

Quarterly Report
For the quarterly period ended March 31, 2011

CENTRO NP LLC

(Exact name of the company as specified in its charter)

MARYLAND
(State or other Jurisdiction of
Incorporation)

64-0955724
(IRS Employer
Identification No.)

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

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

Forward-Looking Statements

This Quarterly Report, together with other statements and information publicly disseminated by Centro NP LLC (“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 (i) the inability to refinance our short-term and long-term indebtedness on favorable terms or at all, (ii) our reliance upon distributions from a joint venture we do not control for our working capital, and (iii) our potential need to complete asset sales in order to fund our operations;
- 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;
- changes in the capitalization rates with respect to the 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 redevelopments to be completed on time and within budget and to perform as expected;
- risks of disposition strategies, including the failure to complete sales on a timely basis;
- risks of joint venture activities; and
- other risks identified in this Quarterly Report or in other documents that we publicly disseminate.

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRO NP LLC AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited, in thousands)

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Rental income	\$53,602	\$55,945
Percentage rents	497	1,007
Expense reimbursements	14,053	16,590
Fee income	4,464	3,500
Total revenues	<u>72,616</u>	<u>77,042</u>
Operating Expenses:		
Operating costs	13,573	12,238
Real estate taxes	9,854	9,977
Depreciation and amortization	25,083	28,075
Provision for doubtful accounts	1,207	844
General and administrative	3,930	6,076
Total operating expenses	<u>53,647</u>	<u>57,210</u>
Income from continuing operations before income of investments accounted for under the equity method, interest and other income and expenses	18,969	19,832
Other income and expenses:		
Interest, dividend and other income	879	919
Equity in income of unconsolidated ventures	281	2,680
Interest expense	<u>(22,965)</u>	<u>(18,486)</u>
(Loss) income from continuing operations	<u>(2,836)</u>	<u>4,945</u>
Discontinued operations:		
Income from discontinued operations	<u>11</u>	<u>734</u>
Net (loss) income	(2,825)	5,679
Net (loss) income attributable to non-controlling interests in partnerships	(27)	25
Net loss attributable to redeemable non-controlling interests in partnerships	<u>(323)</u>	<u>(323)</u>
Net (loss) income attributable to Centro NP LLC	<u>\$(3,175)</u>	<u>\$5,381</u>
Other comprehensive loss		
Unrealized gain (loss) on available-for-sale securities	<u>31</u>	<u>(14)</u>
Comprehensive (loss) income attributable to Centro NP LLC	<u>\$(3,144)</u>	<u>\$5,367</u>

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

CENTRO NP LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	March 31, 2011	December 31, 2010
ASSETS		
Real estate:		
Land	\$767,609	\$767,609
Building and improvements	1,572,047	1,564,763
Accumulated depreciation and amortization	(210,117)	(196,417)
Net real estate	2,129,539	2,135,955
Cash and cash equivalents	21,379	98,208
Restricted cash	29,685	31,140
Marketable securities	19,585	20,208
Receivables:		
Trade, net of allowance for doubtful accounts of \$14,241 and \$14,536 at March 31, 2011 and December 31, 2010, respectively	29,083	27,873
Deferred rent, net of allowance of \$1,082 and \$1,000 at March 31, 2011 and December 31, 2010, respectively	16,272	15,784
Due from related party	20,073	17,888
Other, net	11,379	11,967
Prepaid expenses and deferred charges	51,218	48,272
Investments in/advances to unconsolidated ventures	405,547	455,242
Intangible assets, net of accumulated amortization of \$246,615 and \$238,205 at March 31, 2011 and December 31, 2010, respectively	259,047	269,813
Deferred tax assets, net of allowance	33,988	34,998
Other assets	<u>712</u>	<u>682</u>
Total assets	<u>\$3,027,507</u>	<u>\$3,168,030</u>
 LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, including unamortized premium of \$3,887 and \$4,146 at March 31, 2011 and December 31, 2010, respectively	\$880,867	\$884,350
Notes payable, including unamortized premium of \$20,275 and \$21,039 at March 31, 2011 and December 31, 2010, respectively	550,285	693,166
Capital leases	28,722	28,904
Deferred tax liability	33,988	34,998
Other liabilities	67,154	80,481
Due to related parties	11,920	14,732
Below market leases, net of accumulated amortization of \$133,870 and \$128,248 as of March 31, 2011 and December 31, 2010, respectively	95,111	101,151
Tenant security deposits	4,866	4,990
Total liabilities	<u>1,672,913</u>	<u>1,842,772</u>
Redeemable non-controlling interests in partnerships	<u>21,559</u>	<u>21,559</u>
Commitments and contingencies	--	--
Members' equity:		
Members' equity	2,837,048	2,804,583
Accumulated other comprehensive loss	14	(5)
Accumulated losses	<u>(1,505,379)</u>	<u>(1,502,231)</u>
Total Centro NP LLC equity	1,331,683	1,302,347
Non-controlling interest in partnerships	<u>1,352</u>	<u>1,352</u>
Total equity	<u>1,333,035</u>	<u>1,303,699</u>
Total liabilities and equity	<u>\$3,027,507</u>	<u>\$3,168,030</u>

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

CENTRO NP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	<u>Three Months Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net (loss) income	\$(2,825)	\$5,679
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Depreciation and amortization	25,083	28,075
Amortization of net premium/discount on mortgages and notes payable	(1,026)	(1,169)
Amortization of deferred debt and loan acquisition costs	667	410
Amortization of asset retirement liabilities	21	21
Amortization of below market leases	(5,520)	(6,371)
Unrealized loss on financial instruments	--	554
Loss on sale of marketable securities	376	9
Loss on sale of discontinued operations, net	--	(675)
Equity in (loss) income of unconsolidated ventures	(281)	(2,680)
Changes in operating assets and liabilities, net:		
Change in restricted cash	1,455	5,223
Change in trade receivables	(1,210)	513
Change in deferred rent receivables	(488)	(2,349)
Change in other receivables and due from related parties	(1,597)	5,604
Change in other liabilities and due from related parties	(16,157)	(13,374)
Change in tenant security deposits	(124)	(241)
Change in prepaid expenses, deferred charges and other assets	<u>(4,736)</u>	<u>4,794</u>
Net cash (used in) provided by operating activities	<u>(6,362)</u>	<u>24,023</u>
Cash flows from investing activities:		
Real estate acquisitions and building improvements	(7,311)	(5,296)
Proceeds from sale of marketable securities, net	6,959	3,545
Purchase of marketable securities	(6,693)	(3,249)
Distributions of capital from unconsolidated joint ventures	<u>49,958</u>	<u>8,083</u>
Net cash provided by investing activities	<u>42,913</u>	<u>3,083</u>
Cash flows from financing activities:		
Principal payments of mortgages, capital leases and notes payable	(3,405)	(10,748)
Repayment of notes payable	(142,117)	--
Distributions to parent	--	(5,224)
Distributions to non-controlling interests	(323)	(323)
Contributions from parent	<u>32,465</u>	<u>--</u>
Net cash used in financing activities	<u>(113,380)</u>	<u>(16,295)</u>
Net (decrease) increase in cash and cash equivalents	(76,829)	10,811
Cash and cash equivalents at beginning of period	<u>98,208</u>	<u>47,589</u>
Cash and cash equivalents at end of period	<u>\$21,379</u>	<u>\$58,400</u>
Supplemental Cash Flow Disclosure, including Non-Cash Activities:		
Cash paid for interest	\$29,017	\$26,384
Capitalized interest	44	27
State and local taxes paid	1,173	1,453

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

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Description of Business

The principal business of Centro NP LLC (together with its wholly-owned and majority-owned subsidiaries and consolidated entities, the “Company”) is the ownership of community and neighborhood shopping centers throughout the United States.

As of March 31, 2011, the Company owned interests in 422 properties in 37 states, including 150 wholly-owned properties and one property held through a consolidated joint venture (collectively, our “Consolidated Portfolio”), as well as 271 properties held through unconsolidated joint ventures. The 422 properties include 408 community and neighborhood shopping centers with approximately 66.0 million square feet of gross leasable area (“GLA”), and 14 related retail assets with approximately 1.2 million square feet of GLA. The Company’s Consolidated Portfolio includes 142 community and neighborhood shopping centers with approximately 22.4 million square feet of GLA and nine related retail assets with approximately 0.6 million square feet of GLA. At March 31, 2011, the GLA for the Company’s Consolidated Portfolio was approximately 86% leased and the GLA for the Company’s total portfolio, including its pro rata share of joint venture properties, was approximately 86% leased.

On February 28, 2011, our ultimate parent investors, Centro Properties Limited (“CPL”) and Centro Property Trust (“CPT”), respectively, and their managed funds entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P., to sell all of their US assets and platform, including the Company, for an enterprise value of approximately \$9.4 billion. The purchase agreement is subject to conditions customary for a transaction of this nature. The sale is expected to close mid-2011.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

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

The accompanying consolidated financial statements of the Company include accounts of their wholly-owned subsidiaries and all partnerships in which they have a controlling interest. The portion of these entities not owned by the Company is presented as non-controlling interest as of and during the periods presented. All inter-entity transactions have been eliminated.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine (i) if the entity is a variable interest entity (“VIE”), (ii) if the Company is the primary beneficiary, in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC 810, *Consolidations* (“ASC 810”), and (iii) whether the Company has a controlling interest in the entity. The Company consolidates (i) entities that are VIEs that the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls. Entities that the Company accounts for under the equity method (i.e., at cost, increased or decreased by the Company’s share of earnings or losses, less distributions) include (i) entities that are VIEs that the Company is not deemed to be the primary beneficiary of and (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence. The Company will reconsider its determination of whether an entity is a VIE and who qualifies as the primary beneficiary if certain events occur that are likely to cause a change in the original determinations.

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements of the Company should be read in conjunction with the Company's audited Annual Report for the year ended December 31, 2010.

Going Concern

There is substantial doubt about the Company's ability to continue as a going concern given the Company's liquidity is subject to, among other things, its ability to negotiate extensions of credit facilities; its reliance upon funding provided by an entity that it does not control; current restrictions upon its ability to incur further indebtedness and the existence of restrictions upon operations which increase the risk of default and cross-default of existing debt. In addition, uncertainty also exists due to the liquidity issues currently experienced by the Company's parent and the ultimate parent investors, CPL and CPT.

The half yearly financial statements of our ultimate parents, CPL and CPT, which were lodged with Australian regulatory bodies on February 24, 2011, identified significant uncertainty (equivalent to substantial doubt) about those entities' ability to continue as a going concern.

Management is working with both its lenders and the lenders of its affiliated entities, and also with management of the ultimate parent investors of the Company, to access a number of options that address the Company's ongoing liquidity issues. Factors that may impact this include the current and future condition of the credit market and the US retail real estate market. As discussed in Note 1, on February 28, 2011, CPT, CPL, and their managed funds entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P., to sell all of their US assets and platform, including the Company, for an enterprise value of approximately \$9.4 billion. The purchase agreement is subject to conditions customary for a transaction of this nature. The sale is expected to close mid-2011.

No adjustments were made to the consolidated financial statements in relation to this uncertainty.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid debt instruments with maturities of three months or less at acquisition. At times, cash balances at a limited number of banks may exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions. As of March 31, 2011, the Company had not identified any specific counter-party credit risk in relation to its cash balances.

Restricted Cash

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

Accounts Receivable

Accounts receivable is stated net of allowance for doubtful accounts of \$14.2 million and \$14.5 million as of March 31, 2011 and December 31, 2010, respectively. The Company makes estimates of the collectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims.

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Real Estate

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

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

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

Business Combinations

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

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

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

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

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

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of its long-lived assets may be impaired. A held for use long-lived asset'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 asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Such estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the asset, and reflected as an adjustment to the basis of the asset.

When conducting an impairment analysis of the Company's long-lived assets, management applies a probability weighting as to how long the assets would be held prior to disposal, as contemplated in the ASC 360 *Property, Plant and Equipment* ("ASC 360"). The probability weighting takes into consideration the likelihood of disposal of each asset. There was no impairment identified during the three months ended March 31, 2011 and 2010.

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets that have been identified for sale is less than the net book value of the assets, an impairment charge is recorded.

For investments accounted for under the equity method, a loss is recognized if the loss in value of the investment is other than temporary. During the three months ended March 31, 2011 and 2010, management did not identify any other than temporary loss in value of its investments accounted for under the equity method. See Note 5 for additional information.

Deferred Leasing and Loan Origination Costs

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

Investments in /Advances to Unconsolidated Ventures

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

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

In accordance with ASC 323, *Investments-Equity Method and Joint Ventures*, the Company evaluates its investments in unconsolidated entities for impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the value of its investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value.

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

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

The Company undertook an impairment analysis of its intangible assets balance as of December 31, 2010 as part of its impairment analysis in accordance with ASC 350, *Intangibles-Goodwill and Other*. Based on the results of a review of the existence of impairment indicators at March 31, 2011 and 2010, no impairment charges were recorded for the three months ended March 31, 2011 and 2010.

Asset Retirement Obligations

The Company accounts for its conditional asset retirement obligations in accordance with ASC 410, *Asset Retirement & Environmental Obligations*. A conditional asset retirement obligation refers to a legal obligation (pursuant to existing law or contract) to perform an asset retirement activity in which the timing and/or method of settlement are conditioned upon the occurrence of a future event that may or may not be within the control of the Company. The Company's conditional asset retirement obligations arise primarily from legal requirements to decontaminate buildings at the time the buildings are sold or otherwise disposed of. The Company has reasonably estimated the fair value of its conditional asset retirement obligations and has recognized a liability for conditional asset retirement obligations of approximately \$1.4 million as of March 31, 2011 and December 31, 2010, respectively.

General Liability Insurance

The Company has one wholly-owned captive insurance company, ERT CIC, LLC ("ERT CIC"), which underwrites the first layer of general liability insurance programs for the Company's wholly-owned, majority-owned and joint venture properties. The Company carries general liability insurance on its properties in amounts that it believes (i) adequately insures all of its properties and (ii) are in line with coverage obtained by owners of similar properties. The Company has stop loss insurance, which will reimburse the Company for individual claims in excess of \$0.1 million, or aggregate claims in excess of \$5.4 million annually. If the Company experiences a loss and ERT CIC is required to pay under its insurance policy, the Company would ultimately record a loss to the extent of such required payment. Because the Company owns ERT CIC, the Company is responsible for ERT CIC's liquidity and capital resources, and the accounts of ERT CIC are part of the Company's consolidated financial statements. The receipt of financial information from ERT CIC is delayed by one quarter.

Revenue Recognition

Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as "deferred rent receivable" on the accompanying Consolidated Balance Sheets. Certain leases provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales levels are achieved. The leases also typically provide for tenant reimbursement of common area maintenance and other operating expenses. Rental revenue also includes lease termination fees. The Company recognized approximately \$0.3 million of lease termination fees for the three months ended March 31, 2011 and 2010, respectively.

Income from Discontinued Operations

Income from discontinued operations is computed in accordance with ASC 360, which requires, among other things, that the primary assets and liabilities and the results of operations of the Company's real property that has been sold, or otherwise qualifies as "held for sale" (as defined by ASC 360), be classified as discontinued operations and segregated in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) and Consolidated Balance Sheets. Properties classified as real estate held for sale generally represent

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

properties that are under contract for sale and are expected to close within the next twelve months.

Income Taxes

The Company is organized as a limited liability company and is not subject to federal income tax. However, the Company has a wholly-owned corporate subsidiary, which is subject to federal and state income taxes. The taxable subsidiary accounts for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to be in effect during the year in which the basis differences reverse.

ASC 740, *Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements and prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return, and provided guidance on derecognition of recognized tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company quantifies uncertainties in income taxes recognized in its companies' financial statements. The Company has analyzed its tax position taken on income tax returns for the 2007 through 2011 tax years and has concluded that no provision for income taxes related to uncertain tax positions is required in the Company's consolidated financial statements as of March 31, 2011 and December 31, 2010.

Segment Information

The principal business of the Company is the ownership and management of community and neighborhood shopping centers. The Company does not distinguish or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single reportable segment for disclosure purposes in accordance with GAAP. Further, all of the Company's operations and assets are within the United States and no tenant comprises more than 10% of revenue.

Use of Estimates

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

Reclassifications

In accordance with ASC 360, certain prior period amounts that are considered as part of discontinued operations in the current period have been reclassified to conform with the current period presentation.

Application of New Accounting Standards and Recently Issued Accounting Standards

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level III fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The Company adopted the guidance, excluding the reconciliation of Level III activity, with the issuance of its December 31, 2010 financial statements. Adoption did not have a material impact on the Company's consolidated financial statements.

CENTRO NP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

It has been determined that any recently issued accounting standards or pronouncements not mentioned in the note have been excluded as they either are not relevant to the Company, or they are not expected to have a material effect on the consolidated financial statements of the Company.

Note 3: Acquisitions and Dispositions

Acquisitions

There were no acquisitions during the three months ended March 31, 2011 or the year ended December 31, 2010.

Dispositions

During the year ended December 31, 2010, the Company sold approximately 1.124 acres of land at Denham Springs Plaza for aggregate gross proceeds of approximately \$0.2 million. In connection with the sale of this parcel, and in accordance with ASC 360, the Company recorded the related gain on sale within income (loss) from discontinued operations (Note 4) in the consolidated financial statements.

Note 4: Income (Loss) from Discontinued Operations

The following is a summary of income (loss) from discontinued operations for the periods presented below (dollars in thousands):

	Three Months Ended March 31,	
	<u>2011</u>	<u>2010</u>
Total revenue	<u>\$(92)</u>	<u>\$172</u>
Operating costs	--	(4)
Real estate taxes	--	(11)
Provision for doubtful accounts	<u>103</u>	<u>(98)</u>
Total operating costs	<u>103</u>	<u>(113)</u>
Income from discontinued operations before gain on sale of real estate and impairment of real estate	11	59
Gain on sale of real estate	<u>--</u>	<u>675</u>
Income from discontinued operations	<u>\$11</u>	<u>\$734</u>

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Note 5: Investments in/Advances to Unconsolidated Ventures

The following table summarizes the Company's investments in unconsolidated joint ventures as of March 31, 2011 and December 31, 2010, respectively (dollars in thousands). The Company accounts for these investments using the equity method.

	<u>City</u>	<u>State</u>	<u>JV Partner</u>	<u>Percent Ownership</u>	<u>Investments in/Advances to Unconsolidated Ventures</u>	
					<u>March 31, 2011</u>	<u>December 31, 2010</u>
Arapahoe Crossings, L.P. ⁽¹⁾	Aurora	CO	Foreign Investor	30%	\$8,685	\$8,628
BPR Land Partnership, L.P. ⁽²⁾	Frisco	TX	George Allen/Milton Schaffer	50%	3,873	3,895
BPR South, L.P. ⁽²⁾	Frisco	TX	George Allen/Milton Schaffer	50%	416	417
Centro NP Residual Holding LLC	Various	Various	Super LLC	49%	371,874	420,627
Centro GA America LLC	Various	Various	Centro Shopping America Trust	5%	10,469	11,484
NP/I&G Institutional Retail Company II, LLC ⁽⁴⁾	Various	Various	JPMorgan Investment Management, Inc.	20%	6,484	6,392
NPK Redevelopment I, LLC ⁽⁵⁾	Various	Various	Kmart Corporation (Sears Holding Corp.)	20%	3,674	3,700
NP/SSP Baybrook, LLC ⁽⁵⁾	Webster	TX	JPMorgan Investment Management, Inc.	20%	51	99
Westgate Mall, LLC ⁽⁶⁾	Fairview Park	OH	Transwestern Investment Company/ The Richard E. Jacobs Group	10%	21	--
Investments in/Advances to Unconsolidated Ventures					<u>\$405,547</u>	<u>\$455,242</u>

⁽¹⁾ The Company receives increased participation after a 10% return on its investment.

⁽²⁾ The Company receives a 10% return on its investment.

⁽³⁾ The Company receives increased participation after a 12% IRR.

⁽⁴⁾ The Company receives increased participation after a 10% IRR.

⁽⁵⁾ The Company receives increasing participation after a 10% return on its investment.

⁽⁶⁾ The Company receives increasing participation after a 13% IRR.

Combined summary financial information for the Company's investments in/advances to unconsolidated ventures was as follows (dollars in thousands):

Condensed Combined Balance Sheets	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Assets:		
Real estate assets	\$4,702,311	\$4,693,415
Accumulated depreciation	<u>(543,811)</u>	<u>(517,014)</u>
Net real estate	4,158,500	4,176,401
Trade receivables, net of allowance for doubtful accounts	53,500	62,213
Other assets, net of accumulated amortization	<u>443,178</u>	<u>563,497</u>
Total Assets	<u>\$4,655,178</u>	<u>\$4,802,111</u>
Liabilities:		
Mortgages payable, net of unamortized premium	\$2,361,673	\$2,365,497
Term loan	405,000	405,000
Financing liability	136,511	136,664

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Amounts payable to the Company	8,635	7,868
Other liabilities	<u>238,303</u>	<u>258,029</u>
Total liabilities	3,150,122	3,173,058
Total partners' capital	<u>1,505,056</u>	<u>1,629,053</u>
Total liabilities and partners' capital	<u>\$4,655,178</u>	<u>\$4,802,111</u>
Company's share of equity	\$831,708	\$684,861
Basis differential (1)	<u>(426,161)</u>	<u>(229,619)</u>
Investments in / advances to unconsolidated joint ventures	<u>\$405,547</u>	<u>\$455,242</u>

(1) This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level which is amortized over the life of the related assets and liabilities.

	<u>Three Months Ended March</u>	
	<u>31,</u>	
	<u>2011</u>	<u>2010</u>
Condensed Combined Statements of Operations		
Rental revenues	\$131,034	\$132,850
Operating expenses	(46,112)	(44,889)
Interest expense	(41,152)	(34,547)
Depreciation and amortization	(39,540)	(45,461)
Other income (expense), net	(4,789)	(1,476)
Income (loss) from discontinued operations	<u>1,060</u>	<u>2,138</u>
Net income	<u>\$501</u>	<u>\$8,615</u>
Company's share of net income (loss)	258	2,010
Basis differential (1)	<u>23</u>	<u>670</u>
Equity in (loss) income of unconsolidated Ventures	<u>\$281</u>	<u>\$2,680</u>

(1) Represents gain on sale of property and other income and expenses that are excluded for our share of net income.

The following is a brief summary of the unconsolidated joint venture obligations of the Company as of March 31, 2011:

- *Arapahoe Crossings, L.P.* The Company, together with a U.S. partnership comprised substantially of foreign investors, has an interest in a joint venture which owns Arapahoe Crossings, a community shopping center located in Aurora, Colorado. Under the terms of this joint venture, the Company has a 30% interest and has agreed to contribute its pro rata share of any capital that might be required by the joint venture; however, the Company does not expect that any significant capital contributions will be required. The joint venture had loans outstanding of approximately \$44.2 million as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011. An impairment charge of \$0.2 million was recorded on the Company's investment in this joint venture during the year ended December 31, 2010.

- *BPR Land Partnership, L.P.* The Company has a 50% interest in a joint venture that owns approximately 9.7 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, the Company has agreed to contribute its pro rata share of any capital that might be required by the joint venture; however, the Company does not expect that any significant capital contributions will be

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required. On December 6, 2010, the joint venture sold approximately 1.1 acres of land for net proceeds of approximately \$0.8 million. The joint venture had no loans outstanding as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011 or the year ended December 31, 2010.

- *BPR South, L.P.* The Company has a 50% interest in a joint venture that owns approximately 2.1 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, the Company has agreed to contribute its pro rata share of any capital that might be required by the joint venture; however, the Company does not expect that any significant capital contributions will be required. On December 30, 2010, the joint venture sold approximately 3.051 acres of land for net proceeds of approximately \$1.3 million. The joint venture had no loans outstanding as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011 or the year ended December 31, 2010.

- *Centro NP Residual Holding, LLC.* The Company has a 49% interest in a joint venture (the "Residual Joint Venture") with Super LLC, the Company's sole and managing member ("Super LLC"). On July 28, 2010, the Company and Super LLC entered into an amendment to the Residual Joint Venture operating agreement whereby the Company was allocated (a) a preferred distribution of up to \$162,925,000 received from (i) the net proceeds from the sale or transfer of certain properties which collateralize the Residual Credit Facility (after the repayment of the Residual Credit Facility) or (ii) refinancing proceeds from such properties in excess of amounts necessary to repay the Residual Credit Facility and fees, costs and expenses associated with such refinancing and (b) a preferred distribution of up to an aggregate amount of \$336.0 million received from (i) the net proceeds from the sale or transfer of any assets of the Residual Joint Venture or (ii) refinancing proceeds from any assets of the Residual Joint Venture in excess of amounts necessary to repay existing debt on such assets and fees, costs and expenses associated with such refinancing.

On December 6, 2010, the Residual Joint Venture formed a joint venture (the "Inland JV") with Inland American CP Investment, LLC. In connection with the formation of the Inland JV, the Residual Joint Venture sold approximately 70% of its ownership interest in 25 retail shopping centers with a total value of approximately \$471.0 million. Following this transaction, the Residual Joint Venture has approximately 30% ownership interest and Inland American CP Investment, LLC has approximately 70% ownership interest in the Inland JV. In accordance with ASC 360, the Residual Joint Venture is consolidating the Inland JV under the financing method.

The Residual Joint Venture owned 161 stabilized retail properties as of March 31, 2011, including the properties contributed to the joint venture formed with Inland American CP Investment, LLC. Under the terms of the joint venture, the Company is not obligated to contribute any additional capital to the joint venture. The joint venture had loans outstanding of approximately \$1.7 billion as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011 or the year ended December 31, 2010.

- *Centro GA America, LLC.* The Company has a 5% interest in this joint venture. Under the terms of this joint venture, the Company is not obligated to contribute any additional capital to the joint venture; however, in the event that additional capital is contributed by the other joint venture partner, the Company has the option to contribute the amount necessary to maintain its 5% ownership interest. The Company does not anticipate that it would make additional capital contributions should such be necessary in order to maintain its 5% ownership interest. As of March 31, 2011, this joint venture was

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comprised of 98 stabilized retail properties and two retail properties under redevelopment, and had loans outstanding of approximately \$1.0 billion.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011 or the year ended December 31, 2010.

- *NP / I&G Institutional Retail Company II, LLC.* The Company has a joint venture with JP Morgan Investment Management, Inc. to acquire high-quality institutional grade community and neighborhood shopping centers on a nationwide basis. Under the terms of this joint venture, the Company has a 20% interest in the venture and has committed to contribute its pro rata share of any capital required by the venture for asset acquisitions. The Company does not expect that additional acquisitions of property will be made by the joint venture. As of March 31, 2011, the Company had contributed approximately \$14.7 million for such purpose. Additionally, the Company has agreed to contribute its pro rata share of any additional capital that might be required by the joint venture; however, the Company does not expect that any significant additional capital contributions with respect to existing properties will be required. As of March 31, 2011, the joint venture owned two stabilized retail properties. The joint venture had loans outstanding of approximately \$36.5 million as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011. An impairment charge of \$33 thousand was recorded on the Company's investment in this joint venture during the year ended December 31, 2010.

- *NPK Redevelopment I, LLC.* The Company has a joint venture with Kmart Corporation (Sears Holding Corp.) pursuant to which the joint venture has redeveloped two Kmart Supercenter properties and owns a third property, all of which were formerly owned by Kmart. Under the terms of this joint venture, the Company has agreed to contribute \$6.0 million, which had been fully contributed as of March 31, 2011. The Company has a 20% interest in the venture and is responsible for contributing its pro rata share of any additional capital that might be required by the joint venture. During the year ended December 31, 2009, the Company provided a construction loan to the joint venture of approximately \$5.6 million with an interest rate of 7.5% per annum, compounded monthly.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011. An impairment charge of \$0.9 million was recorded on the Company's investment in this joint venture during the year ended December 31, 2010.

- *NP/SSP Baybrook, LLC.* The Company has a joint venture with JP Morgan Investment Management Inc., which venture was formed for the specific purpose of acquiring Baybrook Gateway, a shopping center located in Webster, Texas. Under the terms of this joint venture, the Company has a 20% interest in the venture and is responsible for contributing its pro rata share of any capital that might be required by the joint venture; however, the Company does not expect that any significant additional capital contributions will be required. The joint venture had loans outstanding of approximately \$41.0 million as of March 31, 2011.

No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011. An impairment charge of \$0.6 million was recorded on the Company's investment in this joint venture during the year ended December 31, 2010.

- *Westgate Mall, LLC.* The Company, together with Transwestern Investment Company and The Richard E. Jacobs Group, has an interest in a joint venture that was formed for the specific purpose of acquiring and redeveloping Westgate Mall, an enclosed mall located on 55 acres of land in Fairview Park, Ohio. The joint venture has redeveloped the mall into a large community shopping center. Under the terms of this joint venture, the Company has a 10% interest in the venture and has agreed to contribute its pro rata share of any capital that might be required by the joint venture; however, the Company does not expect that any significant additional capital contributions will be required. The joint venture had loans outstanding of approximately \$60.4 million as of March 31, 2011.

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No impairment was recorded on the Company's investment in this joint venture during the three months ended March 31, 2011 or the year ended December 31, 2010.

Additionally, the Company previously had another joint venture with JP Morgan Investment Management Inc., NP / I&G Institutional Retail Company, LLC. In December 2010, the Company sold its 20% interest in the joint venture to JP Morgan Investment Management Inc. for gross proceeds of approximately \$10.1 million.

Note 6: Intangible Assets

Intangible assets are comprised of the following (dollars in thousands):

	March 31, 2011	December 31, 2010	Amortization Period
In-place lease value, legal fees and leasing commissions (Note 2)	\$366,057	\$368,394	Life of lease
Above market leases acquired (Note 2)	22,055	22,074	Life of lease
Value of asset management fee stream (Note 2)	23,745	23,745	40 years
Value of property management rights (Note 2)	93,805	93,805	10 to 20 years
Less: Accumulated depreciation	<u>(246,615)</u>	<u>(238,205)</u>	
Total	<u>\$259,047</u>	<u>\$269,813</u>	

Aggregate amortization expense on these assets was as follows and included the write-offs detailed below (dollars in thousands):

	Three Months Ended	
	March 31,	
	2011	2010
Amortization Expense	\$9,990	\$11,816
Write-offs ⁽¹⁾	<u>776</u>	<u>317</u>
Total amortization expense	<u>\$10,766</u>	<u>\$12,133</u>

(1) Write-offs relate to tenants that have terminated their leases prior to lease maturity.

The estimated amortization expense on these assets during the next five fiscal years is as follows (dollars in thousands):

<u>Year</u>	
2011 (remaining nine months)	\$28,162
2012	32,307
2013	27,112
2014	24,229
2015	20,759

Note 7: Debt Obligations

As of March 31, 2011 and December 31, 2010, the Company had the following debt obligations under various arrangements with financial institutions (dollars in thousands, except footnotes):

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	<u>Carrying Value as of</u>		Stated Interest Rates	Scheduled Maturity Date
	March 31, 2011	December 31, 2010		
<u>MORTGAGES PAYABLE</u>				
Fixed Rate Mortgages ⁽¹⁾⁽⁵⁾	\$868,548	\$871,636	5.02% - 9.59%	2011 – 2028
Variable Rate Mortgages	<u>8,432</u>	<u>8,568</u>	Variable ⁽²⁾	2011 – 2017
Total Mortgages	876,980	880,204		
Net unamortized premium	<u>3,887</u>	<u>4,146</u>		
Total Mortgages, net	<u>\$880,867</u>	<u>\$884,350</u>		
<u>NOTES PAYABLE</u>				
4.50% unsecured notes	\$--	\$142,117	4.500%	February 2011
5.13% unsecured notes	125,000	125,000	5.125%	September 2012
3.75% unsecured notes ⁽³⁾	10	10	3.750%	June 2013
5.50% unsecured notes	50,000	50,000	5.500%	November 2013
7.97% unsecured notes ⁽⁴⁾	10,000	10,000	7.970%	January 2014
7.65% unsecured notes ⁽⁴⁾	25,000	25,000	7.650%	January 2014
7.68% unsecured notes ⁽⁴⁾	10,000	10,000	7.680%	January 2014
7.68% unsecured notes ⁽⁴⁾	10,000	10,000	7.680%	January 2014
6.90% unsecured notes ⁽⁴⁾	25,000	25,000	6.900%	January 2014
6.90% unsecured notes ⁽⁴⁾	25,000	25,000	6.900%	January 2014
5.30% unsecured notes	100,000	100,000	5.300%	January 2015
5.25% unsecured notes	125,000	125,000	5.250%	September 2015
7.50% unsecured notes	<u>25,000</u>	<u>25,000</u>	7.500%	July 2029
Total Notes	530,010	672,127		
Net unamortized premium	<u>20,275</u>	<u>21,039</u>		
Total Notes, net	<u>\$550,285</u>	<u>\$693,166</u>		
CAPITAL LEASES	<u>\$28,722</u>	<u>\$28,904</u>	6.00%	June 2031
TOTAL DEBT	<u>\$1,459,874</u>	<u>\$1,606,420</u>		

- (1) Includes the Term Loans (as defined below) with JP Morgan Chase Bank, N.A., amounting to \$659.0 million entered into on July 28, 2010, as described below. The Term Loans are secured by 76 properties.
- (2) As determined by the applicable loan agreement, the Company incurs interest on these obligations using either the 30-day LIBOR rate, which was 0.24345% as of March 31, 2011, plus 125 basis points, or the Moody's A Corporate Bond Index, which was 5.54% as of March 31, 2011, plus spreads ranging from 12.5 to 37.5 basis points.
- (3) Represents convertible senior notes. At certain dates, and upon the occurrence of certain events, the notes are convertible into cash up to their principal amount and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, cash or shares of the Company's common stock. The initial conversion price was \$25.00 per share. The Company may redeem all or a portion of the notes at a redemption price equal to the principal amount of the notes plus any accrued interest. In addition, on June 1, 2013, and June 1, 2018, note holders have the right to require the Company to purchase all or any portion of the notes, at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes. Although the stated maturity date of the notes is June 1, 2023, the scheduled maturity date listed above represents the first date that note holders have the right, not contingent on other provisions, to require the Company to redeem all or any portion of the notes. As discussed further below, these note holders had the right to require the Company to purchase all or any portion of their outstanding notes, as a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes from June 1, 2010 through June 21, 2010. As of March 31, 2011, approximately \$10,000 of the original \$115.0 million aggregate principal amount of the notes remained outstanding.
- (4) Pursuant to the Consent Solicitation, the Company added a put repurchase right that requires the Company to offer to repurchase (but not require the holders to tender) such notes for an amount equal to the principal amount plus accrued and unpaid interest on January 15, 2014. Although the stated maturity dates for these notes range from August 2026 to February 2028, the scheduled maturity dates listed above represent the first dates that note holders can require the Company to redeem all or any portion of the notes pursuant to the required put repurchase right.
- (5) An aggregate of \$14.2 million of mortgage debt and notes payable, plus \$10.2 million of scheduled mortgage amortization is payable during the remaining nine months of 2011.

Term Loans

On July 28, 2010, certain Centro NP subsidiaries entered into loan agreements for an aggregate principal amount of \$659.0 million. The loans are comprised of the following loan agreements:

- A \$485.0 million secured term loan (the "Secured Term Loan") entered into by certain of the Company's subsidiaries (the "Secured Term Loan Borrowers") with JPMorgan Chase Bank, N.A., as the lender. The Secured Term Loan is collateralized by properties owned by the Secured Term Loan Borrowers and has a maturity date of August 1, 2020. The Secured Term Loan bears interest at a rate of 6.27% per annum.

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- Two mezzanine loans of \$44.5 million each were entered into by certain of the Company's subsidiaries, which are the direct parent of the Secured Term Borrowers, with JPMorgan Chase Bank, N.A., as the lender. On September 1, 2010, these two loans were combined as a single mezzanine loan amounting to \$89.0 million ("Pool Mezzanine Loan"). The Pool Mezzanine Loan is secured by a pledge of the interests of the Secured Term Loan Borrowers and has a maturity date of August 1, 2020. The Pool Mezzanine Loan bears interest at a rate of 9.375% per annum.
- Four separate loans for an aggregate amount of \$85.0 million (collectively, the "Single Property Secured Term Loans") entered into by certain subsidiaries of the Company (the "Single Property Secured Term Loan Borrowers") with JPMorgan Chase Bank, N.A., as the lender for each of the Single Property Secured Term Loans. Each of the Single Property Secured Term Loans is collateralized by the respective property owned by the applicable Single Property Secured Term Loan Borrower and has a maturity date of August 1, 2020. Each of the Single Property Secured Term Loans bears interest at a rate of 6.50% per annum.

Each of the Secured Term Loan, the Pool Mezzanine Loan and the Single Property Secured Term Loans (collectively, the "Term Loans") contains various representations, warranties and covenants customary for financings of this type, including, among others, mandatory prepayment upon the occurrence of certain events.

Each of the Term Loans contains customary defaults, including, among others: the nonpayment of interest or principal of the loan; failure to observe or perform covenants under any loan document; bankruptcy or insolvency; and certain judgments and decrees.

Pursuant to certain Guaranty Agreements, with regards to the above mentioned Term Loans, the Company guaranteed the payment of certain amounts that may become due from the borrowers under such loans as a result of the carve outs from the non-recourse liability of such borrowers set forth in the respective loan agreements evidencing the loans. In addition, the Company and the respective borrowers also entered into a certain Environmental Indemnity Agreement, pursuant to which such entities indemnified the lender for damages relating to the environmental condition of the properties securing the applicable loans.

Proceeds from the Term Loans were utilized to repay approximately \$469.3 million of the Company's debt which had been scheduled to mature on or before December 31, 2010 including:

- The \$350.0 million unsecured revolving credit facility the Company entered into on July 31, 2007, with Bank of America N.A., as administrative agent (the "Amended July 2007 Facility"), of which \$305.6 million was outstanding;
- A \$108.7 million secured term loan; and
- A \$55.0 million secured term loan.

A portion of the remaining proceeds from the Term Loans was used to repay several fixed rate mortgages totaling \$110.9 million, with the remainder to be used to fund closing costs and address future debt maturities within the Company.

As of March 31, 2011, these loans are included in mortgages payable on the accompanying Consolidated Balance Sheets.

The Company, 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 Excel Realty Trust, Inc. (as successor to New Plan Realty Trust, "New Plan") 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

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Street Bank and Trust Company), and (iii) the Indenture dated as of January 30, 2004 (the “2004 Indenture”, and collectively with the 1995 Indenture and the 1999 Indenture, the “Indentures”), by and between New Plan and the Trustee. The Supplemental Indentures each provided for the assumption by the Company of all of the obligations with respect to the following debt securities that are currently outstanding under each of the Indentures, effective April 20, 2007 (collectively, the “Notes”):

- (i) 3.75% Convertible Senior Notes due 2023;
- (ii) 5.30% Senior Notes due 2015;
- (iii) 5.250% Senior Notes due 2015;
- (iv) 5.125% Senior Notes due 2012;
- (v) 5.50% Senior Notes due 2013;
- (vi) 7.50% Senior Notes due 2029;
- (vii) 6.90% Senior Notes due 2028;
- (viii) 7.68% Senior Notes due 2026;
- (ix) 7.65% Senior Notes due 2026
- (x) 7.97% Senior Notes due 2026.

In connection with the consent solicitation, completed on November 2, 2009 (the “Consent Solicitation”) the Company executed the third supplemental indenture to the 1995 Indenture on October 30, 2009 to effectuate the amendments described in the consent solicitation. Previously prohibited from incurring any debt, following such amendments, the Company is permitted to refinance its existing indebtedness with the consent of the lenders under the Super Bridge Loan and incur certain incremental debt with the consent of the lenders under the Amended July 2007 Facility and the Super Bridge Loan. In addition, the Company is now required to offer to holders of notes issued pursuant to the 1995 Indenture a put repurchase right which gives such holders the option to require the Company to repurchase such notes for an amount equal to the principal amount plus accrued and unpaid interest on January 15, 2014.

The Company, as the successor obligor on the Notes, intends to continue to file with the Trustee any annual reports, quarterly reports and other documents that it is required to file with the Trustee to the extent required under the Indentures governing the Notes. In addition, the Company will file such annual reports, quarterly reports and other documents on the website of its affiliate at www.centroprop.com pursuant to the 1995 Indenture.

Note holders of the 3.75% Convertible Senior Notes due 2023 had the right to require the Company to purchase all or any portion of their outstanding notes, at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes from June 1, 2010 through June 21, 2010. The Company purchased an aggregate principal amount of approximately \$0.2 million of notes. As of March 31, 2011, approximately \$10,000 of the original \$115.0 million aggregate principal amount of the 3.75% Convertible Senior Notes remained outstanding.

As of March 31, 2011, future expected/scheduled maturities of outstanding debt and capital lease obligations were as follows (in thousands):

<u>Year</u>	
2011 (remaining nine months)	\$ 25,010
2012	155,929
2013	100,499
2014	133,945
2015	311,856
Thereafter	<u>708,473</u>
Total debt maturities	1,435,712
Net unamortized premiums on mortgages	3,887
Net unamortized premiums on notes	<u>20,275</u>
Total debt obligations	<u>\$1,459,874</u>

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Restriction on Incurring Additional Indebtedness

The Company is no longer prohibited from incurring additional indebtedness after amendments to the 1995 Indenture effected in the Consent Solicitation removed such restriction, but capped our ability to incur debt through April 15, 2011 at \$1.9 billion. Prior to July 28, 2010, the Company was prohibited from incurring additional indebtedness without the consent from lenders under the Super Bridge Loan except under certain circumstances. Following the amendment to the Super Bridge Loan on July 28, 2010, the Company may now incur additional indebtedness from refinancing of mortgage debt without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, debt yield and loan maturity. In addition, as of July 28, 2010, the Company may incur mortgage indebtedness secured by the Company's unencumbered properties without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity.

Extension of Super Bridge Loan

On January 15, 2009, Super LLC entered into a second amended and restated loan agreement with JPMorgan Chase Bank, N.A., as administrative agent, with an approximate outstanding balance of \$1.9 billion (the "Super Bridge Loan"). Proceeds from distributions from the Residual Joint Venture (as described above) that were funded with borrowings from the Residual Credit Facility were used to repay \$133.5 million of the outstanding balance leaving an approximate outstanding balance of \$1.7 billion. On July 28, 2010, the Company entered into an amendment to extend the maturity date to December 31, 2011. The applicable margin of 1.75% remains unchanged from the previously negotiated applicable margin under the Prior Super Bridge Loan. The Company is not an obligor under the Super Bridge Loan.

Collateralization of Super Bridge Loan Debt

It should be noted that as of December 31, 2010 and since April 20, 2007, the Super Bridge Loan (totaling \$1.7 billion as of March 31, 2011) of the Company's parent, Super LLC is collateralized by Super LLC's 100% membership interest in the Company. It is also collateralized by certain assets held by the Residual Joint Venture. Following the Amendment to the Super Bridge Loan on July 28, 2010, \$100.0 million of the Super Bridge Loan is guaranteed by the Company. This guaranty is collateralized by certain assets of the Company with an aggregate value of \$116.1 million.

Cross-defaulting of Debt

Previously, the Super Bridge Loan, the \$352.5 million credit facility entered into by certain subsidiaries of the Residual Joint Venture with JPMorgan Chase Bank, N.A. (as agent and a lender) and the other lenders party thereto and the amended and restated the \$105.0 million credit facility entered into by BPR LLC on February 14, 2008, with JPMorgan Chase Bank, N.A. (as agent and a lender) and the other lenders party thereto (the "Preston Ridge Facility") cross-defaulted with the Amended July 2007 Facility. As amounts outstanding under the Amended July 2007 Facility were repaid on July 28, 2010 using proceeds from the Term Loans, such cross-defaults with the Super Bridge Loan, the Residual Credit Facility and the Preston Ridge Facility no longer exist.

Certain Lockboxes Controlled by Lenders

As of March 31, 2011, and in the instance of mortgage loans totaling \$33.9 million, the Company is required to maintain lock-boxes for receipt of all revenue relating to the properties in which the mortgages are collateralized over. These lock-boxes are controlled by the respective lenders. The Company was required to submit to the lender a budget of operating expenditures which was approved by each of the respective lenders. Each month, the Company is entitled to request funds from the lock-boxes in accordance with the approved budgeted operating expenditures. All additional revenue, after payment of interest, required principal repayment and maintenance of insurance and real estate tax escrows is taken as a reduction to the mortgage principal balance. The additional revenue received into the lock-boxes is not available to the Company.

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Note 8: Other Liabilities

Other liabilities are comprised of the following (in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Property and other taxes payable	\$12,682	\$18,349
Interest payable	8,668	14,301
Accrued professional and personnel costs	2,001	6,472
Accrued construction costs	3,662	205
Accounts payable	10,927	11,554
Accrued acquisition / disposition costs	309	498
Insurance reserves	15,989	17,130
Other	<u>12,916</u>	<u>11,972</u>
Total	<u>\$67,154</u>	<u>\$80,481</u>

Note 9: Related Parties

The Company pays subcontract fees for management services provided by an affiliate of the Company, which is calculated on costs incurred to manage properties plus 50 basis points. For the three months ended March 31, 2011 and 2010, the Company incurred approximately \$1.7 million, respectively, in subcontract fees. During the three months ended March 31, 2011 and 2010, the Company also incurred leasing fees of \$2.8 million and \$0.9 million, respectively, for services provided by an affiliate of the Company. During the three months ended March 31, 2011 and 2010, the Company incurred property management fees of \$2.8 million, respectively. As of March 31, 2011, there were no remaining unpaid subcontract fees.

The Company also derives fee income from services provided to certain of its joint ventures and other managed properties. For the three months ended March 31, 2011 and 2010, the Company generated approximately \$4.5 million and \$3.5 million, respectively, in fee income. As of March 31, 2011 and December 31, 2010, the Company had approximately \$9.8 million and \$9.1 million, respectively, of fee income receivable.

Note 10: Risk Management and Use of Financial Instruments

Risk Management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of default on the Company's operations and tenants' inability or unwillingness to make contractually required payments. Market risk includes changes in the value of the properties held by the Company due to changes in interest rates or other market factors.

Management of Market Risk

As a real estate company, the Company is subject to all of the risks associated with owning and operating real estate. The value of the Company's real estate investments is driven by market conditions, including the financial stability of tenants, demand for properties/rental space and changes in market rental rates.

Current and forecast retail market conditions are not overly positive. However, the Company manages this market risk through a high weighting of non-discretionary spending tenants, such as grocery stores, drug stores, geographic diversification of properties and selection of properties in areas with customer catchments with strong economic demographics. It is possible that if the Company is required to dispose of real estate assets in the near term and in an other than ordinary transaction to assist with the Company's liquidity position, those real estate assets

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could be sold at an accounting loss.

Concentration of Credit Risk

A concentration of credit risk arises in the Company's business when a national or regionally-based tenant occupies a substantial amount of space in multiple properties owned by the Company. In that event, if the tenant suffers a significant downturn in its business, it may become unable to make its contractual rent payments to the Company, exposing the Company to a potential loss in rental revenue that is magnified as a result of the tenant renting space in multiple locations. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk.

Risks Associated with Liquidity Position

During the remaining nine months of 2011, the Company has an aggregate of \$14.2 million of mortgage debt and notes payable scheduled to mature, plus \$10.2 million of scheduled mortgage amortization payments. In connection with the July 28, 2010 refinancing, as more fully described in Note 8, the Residual Joint Venture is no longer permitted to make draws under the Residual Credit Facility, however, the Company is able to refinance existing mortgage indebtedness without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, debt yield and maturity. In addition, as of July 28, 2010, the Company is able to incur mortgage indebtedness secured by the Company's unencumbered properties without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity.

On October 30, 2009, the Company amended the terms of the 1995 Indenture which had previously prohibited the Company from incurring any additional debt. Following such amendment, the Company is permitted to refinance its existing indebtedness with the consent of the lenders under the Super Bridge Loan and incur certain incremental debt (through April 15, 2011, not to exceed \$1.9 billion) with the consent of the lenders under the Super Bridge Loan.

The Company's ultimate parent investors (CPT and CPL) are also dealing with significant liquidity/refinancing issues. Due to the financial constraints of the Company's ultimate parent investors, it is unlikely that they will be able to make additional equity contributions to alleviate the Company's short-term liquidity issues.

Although on July 28, 2010 the Company was able to obtain extensions of short-term debt to December 31, 2011 that was due to expire on December 31, 2010, the Company is still working to reduce its level of long-term debt to address our liquidity issues. The Company is working on plans to restructure and/or refinance its long-term debt, including the debt that was extended to December 31, 2011.

Note 11: Non-Controlling Interests in Consolidated Partnerships

The DownREIT Partnership, a consolidated entity, was formed to own certain real estate properties. A wholly owned subsidiary of the Company is the sole general partner of the DownREIT Partnership and is entitled to receive 99% of all net income and gains before depreciation, if any, after the limited partners receive their preferred cash and gain allocations. Properties have been contributed to the DownREIT Partnership in exchange for cash, the assumption of mortgage indebtedness and limited partnership units (which may be redeemed at stipulated prices for cash). As of December 31, 2010, there were 650,039 Class A Preferred Units outstanding and not owned by Centro NP, LLC or its affiliates. Holders of these Class A Preferred Units have a redemption right for their Class A Preferred Units and each Class A Preferred A Unit is redeemable for \$33.15 plus all accrued and unpaid distributions.

On November 18, 2009, the DownREIT Partnership entered into an agreement with two limited partners redeeming 90,000 Class A Preferred Units, which constituted all outstanding Class A Preferred Units of one limited partner and a portion of the other limited partner's outstanding Class A Preferred Units, for an aggregate amount of

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\$3.0 million. In connection with the agreement, the limited partner with remaining outstanding Class A Preferred Units agreed to refrain from exercising its redemption right with respect to its remaining outstanding Class A Preferred Units for a period of five years subject to certain conditions.

During the three months ended March 31, 2011 and the year ended December 31, 2010, no limited partners with Class A Preferred Units have made a redemption election. Such redemption election may be made at any time and the Company is required to make such redemption on the second to last business day of the quarter in which such election is made, provided that the Company receives the redemption election at least ten business days prior to such date.

ASC 480, *Distinguishing Liabilities from Equity* (“ASC 480”), requires that DownREIT Partnership Class A Preferred Units subject to mandatory redemption by the Company pursuant to the terms of the DownREIT Partnership Agreement should be classified as mezzanine equity in the consolidated financial statements. DownREIT Partnership Class A Preferred Units are subject to mandatory redemption when the holder elects to redeem the units.

DownREIT Partnership unit information is summarized as follows:

	Limited Partner Units
Outstanding at December 31, 2010	650,359
Issued	--
Redeemed	--
	650,359
Outstanding at March 31, 2011	<u>650,359</u>

The changes in redeemable non-controlling interests for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	2010
Balance at beginning of period:	\$21,559	\$21,559
Distributions to non-controlling interests	(323)	(323)
Redemptions of non-controlling interests	--	--
Net loss	<u>323</u>	<u>323</u>
Ending Balance	<u>\$21,559</u>	<u>\$21,559</u>

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Note 12: Commitments and Contingencies

General

The Company is not presently involved in any material litigation arising outside the ordinary course of its business. However, the Company is involved in routine litigation arising in the ordinary course of business, none of which is believed to be material in light of reserves taken by the Company. In connection with a specific tenant litigation, the Company maintains an aggregate reserve of approximately \$4.3 million as of March 31, 2011. Given the current status of the tenant litigation, the Company believes that any loss in excess of the established reserve would be immaterial.

Funding Commitments

In addition to the joint venture funding commitments described in Note 5 above, the Company also had the following contractual obligations as of March 31, 2011, none of which the Company believes will have a material adverse affect on the Company's operations:

Letters of Credit. The Company has arranged for the provision of three separate letters of credit in connection with certain property or insurance related matters. These letters of credit are secured by a cash collateral agreement. As of March 31, 2011, there was no balance outstanding under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be approximately \$4.7 million.

- *Non-Recourse Debt Guarantees.* Under certain Company and joint venture non-recourse mortgage loans, the Company could, under certain circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations. As of March 31, 2011, the Company had mortgage loans and secured term loans outstanding of approximately \$877.0 million, excluding the impact of unamortized premiums, and unconsolidated joint ventures in which the Company has a direct or indirect interest had mortgage loans outstanding of approximately \$2.9 billion. In addition, the Company has guaranteed certain construction and other obligations relative to certain joint venture development projects; however, the Company does not expect that its obligations under such guarantees will be material if called upon.
- *Super Bridge Loan Guaranty.* \$100.0 million of the Super Bridge Loan is guaranteed by the Company. This guaranty is collateralized by certain assets of the Company with an aggregate value of \$116.1 million.
- *Leasing Commitments.* The Company has entered into leases, as lessee, in connection with ground leases for shopping centers which it operates and administrative space for the Company. These leases are accounted for as operating leases. The minimum annual rental commitments for these leases during the next five fiscal years and thereafter are approximately as follows (dollars in thousands):

<u>Year</u>	
2011 (remaining nine months)	\$639
2012	878
2013	894
2014	818
2015	778
Thereafter	11,935

- *Redemption Rights.* As of December 31, 2010, there were 650,359 Class A Preferred Units outstanding and not owned by Centro NP or its affiliates. Holders of these Class A Preferred Units have

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a redemption right for their Class A Preferred Units and each Class A Preferred Unit is redeemable for \$33.15 plus all accrued and unpaid distributions.

During the year ended March 31, 2011 no limited partners with Class A Preferred Units have made a redemption election. Such redemption election may be made at any time and the Company is required to make such redemption on the second to last business day of the quarter in which such election is made, provided that the Company receives the redemption election at least ten business days prior to such date.

On November 18, 2009, the DownREIT Partnership entered into an agreement with two limited partners redeeming 90,000 Class A Preferred Units, which constituted all outstanding Class A Preferred Units of one limited partner and a portion of the other limited partner's outstanding Class A Preferred Units, for an aggregate amount of \$3.0 million. In connection with the agreement, the limited partner with remaining outstanding Class A Preferred Units agreed to refrain from exercising its redemption right with respect to its remaining outstanding Class A Preferred Units for a period of five years subject to certain conditions.

In accordance with ASC 480, DownREIT Partnership Class A Preferred Units that became mandatorily redeemable by the Company pursuant to the terms of the DownREIT Partnership Agreement should be classified as mezzanine equity in the consolidated financial statements. DownREIT Partnership Class A Preferred Units become mandatorily redeemable when the holder elects to redeem the units.

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 their property or disposed of by them, 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 these hazardous or toxic substances. As is common with community and neighborhood shopping centers, many of the Company's properties had or have on-site dry cleaners and/or on-site gasoline facilities. These operations could potentially result in environmental contamination at the properties.

The Company is aware that soil and groundwater contamination exists at some of its 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 is also aware that asbestos-containing materials exist at some of its properties. While the Company does not expect the environmental conditions at its properties, considered as a whole, to have a material adverse effect on the Company, there can be no assurance that this will be the case. Further, no assurance can be given that any environmental studies performed have identified or will identify all material environmental conditions, that any prior owner of the properties did not create a material environmental condition not known to the Company or that a material environmental condition does not otherwise exist with respect to any of the Company's properties.

Note 13. Income Taxes

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes related to the Company's corporate subsidiary, which is subject to federal and state income taxes. As of March 31, 2011 and December 31, 2010, the temporary differences are primarily related to the basis differences in intangible assets and investment properties recorded on the books of the taxable corporate subsidiary. The tax effects of temporary differences have resulted in deferred income tax assets and liabilities, as follows:

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	March 31, 2011	December 31, 2010
Deferred tax assets		
Real estate basis difference	\$51,303	\$52,827
Net operating loss carry forward	3,583	2,632
Earnings in captive insurance company	870	1,149
Bad debt allowance	638	646
Other	124	178
Total deferred tax assets	56,518	57,432
Reserve on deferred tax assets	(22,530)	(22,434)
Total deferred tax asset after reserve	\$ 33,988	\$ 34,998
Deferred tax liabilities		
Management rights basis difference	25,342	\$ 25,581
Real estate basis difference	7,404	8,223
Straight line rent	1,242	1,194
Total deferred tax liabilities	\$33,988	\$34,998
Net deferred tax liability	\$ --	\$ --

The Company has recorded a current federal income tax provision of approximately \$0 and \$1.6 million for the three months ended March 31, 2011 and 2010, respectively, which are included in General and administrative on the Company's Consolidated Statements of Operations and Comprehensive Loss. There were no penalties incurred during the three months ended March 31, 2011.

The Company and its subsidiaries are subject to certain state and local taxes. An accrual of \$0.6 million and \$0.2 million for such taxes has been included in Other liabilities as of March 31, 2011 and December 31, 2010, respectively, in the accompanying Consolidated Balance Sheet.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to the loss from continuing operations before income taxes primarily due to the income and losses passed through to the Company's member through its subsidiaries, which are not subject to corporate income taxes. The Company's income tax provision was computed based on the federal statutory rate and the average state statutory rates, net of the related federal benefit. A reconciliation of the U.S. federal statutory income tax expense rate to the Company's effective income tax expense rate for the three months ended March 31, 2011 is as follows:

	2011
Statutory U.S. federal income tax rate	35.0%
Income passed through to unit holders	1.2%
Federal income tax – current	(32.6)%
State & local income taxes – current	(4.9)%
State & local income taxes – deferred	0.6%
Reserve on deferred tax assets	(4.1)%
Cumulative deferred tax out of period adjustment	0%
Other	0%
Effective income tax rate	(4.8)%

The effective income tax rate would have been 23.18% for the three months ended March 31, 2010 if the out of period adjustment was recorded in the proper period. Excluding the out of period adjustment, the effective tax rate for the three months ended March 31, 2010 is as follows:

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	2010
Statutory U.S. federal income tax rate	35.0%
Income passed through to unit holders	(37.7)%
State & local income taxes – current	1.7%
Federal income tax	24.6%
Other	2.7%
Effective income tax rate	<u>26.3%</u>

Note 14: Comprehensive Income (Loss)

Total comprehensive income (loss) was as follows for the periods indicated below (dollars in thousands):

	Three Months Ended March 31,	
	2011	2010
Comprehensive (loss) income	<u>\$(3,144)</u>	<u>\$5,367</u>

As of March 31, 2011, the primary component of comprehensive (loss)/income, other than net income (loss), was the Company’s mark-to market adjustment on its available-for-sale securities.

Note 15: Fair Value

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), provides a framework for measuring fair value under GAAP. The Company has not elected to apply the Fair Value Option under ASC 825, *Financial Instruments* (“ASC 825”), which provides the option to fair value any of the eligible financial assets and liabilities as permitted under the guidance. The only financial assets recorded at fair value as of March 31, 2011 are those required to be fair valued under other accounting standards.

Fair Value Measurement

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Level 1 assets and liabilities include entity securities that are traded in an active exchange market, as well as certain U.S. Treasury and other U.S. government agency securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets are derivative instruments for which the fair value is estimated based on valuations obtained from third party pricing services for identical or comparable assets.

Level 3 – Unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, for which the determination of fair value requires significant management judgment or estimation.

During the three months ended March 31, 2011, there were no transfers in or out of Levels 1 and 2. There were also no purchases or sales of investments measured within Level 3.

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The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis:

Marketable Securities

The fair value of marketable securities is the market value based on both quoted market prices and other valuations.

The Company has classified all investments as available-for-sale. All investments are recorded at available market value with an offsetting adjustment to members' capital (dollars in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Cost basis	\$19,256	\$19,910
Unrealized holding gains	<u>329</u>	<u>298</u>
Fair value	<u>\$19,585</u>	<u>\$20,208</u>

The weighted average method is used to determine realized gain or loss on securities sold. The Company's marketable securities are primarily held by ERT CIC, which reports on a quarterly lag. Accordingly, the fair value of marketable securities is primarily based upon quoted market prices as of December 31, 2010 and September 30, 2010, respectively, as the Company's receipt of fair value information is delayed by one quarter. The marketable securities are primarily fixed income securities with various maturity dates through 2012.

The fair value of the derivative instruments, which are classified as Other Assets on the Consolidated Balance Sheet, are derived using mid-market discount curves obtained from independent sources within the industry.

Assets measured at fair value on a recurring basis, as required by accounting standards, are summarized below (dollars in thousands):

	Recurring			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Marketable securities	\$19,585	\$--	\$--	\$19,585

There was no impairment recorded for investments accounted for under the equity method during the three months ended March 31, 2011. The Company evaluates its investments in unconsolidated entities for impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the value of its investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value. The fair value was estimated based upon management's valuation of the underlying real estate assets and debt of the investment. The real estate assets were valued based upon a combination of internally developed valuation models and pricing outcomes from recent disposal discussions with potential buyers. This approach requires the Company to make significant judgments in respect to market capitalization rates and amounts of estimated future cash flows.

In accordance with the Fair Value Measurements and Disclosures ASC of the Codification, fair value of fixed rate debt held by the Company's investments accounted for under the equity method was determined using available market information and discounted cash flow analyses as of March 31, 2011. The discount rate used in calculating fair value is interest rates currently being offered to the Company for loans with similar terms. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Entity could realize

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upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts.

The inputs into this valuation are considered Level 3 inputs in accordance with ASC 825.

Fair Value of Debt Obligations

The following fair value disclosure was determined by the Company, using available market information and discounted cash flow analyses as of March 31, 2011 and December 31, 2010, respectively in accordance with ASC 825. The only financial assets recorded at fair value as of March 31, 2011 and December 31, 2010 are those required to be fair valued under other accounting standards. Such fair valuation of assets at March 31, 2011 and December 31, 2010 (other than marketable securities), are fair valued on a non-recurring basis, as a result of identified impairments during the applicable period, where such non-recurring fair valuation adjustments have been required to be made, fair valuation has been determined by application of ASC 825. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of acquiring/assuming the instruments/obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts.

The following are financial instruments for which Company, respectively estimates of fair value differ from carrying amounts (in thousands) as determined by application of ASC 825:

	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Carrying</u> <u>Amounts</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amounts</u>	<u>Fair</u> <u>Value</u>
Mortgages payable	\$876,980	\$926,252	\$880,204	\$930,712
Notes payable	530,010	495,668	672,127	625,792

Note 16: Out of Period Adjustment

During the year ended December 31, 2010, the Company recorded a non-cash out of period deferred tax expense adjustment of \$14.7 million, offset by \$14.7 million fiscal 2010 deferred tax benefit, which resulted in no deferred income tax expense.

The out of period adjustment arose due to the Company's failure to record a net deferred tax liability in connection with the Centro Property Group's acquisition in 2007 of New Plan Excel Realty Trust, Inc., currently known as Centro NP LLC. The Company undertook an assessment of the impact of the adjustment needed to account for the deferred tax liability and concluded that recording the adjustment in the results for year ended December 31, 2010, rather than restating the period ended March 31, 2010, was quantitatively and qualitatively not material to the period ended March 31, 2010. The Company determined that the deferred income tax benefit of \$0.2 million which was not recorded in the three months ended March 31, 2010, and the net cumulative expense of approximately \$14.6 million related to the effects of the adjustment pertaining to periods prior to December, 2009, was not quantitatively or qualitatively material to the Company's consolidated financial statements for the three months ended March 31, 2010.

Note 17: Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 26, 2011, the date the financial statements were issued. There are no other events or transactions that have occurred through such date that requires disclosure in these financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

We intend to continue to file with the Trustee any annual reports, quarterly reports and other documents that we are required to file with the Trustee to the extent required under the Indentures governing the Notes. In addition, we will file such annual reports, quarterly reports and other documents on the website of our affiliate at www.centroprop.com pursuant to the 1995 Indenture.

All references to "we," "us," "our," "ours," or the "Company" in this report refer to Centro NP LLC and its wholly-owned and majority owned subsidiaries and consolidated entities.

There is substantial doubt about our ability to continue as a going concern given that our liquidity is subject to, among other things, our ability to negotiate extensions of credit facilities; our reliance upon funding provided by an entity that we do not control; current restrictions upon our ability to incur further indebtedness and the existence of restrictions upon operations which increase the risk of default and cross-default of existing debt. In addition, uncertainty also exists due to the liquidity issues currently experienced by our parent and the ultimate parent investors, CPL and CPT.

In accordance with ASC 360, the results of operations of properties that have been disposed of (by sale, by abandonment, or in a distribution to owners) or classified as held for sale must be classified as discontinued operations and segregated in our Consolidated Statements of Operations and Comprehensive Income (Loss). Therefore, results of operations from prior periods have been retrospectively adjusted to reflect the current pool of disposed of or held for sale assets.

Results of operations for the three months ended March 31, 2011 and 2010

Rental Revenues

Rental income was \$53.6 million for the three months ended March 31, 2011 and \$55.9 million for the three months ended March 31, 2010.

The following significant factors caused material changes in rental income:

- Net decreases in straight-line rent adjustments, which decreased rental income by approximately \$1.6 million
- Decreased amortization of below market leases, which decreased rental income by approximately \$0.9 million

Expense reimbursements were \$14.3 million for the three months ended March 31, 2011 and \$16.6 million for the three months ended March 31, 2010.

The following significant factor caused a material change in expense reimbursements:

- A decrease in reimbursable operating expenses, which decreased expense reimbursements by approximately \$2.0 million

Operating Expenses

Depreciation and amortization was \$25.1 million for the three months ended March 31, 2011 and \$28.2 million for the three months ended March 31, 2010. The following significant factor caused a material change in depreciation and amortization:

- Fewer tenants move-outs during the three months ended March 31, 2011 as compared to the three months ended March 31, 2010, combined with assets that became fully depreciated during 2010, which decreased depreciation and amortization by approximately \$4.0 million

General and administrative expenses were \$4.4 million for the three months ended March 31, 2011 and \$6.1 million for the three months ended March 31, 2010. The following significant factor caused a material change in general and administrative expenses:

- Decreased federal tax provisions, primarily attributable to NOL carryback benefits, combined with decreased state franchise tax provisions, which decreased general and administrative expenses by approximately \$1.6 million

Other Income and Expenses

Equity in income (loss) of unconsolidated ventures was \$0.2 million for the three months ended March 31, 2011 and approximately \$2.7 million for the three months ended March 31, 2010. The following significant factors caused a material change in the equity in income (loss) of unconsolidated ventures:

- The Residual Joint Venture, which increased equity in income (loss) of unconsolidated ventures by approximately \$1.3 million

Interest expense was \$23.2 million for the three months ended March 31, 2011 and \$18.5 million for the three months ended March 31, 2010. The following significant factors caused material changes in interest expense:

- The incurrence of the Secured Term Loan, the Pool Mezzanine Loan and the Single Property Secured Term Loans, which increased interest expense by approximately \$11.0 million
- The repayment of the Amended July 2007 Facility, which decreased interest expense by approximately \$1.5 million
- The Tender Offer, whereby \$121.6 million of the 2009 Notes were repaid and retired, which decreased interest expense by approximately \$1.2 million
- The payoff or refinancing of certain mortgages, which decreased interest expense by approximately \$4.3 million

Liquidity and Capital Resources

As of March 31, 2011, we had approximately \$41.0 million in available cash, cash equivalents and marketable securities. Previously prohibited from incurring any additional debt due to restrictions under the 1995 Indenture, following amendments to the 1995 Indenture effected in the Consent Solicitation and an amendment to the Super Bridge Loan effected on July 28, 2010, we are now permitted to incur certain incremental debt with the consent of the lenders under the Super Bridge Loan and refinance our existing mortgage debt without the consent of the lenders under the Super Bridge Loan if, certain conditions are satisfied relative to, among other things, debt yield and loan maturity. Also, pursuant to the amendment to the Super Bridge Loan, we may incur mortgage indebtedness secured by our unencumbered properties without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity. Refer to discussion below.

Short-Term Liquidity Needs

In addition to short-term indebtedness, our short-term liquidity requirements consist primarily of funds necessary to pay for management fees, operating and other expenses directly associated with our portfolio of properties, interest expense and scheduled principal payments on our outstanding debt, capital expenditures incurred to facilitate the leasing of space (*e.g.*, tenant improvements and leasing commissions), and capital expenditures incurred in our development and redevelopment projects. During the remaining nine months of 2011, we have an

aggregate of \$14.2 million of mortgage debt maturities and \$10.2 million of scheduled mortgage amortization payments. As further described in Note 7, we have a \$100.0 million guaranty in connection with the Super Bridge Loan. If the Super Bridge Loan is not extended or repaid upon maturity, and the guaranty is called, we could be liable for \$100.0 million. If the guaranty is not paid, the assets collateralizing the guaranty may be foreclosed. Although we have historically met our short-term liquidity requirements with cash generated from operations and borrowings under credit facilities, we presently do not have a credit facility to draw from. Additionally, as of March 31, 2011, the Residual Credit Facility is fully drawn. We anticipate that the funds required to meet our 2011 debt maturities will come from cash generated from operations, distributions received from the Residual Joint Venture and equity contributions from Super LLC. We are no longer prohibited from incurring additional indebtedness after amendments to the 1995 Indenture effected in the Consent Solicitation removed such restriction, but capped our ability to incur debt through April 15, 2011 at \$1.9 billion. Additionally, as of July 28, 2010, we may incur additional indebtedness from refinancing of mortgage debt without the consent of the lenders under the Super Bridge Loan if, certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity. Furthermore, as of July 28, 2010, we may incur mortgage indebtedness secured by our unencumbered properties without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity. In addition to these exceptions, we are limited to certain asset sale proceeds and operating cash flow to meet our short-term liquidity requirements. In addition, there are certain factors that may have a material adverse effect on our cash flow from operations which would further constrain our ability to satisfy our short-term liquidity requirements.

Refer to Note 7 to the Consolidated Financial Statements for details relating to the total short term debt as of March 31, 2011.

We derive substantially all of our revenue from tenants under existing leases at our properties. Therefore, our operating cash flow is dependent on the rents that we are able to charge to our tenants, and the ability of these tenants to make their rental payments. We believe that the nature of the properties in which we typically invest – primarily community and neighborhood shopping centers – provides a more stable revenue flow in uncertain economic times because, even in difficult economic times, consumers still need to purchase basic living essentials such as food and soft goods. However, there has been a general economic downturn in the market in which we own properties, which has adversely impacted the ability of our tenants to make rental payments and our ability to re-lease space on favorable terms as leases expire. As a result of these factors, our cash flow has been adversely affected.

In some cases, we have invested as a co-venturer or partner in the development or redevelopment of new properties, instead of developing projects directly. We have also agreed to contribute our pro rata share of any additional capital that may be required by our joint ventures, which pro rata share is not expected to be material. We are limited to financing any capital requirements from distributions received from the Residual Joint Venture, equity contributions from Super LLC that are funded from distributions from the Residual Joint Venture, certain asset sale proceeds, operating cash flow and proceeds from refinancing of mortgage debt or financing of mortgage indebtedness secured by currently unencumbered properties, subject to certain limits pursuant to the terms of the Super Bridge Loan and the Indentures. If we are unable to negotiate new liquidity facilities or negotiate the ability to incur additional indebtedness free from current restrictions imposed by certain debt agreements, we may be unable to finance these joint venture obligations.

Our current redevelopment 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 \$76.4 million. Currently, there are no outparcel developments in the pipeline for our Consolidated Portfolio.

Our current joint venture redevelopment pipeline is comprised of two projects, the aggregate cost of which, including costs incurred in prior years, is expected to be approximately \$18.7 million, of which our pro rata share will be approximately \$0.9 million. Currently, there are no outparcel developments in the pipeline for our joint venture portfolios. We are limited to financing any redevelopment costs from distributions received from the Residual Joint Venture, equity contributions from Super LLC that are funded from distributions from the Residual Joint Venture, certain asset sale proceeds, operating cash flow and proceeds from refinancing of mortgage debt or financing of mortgage indebtedness secured by currently unencumbered properties, subject to certain limits pursuant to the terms of the Super Bridge Loan and the Indentures. If we are unable to negotiate new liquidity facilities or negotiate the ability to incur additional indebtedness free from current restrictions imposed by certain debt agreements, we may be unable to finance further development and redevelopment in our joint venture portfolios.

We regularly incur expenditures in connection with the re-leasing of our retail space, principally in the form of tenant improvements and leasing commissions. The amounts of these expenditures can vary significantly, depending on negotiations with tenants and the willingness of tenants to pay higher base rents over the lives of the leases. We are limited to financing any capital expenditures from certain asset sale proceeds, operating cash flow and debt in connection with capital expenditures, capital improvements, tenant improvements, tenant allowances and other similar expenses incurred in the ordinary course of business. If we are unable to negotiate new liquidity facilities or negotiate the ability to incur additional indebtedness free from current restrictions imposed by certain debt agreements, we may be unable to further finance these tenant improvements and leasing commissions.

Previously prohibited from incurring any additional debt due to restrictions under the 1995 Indenture, following such amendments to the 1995 Indenture effected in the Consent Solicitation, we are now permitted to refinance our existing indebtedness and incur certain incremental debt, limited to an aggregate of \$1.9 billion through April 15, 2011, with the consent of the lenders under the Super Bridge Loan. We are limited to financing any redevelopment projects with certain distributions received from the Residual Joint Venture, equity contributions from Super LLC that are funded from distributions from the Residual Joint Venture, asset sale proceeds, operating cash flow and proceeds from refinancing of mortgage debt or financing of mortgage indebtedness secured by currently unencumbered properties, subject to certain limits pursuant to the terms of the Super Bridge Loan and the Indentures. If we are unable to negotiate new liquidity facilities or negotiate the ability to incur additional indebtedness free from current restriction imposed by certain debt agreements, we may be unable to finance redevelopment costs. In addition, due to financing constraints of our Australian parents, it is unlikely that they will be able to make additional equity contributions to alleviate any short-term liquidity issues we may encounter.

Long-Term Liquidity Needs

Our long-term liquidity requirements consist primarily of funds necessary to pay for the principal amount of our long-term debt as it matures, significant non-recurring capital expenditures that need to be made periodically at our properties and redevelopment or development projects that we undertake at our properties. Until such time as we are able and permitted to put in place an appropriate liquidity facility, raise additional capital or negotiate the ability to incur additional indebtedness free from current restrictions imposed by certain debt agreements, we do not presently have access to the capital necessary to satisfy these long-term liquidity requirements.

Our ability to incur additional debt is dependent upon a number of factors, including our degree of leverage, the value of our unencumbered assets, our credit rating and borrowing restrictions and covenants imposed by existing lenders. In connection with our refinancing difficulties, our credit ratings are all below investment grade. Standard & Poor's current rating is CCC+; CreditWatch with positive implications. Fitch's current rating is CCC/RR4; negative outlook. Moody's current rating is Caa2; Review Direction Uncertain. There may be additional reductions in our ratings depending on our operating performance. As a result of our credit ratings, 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.

Although we were able to obtain extensions of our short-term debt to December 31, 2011 that was due to expire on December 31, 2010, we are still working to reduce the level of our long-term debt to address our liquidity issues.

We are also working on plans to restructure and/or refinance our long-term debt, including the debt that was extended to December 31, 2011. Our ability to do so is restricted by the factors listed above, as well as also being impacted by the current and future condition of the credit market and also the current and future condition of the US retail real estate market.

Additionally, following a competitive market process, on February 28, 2011, our ultimate parent investor, Centro Properties Group, and its managed funds have entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P., to sell all of their US assets and platform, including Centro NP LLC, for an enterprise value of approximately \$9.4 billion. The purchase agreement is subject to conditions customary for a transaction of this nature. The sale is expected to close mid-2011.

We have selectively effected asset sales to generate cash proceeds. During 2010, we generated approximately \$0.2 million in gross proceeds through the disposal of a non-core/non-strategic property and approximately \$8.3 million from the disposition of certain properties and land parcels held through joint ventures. We also generated approximately \$10.1 million from the sale of our interest in NP/I&G Institutional Retail Company, LLC, a venture in which we previously held a 20% interest. Our ability to generate cash from asset

sales is limited by market conditions. Our ability to sell properties in the future in order to raise cash will necessarily be limited if market conditions make such sales unattractive. Our ability to sell assets will also be restricted by certain covenants included in the Indentures.

The following table summarizes all of our known contractual cash obligations, excluding interest, to pay third parties as of March 31, 2011 (based on a calendar year, dollars in thousands):

<u>Contractual Cash Obligations</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>1- 3 Years</u>	<u>3 - 5 Years</u>	<u>More than 5 years</u>
Debt ⁽¹⁾	\$1,406,990	\$24,447	\$254,797	\$443,964	\$683,782
Capital Lease Obligations	28,721	563	1,630	1,837	24,691
Operating Leases ⁽²⁾	<u>15,942</u>	<u>639</u>	<u>1,772</u>	<u>1,596</u>	<u>11,935</u>
Total	<u>\$1,451,653</u>	<u>\$25,649</u>	<u>\$258,199</u>	<u>\$447,397</u>	<u>\$720,408</u>

⁽¹⁾ Debt includes scheduled amortization and scheduled maturities for mortgage loans, notes payable and credit facilities. Maturities for 3-5 years include the first dates that note holders can require us to redeem all or a portion of the notes pursuant to the required put repurchase right.

⁽²⁾ Operating leases include ground leases for shopping centers that we operate and our administrative office space.

As of July 28, 2010, proceeds from the Term Loans were used to refinance certain indebtedness, including the amount maturing under our Amended July 2007 Facility, as well as certain mortgages and scheduled amortization.

As of March 31, 2011, we had approximately \$530.0 million of notes payable outstanding, excluding the impact of unamortized premiums, under the Indentures, having a weighted average interest rate of 5.8%. The Indentures also contain covenants that require us to maintain certain financial coverage ratios.

In addition to our Indentures, as of March 31, 2011, we had approximately \$877.0 million of mortgage debt outstanding, excluding the impact of unamortized premiums, having a weighted average interest rate of 6.7% per annum. It should be noted that as of March 31, 2011, the Super Bridge Loan (totaling \$1.7 billion) of our parent, Super LLC is, collateralized over Super LLC's 100% membership interest in us. It is also collateralized by certain assets held by the Residual Joint Venture. Further, we guaranty \$100.0 million of the Super Bridge Loan. This guaranty is collateralized by certain of our assets, which have an aggregate value of \$116.1 million.

Resolution of our liquidity issues may be, in part, achieved through asset sales. If we are required to dispose of real estate assets quickly and in a manner other than normal fashion to assist with our liquidity position, it is possible that these real estate assets would be sold at an accounting loss. Additionally, our ability to sell real estate assets is restricted by a loan-to-asset covenant ratio as contained in the Indentures.

In terms of potential equity investments, our ultimate parent investors are unlikely to make any equity contributions into us to assist with our liquidity position due to the liquidity issues currently being dealt with by those entities.

Off-Balance Sheet Arrangements

We have made commitments to provide funds to unconsolidated joint ventures under certain circumstances. The liabilities associated with these joint ventures do not show up as liabilities on our Consolidated Financial Statements.

The following is a brief summary of the unconsolidated joint venture obligations that we have as of March 31, 2011. Although we have agreed to contribute certain amounts of capital that may be required by these joint ventures, as more fully described below, we do not expect that any significant capital contributions to the following joint ventures will be required.

- *Arapahoe Crossings, L.P.* We, together with a U.S. partnership comprised substantially of foreign investors, have an interest in a joint venture which owns Arapahoe Crossings, a community shopping center located in Aurora, Colorado. Under the terms of this joint venture, we have a 30% interest and we have agreed to contribute our pro rata share of any capital that might be required

by the joint venture. The joint venture had loans outstanding of approximately \$44.2 million as of March 31, 2011. As of March 31, 2011, the book value of our investment in Arapahoe Crossings, L.P. was approximately \$8.6 million.

- *BPR Land Partnership, L.P.* We have a 50% interest in a joint venture that owns approximately 9.7 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. On December 6, 2010, the joint venture sold approximately 1.1 acres of land for net proceeds of approximately \$0.8 million. The joint venture had no loans outstanding as of March 31, 2011. As of March 31, 2011, the book value of our investment in BPR Land Partnership, L.P. was approximately \$3.9 million.
- *BPR South, L.P.* We have a 50% interest in a joint venture that owns approximately 2.1 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. On December 30, 2010, the joint venture sold approximately 3.051 acres of land for net proceeds of approximately \$1.3 million. The joint venture had no loans outstanding as of March 31, 2011. As of March 31, 2011, the book value of our investment in BPR South, L.P. was approximately \$0.4 million.
- *Centro GA America LLC.* We have a 5% interest in this joint venture. Under the terms of this joint venture, we are not obligated to contribute any additional capital to the venture; however, in the event that additional capital is contributed by our joint venture partner, we have the option to contribute the amount necessary to maintain our 5% ownership interest. We do not anticipate that we would make additional capital contributions should such be necessary in order to maintain our 5% ownership interest. As of March 31, 2011, the joint venture was comprised of 98 stabilized retail assets and two retail properties under redevelopment, and had loans outstanding of approximately \$1.0 billion. As of March 31, 2011, the book value of our investment in Centro GA America LLC was approximately \$10.5 million.
- *Centro NP Residual Holding LLC.* We have a 49% interest in the Residual Joint Venture with Super LLC, our sole and managing member. On July 28, 2010, we and Super LLC entered into an amendment to the Residual Joint Venture operating agreement whereby we were allocated (a) a preferred distribution of up to \$162,925,000 received from (i) the net proceeds from the sale or transfer of certain properties which collateralize the Residual Credit Facility (after the repayment of the Residual Credit Facility) or (ii) refinancing proceeds from such properties in excess of amounts necessary to repay the Residual Credit Facility and fees, costs and expenses associated with such refinancing and (b) a preferred distribution of up to an aggregate amount of \$336.0 million received from (i) the net proceeds from the sale or transfer of any assets of the Residual Joint Venture or (ii) refinancing proceeds from any assets of the Residual Joint Venture in excess of amounts necessary to repay existing debt on such assets and fees, costs and expenses associated with such refinancing.

On December 6, 2010, the Residual Joint venture formed the Inland JV with Inland American CP Investment, LLC. In connection with the formation of Inland JV, the Residual Joint Venture sold approximately 70% of its ownership interest in 25 retail shopping centers with a total value of approximately \$471.0 million. Following this transaction, the Residual Joint Venture has approximately 30% ownership interest and Inland American CP Investment, LLC has approximately 70% ownership interest in the Inland JV.

The joint venture owned 161 stabilized retail properties as of March 31, 2011, including the properties contributed to the joint venture formed with Inland American CP Investment, LLC. Under the terms of the joint venture, we are not obligated to contribute any additional capital to the joint venture. The joint venture had loans outstanding of approximately \$1.7 billion as of March 31, 2011. As of March 31, 2011, the book value of our investment in Centro NP Residual Holding LLC was approximately \$371.9 million.

- *NP / I&G Institutional Retail Company II, LLC.* We have a joint venture with JP Morgan Investment Management Inc. to acquire high-quality institutional grade community and neighborhood shopping centers on a nationwide basis. Under the terms of this joint venture, we

have a 20% interest in the venture and have committed to contribute our pro rata share of any capital required by the venture for asset acquisitions. As of March 31, 2011, we had contributed approximately \$14.7 million. Additionally, we have agreed to contribute our pro rata share of any additional capital that might be required by the joint venture; however, we do not expect that any significant additional capital contributions will be required. As of March 31, 2011, the joint venture owned two stabilized retail properties. The joint venture had loans outstanding of approximately \$36.5 million as of March 31, 2011. As of March 31, 2011, the book value of our investment in NP / I&G Institutional Retail Company II, LLC was approximately \$6.4 million.

- *NPK Redevelopment I, LLC.* We have a joint venture with Kmart Corporation (Sears Holding Corp.) pursuant to which the joint venture has redeveloped two Kmart Supercenter properties and owns a third property, all of which were formerly owned by Kmart. Under the terms of this joint venture, we have agreed to contribute \$6.0 million, which had been fully contributed as of March 31, 2011. We have a 20% interest in the venture and are responsible for contributing our pro rata share of any additional capital that might be required by the joint venture. During the year ended December 31, 2009, we provided a construction loan to the joint venture of approximately \$5.6 million with an interest rate of 7.5% per annum, compounding monthly. As of March 31, 2011, the book value of our investment in NPK Redevelopment I, LLC was approximately \$3.7 million.
- *NP/SSP Baybrook, LLC.* We have a joint venture with JP Morgan Investment Management Inc., which venture was formed for the specific purpose of acquiring Baybrook Gateway, a shopping center located in Webster, Texas. Under the terms of this joint venture, we have a 20% interest in the venture and are responsible for contributing our pro rata share of any capital that might be required by the joint venture. The joint venture had loans outstanding of approximately \$41.0 million as of March 31, 2011. As of March 31, 2011, the book value of our investment in NP/SSP Baybrook, LLC was approximately \$0.1 million.
- *Westgate Mall, LLC.* We, together with Transwestern Investment Company and The Richard E. Jacobs Group, have an interest in a joint venture that was formed for the specific purpose of acquiring and redeveloping Westgate Mall, an enclosed mall located on 55 acres of land in Fairview Park, Ohio. The joint venture has redeveloped the mall into a large community shopping center. Under the terms of this joint venture, we have a 10% interest in the venture and have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint venture had loans outstanding of approximately \$60.4 million as of March 31, 2011. As of March 31, 2011, the book value of our investment in Westgate Mall, LLC was \$0. This investment was fully impaired as of March 31, 2011.

Additionally, we previously had another joint venture with JP Morgan Investment Management Inc., NP / I&G Institutional Retail Company, LLC. In December 2010, we sold our 20% interest in the joint venture to JP Morgan Investment Management Inc. for gross proceeds of approximately \$10.1 million.

Other Funding Obligations

In addition to the joint venture obligations described above, we also had the following contingent contractual obligations as of March 31, 2011, none of which we believe will materially adversely affect us:

- *Letters of Credit.* We have arranged for the provision of three separate letters of credit in connection with certain property or insurance related matters. These letters of credit are secured by a cash collateral agreement. As of March 31, 2011, there was no balance outstanding under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be approximately \$4.7 million.
- *Non-Recourse and Other Debt Guarantees.* Under certain of our non-recourse loans and those of our joint ventures, we could, under certain circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve out provisions such as environmental conditions, misuse of funds and material misrepresentations. As of March 31, 2011, we had mortgage loans and secured term loans outstanding of approximately \$877.0 million, excluding the impact of unamortized premiums, and our unconsolidated joint ventures had mortgage loans outstanding of approximately \$2.9 billion. In addition, we have guaranteed certain

construction and other obligations relative to certain joint venture development projects; however we do not expect that our obligations under such guarantees will be material if called upon.

- *Super Bridge Loan Guaranty.* We guaranty \$100.0 million of the Super Bridge Loan. This guaranty is collateralized by certain of our assets, which have an aggregate value of \$116.1 million.
- *Leasing Commitments.* We have entered into leases, as lessee, in connection with ground leases for shopping centers which we operate and our administrative office space. These leases are accounted for as operating leases. The minimum annual rental commitments for these leases during the next five fiscal years and thereafter are approximately as follows (dollars in thousands):

<u>Year</u>	
2011 (remaining nine months)	\$639
2012	878
2013	894
2014	818
2015	778
Thereafter	11,935

- *Redemption Rights.* As of March 31, 2011, there were 650,359 Class A Preferred Units outstanding and not owned by Centro NP or its affiliates. Holders of these Class A Preferred Units have a redemption right for their Class A Preferred Units and each Class A Preferred Unit is redeemable for \$33.15 plus all accrued and unpaid distributions.

During the three months ended March 31, 2011, no limited partners with Class A Preferred Units have made a redemption election. Such redemption election may be made at any time and we are required to make such redemption on the second to last business day of the quarter in which such election is made, provided that we receive the redemption election at least ten business days prior to such date.

- *Amendment to Residual Joint Venture Operating Agreement.* On July 28, 2010, in connection with repayment of the loans, Centro NP and Super LLC entered into an amendment to the Residual Joint Venture's operating agreement whereby Centro NP was allocated (a) a preferred distribution of up to \$162,925,000 received from (i) the net proceeds from the sale or transfer of certain properties which collateralize the Residual Credit Facility (after the repayment of the Residual Credit Facility) or (ii) refinancing proceeds from such properties in excess of amounts necessary to repay the Residual Credit Facility and fees, costs and expenses associated with such refinancing and (b) a preferred distribution of up to an aggregate amount of \$336,000,000 received from (i) the net proceeds from the sale or transfer of any of the assets of the Residual Joint Venture or (ii) refinancing proceeds from any of the assets of the Residual Joint Venture in excess of amounts necessary to repay existing debt on such assets and fees, costs and expenses associated with such refinancing.

We are not presently involved in any material litigation arising outside the ordinary course of its business. However, we are involved in routine litigation arising in the ordinary course of business, none of which is believed to be material in light of our reserves for such matters. In connection with a specific tenant litigation, we maintain an aggregate reserve of approximately \$4.3 million as of March 31, 2011. Given the current status of the tenant litigation, we believe that any loss in excess of the established reserve would be immaterial.

For a discussion of other factors which may adversely affect our liquidity and capital resources, please see the section titled "Risk Factors" of this Quarterly Report.

Description of Residual Credit Facility

The Residual Credit Facility is a \$370.0 million credit facility entered into by certain subsidiaries of the Residual Joint Venture (the "Residual Credit Facility Borrowers") on January 15, 2009. The Residual Credit Facility is collateralized by properties owned by the Residual Credit Facility Borrowers and certain other subsidiaries of the Residual Joint Venture. The Residual Credit Facility is guaranteed by Super LLC, the Residual Joint Venture, Centro NP Residual Holding Sub 1, LLC, a subsidiary of the Residual Joint Venture and the 100% owner of each of the borrowers under the Residual Credit Facility, and certain other subsidiaries of the Residual Joint Venture. However, we do not control the Residual Joint Venture and cannot cause the Residual Joint Venture to make a draw under the Residual Credit Facility or distribute the proceeds therefrom.

Borrowings under the Residual Credit Facility bear interest at a rate per annum equal to, at our option, the prime rate or LIBOR plus an applicable margin of 3.75%. Additionally, if an event of default occurs and is continuing, interest on the outstanding balance accrues at a rate equal to LIBOR or the prime rate plus 7.75%, not to exceed the maximum nonusurious interest rate under the laws of the state of New York. The Residual Credit Facility is not a revolving credit facility and any amounts repaid or prepaid prior to the maturity date may not be reborrowed.

Additionally, mandatory draws of the Residual Credit Facility and the distribution of such proceeds up to Super LLC are required to repay loans and other obligations under the Super Bridge Loan, and the commitments will be reduced accordingly, upon the receipt by Super LLC or its subsidiaries of net proceeds from the disposition of certain properties. The Residual Credit Facility Borrowers are prohibited from selling or transferring any properties owned by the Residual Credit Facility Borrowers without lender consent.

The Residual Credit Facility contains customary defaults, including, among others: the nonpayment of interest or principal of the loan; failure to comply with restrictions on use of proceeds; failure to observe or perform covenants including the financial covenants described above; bankruptcy or insolvency; certain judgments and decrees; change of control; and defaults under the Super Bridge Loan and Amended and Restated Preston Ridge Facility.

The Residual Credit Facility Borrowers entered into an amendment to the Residual Credit Facility on July 28, 2010. Refer to Note 7 of the Financial Statements for further information.

Inflation

The majority of our leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions contain clauses enabling us to receive percentage rents, which generally increase as prices rise but may be adversely impacted by tenant sales decreases, and/or escalation clauses which are typically related to increases in the consumer price index or similar inflation indices. In addition, we believe that many of our existing lease rates are below current market levels for comparable space and that upon renewal or re-rental such rates may be increased to be consistent with, or get closer to, current market rates. This belief is based upon an analysis of relevant market conditions, including a comparison of comparable market rental rates, discussions with our property manager, and upon the fact that many of our leases have been in place for a number of years and may not contain escalation clauses sufficient to match the increase in market rental rates over such time. Most of our leases require the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, we periodically evaluate our exposure to interest rate fluctuations, and may enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on our floating rate loans.

In the normal course of business, we also face risks that are either non-financial or non-qualitative. Such risks principally include credit risks and legal risks.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of March 31, 2011, we had approximately \$8.4 million of outstanding floating rate mortgages. We do not believe that the interest rate risk represented by our floating rate debt is material as of March 31, 2011, in relation to our approximately \$1.4 billion of outstanding total debt and our approximately \$3.0 billion of total assets as of that date. This assessment may change depending upon changes in market floating interest rates in the short term.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$0.1 million. If market rates of interest on our variable rate debt decrease by 0.24345% (the LIBOR rate as of March 31, 2011), the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$21,000. This assumes that the amount outstanding under our variable rate debt remains at approximately \$8.4 million, the balance as of March 31, 2011. If market rates of interest increase by 1%, the fair value of our total outstanding debt would decrease by approximately \$75.5 million. If market rates of interest decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$78.3 million. This assumes that our total debt outstanding remains at approximately \$1.4 billion, the balance as of March 31, 2011.

As of March 31, 2011, we had no material exposure to foreign currency exchange risk, commodity price risk or equity price risk. In addition to the other factors which may constrain our ability to refinance our short-term debt obligations addressed elsewhere in this Quarterly Report, our ability to refinance such obligations may be further constrained as a result of recent dislocations in the global credit markets.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not presently involved in any material litigation arising outside the ordinary course of our business. However, we are involved in routine litigation arising in the ordinary course of business, none of which is believed to be material in light of reserves taken by us.

Item 1A. Risk Factors

Overview

Set forth below are the risks that we believe are material to investors who purchase or own our securities that are not otherwise described in this Quarterly Report. The occurrence of any of the following factors or circumstances could adversely affect our cash flows, financial condition, results of operations and/or our ability to meet our operating expenses, including debt service and capital expenditure obligations, any or all of which could in turn cause a decline in the value of our securities.

We may need to dispose of a number of properties in order to meet our liquidity needs. We may need to dispose of certain assets to fund our operations. As of July 28, 2010, we had repaid our Amended July 2007 Facility and the Residual Joint Venture is no longer permitted to make draws under the Residual Credit Facility. In addition, there are restrictions imposed on us by the Super Bridge Loan, the Residual Credit Facility and the Indentures which, among other things, restrict us from incurring additional indebtedness without the consent of the lenders under the Super Bridge Loan subject to certain exceptions which include, among other things, (i) refinancing mortgage debt if, certain conditions are satisfied relative to, among other things, debt yield and loan maturity and (ii) financing mortgage debt secured by currently unencumbered properties certain conditions are satisfied relative to, among other things, use of proceeds and loan maturity. Thus if we are unable to complete such asset sales, we may not be able to meet our liquidity needs.

As further described in Note 7, we have a \$100.0 million guaranty in connection with the Super Bridge Loan. If the Super Bridge Loan is not extended or repaid upon maturity, and the guaranty is called, we could be liable for \$100.0 million. If the guaranty is not paid, the assets collateralizing the guaranty may be foreclosed.

Recent disruptions in the financial markets could affect our ability to obtain financing or renegotiate our existing indebtedness on reasonable terms and may have other adverse effects on us. Recent events in the financial markets have had an adverse impact on the credit markets and, as a result, credit has become more expensive and difficult to obtain. The United States credit markets have recently experienced significant price

volatility, dislocations and liquidity disruptions, which have caused the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the unavailability of certain types of financing. The negative impact on the tightening of the credit markets may have a material adverse effect on us resulting from, but not limited to, an inability to refinance our short-term and long-term debt obligations on favorable terms, if at all, increased financing costs or financing with increasingly restrictive covenants. In addition, these factors may make it more difficult for us to renegotiate our existing indebtedness or to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. The negative impact of the recent disruptions in the credit markets on the real estate sector generally or our inability to obtain financing on favorable terms, if at all, may have a material adverse effect on our results of operations and business.

Cross-default provisions in our borrowing arrangements increase the consequences of a default.

Although we are not an obligor under the Super Bridge Loan, the Residual Credit Facility, or the Preston Ridge Facility, a default by any of the obligors pursuant to any of these debt facilities (through non-payment upon maturity, among other things) would, pursuant to the cross-default provisions, trigger a default under each such debt facility. In addition, any defaults or foreclosures under our mortgage debt outstanding could expose us to the possibility of cross-defaults under our obligations under the Indentures or cause cross-defaults in the Super Bridge Loan, the Residual Credit Facility and the Preston Ridge Facility. Our parent's pledge of its ownership interest in us may expose us to possible claims of default in certain of our mortgage debt outstanding, which, if demand for payment is made by the lenders, could cause cross-defaults in certain of our other debt. In the event of a cross-default, we might not be able to obtain alternative financing for the defaulted obligations or, if we are able to obtain such financing, we might not be able to obtain it on terms acceptable to us. There are currently no instances of default of debt obligations where cross-default provisions exist with certain debt obligations.

We no longer have access to a liquidity facility to finance any liquidity requirements, and we may be unable to negotiate any new liquidity facilities. We have historically met our short-term liquidity requirements with cash generated from operations and borrowings under our credit facilities. Our short-term liquidity requirements consist primarily of funds necessary to pay for management fees, operating and other expenses directly associated with our portfolio of properties, interest expense and scheduled principal payments on our outstanding debt and capital expenditures incurred in our redevelopment projects. Our current redevelopment 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 \$76.4 million. We presently have \$0.9 million of costs, including costs incurred in prior years, attributable to our pro rata share of redevelopment costs for projects in our joint venture portfolio.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the principal amount of our long-term debt as it matures, significant non-recurring capital expenditures that need to be made periodically at our properties and redevelopment projects that we undertake at our properties.

As of July 28, 2010, we had repaid our Amended July 2007 Facility, and as the Residual Joint Venture is no longer permitted to make draws under the Residual Credit Facility, we no longer have access to distributions from the Residual Joint Venture and equity contributions from Super LLC that are funded with borrowings from the Residual Credit Facility in order to meet our short-term liquidity requirements. Although we are no longer prohibited from incurring additional indebtedness after amendments to the 1995 Indenture effected in the Consent Solicitation removed such restriction, due to restrictions contained in the Super Bridge Loan, we are restricted from incurring additional indebtedness without the consent of the lenders under the Super Bridge Loan except with respect to trade and operational debt incurred in the ordinary course of business, non-recourse guarantees of mortgage debt, debt in connection with capital expenditures, capital improvements, tenant improvements, tenant allowances and other similar expenses in the ordinary course of business and, refinancing mortgage debt, provided that any excess proceeds of such refinanced debt are allocated pursuant to the terms of the Super Bridge Loan. As of July 28, 2010, we may incur additional indebtedness from refinancing of mortgage debt without the consent of the lenders under the Super Bridge Loan if, certain conditions are satisfied relative to, among other things, debt yield and loan maturity. In addition, as of July 28, 2010, we may incur mortgage indebtedness secured by our unencumbered properties without the consent of the lenders under the Super Bridge Loan if certain conditions are satisfied relative to, among other things, debt yield and loan maturity. Except in those circumstances mentioned above, we are presently limited to financing any liquidity requirements from certain asset sale proceeds and operating cash flow. If we are unable to negotiate new liquidity facilities or negotiate the ability to incur additional indebtedness free from current restriction imposed by certain debt agreements, we may be unable to finance the balance of these obligations.

Our financial covenants will restrict our operating, acquisition and disposition activities. The Indentures contain certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur secured and unsecured debt, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions or dispositions. These covenants may restrict our ability to pursue certain business initiatives or certain acquisition transactions. In addition, failure to meet any of these covenants, including the financial coverage ratios, could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us.

Downturns in the retailing industry likely will have a direct impact on our performance. Our properties consist of community and neighborhood shopping centers and other related retail properties. Our performance therefore is linked to economic conditions in the market for retail space generally, and a decrease in the demand for retail space may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. The market for retail space has been adversely affected by weakness in national, regional and local economies, the adverse financial condition of some retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through catalogues and the internet. To the extent that any of these conditions worsen, they are likely to further impact market rents for retail space and could adversely affect our business.

In addition, our concentration in retail properties means that we are subject to the risks that affect the retail environment generally, including the levels of consumer spending, seasonality, changes in economic conditions, consumer confidence and terrorist activities. The U.S. economy is in the midst of a prolonged economic downturn characterized by high unemployment, limited availability of credit and decreased consumer and business spending. This economic downturn is, has, and is expected to continue to adversely affect the businesses of many of our tenants.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt. As of March 31, 2011, we had approximately \$877.0 million of mortgage debt outstanding, excluding the impact of unamortized premiums and our unconsolidated joint ventures had mortgage loans and term loan indebtedness outstanding of approximately \$2.9 billion. If a property or group of properties is mortgaged to secure payment of debt and we are unable to meet mortgage payments, the holder of the mortgage or lender could foreclose on the property, resulting in loss of our investment. Alternatively, if we decide to sell assets in the current market to raise funds to repay matured debt, it is possible that these properties will be disposed of at a loss. Also, certain of our mortgages contain customary negative covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage.

Our degree of leverage could limit our ability to obtain additional financing and adversely affect our business and financial condition. The following should be considered with reference to the fact that regardless of our degree of leverage, due to covenants in certain of our indebtedness, we are presently significantly constrained in our ability to incur additional indebtedness without the consent of the lenders under the Super Bridge Loan. Our organizational documents do not contain any limitation on the incurrence of debt. The degree of our leverage could have important consequences, including:

- requiring us to dedicate a substantial portion of our funds from operations to servicing our debt;
- affecting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general purposes; and
- making us more vulnerable to economic and industry downturns.

In addition, as a result of the financial and operating covenants described below, our leverage could reduce our flexibility in conducting our business and planning for, or reacting to, changes in our business and in the real estate industry.

The economic performance and value of our properties are subject to risks associated with real estate assets and with the real estate industry. As a real estate company, we are subject to all of the risks associated with owning and operating real estate, including:

- changes in national, regional and local economic climate;
- local conditions, including an oversupply of space in properties similar to those that we own, or a reduction in demand for properties similar to those that we own;
- the attractiveness of our properties to tenants;
- the financial stability of tenants, including the ability of tenants to pay rent;
- competition from other available properties;
- changes in market rental rates;
- the need to periodically fund the costs to repair, renovate and re-let space;
- changes in operating costs, including costs for maintenance, insurance and real estate taxes;
- earthquakes, tornados, hurricanes and other natural disasters, civil unrest, terrorist acts or acts of war, which may result in uninsured or underinsured losses;
- the fact that the expenses of owning and operating properties are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the properties; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

Failure by any anchor tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, could seriously harm our performance. Our performance depends on our ability to collect rent, through our property manager, from tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants may delay a number of lease commencements, decline to extend or renew a number of leases upon expiration, fail to make rental payments when due under a number of leases, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases, or expiration of existing leases without renewal, and the loss of rental income attributable to the terminated or expired leases. In addition, lease terminations by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In that event, our property manager may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant with leases in multiple locations, could seriously harm our performance. As of March 31, 2011, our largest tenants were The Kroger Co. and Sears Holdings Corp., the scheduled ABR for which represented 3.7% and 2.5%, respectively, of our total ABR, excluding our pro rata share of ABR generated by properties owned by unconsolidated joint ventures.

We may be unable to collect balances due from tenants in bankruptcy and face potential adverse effects as a result. Bankruptcy filings by retailers occur in the course of our operations. We are continually re-leasing vacant spaces resulting from tenant terminations. We saw a significant increase in tenant bankruptcies in 2009 and 2010. There can be no assurance that current economic conditions will not cause additional bankruptcies. A bankruptcy filing by or relating to one of our tenants or a lease guarantor bars all efforts by us to collect pre-bankruptcy debts from that tenant or the lease guarantor, or their property, unless we receive an order permitting us to do so from the bankruptcy court. These tenant or lease guarantor bankruptcies delay our efforts to collect past due balances under the relevant leases, and ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws that limit the amount of the claim we can make if a lease is rejected. As a result, in many tenant bankruptcies, we recover substantially less than the full value of any unsecured claims we hold from a bankrupt tenant. Additionally, the bankruptcy of a tenant, particularly an anchor tenant, may make it more difficult to lease the remainder of the affected properties. Future tenant bankruptcies could adversely affect our properties or impact our ability to successfully execute our re-leasing strategy. As a result, tenant bankruptcies may have a material adverse effect on our results of operations.

Current and future development and redevelopment of real estate properties may not yield expected returns and may strain management resources. We are actively involved in several ongoing redevelopment

projects. We expect to invest in additional redevelopment projects in the future if financial and market conditions warrant it.

Redevelopment of properties is subject to a number of risks, including the following:

- abandonment of development activities after expending resources to determine feasibility;
- construction and/or lease-up delays;
- cost overruns, including construction costs that exceed our original estimates;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; and
- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws.

If any of these problems occur, overall project costs may significantly exceed the costs that were estimated when the project was originally undertaken, which will result in reduced returns, or even losses, from such investments. In addition, we may not have sufficient liquidity to fund such projects and delays in the completion of a redevelopment project may provide various tenants the right to withdraw from a property.

As the Residual Joint Venture is no longer permitted to make draws on the Residual Credit Facility pursuant to the Residual Credit Facility amendment entered into on July 28, 2010, we are limited to financing any redevelopment costs from certain asset sale proceeds, operating cash flow and proceeds from refinancing of mortgage debt or financing of mortgage indebtedness secured by currently unencumbered properties, subject to certain limits pursuant to the terms of the Super Bridge Loan and the Indentures. If we are unable to negotiate new liquidity facilities negotiate the ability to incur additional indebtedness free from current restrictions imposed by certain debt agreements or complete certain asset sales, we may be unable to finance further redevelopment.

Our current and future joint venture investments could be adversely affected by a lack of sole decision-making authority and our reliance on joint venture partners' financial condition. In some of our joint ventures, we have invested as a co-venturer or partner in the development or redevelopment of new properties, instead of developing projects directly. These investments involve risks not present in a wholly owned development or redevelopment project, including the following:

- in these investments, we do not have exclusive control over the development, financing, leasing, management and other aspects of the project, which may prevent us from taking actions that are opposed by our joint venture partners;
- we may be required to obtain prior consent from our co-venturers or partners for a sale or transfer to a third party of our interests in the joint venture, which restricts our ability to dispose of our interest in the joint venture;
- our co-venturers or partners might have interests or goals that are inconsistent with our interests or goals, and may be in a position to take actions contrary to our interests or otherwise impede our objectives;
- our co-venturers or partners also might become insolvent or bankrupt, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- such investments have the potential risk of impasse on certain major decisions, such as a sale, because neither we nor our partner or co-venturer typically have full control over the joint venture;
- any disputes that may arise between us and our joint venture partners could result in litigation or arbitration that could increase our expenses and distract management from focusing their time and effort on our business; and
- we might be liable for the actions of our joint venture partners in certain circumstances.

As of March 31, 2011, we had approximately \$405.5 million of investments in and advances to nine unconsolidated joint ventures that own an aggregate of 271 properties. The largest of these investments is our investment in the Residual Joint Venture. We have a 49% equity interest in the Residual Joint Venture. Our

investment in the Residual Joint Venture is subject to the risks described above for jointly owned investments. As of March 31, 2011, this joint venture was comprised of 161 stabilized assets, including properties contributed to the joint venture formed with Inland American CP Investment, LLC.

Potential continued deterioration of investments in / advances to unconsolidated joint ventures. With the deterioration in value in the US retail real estate markets over the past two years and also potential decreases in risk free rates pertaining to long term debt, there is a risk of continued deterioration of the value of our investments in / advances to unconsolidated joint ventures. This may result in further impairments of the carrying value of our investments in / advances to unconsolidated joint ventures in addition to the \$2.0 million of impairment recorded by us that was deemed to be an other than temporary impairment during the year ended December 31, 2010.

We currently do not have any plans to undertake any additional investments in / advances to unconsolidated joint ventures other than those which we are contractually obligated to make to our current investments in / advances to unconsolidated joint ventures.

Real estate property investments are illiquid, and therefore we may not be able to dispose of properties when appropriate or on favorable terms. Real estate property investments generally cannot be disposed of quickly. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinance of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. It has become increasingly more difficult to dispose of real estate properties in the past two years due to the downturn in the U.S. economy and the limited availability of credit. We may need to dispose of certain assets in order to fund our operations but are limited by certain of our debt agreements as to the aggregate value of the assets we may dispose of. This requirement may require us to dispose of properties on less than favorable terms. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial position.

Some potential losses are not covered by insurance, so we could lose a significant portion of our investment in a property. We carry comprehensive liability, fire, extended coverage, rental loss and acts of terrorism insurance on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses, including lease and other contract claims, acts of war and acts of God, and, in some cases, flooding, that generally are not insured, either because such coverage is not available or is not available at commercially reasonable rates. If we experience a loss which is uninsured or which exceeds policy limits, we could lose a significant portion of the capital we have invested in the damaged property, as well as the anticipated future revenue from the property. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

There can be no assurance as to future costs and the scope of coverage that may be available under insurance policies. Although we believe our properties are adequately covered by insurance, we cannot predict at this time if we will be able to obtain full coverage in the future at a reasonable cost. The costs associated with property and casualty renewals may be higher than anticipated.

We currently have variable rate debt obligations, which could be substantial in the future and may impede our operating performance and put us at a competitive disadvantage. As of March 31, 2011, we had approximately \$8.4 million of outstanding floating rate debt, maturing at various times up to May 1, 2017. The rates on our variable rate indebtedness increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. Increases in interest rates would increase our interest expense not subject to interest rate cap, which would adversely affect cash flow and our ability to service debt.

As discussed above, we may borrow additional money with floating interest rates in the future. Increases in interest rates, or the loss of the benefits of our existing or future hedging agreements, would increase our interest expense, which would adversely affect cash flow and our ability to service our debt. Future increases in interest rates

will increase our interest expense as compared to the fixed rate debt underlying our hedging agreements and could result in our making payments to unwind such agreements.

Environmental problems that exist at some of our properties could result in significant unexpected costs.

We are subject to federal, state and local environmental regulations that apply generally to the ownership of real property and the operations conducted on real property. Under various federal, state and local laws, ordinances and regulations, we may be considered an owner or operator of real property or may have arranged for the disposal or treatment of hazardous or toxic substances or petroleum product releases at a property and, therefore, may become liable for the costs of removal or remediation of certain hazardous substances released on or in our property or disposed of by us, 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 we knew of, or were responsible for, the presence of these hazardous or toxic substances. As is common with community and neighborhood shopping centers, many of our properties had or have on-site dry cleaners and/or on-site gasoline facilities. These operations could potentially result in environmental contamination at the properties. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such property or to borrow using such property as collateral.

We are aware that soil and groundwater contamination exists at some of our 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). We also are aware that asbestos-containing materials exist at some of our properties. While we do not expect the environmental conditions at our properties, considered as a whole, to have a material adverse effect on us, there can be no assurance that this will be the case. Further, no assurance can be given that any environmental studies performed have identified or will identify all material environmental conditions, that any prior owner of the properties did not create a material environmental condition not known to us or that a material environmental condition does not otherwise exist with respect to any of our properties.

Further information relating to recognition of remediation obligation in accordance with generally accepted accounting principles is provided in the Consolidated Financial Statements and notes thereto included in this Quarterly Report.

We face considerable competition in the leasing market and may be unable to renew leases or re-let space as leases expire. Through our property manager, we compete with a number of other companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations or concessions to tenants, may be less favorable or more costly than current lease terms or than expectations for the space. As of March 31, 2011, leases were scheduled to expire on a total of approximately 10% of the space at our properties (excluding our pro rata share of properties owned by unconsolidated joint ventures) during the remaining nine months of 2011. Our property manager may be unable to promptly renew the leases or re-let this space, or the rental rates upon renewal or re-letting may be significantly lower than expected rates.

Our ability to continue as a going concern. As a result of the liquidity risk factors discussed above, specifically our current lack of a liquidity facility; reliance upon funding provided by an entity that we do not control; current restrictions upon our ability to incur further indebtedness; the existence of restrictions upon operations which increase the risk of default of existing debt, combined with the continued liquidity issues of our ultimate parents, there is substantial doubt about our ability to continue as a going concern.

The half yearly financial statements of our ultimate parents, CPL and CPT, which were filed with Australian regulatory bodies on February 24, 2011 included discussion of significant uncertainty (equivalent to substantial doubt) about those entities' ability to continue as a going concern.

We have obtained extension of our existing debt facilities, and during the period to the maturity of these facilities we will be working with management of our ultimate parent investors and our lenders to restructure and address our liquidity issues.

Item 6. Exhibits

None.

SIGNATURES

Pursuant to the requirements of the Indentures, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 26, 2011

CENTRO NP LLC

By: /s/ Michael Carroll
Michael Carroll
Chief Executive Officer

By: /s/ Tiffanie Fisher
Tiffanie Fisher
Chief Financial Officer
(Principal Financial Officer)