

NEW PLAN EXCEL REALTY TRUST INC  
Form 10-Q  
August 09, 2001

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

QUARTERLY  
REPORT  
PURSUANT  
TO SECTION  
13 OR 15(d)  
OF THE  
SECURITIES  
EXCHANGE  
ACT OF 1934  
FOR THE  
QUARTERLY  
PERIOD  
ENDED JUNE  
30, 2001

OR

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

**NEW PLAN EXCEL REALTY TRUST, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: NEW PLAN EXCEL REALTY TRUST INC - Form 10-Q

MARYLAND  
(State or other Jurisdiction of  
Incorporation)

33-0160389  
(IRS Employer  
Identification No.)

1120 Avenue of the Americas, New York, New York 10036  
(Address of Principal Executive Office) (Zip Code)

212-869-3000  
Registrant's Telephone Number

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  No

The number of shares of common stock outstanding at July 31, 2001 was 87,209,804.

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the Three Months and Six Months Ended June 30, 2001 and 2000**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

|                                     | Three Months Ended |               | Six Months Ended |                |
|-------------------------------------|--------------------|---------------|------------------|----------------|
|                                     | June 30, 2001      | June 30, 2000 | June 30, 2001    | June 30, 2000  |
| Rental revenues:                    |                    |               |                  |                |
| Rental income                       | \$66,819           | \$67,812      | \$133,010        | \$136,682      |
| Percentage rents                    | 1,240              | 2,068         | 3,918            | 4,270          |
| Expense reimbursements              | 14,955             | 13,421        | 29,260           | 26,640         |
| <b>Total rental revenues</b>        | <b>83,014</b>      | <b>83,301</b> | <b>166,188</b>   | <b>167,592</b> |
| Expenses: Operating costs and other | 13,413             | 12,711        | 26,061           | 26,955         |
| Real estate taxes                   | 8,597              | 9,428         | 17,305           | 18,548         |
| Interest                            | 19,782             | 22,641        | 40,749           | 44,314         |
| Depreciation                        |                    |               |                  |                |

Edgar Filing: NEW PLAN EXCEL REALTY TRUST INC - Form 10-Q

and  
 amortization 14,256 13,285 27,892 27,051 Provision  
 for doubtful  
 accounts 1,695 1,283 3,742 1,902 Non-recurring  
 charge 915 3,664 General and  
 administrative 2,542 2,581 4,730 4,578

---



---



---



---

Total expenses 60,285 62,844 120,479 127,012

---



---



---

Income before real estate sales, impairment  
 of real estate, minority Interest and other  
 income  
 and expenses 22,729 20,457 45,709 40,580 Other  
 income and expenses: Interest, dividend, and  
 other income 3,678 7,353 7,471 14,775 Equity  
 participation in  
 ERT (2,855) (4,012) (4,313) (9,288) Foreign  
 currency gain (loss) 349 (276) (130) (292) Gain  
 (loss) on sale of real  
 estate 87,915 (17) 7,914 Impairment of real  
 estate (1,135) (1,900) (3,374) (1,900) Minority  
 interest in income of  
 partnership (208) (241) (426) (479)

---



---



---



---

Income from continuing  
 operations 22,566 29,296 44,920 51,310

---



---



---

Discontinued operations: Income from  
 discontinued operations of  
 garden  
 apartments 5,215 6,175 10,064 11,410

---



---



---

Net income before extraordinary  
 item 27,781 35,471 54,984 62,720 Extraordinary  
 item 758 758

---



---



---

Net income 27,781 36,229 54,984 63,478

Other comprehensive income  
(loss):Unrealized gains on securities for the  
period291115462235Cumulative effect of  
change in accounting  
principle (SFAS 133) on other  
comprehensive loss (2,214) Unrealized  
derivative losses on interest rate  
swap(41) (1,833)

Comprehensive  
income\$28,031\$36,344\$51,399\$63,713

Net income available to common stock  
basic\$22,121\$30,571\$43,665\$52,161

Net income available to common stock  
diluted\$22,329\$30,812\$44,091\$52,640

Basic earnings per common share:Income  
from continuing  
operations\$0.19\$0.27\$0.38\$0.46Discontinued  
operations\$0.06\$0.07\$0.12\$0.13Extraordinary  
item \$0.01 \$0.01

Basic earnings per  
share\$0.25\$0.35\$0.50\$0.60

Diluted earnings per common share:Income  
 from continuing  
 operations\$0.19\$0.27\$0.38\$0.45Discontinued  
 operations\$0.06\$0.07\$0.12\$0.13Extraordinary  
 item \$0.01 \$0.01

Diluted earnings per  
 share\$0.25\$0.35\$0.50\$0.59

Average shares outstanding  
 basic87,20687,65187,20787,629

Average shares outstanding  
 diluted88,75489,01488,67589,021

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

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of June 30, 2001 and December 31, 2000**  
**(In thousands, except per share amounts)**

|   | <u>Unaudited</u> |                     |
|---|------------------|---------------------|
|   | <u>June 30,</u>  | <u>December 31,</u> |
| <b>ASSETS</b>                             | <b>2001</b>      | <b>2000</b>         |
| Real estate:                              |                  |                     |
| Land\$459,915\$463,602Building            |                  |                     |
| and                                       |                  |                     |
| improvements1,986,7791,989,029Accumulated |                  |                     |
| depreciation(243,872)(218,638)            |                  |                     |
| <hr/>                                     |                  |                     |
| <hr/>                                     |                  |                     |

Net real estate held for sale equivalents securities, less allowance for doubtful accounts of \$14,580 and \$12,816 at June 30, 2001 and December 31, 2000, respectively 40,465,434 Other, net 8,701,620 Mortgages and notes receivable 40,578,553 Prepaid expenses and deferred charges 1,474,320 Assets in discontinued operations 347,852,346,779 Investment in and loans to ERT Development Corporation 168,903,170,004 Other assets 12,225,903

---



---

Total assets \$2,863,552 \$2,894,431

---



---

**LIABILITIES AND STOCKHOLDERS**

**EQUITY** Liabilities: Mortgages payable, including unamortized premium of \$7,097 and \$7,753 at June 30, 2001 and December 31, 2000, respectively \$314,238 \$328,803 Notes payable, net of unamortized discount of \$1,881 and \$2,008 at June 30, 2001 and December 31, 2000, respectively 613,119 612,992 Credit facilities 251,750 243,750 Capital leases 29,303 29,431 Other liabilities 101,200 92,145 Tenant security deposits 7,959 7,791

---



---

Total liabilities 1,317,569 1,314,912

---



---

Minority interest in partnership 23,242 23,909

---



---

Stockholders equity: Preferred stock, Series A: \$.01 par value, 25,000 shares authorized: 4,600

shares designated as 8 1/2% Series A Cumulative Convertible Preferred, 1,507 shares outstanding at June 30, 2001 and December 31, 2000, respectively; Series B: 6,300 depository shares, each representing 1/10 of one share of 8 5/8% Series B Cumulative Voting Step-Up Premium Rate Preferred, 150 shares outstanding at June 30, 2001 and December 31, 2000, respectively  
 2323 Common stock, \$.01 par value, 250,000 shares authorized; 87,210 and 87,320 shares issued and outstanding as of June 30, 2001 and December 31, 2000, respectively  
 872873 Additional paid-in capital 1,695,055 1,695,994 Accumulated other comprehensive (loss) income (3,030) 555 Accumulated distribution in excess of net income (170,179) (141,835)

---

Total stockholders equity 1,522,741 1,555,610

---

Total liabilities and stockholders equity \$2,863,552 \$2,894,431

---



---

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

---

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended June 30, 2001 and 2000**  
**(Unaudited)**  
**(In thousands)**

|   | <u>June 30,<br/>2001</u> | <u>June 30,<br/>2000</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities:                       |                          |                          |
| Net income  | \$54,984                 | \$63,478                 |
| Adjustments to reconcile net income to net cash provided by |                          |                          |

Edgar Filing: NEW PLAN EXCEL REALTY TRUST INC - Form 10-Q

operations: Depreciation  
 and  
 amortization 32,805 31,543 Amortization  
 of net premium/discount on  
 mortgages and notes  
 payable (529) (578) Amortization  
 of deferred debt and loan  
 acquisition  
 costs 118 Foreign currency  
 loss 130 292 Provision for  
 doubtful  
 accounts 3,937 2,126 Loss/(gain)  
 on sale of real estate and  
 securities,  
 net 17 (7,914) Minority  
 interest in income of  
 partnership 42 647 9 Extraordinary  
 item (758) Impairment of  
 real estate  
 assets 3,374 1,900 Equity in  
 loss/(income) of  
 affiliate 4,313 9,288 Change  
 in investment in and  
 accrued interest on loans to  
 ERT Development  
 Corporation (2,491) (5,643) Changes  
 in operating assets and  
 liabilities, net: Change in  
 trade and notes  
 receivable (947) (6,781) Change  
 in other  
 receivables 2,919 (6,375) Change  
 in other  
 liabilities 5,004 342 Change  
 in sundry assets and  
 liabilities 1,722 (92)

---



---

Net cash provided by  
 operating  
 activities 105,782 81,307

---



---

Cash flows from investing  
 activities: Real estate  
 acquisitions and building  
 improvements (20,059) (6,972) Proceeds  
 from real estate sales,  
 net 14,828 30,858 Advances  
 for mortgage notes  
 receivable, net (3,359) Loans  
 to ERT Development  
 Corporation (721) (32,924) Repayments  
 from ERT Development  
 Corporation 9,284 Repayments  
 of mortgage notes  
 receivable 2,364 1,485



Net cash used in investing  
activities(3,588)(1,628)

---

---

Cash flows from financing  
activities:Principal  
payments of mortgages and  
notes  
payable(14,036)(71,395)Dividends  
paid(83,329)(83,413)Proceeds  
from mortgages  
payable 30,000Proceeds  
from credit facility  
borrowing74,000142,000Repayment  
of credit  
facility(66,000)(92,000)Proceeds  
from exercise of stock  
options1126,600Distributions  
paid to minority  
partners(1,093)(1,073)Payments  
for the repurchase of  
common  
stock(1,598)(7,554)Repayment  
of loans receivable for the  
purchase of common  
stock546

---

---

Net cash used in financing  
activities(91,398)(76,835)

---

---

Net increase in cash and  
cash  
equivalents10,7962,844Cash  
and cash equivalents at  
beginning of  
year1,17010,834

---

---

Cash and cash equivalents  
at end of  
year\$11,966\$13,678

---

---

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

---

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Financial Statement Presentation**

The accompanying unaudited consolidated financial statements have been prepared by New Plan Excel Realty Trust, Inc. (the Company) pursuant to the rules of the Securities and Exchange Commission (SEC) and, in the opinion of the Company, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States 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 for the three months and six months ended June 30, 2001 and 2000 are not necessarily indicative of the results expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

As described in Note 3, certain amounts have been reclassified as a result of the pending sale of our garden apartment communities. Accordingly, the Company now operates in one business segment retail real estate.

## **Note 2: Accounting Change**

Effective January 1, 2001, the Company adopted SFAS 133/138, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). This accounting standard requires the Company to measure derivatives, including certain derivatives embedded in other contracts, at fair value and to recognize them in the Consolidated Balance Sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative are reported in other comprehensive income (OCI) and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging instruments and ineffective portions of hedges are recognized in earnings in the current period.

The Company uses only qualifying hedges that are designated specifically to reduce exposure to interest rate risk by locking in the expected future cash payments on certain liabilities. This is accomplished using an interest rate swap, which has been designated as a cash flow hedge. The Company's derivative instrument consists of a two year interest rate swap agreement of \$125 million, which effectively fixes the annual interest rate of the Company's variable rate debt under the Company's credit facilities at a base rate of 6.67% plus applicable spread.

The adoption of SFAS 133 as of January 1, 2001 resulted in a cumulative transition adjustment of \$2.2 million to OCI, and recorded a corresponding liability of the same amount. The Company expects to reclassify as a charge to earnings during the next twelve months of \$2.2 million from the transition adjustment that was recorded in accumulated OCI.

For the six months ended June 30, 2001, the critical terms of the interest rate swap and the variable rate debt were the same, so no ineffectiveness was recorded in the consolidated financial statements. All components of the interest rate swap were included in the assessment of hedge effectiveness. The change in fair market value of the interest rate swap was \$1.8 million and was recorded in OCI. As of June 30, 2001, the Company expects to reclassify \$3.2 million of losses accumulated in OCI to earnings during the next twelve months.

**Note 3: Discontinued Operations**

On May 17, 2001, the Company announced that it entered into a definitive agreement to sell its 53 garden apartment communities containing 12,550 units to a private investor group comprised of Houlihan-Parnes Realtors, LLC and C.L.K. Management Corp. Gross proceeds from the sale will be approximately \$380 million, from which approximately \$55 million will be used to satisfy existing mortgage indebtedness encumbering the garden apartment communities. Accordingly, the assets and operating results for the garden apartment communities were reclassified and reported as discontinued operations.

Income from discontinued operations of garden apartment communities is as follows:

|  | Three Months Ended |               | Six Months Ended |               |
|--|--------------------|---------------|------------------|---------------|
|  | June 30, 2001      | June 30, 2000 | June 30, 2001    | June 30, 2000 |
| Rental revenue:  | \$ 19,437          | \$ 19,238     | \$ 38,529        | \$ 38,085     |
| Operating costs  | (8,452)            | (8,304)       | (17,002)         | (16,989)      |
| Real estate and other taxes(1,409)(1,503)(2,822)(3,172)Interest expense(1,774)(898)(3,533)(1,798)Depreciation and amortization(2,474)(2,269)(4,913)(4,492)Provision for doubtful accounts(113)(89)(195)(224) |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| Income from discontinued operations of garden apartments   | \$5,215            | \$6,175       | \$10,064         | \$11,410      |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |
| <hr/>  |                    |               |                  |               |

Included in the Consolidated Balance Sheet are net assets of the discontinued operations of garden apartment communities which include:

| Assets  | June 30, 2001 | December 31, 2000 |
|---|---------------|-------------------|
| Land  | \$ 68,638     | \$ 68,638         |
| Buildings and improvements326,993321,007Less: accumulated depreciation and amortization(47,779)(42,866) |               |                   |
| <hr/>   |               |                   |
| <hr/>   |               |                   |
| Assets in discontinued operations   | \$347,852     | \$346,779         |
| <hr/>   |               |                   |
| <hr/>   |               |                   |

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4: ERT Development Corporation**

In 1995, ERT Development Corporation ( ERT ) was organized to finance, acquire, develop, hold and sell real estate in the short-term for capital gains and/or to receive fee income. During the relevant periods, the Company owned 100% of the outstanding preferred shares of ERT and an officer and director of the Company owned all the common shares. The preferred shares are entitled to receive 95% of dividends, if any, and 100% of all losses. Cash requirements to facilitate ERT's transactions have primarily been obtained through borrowings from the Company. In 2001, ERT elected to become a taxable REIT subsidiary of the Company under the tax rules applicable to REITs.

On July 1, 2001, the Company acquired 100% of the common stock in ERT. Effective July 1, 2001, ERT will be consolidated with the Company.

Investment in and loans to ERT by the Company are comprised of the following (in thousands):

|  | <u>June 30, 2001</u> | <u>December 31,<br/>2000</u> |
|--|----------------------|------------------------------|
| Investment                                     | (\$17,953)           | (\$13,641)                   |
| Uncollateralized loans and accounts receivable | 83,880               | 69,393                       |
| Collateralized loans receivable                | 72,473               | 85,724                       |
| Accrued interest                               | 30,503               | 28,528                       |
|  | <u>\$168,903</u>     | <u>\$170,004</u>             |

Interest and principal payments from ERT to the Company are primarily received upon the completion of development projects. Interest receivable from ERT was \$30.5 million and \$28.5 million at June 30, 2001 and December 31, 2000, respectively. Interest income recognized by the Company was \$2.5 million and \$4.6 million for the three months ended June 30, 2001 and 2000, respectively, and \$4.8 million and \$9.3 million for the six months ended June 30, 2001 and 2000, respectively.

For the six months ended June 30, 2001 and 2000, the equity in the losses of ERT recorded by the Company was (\$4.3) million and (\$9.3) million, respectively. For the three months ended June 30, 2001 and 2000, the equity in the losses of ERT recorded by the Company was (\$2.9) million and (\$4.0) million, respectively.

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4: ERT Development Corporation, Continued**

Summary unaudited financial information for ERT is as follows (in thousands).

|  | <b>June 30,<br/>2001</b> | <b>December 31,<br/>2000</b> |
|--|--------------------------|------------------------------|
|  | <hr/>                    | <hr/>                        |
| <b>Condensed Balance Sheets</b>  |                          |                              |
| Mortgages, notes and interest receivable from developers, interest at 10% to 12% | \$58,156                 | \$ 61,339                    |
| Real estate and other assets, net of depreciation                                | 197,719                  | 202,153                      |
|  | <hr/>                    | <hr/>                        |
| Total assets   | \$255,875                | \$263,492                    |
|  | <hr/>                    | <hr/>                        |
| Mortgages, notes and accounts payable to New Plan Excel Realty Trust, Inc.       | \$156,353                | \$155,118                    |
| Accrued interest payable to New Plan Excel Realty Trust, Inc.                    | 30,503                   | 28,528                       |
| Mortgages, construction and land loans   | 83,586                   | 83,650                       |
| Other liabilities  | 3,386                    | 9,837                        |
|  | <hr/>                    | <hr/>                        |
| Total liabilities  | 273,828                  | 277,133                      |
| Total stockholders equity  | (17,953)                 | (13,641)                     |
|  | <hr/>                    | <hr/>                        |
| Total liabilities and stockholders equity  | \$255,875                | \$263,492                    |
|  | <hr/>                    | <hr/>                        |

**Condensed Statements of Income**

|   | <b>Three Months Ended</b> |                          |
|---|---------------------------|--------------------------|
|   | <b>June 30,<br/>2001</b>  | <b>June 30,<br/>2000</b> |
|   | <hr/>                     | <hr/>                    |
| Revenues  | \$6,073                   | \$ 6,825                 |
| Interest expense to New Plan Excel Realty Trust, Inc. | (2,450)                   | (4,613)                  |
| Other   |                           |                          |

|                            |
|----------------------------|
| expenses(6,478)(6,224)     |
| <hr/>                      |
| <hr/>                      |
| Net loss(\$2,855)(\$4,012) |
| <hr/>                      |
| <hr/>                      |

|  | <b>Six Months Ended</b>  |                          |
|--|--------------------------|--------------------------|
|  | <b>June 30,<br/>2001</b> | <b>June 30,<br/>2000</b> |
|  | <hr/>                    | <hr/>                    |
| Revenues   | \$ 12,873                | \$ 13,281                |
| Interest expense to New<br>Plan Excel Realty Trust,<br>Inc.(4,818)(9,294)Other<br>expenses(12,368)(13,275) |                          |                          |
| <hr/>  |                          |                          |
| <hr/>  |                          |                          |
| Net loss(\$4,313)(\$9,288)   |                          |                          |
| <hr/>  |                          |                          |
| <hr/>  |                          |                          |

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4: ERT Development Corporation, Continued**

Pointe Orlando Development Company, a wholly owned subsidiary of ERT, has a term loan which had a balance of \$78.5 million at June 30, 2001, of which \$15.0 million was guaranteed by the Company. At December 31, 2000, Pointe Orlando had outstanding construction and land loans totaling \$78.5 million, of which \$15 million was guaranteed by the Company. ERT also has an investment in joint venture partnerships related to a retail development project in Frisco, Texas (The Centre at Preston Ridge). The Centre at Preston Ridge has a construction loan which had an outstanding balance of \$52.6 million and \$51.6 million at June 30, 2001 and December 31, 2000, respectively, of which \$11 million is guaranteed by the Company. The Centre at Preston Ridge also has a land loan which had an outstanding balance of \$18.3 million and \$22.7 million at June 30, 2001 and December 31, 2000, respectively. The Company has agreed to guarantee up to \$21.6 million of the land loan. In addition, the Company has guaranteed \$0.4 million of the debt on an ERT joint venture retail development project, Vail Ranch II, in Temecula, California, all of which was outstanding at June 30, 2001.

ERT accounts for its investments in Preston Ridge and Vail Ranch II using the equity method. For the six months ended June 30, 2001, the equity in the losses of these investments recorded by ERT was (\$74,000).

On October 2, 2000, ERT acquired ownership of two properties, Annie Land Plaza and New Market Shopping Center, from Wilton Partners, in exchange for notes and interest receivable due to ERT. In connection with the acquisition, ERT assumed mortgages on the properties in the approximate amounts of \$2.4 million for Annie Land Plaza and \$2.8 million for New Market Shopping Center. The Company has guaranteed 100% of Annie Land Plaza's

outstanding mortgage balance which totaled approximately \$2.4 million at June 30, 2001 and December 31, 2000. The Company has also guaranteed 25% of New Market Shopping Center's outstanding mortgage balance which totaled \$0.7 million at June 30, 2001 and December 31, 2000. In July 2001, both Annie Land Plaza and New Market Shopping Center were sold and the outstanding mortgage indebtedness was repaid. As a result of the sale, all loan guarantees were cancelled.

On January 11, 2001, ERT acquired Stein Mart Center, a 112,400 square foot shopping center located in Poway, California, from Wilton Partners, one of its joint venture partners, in consideration for \$4.9 million of notes receivable and accrued interest due to ERT.

On May 18, 2001, The Ellman Companies repaid to ERT approximately \$18.9 million of outstanding note receivables and accrued interest on Mesa Pavilions and The Groves. Approximately \$2.1 million of the proceeds consist of a note receivable secured by certain interests in the Superior Towne Center, a Company joint venture. On June 18, 2001, ERT sold a 1.265 acre pad at the Center at Preston Ridge Phase 2 for approximately \$1.4 million. In total, ERT or its joint ventures received approximately \$25.1 million during the first six months of 2001 from the repayment of outstanding note receivables and accrued interest and the sale of assets.

**Note 5: Statement of Cash Flows Supplemental Disclosure (in thousands)**

The amounts paid for interest for the six months ended June 30, 2001 and 2000 were \$43.8 million and \$46.6 million, respectively. State and local income taxes paid for the six months ended June 30, 2001 and 2000 were \$0.2 million and \$0.4 million, respectively.

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 6: Stockholders Equity**

**Earnings Per Share (EPS)**

In accordance with the disclosure requirements of SFAS No. 128, a reconciliation of the numerator and denominator of basic and diluted EPS is provided as follows (in thousands, except per share amounts):

|                                       | <b>Three Months<br/>Ended</b> |                          | <b>Six Months Ended</b>  |                          |
|---------------------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
|                                       | <b>June<br/>30,<br/>2001</b>  | <b>June 30,<br/>2000</b> | <b>June 30,<br/>2001</b> | <b>June 30,<br/>2000</b> |
| Basic EPS                             |                               |                          |                          |                          |
|                                       | Numerator:                    |                          |                          |                          |
| Net income from continuing operations | \$22,566                      | \$29,296                 | \$44,920                 | \$51,310                 |
| Preferred dividends                   | (5,660)                       | (5,658)                  | (11,319)                 | (11,317)                 |
|                                       | <u>          </u>             | <u>          </u>        | <u>          </u>        | <u>          </u>        |
|                                       | <u>          </u>             | <u>          </u>        | <u>          </u>        | <u>          </u>        |
|                                       | <u>          </u>             | <u>          </u>        | <u>          </u>        | <u>          </u>        |

Edgar Filing: NEW PLAN EXCEL REALTY TRUST INC - Form 10-Q

---

Net income available to common shares  
basic, from continuing  
operations 16,906,233,638 33,601 39,993 Discontinued  
operations 5,215,617 510,064 11,410

---

---

---

---

Net income before extraordinary  
item 22,121 29,813 43,665,51,403 Extraordinary  
item 758 758

---

---

---

---

Net income available to common shares  
basic \$22,121 \$30,571 \$43,665 \$52,161

---

---

---

---

Denominator: Weighted average of common  
shares  
outstanding 87,206 87,651 87,207 87,629

---

---

---

---

Earnings per common shares basic, from  
continuing  
operations \$0.19 \$0.27 \$0.38 \$0.46 Earnings  
per common shares basic, from  
discontinued  
operations \$0.06 \$0.07 \$0.12 \$0.13 Earnings  
per common shares basic, from  
extraordinary item \$0.01 \$0.01

---

---

---

---

Earnings per common shares  
basic \$0.25 \$0.35 \$0.50 \$0.60

---

---

---

---

Diluted EPS Numerator: Net income from  
continuing  
operations \$22,566 \$29,296 \$44,920 \$51,310 Preferred  
dividends (5,660) (5,658) (11,319) (11,317) Minority  
interest 208 241 426 479



\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Net income available to common shares  
 diluted, from continuing  
 operations 17,114,238,793 4,027,404,472 Discontinued  
 operations 5,215,617,510,064 11,410

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Net income before extraordinary  
 item 22,329,300,544 4,091,511,882 Extraordinary  
 item 758 758

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Net income available to common shares  
 diluted \$22,329,300,544 \$4,091,511,882 \$52,640

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Denominator: Weighted average of common  
 shares  
 outstanding 87,206,876,518 7,207,629 Effect  
 of diluted securities: Common stock options  
 and warrants 3,128,233 157 Excel Realty  
 Partners, L.P. third party  
 units 1,235 1,235 1,235

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Average shares outstanding  
 diluted 88,754,890 14,886,758 9,021

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Earnings per common share diluted from  
 continuing  
 operations \$0.19 \$0.27 \$0.38 \$0.45 Earnings  
 per common shares diluted, from  
 discontinued  
 operations \$0.06 \$0.07 \$0.12 \$0.13 Earnings  
 per common shares diluted, from  
 extraordinary item \$0.01 \$0.01

\_\_\_\_\_  
 \_\_\_\_\_

---



---

Earnings per common shares  
 diluted \$0.25 \$0.35 \$0.50 \$0.59

---



---



---



---

Preferred A shares are anti-dilutive for earnings per share calculations.

**NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7: Real Estate Held For Sale**

On a periodic basis, management assesses whether there are any indicators that the value of the 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 are less than the carrying value of the property. 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.

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 which 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, principally Investment in ERT, a loss is recognized if the loss in value of the investment is other than temporary.

As of June 30, 2001, four single tenant properties and four retail properties were classified as Real estate held for sale. These properties are located in eight states and have an aggregate gross leasable area of 398,000 square feet. The estimated fair market value of three of the properties held for sale is less than their book value, resulting in an impairment loss of \$1.1 million recorded in the quarter ended June 30, 2001. These properties contributed \$0.6 million in revenue and \$0.4 million in net income for the three months ended June 30, 2001, and \$1.3 million in revenue and \$0.9 million in net income for the six months ended June 30, 2001.

**Note 8: Environmental Matters**

Under various federal, state and local laws, ordinances and regulations, the Company may be considered an owner or operator of real property or may have arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property or disposed of by it, as well as certain other potential costs which could relate to hazardous or toxic substances (including governmental fines and injuries to persons and property). Such liability may be imposed whether or not the Company knew of, or was responsible for, the presence of such hazardous or toxic substances. Except as discussed below, the Company is not aware of any significant environmental condition at any of its properties.

Soil and groundwater contamination exists at certain of the Company's properties. The primary contaminants of concern at these properties include perchloroethylene and trichloroethylene (associated with the operations of on-site dry cleaners) and petroleum hydrocarbons (associated with the operations of on-site gasoline facilities). The Company currently estimates that the total remaining cost of remediation of environmental conditions for these properties will be in the range of approximately \$1 million to \$3 million, although there can be no assurance that this range of estimates will prove accurate. In connection with certain of these properties, the Company has entered into remediation and indemnity agreements, which obligate the prior owners of certain of the properties (including in some cases, principals of the prior owners) to perform the remediation and to indemnify the Company for any losses the Company may suffer because of the contamination or remediation. There can be no assurance that the remediation estimates of the Company will prove accurate or that the prior owners will perform their obligations under these agreements, although in certain cases funds have been set aside with respect to the performance under these agreements. In connection with certain other properties, the former tenants at the properties are in the process of performing the necessary remediation, although there can be no assurance that such remediation will be satisfactory. In connection with certain additional properties, the Company has assumed the obligation to perform the necessary remediation in connection with the Company's purchase of the properties. In addition to the environmental conditions discussed above, asbestos minerals (associated with spray applied fireproofing materials) exist at certain of the Company's properties. The Company currently estimates that the total cost of abatement of asbestos minerals at these properties would be approximately \$3.2 million, although there can

## **NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Note 8: Environmental Matters, Continued**

be no assurance that this estimate will prove accurate. The Company does not expect the environmental conditions at its properties, considered as a whole, to have a material adverse effect on the Company. Included in other liabilities in the Company's Consolidated Balance Sheet at June 30, 2001 is \$3.2 million related to the clean-up of certain asbestos minerals.

#### **Note 9: Non-Recurring Charge**

In connection with the retirement of Arnold Laubich from his positions as President and Chief Executive Officer, the Company entered into a retirement agreement with Mr. Laubich. The non-recurring charge shown for the six months ended June 30, 2000 is primarily the lump sum payments provided for in the retirement agreement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Liquidity and Capital Resources**

The following information should be read in conjunction with the Company's consolidated financial statements and notes thereto as of June 30, 2001 included in this quarterly report and the Company's Annual Report on Form 10-K for the year ended December 31, 2000. This quarterly report contains forward-looking statements. Such statements

involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievement of the Company to be materially different from the results of operations or plans expressed or implied from such forward-looking statements.

Cash flow from operations has been the principal source of capital to fund the Company's ongoing operations. The Company's issuance of common and preferred stock, use of the Company's revolving credit facilities and financing from uncollateralized notes and mortgage debt are additional sources of capital.

In order to continue to expand and develop its portfolio of properties and other investments, the Company intends to finance future acquisitions and growth through the most advantageous sources of capital available to the Company at the time, which may include excess cash flow, the sale of common stock, preferred stock or debt securities through public offerings or private placements, the incurrence of additional indebtedness through borrowings, and the reinvestment of proceeds from the disposition of assets. The Company also may enter into joint ventures with institutions to acquire portfolios of properties. The Company's financing strategy is to maintain a strong and flexible financial position by (i) maintaining a prudent level of leverage, (ii) maintaining a large pool of unencumbered properties, (iii) managing its exposure to interest rate risk represented by its floating rate debt and (iv) where possible, amortizing existing non-recourse mortgage debt secured by specific properties over the term of the leases with anchor tenants at such mortgaged properties.

As of June 30, 2001, the Company had approximately \$14 million in cash, cash equivalents and marketable securities.

The Company has two revolving credit facilities with The Bank of New York, each of which provides for \$122.5 million in uncollateralized advances from a group of banks. One facility ( Facility #1 ) expires in November 2001 with the right of extension to November 2002. The other facility ( Facility #2 ) expires in November 2002. As of June 30, 2001, the Company had \$59.3 million outstanding under Facility #1, which bears interest at LIBOR plus 72.5 basis points, and \$117.5 million outstanding under Facility #2 which bears interest at LIBOR plus 67.5 basis points. The covenants under these credit facilities include maintaining certain ratios such as liabilities to assets of less than 50% and maintaining a minimum unencumbered assets coverage ratio of 2 to 1. In addition, the Company has a \$100 million term loan facility with Fleet National Bank ( FNB ), of which \$75 million was outstanding as of June 30, 2001. This facility is scheduled to mature on May 8, 2002, with the right of extension to November 2002. Loans drawn under this new facility will accrue interest at LIBOR plus 90 basis points (based on the Company's current credit rating). The term loan agreement prepared in connection with the new FNB facility contains covenants substantially similar to those included in the two credit facilities of the Company with The Bank of New York. On October 11, 2000, the Company entered into a two-year swap agreement with Fleet National Bank relating to \$125 million of the Company's variable rate debt. The agreement effectively fixes the annual interest rate of this debt at a base rate of 6.67% plus applicable spreads associated with the Company's variable rate credit facilities.

In addition to outstanding amounts on the Company's credit facilities, debt as of June 30, 2001 consisted of \$314.2 million of mortgages payable having a weighted average interest rate of 7.6% and \$613.1 million of notes payable with a weighted average interest rate of 7.3%. Of this debt, \$50.7 million bears a variable interest rate. Additionally, the Company has \$2 million in marketable equity securities which are sensitive to market price changes and notes receivable in the amount of Canadian \$14.2 million (approximately U.S. \$9.3 million as of June 30, 2001) which are sensitive to currency exchange rate fluctuations.

The Company guarantees certain indebtedness of ERT, and the debt outstanding related to these guarantees as of June 30, 2001 was \$51 million. ERT has third-party debt of \$161.3 million, excluding notes payable to the Company, having a weighted average interest rate of 7.6%. The Company provides substantially all of the capital required to fund ERT's operations.

In November 1998, the Company filed a \$1 billion shelf registration statement relating to the issuance from time to time of debt securities, preferred stock, depository shares, common stock, warrants and rights, in amounts, at initial prices and on terms to be determined at the time of offering. Under this shelf registration statement, the Company established a program for the issuance of medium-term notes due nine months or more from date of issue. As of June 30, 2001, an aggregate principal amount of \$276 million was available for issuance under the Company's medium-term notes program.

In October 1999, the Company commenced a program to repurchase up to \$75 million of the Company's outstanding common stock from time to time through periodic open market transactions or through privately negotiated transactions. Through June 30, 2001, approximately 2,100,000 shares had been repurchased and retired at an average purchase price of \$15.28 per share. Of this amount, approximately 119,000 shares were repurchased and retired in the six months ended June 30, 2001.

In May 2001, the Board of Directors authorized the repurchase of up to \$125 million of the Company's outstanding preferred stock and public debt.

Other sources of funds are available to the Company. Based on management's internal evaluation of the Company's properties, many of which are free and clear of mortgages, the estimated value is considerably in excess of the outstanding mortgage indebtedness. Accordingly, management believes that potential exists for additional mortgage financing as well as unsecured borrowing capacity from banks and other lenders.

The Company has three classes of preferred stock outstanding as of June 30, 2001: (i) 1,507,000 shares of 8 1/2% Series A Cumulative Convertible Preferred Stock outstanding which have an annual distribution of \$2.125 per share payable quarterly; (ii) 6,300,000 depository shares outstanding, each representing 1/10 of a share of 8 5/8% Series B Cumulative Redeemable Preferred Stock, with an annual distribution of \$2.15625 per depository share payable quarterly; and (iii) 1,500,000 depository shares outstanding, each representing 1/10 of one share of 7.8% Series D Cumulative Voting Step-Up Premium Rate Preferred Stock, with a liquidation preference and annual distribution of \$50 and \$3.90 per depository share, respectively.

The current quarterly dividend on the Company's common stock is \$0.4125 per share. The maintenance of this dividend will be subject to various factors, including the discretion of the Board of Directors of the Company, the ability to pay dividends under applicable law and the effect which the payment of dividends may have from time to time on the maintenance by the Company of its status as a REIT. In addition, the Company must comply with the loan covenant requirements as described under the Company's credit facilities.

In the normal course of business, the Company also faces risks that are either non-financial or non-qualitative. Such risks principally include credit risks and legal risks and are not included in the aforementioned notes.

### **Results of operations for the three months ended June 30, 2001 and 2000**

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements and accompanying notes, including trends which might appear, should not be taken as indicative of future operations.

On May 17, 2001, the Company announced that it entered into a definitive agreement to sell its 53 garden apartment communities containing 12,550 units to a private investor group comprised of Houlihan-Parnes Realtors, LLC and C.L.K. Management Corp. Gross proceeds from the sale will be approximately \$380 million, from which approximately \$55 million will be used to satisfy existing mortgage indebtedness encumbering the garden apartment

communities. Accordingly, the assets and operating results for the garden apartment communities were reclassified and reported as discontinued operations.

**Revenues:**

Rental income decreased by approximately \$1 million from \$67.8 million for the three months ended June 30, 2000 to \$66.8 million for the same period in 2001. The decrease was primarily due to the sale of 19 retail properties between April 1, 2000 and June 30, 2001.

Interest, dividend and other revenue decreased approximately \$3.7 million from \$7.4 million for the three months ended June 30, 2000 to \$3.7 million for the same period in 2001. The decrease was primarily due to a

14

---

decrease in interest income earned from ERT and the Company's development projects. The decrease in interest income from ERT was due to a decrease in the interest rate being charged by the Company.

The change in equity participation in ERT of \$1.1 million, from a loss of \$4.0 million for the three months ended June 30, 2000 to a loss of \$2.9 million for the same period in 2001, was primarily the result of a decrease in interest expense of \$2.1 million. The decrease was partially offset by a \$0.2 million reduction in interest income and an impairment loss of \$0.7 million. In addition, net income for two operating mall properties (the Mall at 163<sup>rd</sup> Street and Pointe Orlando) decreased \$0.3 million, partially offset by net income of \$0.1 million from the acquisition of two properties in October 2000 and an additional property in January 2001.

The Mall at 163<sup>rd</sup> Street, a property owned by ERT, had a decrease in net income of \$0.8 million primarily due to a decrease in rental and other revenues because of redevelopment activities.

Pointe Orlando, a property owned by ERT, had a decrease in net loss of \$0.5 million due to decreased legal costs which were partially offset by an increase in bad debt expense.

Foreign currency gain increased approximately \$0.6 million from a loss of \$0.3 million for the three months ended June 30, 2000 to a gain of \$0.3 million for the same period in 2001. The foreign currency gain was due to the increase in value of the Canadian dollar.

**Expenses:**

Total expenses decreased \$2.5 million from \$62.8 million for the three months ended June 30, 2000 to \$60.3 million for the same period in 2001. The major areas of change are discussed below.

Operating costs increased \$0.7 million from \$12.7 million for the three months ended June 30, 2000 to \$13.4 million for the same period in 2001. A higher utility cost of \$0.5 million was the primary factor for the increase. In addition, repairs and maintenance and personnel costs increased \$0.2 million. The increases were partially offset by a decrease in professional costs.

Interest expense decreased \$2.8 million from \$22.6 million for the three months ended June 30, 2000 to \$19.8 million for the same period in 2001. The decrease was primarily due to lower interest rates and a decrease in the Company's debt portfolio.

Real estate taxes decreased \$0.8 million from \$9.4 million for the three months ended June 30, 2000 to \$8.6 million in for same period in 2001. Approximately \$0.1 million of the decrease was due to property dispositions.

The additional \$0.7 million was due to a combination of decreases in tax rates and property assessments.

The non-recurring charges in 2000 of \$0.9 million represented payments made to certain officers in connection with their resignation or retirement from the Company and their respective retirement employment agreements.

Provision for doubtful accounts increased \$0.4 million from \$1.3 million for the three months ended June 30, 2000 to \$1.7 million for the same period in 2001. The increase was primarily due to a higher receivable balance at June 30, 2001.

### **Results of operations for the six months ended June 30, 2001 and 2000**

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements and accompanying notes, including trends which might appear, should not be taken as indicative of future operations.

15

---

#### ***Revenues:***

Rental income decreased by approximately \$3.7 million from \$136.7 million for the six months ended June 30, 2000 to \$133 million for the same period in 2001. The decrease was primarily due to the sale of 19 retail properties between April 1, 2000 and June 30, 2001.

Interest, dividend and other revenue decreased approximately \$7.3 million from \$14.8 million for the six months ended June 30, 2000 to \$7.5 million for the same period in 2001. The decrease was primarily due to a decrease in interest income earned from ERT and the Company's development projects. The decrease in interest income from ERT was due to a decrease in the interest rate being charged by the Company.

The change in equity participation in ERT of \$5.0 million, from a loss of \$9.3 million for the six months ended June 30, 2000 to a loss of \$4.3 million for the same period in 2001, was primarily the result of a decrease in interest expense of \$4.5 million, increases in the net income of \$0.9 million for two operating mall properties (the Mall at 163<sup>rd</sup> Street and Pointe Orlando) and the acquisition of two properties in October 2000 and an additional property in January 2001. These increases were partially offset by an impairment loss of \$0.7 million.

The Mall at 163<sup>rd</sup> Street, a property owned by ERT, had a decrease in net income of \$0.5 million. Rental and other revenue decreased \$1.3 million because of redevelopment activities, partially offset by a decrease in operating expenses and bad debt expense.

Pointe Orlando, a property owned by ERT, had a decrease in net loss of \$1.0 million due primarily to a decrease in legal costs.

Foreign currency loss decreased approximately \$0.2 million from a loss of \$0.3 million for the six months ended June 30, 2000 to a loss of \$0.1 million for the same period in 2001. The decrease in the foreign currency loss was due to the increase in value of the Canadian dollar.

#### ***Expenses:***

Total expenses decreased \$6.5 million from \$127 million for the six months ended June 30, 2000 to \$120.5 million for the same period in 2001. The major areas of change are discussed below.

Operating costs decreased \$0.9 million from \$27 million for the six months ended June 30, 2000 to \$26.1 million for the same period in 2001. Approximately \$0.4 million of the decrease was due to lower contracted services and repair costs. In addition, a \$0.2 million reduction was due to the sale of 19 retail properties between April 2000 and June 30, 2001.

Interest expense decreased \$3.6 million from \$44.3 million for the six months ended June 30, 2000 to \$40.7 million for the same period in 2001. The decrease was primarily due to lower interest rates and a decrease in the Company's debt portfolio.

Real estate taxes decreased \$1.2 million from \$18.5 million for the six months ended June 30, 2000 to \$17.3 million for the same period in 2001. Approximately \$0.3 million of the decrease was due to property dispositions. The additional \$0.9 million was due to a combination of decreases in tax rates and property assessments.

The non-recurring charges of \$3.7 million in 2000 were primarily payments made to certain officers in connection with their resignation or retirement from the Company and their respective retirement employment agreements.

Provision for doubtful accounts increased \$1.8 million from \$1.9 million for the six months ended June 30, 2000 to \$3.7 million for the same period in 2001. This was primarily due to the collection of amounts previously thought to be uncollectible for the six months ended June 30, 2000. The Company has also recorded an allowance of \$0.9 million relating to a mortgage receivable in 2001.

## Funds From Operations

The Company calculates funds from operations ( FFO ) as net income attributable to common shareholders on a diluted basis before gain or loss on sales of real estate and securities, plus depreciation and amortization on real estate, amortized leasing commission costs and the minority interest share of income. Effective January 1, 2000, the Company adopted the NAREIT definition of Funds From Operations which requires the inclusion of both recurring and non-recurring results of operations. FFO is not a substitute for cash flows from operations or net income as defined by generally accepted accounting principles, and may not be comparable to other similarly titled measures of other REITs. FFO is presented because industry analysts and the Company consider FFO to be an appropriate supplemental measure of performance of REITs.

|  | Three Months Ended                       |                  | Six Months Ended |                  |
|--|--|------------------|------------------|------------------|
|  | June 30,<br>2001                         | June 30,<br>2000 | June 30,<br>2001 | June 30,<br>2000 |
|  | (In thousands, except per share amounts) |                  |                  |                  |
| Net income before extraordinary items <sup>1</sup> | \$27,781                                 | \$35,471         | \$54,984         | \$62,720         |
| Preferred dividends                                | (5,660)                                  | (5,658)          | (11,319)         | (11,317)         |
| Minority interest                                  | 208                                      | 241              | 426              | 479              |
| Net income applicable to common shareholders       | 22,329                                   | 30,054           | 44,091           | 51,882           |
| diluted  | 22,329                                   | 30,054           | 44,091           | 51,882           |
| Gain   |  |                  |                  |                  |



(loss) on sale of real estate New Plan  
 Excel 614(7,915)639(7,914) Impairment of  
 real estate New Plan Excel  
 and  
 ERT 1,8781,9004,1171,900 Depreciation and  
 amortization  
 New Plan Excel real estate  
 assets 16,73015,55432,80531,543 ERT  
 Development Corp. real estate  
 assets 1,4381,2002,9202,316 Preferred  
 dividends 8018001,6011,600

Funds from  
 operations \$43,790 \$41,593 \$86,173 \$81,327

Weighted average of common shares  
 outstanding  
 diluted 90,628 90,888 90,549 90,895

Preferred A shares have a dilutive effect for  
 FFO calculations.

<sup>1</sup> Includes results from discontinued operations

**QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK**

As of June 30, 2001, the Company had approximately \$50.7 million of outstanding floating rate mortgages and notes payable. In addition, the Company had \$251.8 million outstanding as of June 30, 2001 in connection with floating rate borrowings under credit facilities. The Company does not believe that the interest rate risk represented by its floating rate debt is material as of that date in relation to the approximately \$1.2 billion of outstanding total debt of the Company, the approximately \$2.9 billion of total assets of the Company and the approximately \$2.8 billion market capitalization of the Company's common stock as of that date.

The Company was a party to one hedging agreement with respect to its floating rate debt as of June 30, 2001. On October 11, 2000, the Company entered into a two-year swap agreement with Fleet National Bank relating to \$125 million of the Company's variable rate debt. The agreement effectively fixes the annual interest rate of this debt at a base rate of 6.67% plus applicable spreads associated with the Company's variable rate credit facilities. Hedging agreements enable the Company to convert floating rate liabilities into fixed rate liabilities. Hedging agreements expose the Company to the risk that the counterparties to such agreements may not perform, which could increase the Company's exposure to rising interest rates. Generally, however, the counterparties to hedging agreements that the Company enters into are major financial institutions. The Company may borrow additional money with floating

interest rates in the future. Increases in interest rates, or the loss of the benefits of existing hedging agreements or any hedging agreements that the Company may enter into in the future would increase the Company's interest expense, which would adversely affect cash flow and the ability of the Company to service its debt. Future decreases in interest rates will increase the Company's interest expense as compared to the floating rate debt underlying the Company's hedging agreements and could result in the Company making payments to unwind such agreements.

If market rates of interest on the Company's variable rate debt increase by 10% (or approximately 60 basis points), the increase in interest expense on the Company's variable rate debt would decrease future earnings and cash flows by approximately \$1.1 million. If market rates of interest increase by 10%, the fair value of the Company's total outstanding debt would decrease by approximately \$7.9 million. If market rates of interest on the Company's variable rate debt decrease by 10% (or approximately 60 basis points), the decrease in interest expense on the Company's variable rate debt would increase future earnings and cash flows by approximately \$1.1 million.

As of June 30, 2001, the Company had notes receivable in the total amount of Canadian \$14.2 million (approximately U.S. \$9.3 million as of June 30, 2001). The Company does not believe that the foreign currency exchange risk associated with these loans is material. The Company had no other material exposure to market risk (including foreign currency exchange risk, commodity price risk or equity price risk) as of June 30, 2001.

18

---

## PART II OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security Holders

The 2001 annual meeting of stockholders was held on May 16, 2001. Proxies for the meeting were solicited by the Company pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended; there was no solicitation in opposition to management's nominees as listed in the proxy statement and all of such nominees were elected.

Proposal One: Election of Directors.

- (a) 74,349,561 votes were cast for the election of Robert A. Friedman as a Director; 1,276,294 votes were withheld.
- (b) 73,519,784 votes were cast for the election of Norman Gold as a Director; 2,106,071 votes were withheld.
- (c) 72,858,380 votes were cast for the election of William Newman as a Director; 2,767,474 votes were withheld.

There were no abstentions or broker non-votes in connection with this proposal.

### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits:
  - 3.1 Amendments to the Bylaws of the Company, dated May 16, 2001.
  - 3.2 Restated Bylaws of the Company, effective as of May 16, 2001 (incorporating all amendments thereto through May 16, 2001).

Edgar Filing: NEW PLAN EXCEL REALTY TRUST INC - Form 10-Q

- 10.1 Term Loan Agreement, dated as of May 9, 2001, by and among the Company, the lenders party thereto and Fleet National Bank, as administrative agent.
  - 10.2 Guaranty, dated as of May 9, 2001, by and among New Plan Realty Trust, Excel Realty Trust ST, Inc. and Fleet National Bank, as administrative agent.
  - 10.3 Amendment No. 4 to Credit Agreement, dated as of May 9, 2001, by and among the Company, the lenders party thereto, The Bank of New York, as administrative agent, and Bank One, NA and Fleet National Bank, f/k/a BankBoston, N.A., each as a co-documentation agent.
  - 10.4 Amendment No. 3 to Credit Agreement, dated as of May 9, 2001, by and among the Company, the lenders party thereto, The Bank of New York, as administrative agent, and Bank One, NA and Fleet National Bank, f/k/a BankBoston, N.A., each as a co-documentation agent.
  - 10.5 Amended and Restated Unconditional Guaranty of Payment and Performance, dated as of March 30, 2001, by the Company (Briar Preston Ridge).
- (b) During the period covered by this report the Company filed the following reports on Form 8-K:

Form 8-K filed on May 10, 2001 containing Item 9, Regulation FD Disclosure. This is the filing of the Supplemental Disclosure of the registrant for the quarter ended March 31, 2001.

19

---

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 9, 2001

NEW PLAN EXCEL REALTY TRUST, INC

By: /s/ Glenn J. Rufrano  
Glenn J. Rufrano  
President and  
Chief Executive Officer

By: /s/ John B. Roche  
John B. Roche  
Chief Financial Officer

20

---

## EXHIBIT INDEX

| <u>Number</u> | <u>Description</u>   |
|---------------|--|
| 3.1           | Amendments to the Bylaws of the Company, dated May 16, 2001. |

3.2 Restated  
Bylaws of the  
Company,  
effective as of  
May 16, 2001  
(incorporating all  
amendments  
thereto through  
May 16,  
2001).10.1 Term  
Loan Agreement,  
dated as of May 9,  
2001, by and  
among the  
Company, the  
lenders party  
thereto and Fleet  
National Bank, as  
administrative  
agent.10.2  
Guaranty, dated as  
of May 9, 2001,  
by and among  
New Plan Realty  
Trust, Excel  
Realty Trust ST,  
Inc. and Fleet  
National Bank, as  
administrative  
agent.10.3  
Amendment No. 4  
to Credit  
Agreement, dated  
as of May 9, 2001,  
by and among the  
Company, the  
lenders party  
thereto, The Bank  
of New York, as  
administrative  
agent, and Bank  
One, NA and Fleet  
National Bank,  
f/k/a BankBoston,  
N.A., each as a  
co-documentation  
agent.10.4  
Amendment No. 3  
to Credit  
Agreement, dated  
as of May 9, 2001,  
by and among the  
Company, the  
lenders party  
thereto, The Bank  
of New York, as  
administrative  
agent, and Bank  
One, NA and Fleet  
National Bank,  
f/k/a BankBoston,  
N.A., each as a

co-documentation  
agent.10.5  
Amended and  
Restated  
Unconditional  
Guaranty of  
Payment and  
Performance,  
dated as of  
March 30, 2001,  
by the Company  
(Briar Preston  
Ridge).