Centro NP LLC
Form 10-K
April 16, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 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

(State of Incorporation)

420 Lexington Avenue

New York, NY 10170

(Address of Principal Executive Offices) (Zip Code)

64-0955724

(I.R.S. Employer

Identification Number)

(212) 869-3000

(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes x No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer x Smaller Reporting Company 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 aggregate market value of the Registrant s voting interests held by non-affiliates on June 30, 2007 was $0. Super LLC owns all of the membership interests of the Registrant as of April 20, 2007.

The registrant does not have common stock.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K, 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, as amended (the Exchange Act). 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:

- liquidity risks, including the inability to refinance our short-term indebtedness on favorable terms or at all;
- recent downgrades, and possible future downgrades, in our credit rating;
- 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 risks;
- 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 Annual Report on Form 10-K 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.

Item 1. ***Business***

General

We are one of the nation s largest owners and developers of community and neighborhood shopping centers. As of December 31, 2007, we owned interests in 496 properties in 39 states, including 261 wholly-owned properties and one property held through a consolidated joint venture (collectively, our Consolidated Portfolio), as well as 234 properties held through unconsolidated joint ventures. The 496 properties include 475 community and neighborhood shopping centers with approximately 75.0 million square feet of gross leasable area (GLA), and 21 related retail assets with approximately 1.1 million square feet of GLA. In addition, we manage three properties, with approximately 0.7 million square feet of GLA, on behalf of third-party owners. Our Consolidated Portfolio includes 245 community and neighborhood shopping centers with approximately 40.9 million square feet of GLA and 17 related retail assets with approximately 0.8 million square feet of GLA. At December 31, 2007, the GLA for our Consolidated Portfolio was approximately 89% leased and the GLA for our total portfolio, including our pro rata share of joint venture properties, was approximately 92% leased.

Our predecessor, New Plan Excel Realty Trust, Inc. (New Plan, our predecessor or the Predecessor), was a self-administered and self-managed equity real estate investment trust, which we refer to as a REIT, that was formed in 1972 and was incorporated in Maryland. On February 27, 2007, New Plan and Excel Realty Partners, L.P., a Delaware limited partnership in which New Plan, through a wholly owned subsidiary, was the general partner, entered into an Agreement and Plan of Merger (the Merger Agreement) with us, Super MergerSub Inc. (MergerSub), and Super DownREIT MergerSub LLC (Super REIT MergerSub and together with us 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, approximately 69,105,909 shares of Common Stock, representing approximately 66.7% of the outstanding shares of Common Stock. The 69,105,909 shares of Common Stock represented 100% of the validly tendered shares of Common Stock 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. 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

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subsidiary of ours and any stockholder who held shares of Common Stock prior to the Merger ceased to be a stockholder effective as of the Merger.

On April 20, 2007, immediately following the Merger, 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 us and we assumed all of its liabilities, (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 Exchange Act, with respect to its Common Stock and 7.625% Series E Cumulative Redeemable Preferred Stock.

Immediately following the Merger and the Liquidation, our employees became employees of Centro US Management Joint Venture 2, LP (formerly known as Centro Watt Management Joint Venture 2, L.P. and referred to in this report as the Management Joint Venture). The distribution occurred in order to comply with certain tax restrictions applicable to our ultimate equity owners and to permit such employees to serve management functions at other properties controlled by our affiliates. Following this distribution, the Management Joint Venture managed our properties, although during a transition period, certain of our subsidiaries continued to provide payroll, benefit and other transition services with respect to our former employees. Such transition services were terminated as of December 31, 2007. Contracts memorializing the management services arrangements under which we have been operating were entered into on March 28, 2008 in connection with an amendment to our revolving credit facility, as described below under Recent Developments.

Although our employees were employed by the Management Joint Venture shortly following the Merger and Liquidation, we continued to administer the payroll and benefits functions for such employees on a transitory basis until December 31, 2007, during which time the Management Joint Venture was preparing to replicate such functions on its own behalf. The costs we incurred in providing such services during this transition period offset the management fees otherwise owed to the Management Joint Venture.

In connection with the Mergers, we, 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 us to assume all of the obligations of New Plan under each of the Indentures, effective upon consummation of the Merger.

As the successor obligor on New Plan s unsecured senior notes, we intend 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.

We are a Maryland limited liability company and maintain our principal executive offices at 420 Lexington Avenue, New York, New York 10170, where our telephone number is (212) 869-3000.

Recent Developments

Revolving Credit Facility

On April 20, 2007, simultaneously with the completion of the Mergers, New Plan s $350.0 million unsecured revolving credit facility, as amended August 25, 2006 (the Amended Original Revolving Facility), was prepaid in full and terminated. Simultaneously with the prepayment and termination of the Amended Original Revolving Facility, we entered into a new revolving credit facility (the April 2007 Revolving Facility) with Bank of America, N.A. and the other lenders party thereto, which effectively replaced the Amended Original Revolving Facility. Concurrently with the establishment of the April 2007 Revolving Facility, we used a portion of the proceeds from the April 2007 Revolving Facility and caused our $150.0 million secured term loan, as amended August 25, 2006 (the Amended Secured Term Loan), to be repaid in full and terminated. The Amended Secured Term Loan was scheduled to mature on August 25, 2010. The April 2007 Revolving Facility bore interest at LIBOR plus 55 basis points (based on our then current credit ratings) and incurred an annual facility fee of 15 basis points. The April 2007 Revolving Facility was scheduled to mature on October 20, 2007. On July 31, 2007, we terminated and prepaid the April 2007 Revolving Facility. Simultaneously with the prepayment and termination of the April 2007 Revolving Facility, we entered into a new $350.0 million unsecured revolving credit facility (the July 2007 Revolving Facility) with Bank of America N.A., as administrative agent, which effectively replaced the April 2007 Revolving Facility. The July 2007 Revolving Facility was originally scheduled to mature on December 31, 2007, and bore interest at a rate per annum equal to, at our option, (i) a base rate equal to the prime rate plus an applicable margin ranging from 0.35% to 1.1% depending on the amount drawn and our credit rating or (ii) LIBOR plus an applicable margin ranging from 0.35% to 1.1% depending on the amount drawn and our credit rating.

Following our entering into the July 2007 Revolving Facility and prior to its maturity date we sought to refinance the July 2007 Revolving Facility with long-term financing. As a result of dislocations in the global credit markets shortly after our entering into the July 2007 Revolving Facility, we were unable to obtain long-term financing on satisfactory terms consistent with our long-term strategy and were required to seek an extension of the July 2007 Revolving Facility. On December 16, 2007, we entered into an amendment to the July 2007 Revolving Facility (the First Amendment to the July 2007 Revolving Facility), which extended the maturity date to February 15, 2008, subject to certain conditions. In connection with the amendment, the applicable margin of the interest rate was increased to a fixed premium of 1.75% and there was an extension fee of approximately $3.3 million, payable on February 15, 2008.

On February 14, 2008, we entered into a letter agreement (the Revolving Facility Extension Agreement) further amending the July 2007 Revolving Facility. The Revolving Facility Extension Agreement extended the maturity date (the Termination Date) from February 15, 2008 to the earlier to occur of (i) September 30, 2008, and (ii) the date on which any trigger event occurs. Trigger events include, among other things, defaults, borrowing or prepayments under credit facilities of certain of our affiliates and a requirement that, prior to April 30, 2008, our Australian parents (CPT Manager Limited, as responsible entity of Centro Property Trust, (CPT) and Centro Properties Limited (CPL)) must extend the maturity of certain of their indebtedness (as described below) to a date no earlier than September 30, 2008. As of the date of filing of this Form 10-K, CPT and CPL had not extended such indebtedness, although discussions are ongoing with regard to the extension of such facilities. The applicable margin of the interest rate remained at 1.75%. The extension fee under the First Amendment to the July 2007 Revolving Facility, payable on the Termination Date, remains the same under the Revolving Facility Extension Agreement.

To the extent that the Termination Date occurs and we are unable to restructure the terms of the July 2007 Revolving Facility, there is uncertainty over the Company s ability to continue as a going concern. Refer to separate discussions in Item 1A and Item 7, where we have provided information relating to plans over the Company s liquidity issues.

On March 28, 2008, we entered into another letter agreement (the Amendment to Revolving Facility Extension Agreement) modifying and waiving various provisions of the July 2007 Revolving Facility, the First Amendment to the July 2007 Revolving Facility and the Revolving Facility Extension Agreement (collectively, as amended as of March 28, 2008, the Amended July 2007 Revolving Facility). The Amendment to Revolving Facility Extension Agreement, among other things, approved the transactions contemplated by the Contribution Agreement (described below under Contribution, Distribution and Assumption Agreement) and the Management Services Assumption (described below under Distribution, Contribution and Assignment Agreement and Property Management and Leasing Agreement). Note that for accounting purposes, the Management Services Assumption has not been reflected as occurring immediately after the date of the Merger but will be reflected as occurring on March 28, 2008.

Extension of Super Bridge Loan

On August 1, 2007, Super LLC, our sole and managing member, entered into an amended and restated loan agreement with JPMorgan Chase Bank, N.A., as administrative agent, for an approximate amount of $2.6 billion (the Super Bridge Loan). As a result of dislocations in the global credit markets shortly after entering into the Super Bridge Loan, Super LLC was unable to obtain long-term financing on satisfactory terms consistent with its long-term strategy and was required to seek an extension of the Super Bridge Loan maturity date. On December 16, 2007, Super LLC entered into a letter agreement (the Super Bridge Loan First Letter Agreement) which extended the maturity date of the Super Bridge Loan to February 15, 2008, subject to certain conditions. The balance of the loan at the date of extension was approximately $1.9 billion. In connection with the Super Bridge Loan First Letter Agreement, the applicable spread was increased to a fixed premium of 1.75% and an aggregate extension fee of approximately $18.6 million was charged.

On February 14, 2008, Super LLC entered into a letter agreement (the Super Bridge Loan Extension Agreement) further amending the Super Bridge Loan. The Super Bridge Loan Extension Agreement extended the maturity date (the Super Bridge Loan Termination Date) from February 15, 2008 to the earlier to occur of (i) September 30, 2008, and (ii) the date on which any trigger event occurs. Trigger events include, among other things, defaults, borrowing or prepayments under credit facilities of certain affiliates of Super LLC, including the Amended July 2007 Revolving Facility, and a requirement that, prior to April 30, 2008, CPT and CPL must extend the maturity of certain of their indebtedness (as described below) to a date no earlier than September 30, 2008. The applicable margin of the interest rate remained at 1.75%. The extension fee under the Super Bridge Loan First Letter Agreement, payable on the Super Bridge Loan Termination Date, remains the same under the Super Bridge Loan Extension Agreement. We are not an obligor under the Super Bridge Loan but the Amended July 2007 Revolving Facility is cross-defaulted with the Super Bridge Loan.

On March 28, 2008, Super LLC entered into another letter agreement (the Additional Super Bridge Loan Letter Agreement) with its lenders to permit the transactions under the Contribution Agreement (discussed below under Contribution, Distribution and Assumption Agreement) and the transactions contemplated by the Management Services Assumption (discussed below under Distribution, Contribution and Assignment Agreement and Property Management and Leasing Agreement).

Extension Deed of Centro Short-Term Facilities

As a result of dislocations in the global credit markets, CPT was also unable to secure long-term financing for various short-term credit facilities that it had entered into for an aggregate of approximately $1.18 billion. As a result, CPT and CPL entered into an extension deed on December 17, 2007, which extended the maturity dates of various short-term credit facilities to February 15, 2008, subject to certain conditions. On February 15, 2008, CPT and CPL entered into another extension deed, the Australian Extension Deed, which extended the maturity date of the various short-term credit facilities and certain additional facilities from February 15, 2008 to the earlier to occur of (i) April 30, 2008, and (ii) the date on which any trigger event occurs. Trigger events include, among other things, defaults occurring due to defaults, borrowing or prepayments under credit facilities of certain affiliates and subsidiaries of CPT, including the Amended July 2007 Revolving Facility and the Super Bridge Loan. We are not an obligor under these various short-term credit facilities, but the Amended July 2007 Revolving Facility and the Super Bridge Loan are cross-defaulted with the Australian Extension Deed.

In addition, on February 15, 2008 and March 28, 2008, CPT and CPL entered into agreements (the Noteholders Extension Agreement), and collectively with the Revolving Facility Extension Agreement, the Amendment to Revolving Facility Extension Agreement, the Super Bridge Loan Extension Agreement, the Additional Super Bridge Loan Letter Agreement and the Australian Extension Deed, the Extension Agreements) waiving any actions with regards to any alleged defaults under debt previously placed with United States investors.

Preston Ridge Facility

On February 14, 2008, BPR Shopping Center, LLC (BPR LLC), an indirect subsidiary of ours, entered into a revolving credit facility (the Preston Ridge Facility) with JPMorgan Chase Bank, N.A. (as agent and a lender) and the other lenders party thereto, pursuant to which it can borrow up to $80.0 million (however, only $40.0 million can be borrowed on or before April 30, 2008). The Preston Ridge Facility is collateralized by the property owned by BPR LLC known as The Centre at Preston Ridge and has a maturity date of September 30, 2008, subject to certain conditions. The Preston Ridge Facility is guaranteed by Centro Preston Ridge Member LLC, the sole member of BPR LLC. Proceeds of the Preston Ridge Facility will be used for development and redevelopment of certain properties and for general cash flow. The Preston Ridge Facility is cross-defaulted with the Amended July 2007 Revolving Facility, the Super Bridge Loan and certain other credit facilities of affiliates of Super LLC. Pursuant to the transactions described below under Contribution, Distribution and Assumption Agreement, BPR LLC and the debt associated therewith were transferred to Centro NP Residual Holding LLC (the Residual Joint Venture).

Contribution, Distribution and Assumption Agreement

On March 28, 2008, we executed a Contribution, Distribution and Assumption Agreement (the Contribution Agreement) together with Super LLC, the Residual Joint Venture, a joint venture owned by Super LLC and us, and certain of our wholly-owned subsidiaries. The Contribution Agreement was released from escrow and became effective as of March 30, 2008.

Pursuant to the Contribution Agreement, we contributed 49% of our interest in certain subsidiaries (including BPR LLC) owning 31 real properties with an approximate fair market value of $780 million to the Residual Joint Venture. We distributed 51% of our interest in the transferred entities to our parent, Super LLC, and Super LLC contributed such interest in the transferred entities to the Residual Joint Venture. Following these transactions, we owned 49% of the interests in the transferred entities, and Super LLC owned 51% of the interests in the transferred entities through the Residual Joint Venture.

Distribution, Contribution and Assignment Agreement and Property Management and Leasing Agreement

We, Super LLC, the Management Joint Venture, Centro US Employment Company, LLC and Centro New Plan Inc. (a member of Super LLC) executed a Distribution, Contribution and Assignment Agreement to memorialize the prior agreement of the parties thereto with respect to the assumption of all liabilities relating to our former employees by the Management Joint Venture and the distribution of approximately $15 million of miscellaneous assets used in the day-to-day management of our properties to the Management Joint Venture (the Management Services Assumption)Note that for accounting purposes, the Management Services Assumption has not been reflected as occurring immediately after the date of the Merger but will be reflected as occurring on March 28, 2008.

Credit Ratings

In connection with our refinancing difficulties, our credit ratings were downgraded by Standard & Poor s, Fitch Ratings and Moody s, all to below investment grade. Standard & Poor s cut its rating of us to CCC+, and credit watch with developing implications. Fitch Ratings cut its rating of us to CCC, which is a high default risk or rating watch negative. Moody s cut its rating of us to B3 and under review with direction uncertain. There may be additional reductions in our ratings depending on our operating performance and our ability to refinance the Amended July 2007 Revolving Facility. As a result of these downgrades, the terms of any financings we enter into in the future, as well as our ability to secure any such financings, may be adversely affected.

Prohibition on Incurring Additional Indebtedness

Due to covenants contained in certain of our debt agreements, we are currently prohibited from incurring additional indebtedness.

Failure to File the Report of Our Independent Registered Public Accountants

We have been working to finalize the amount of the goodwill impairment charge reported in this Annual Report in order to have our audit completed. As a result of our inability to complete the work necessary to finally determine the amount of the impairment charge, we are filing this Annual Report on Form 10-K without the Report of Independent Registered Public Accounting Firm (the Audit Report). Filing this Annual Report without the Audit Report will mean that we are not in compliance with a covenant in one of the indentures governing certain of our outstanding notes. We intend to cure this noncompliance by filing an Amendment to this Annual Report on Form 10-K which will include the Audit Report prior to the expiration of the cure period provided in such indenture.

Focused Product Strategy

Our strategy is to own a quality portfolio of commercial retail properties, primarily community and neighborhood shopping centers, which will provide increasing cash flow. We seek to implement this strategy by:

- aggressively managing our properties through our property manager;
- redeveloping and upgrading our properties where appropriate;
- selectively pursuing new development opportunities;
- selectively acquiring well-located commercial retail properties, primarily community and neighborhood shopping centers, either on an individual basis, in portfolio or corporate transactions, or through joint venture arrangements;
- effecting strategic asset dispositions and recycling the capital created by those transactions;
- seeking to reduce risk through geographic, tenant and retail format diversification of our portfolio; and
- achieving a strong and flexible financial position.

By focusing our portfolio primarily on community and neighborhood shopping centers with anchors and other tenants providing everyday necessities, we believe that our risk due to economic cycles is minimized.

Our ownership interests in real estate consist of our Consolidated Portfolio, which includes wholly-owned properties and properties consolidated in accordance with the provisions of Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) or in accordance with the provisions of 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), and our unconsolidated joint venture portfolio, which includes properties owned by joint ventures in which we have an economic interest. By entering into strategic joint ventures with institutional investors and other partners, we are able to generate capital sources for redevelopment, new development and acquisitions, as well as create an opportunity to earn fees for property management, leasing and other related services. Our joint ventures may grow through acquisitions from third parties or direct purchases from us. We, together with our joint venture partners, apply similar operating, investing and capital strategies to the portfolios owned by our joint ventures as we do with respect to our Consolidated Portfolio.

Aggressive Management

We have entered into property management agreements with the Management Joint Venture, which we refer to as our property manager. Our property manager provides fully integrated property management and leasing for our properties as well as development management services. Our property manager aggressively manages our properties, with an emphasis on maintaining high occupancy rates and a strong base of nationally and regionally recognized anchor tenants, as well as local specialty tenants, that generate substantial daily traffic. In order to support these efforts, our property manager has eight regional offices and multiple satellite field offices throughout the country, each of which is responsible for managing the leasing, property management and maintenance of properties in its area. Our property manager regularly monitors the physical condition of our properties and the financial condition of our tenants. We are currently improving the general appearance of certain of our properties by upgrading existing facades and roofs, updating signage, resurfacing parking lots and improving parking lot and exterior building lighting. In addition, we, and our property manager, remain focused on enhancing our collective property management skills and internal capabilities, systems and infrastructure. Note that for accounting purposes, the Management Services Assumption has not been reflected as occurring immediately after the date of the Merger but will be reflected as occurring on March 28, 2008.

In conjunction with our property manager, we seek to increase the cash flow and portfolio value of our existing properties primarily through contractual rent increases during the lease term, re-letting of existing space at increased rents, expansion and redevelopment of existing properties, development of undeveloped outparcels and the minimization of overhead and operating costs.

Redevelopment and Outparcel Development of Properties

During 2007, we completed 14 redevelopment projects in our Consolidated Portfolio, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $81.8 million. Our current redevelopment pipeline in our Consolidated Portfolio is comprised of 27 projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $236.5 million. In addition, we develop outparcels of properties in our Consolidated Portfolio and during the year ended December 31, 2007, we completed five outparcel development projects, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $10.9 million. Our current outparcel development pipeline in our Consolidated Portfolio is comprised of three projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $9.0 million. In connection with the First Amendment to the July 2007 Revolving Facility, we are no longer permitted to make draws under our Amended July 2007 Revolving Facility, and are limited to financing any development and redevelopment costs from distributions received from the Residual Joint Venture that are funded with borrowings from the Preston Ridge Facility. The Residual Joint Venture has up to $80.0 million of borrowing available to it under the Preston Ridge Facility (however, only $40.0 million can be borrowed on or before April 30, 2008).

New Development of Properties

We selectively enter into new development opportunities. These projects are driven by tenant demand, and as such, we generally have a lease executed with the anchor tenant prior to investing substantial capital. Such activity enhances our relationships with our anchor tenants by demonstrating our ability to serve their growth needs. Upon completion, we either hold the properties as long-term investments or sell them as part of a merchant building program. Properties that are developed as part of our merchant building program are owned in one of our wholly-owned taxable REIT subsidiaries, in accordance with the Tax Relief Extension Act of 1999, which became effective on January 1, 2001.

Our current new development pipeline in our Consolidated Portfolio is comprised of six projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $92.7 million. In connection with the First Amendment to the July 2007 Revolving Facility, we are no longer permitted to make draws