fair value and to recognize them in the Consolidated Balance Sheets as assets or liabilities, depending on the Company s rights or obligations under the applicable derivative contract. For periods subsequent to April 4, 2007, the Company does not qualify for hedge accounting under SFAS No. 133. Accordingly, for all derivative instruments the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. Prior to April 5, 2007, the Predecessor elected to use hedge accounting under SFAS No. 133. Under that pronouncement, changes in the fair value of derivatives designated as fair value hedges were recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative were reported in other comprehensive income (OCI)

and subsequently reclassified into earnings when the hedged item affected earnings. Changes in fair value of derivative instruments were not designated as hedging instruments, and ineffective portions of hedges, were recognized in earnings in the current period.

Asset Retirement Obligations

The Company accounts for its conditional asset retirement obligations in accordance with FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). A conditional asset retirement obligation refers to a legal obligation (pursuant to existing law or contract) to perform an asset retirement activity in which the timing and/or method of settlement are conditioned upon the occurrence of a future event that may or may not be within the control of the Company. The Company s conditional asset retirement obligations arise primarily from legal requirements to decontaminate buildings at the time the buildings are sold or otherwise disposed of. In accordance with FIN 47, the Company has reasonably estimated the fair value of its conditional asset retirement obligations and has recognized a liability for conditional asset retirement obligations of approximately $2.4 million as of June 30, 2007. As of December 31, 2006, the Predecessor had recognized a liability for conditional asset retirement obligations of approximately $1.0 million.

Self-Insured Health Plan

The Company has a self-insured health plan for all of its employees. In order to limit its exposure, the Company has purchased stop-loss insurance, which will reimburse the Company for individual claims in excess of $0.1 million annually, or aggregate claims in excess of $1.0 million annually. Self-insurance losses are accrued based on the Company s estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions adhered to in the insurance industry. The liability for self-insured losses is included in accrued expenses and was approximately $0.6 million and $0.8 million at June 30, 2007 and December 31, 2006, respectively.

General Liability Insurance

The Company has one wholly-owned captive insurance company, ERT CIC, LLC (ERT CIC), which underwrites the first layer of general liability insurance programs for the Company s wholly-owned, majority-owned and joint venture properties (excluding properties owned by CA New Plan Acquisition Fund, LLC, CA New Plan Direct Investment Fund, LLC and CA New Plan Venture Fund, LLC, which are covered under a separate policy). The Company carries general liability insurance on its properties in amounts that it believes (i) adequately insures all of its properties and (ii) are in line with coverage obtained by owners of similar properties. The Company has purchased stop loss insurance, which will reimburse the Company for individual claims in excess of $0.3 million annually, or aggregate claims in excess of $3.7 million annually. If the Company experiences a loss and ERT CIC is required to pay under its insurance policy, the Company would ultimately record a loss to the extent of such required payment. Because the Company owns ERT CIC, the Company is responsible for ERT CIC s liquidity and capital resources, and the accounts of ERT CIC are part of the Company s and the Predecessor s consolidated financial statements.

Revenue Recognition

Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as deferred rent receivable on the accompanying Consolidated Balance Sheets. Certain leases provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales levels are achieved. The leases also typically provide for tenant reimbursement of common area maintenance and other operating expenses. Rental revenue also includes lease termination fees. The Company recognized approximately $0.5 million of lease termination fees for the period from April 5, 2007 through June 30, 2007. The Predecessor did not recognize any lease termination fees for the period from April 1, 2007 through April 4, 2007 and recognized approximately $2.1 million of lease termination fees for the period from

January 1, 2007 through April 4, 2007. Additionally, the Predecessor recognized approximately $0.5 million and $5.9 million of lease termination fees for the three and six months ended June 30, 2006, respectively.

Income from Discontinued Operations

Income from discontinued operations is computed in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144). SFAS No. 144 requires, among other things, that the primary assets and liabilities and the results of operations of the Company s real property that has been sold, or otherwise qualifies as held for sale (as defined by SFAS No. 144), be classified as discontinued operations and segregated in the Company s Consolidated Statements of Income and Comprehensive Income and Consolidated Balance Sheets. Properties classified as real estate held for sale generally represent properties that are under contract for sale and are expected to close within the next twelve months.

Income Taxes

The Predecessor elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. In order to maintain its qualification as a REIT, the Predecessor was required to, among other things, distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Predecessor was not subject to federal income tax with respect to the portion of its income that met certain criteria and was distributed annually to the stockholders. Subsequent to the Merger, the Company is organized as a limited liability company (LLC) and is not subject to federal income tax. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements.

The Company is, and the Predecessor was, subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in the Company s Consolidated Statements of Income and Comprehensive Income.

The Predecessor elected to treat certain of its subsidiaries as taxable REIT subsidiaries (TRS). In general, the TRSs of the Predecessor performed additional services for tenants of the Predecessor and generally engaged in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). The TRS was subject to corporate federal income tax. As a result of the Merger, and the fact that the Company is no longer operating as a REIT, the Predecessor s TRSs are now operating as corporations. At June 30, 2007, one of these corporations had a tax net operating loss (NOL) carryforward of approximately $26.0 million, expiring from 2015 to 2020. In addition, the corporations had other net tax assets, most significantly relating to an asset impairment recognized in fiscal 2003, for financial accounting purposes that will not be recognized for tax purposes until the property is sold. The Company has ascribed a full valuation allowance to these net deferred tax assets.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 (i) clarifies the accounting for uncertainty in income taxes recognized in companies financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, (ii) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and (iii) provides guidance on derecognition of recognized tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective for fiscal years beginning after December 15, 2006. The Company has evaluated the impact of the adoption of FIN 48 on its consolidated financial statements and has concluded that as of June 30, 2007 it does not have any material uncertain tax positions.

Segment Information

The principal business of the Company is the ownership and management of community and neighborhood

shopping centers. The Company does not distinguish or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single reportable segment for disclosure purposes in accordance with GAAP. Further, all of the Company s operations and assets are within the United States, and no tenant comprises more than 4.1% of revenue.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant assumptions and estimates relate to impairments of real estate, recovery of mortgage notes and trade accounts receivable and depreciable lives.

Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 allows entities to report selected financial assets and liabilities at fair value. Prior to the issuance of this new guidance, related assts and liabilities had been measured differently, resulting in artificial earnings volatility and the undue complexity of applying other accounting guidance. SFAS No. 159 aims to alleviate those types of reporting issues in addition to enhancing comparisons between entities and expanding disclosures of interest to financial statement users. SFAS No. 159 also serves to advance convergence of FASB guidance with that of the International Accounting Standards Board, which has previously adopted a fair value option. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007, but early adoption is permitted. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations however, the adoption of SFAS No. 159 is not expected to have a material impact on the consolidated financial statements of the Company.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure requirements regarding fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for such fiscal year, including financial statements for an interim period within such fiscal year. The adoption of SFAS No. 157 is not expected to have a material impact on the consolidated financial statements of the Company.

Note 4: Pro Forma Financials

The following table summarizes, on an unaudited pro forma basis, the results of operations for the three and six months ended June 30, 2007 and 2006 as though the Merger and Liquidation had occurred on January 1, 2007 and 2006, respectively (dollars in thousands):

	Three Months Ended June 30, 2007 (Unaudited)	**2006**	**Six Months Ended June 30, 2007 (Unaudited)**	**2006**
Pro forma rental revenues	$ 135,944	$ 123,570	$ 270,173	$ 248,689
Pro forma operating expenses	(103,927)	(93,314)	(205,928)	(186,429)
Income before real estate sales, minority interest and other income and expenses	32,017	30,256	64,245	62,260
Pro forma other expenses, net	(19,566)	(22,661)	(41,400)	(45,407)
Pro forma income from continuing operations	12,451	7,595	22,845	16,853
Pro forma income from discontinued operations	(44)	1,394	528	4,457
Pro forma net income	$ 12,407	$ 8,989	$ 23,373	$ 21,310

Note 5: Acquisitions and Dispositions

Acquisitions

During the six months ended June 30, 2007, the Company and the Predecessor, as applicable, acquired one shopping center and two land parcels. Please refer to the following table for additional details (dollars in millions).

Property Name	Location	Property Type	Acquisition Date	Gross Leasable Area(1)	Purchase Price	Purchase Price Components DownREIT Partnership Units	Assumed Debt	Cash
Predecessor:								
Land at the Rising Sun Towne Centre	Rising Sun, MD	Land	01/05/07	2.8 Acres	$ 2.0			$ 2.0
Stewart Plaza	Garden City, NY	Shopping Center	01/24/07	193,622	$ 32.7	$ 6.3		$ 26.4
Predecessor Total					$ 34.7	$ 6.3		$ 28.4
Company:								
Land at Wynnewood Village	Dallas, TX	Land	06/06/07	1.8 Acres	$ 0.4			$ 0.4

(1) Amounts in square feet, unless otherwise noted.

During the year ended December 31, 2006, the Predecessor acquired eight shopping centers (including two buildings immediately adjacent to properties owned by the Predecessor and the remaining 90% interests in