

CENTER TRUST INC
Form 10-K
March 29, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]**

For the fiscal year ended December 31, 2001

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]**

For the transition period from to

Commission File Number: 1-12588

Center Trust, Inc.

(Exact name of registrant as specified in charter)

Maryland
*(State or other jurisdiction of
incorporation or organization)*

95-4444963
*(I.R.S. Employer
Identification Number)*

3500 Sepulveda Boulevard, Manhattan Beach, California 90266

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code

(310) 546-4520

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, Par Value \$.01 Per Share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None Registered
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been

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subject to such filing requirements for at least the past 90 days. Yes No

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$50,237,000 (computed on the basis of \$4.57 per share), which was the last sale price on the New York Stock Exchange on March 15, 2002.

As of March 15, 2002, 27,656,405 shares of common stock, Par Value \$.01 per share of Center Trust, Inc., were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference information from the Registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of the close of Registrant's fiscal year ended December 31, 2001.

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PART I

Item 1. Business

Center Trust, Inc. (the Company), a Maryland corporation, is a self-administered and self-managed real estate investment trust. The Company engages in the ownership, management, leasing, redevelopment, acquisition and development of retail shopping centers in the western United States.

As of December 31, 2001, the Company's Properties consisted of 31 community shopping centers, 2 regional malls and 2 single tenant facilities. The Company's ownership interest in the Properties is held through various partnership interests. The Company is the sole general partner of CT Operating Partnership, L.P., a California limited partnership (the Operating Partnership or OP), and owns a 94.9% interest therein. Of the 35 Properties, 33 are wholly owned by the Operating Partnership. Two of the Properties are owned by partnerships in which the OP has a general partner interest, including a 75% interest in Willowbrook Center Partnership and a 34% effective interest in Vermont Slauson Shopping Center, LTD each of which own one asset. For purposes of securing various mortgages, the OP has created a series of single purpose entities. Of the 33 properties owned by the OP, ownership of 18 of these properties are held in 15 separate wholly-owned single purpose entities.

The Company conducts substantially all of its operations through the Operating Partnership and has full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership.

During the year 2001, the Company sold 6 properties, including 4 community shopping centers and two single tenant facilities. The net proceeds from these sales were used to reduce the amount outstanding under the Company's secured line of credit. In January 2001, the Company repaid, in full, its 7 1/2% Convertible Subordinated Debentures. See additional discussion under Item 2 Properties and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation Liquidity Sources and Requirements.

On June 1, 1997 the Company entered into a Stock Purchase Agreement (the Stock Purchase Agreement) with LF Strategic Realty Investors, L.P. and Prometheus Western Retail, LLC, affiliates of Lazard Freres Real Estate Investors, LLC (together LFREI). Pursuant to the Stock Purchase Agreement, LFREI purchased 15,666,666 shares of common stock of the Company at a price of \$15.00 per share, for an aggregate purchase price of \$235 million. The stockholders of the Company approved the Agreement on August 14, 1997. As of December 31, 2001, LFREI owned 56.7% of the outstanding common stock of the Company.

In connection with the Stock Purchase Agreement, the Company and LFREI entered into a Stockholders Agreement (the Stockholders Agreement) providing that until August 14, 2002 (the Standstill Period) LFREI and its affiliates may not, among other things (i) acquire beneficial ownership of more than 49.9% of the outstanding shares of common stock of the Company, on an Adjusted Fully Diluted Basis (as defined below), (ii) sell, transfer or otherwise dispose of any shares of common stock of the Company except in accordance with certain specified limitations (including a requirement that the Company, in its sole and absolute discretion, approve any transfer in a negotiated transaction that would result in the transferee beneficially owning more than 9.8% of the Company's capital stock), (iii) solicit, encourage or propose to effect or negotiate certain business combination transactions, (iv) solicit, encourage, initiate or participate in any solicitation of proxies or become a participant in any election contest, (v) seek board representation or a change in the composition or size of the board, except as specifically permitted, or (vi) assist or encourage any person or entity with respect to any of the foregoing (collectively, the Standstill Provisions). As used herein, the term Adjusted Fully Diluted Basis shall mean on a diluted basis, except that shares of common stock of the Company issuable upon exercise of options granted under management benefit plans shall not be included. In addition, during the Standstill Period, LFREI and its affiliates have agreed to vote all shares of Company common stock owned by them that represent aggregate ownership in excess of 40% of the outstanding shares of Company common stock either (i) in accordance with the recommendation of our board of directors or (ii) proportionally in accordance with the votes of the other holders of Company common stock.

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As of December 31, 2001, LFREI owned 54.0% of the common stock of the Company on an Adjusted Fully Diluted Basis. Therefore, under the terms of the Stockholders Agreement, LFREI's right to freely vote at its discretion was limited to 74.0% of its total holdings. LFREI and its affiliates must vote the remainder of their holdings either (i) in accordance with the recommendation of our board of directors or (ii) proportionally in accordance with the votes of the other holders of Company common stock. In the event that the number of outstanding shares were to increase for any reason (including as a result of the issuance of common stock of the Company upon exercise of management stock options), then LFREI would be allowed to acquire additional shares of common stock of the Company, up to 49.9% on an Adjusted Fully Diluted Basis. In addition to the above, LFREI has the right to nominate four members to the Company's board of directors. Although LFREI will not be able to take action on behalf of the Company without the concurrence of at least one of the other members of the Company's board of directors, they may be able to exert substantial influence over the Company's affairs. Further, LFREI is entitled to receive access to certain operating statements and other financial reports used in operating the Company on a monthly basis.

On March 12, 2001, the Company granted LFREI a limited waiver of some of the Standstill Provisions. The waiver is to permit LFREI, under the control of the board of directors, to initiate and engage in discussions with third parties concerning certain change of control-type transactions involving the Company. The limited waiver will stay in effect until the expiration of the standstill period on August 14, 2002.

The Company, through the Operating Partnership, employs a staff of 70 full-time real estate professionals with extensive experience, knowledge of local markets and an established track record with national, regional and local retailers. The Company believes that the expertise and relationships developed by these professionals enhance the Company's ability to attract and retain high quality tenants.

Risk Factors

Our success depends on many of the following factors that could cause actual results and future events to differ materially from those included in this report. The existence of any of these risk factors may adversely impact our financial condition, results from operations, cash flow, the quoted per share trading price of our common stock and our ability to pay distributions to you. We caution you, however, that any list of risk factors may not be exhaustive.

More than half of our properties depend upon the Southern California economy.

More than one-half of our properties are located in Southern California. As of December 31, 2001, these properties represented approximately 64% of the aggregate square footage of all our properties. Concentrating our properties in a single geographic region may expose us to greater economic risks than if our portfolio of properties were more geographically diversified.

The Company's debt level reduces cash available for distribution and may expose the Company to the risk of default under its debt obligations.

Payments of principal and interest on borrowings may leave the company with insufficient cash resources to operate its Properties or to pay distributions necessary to maintain REIT qualification. The Company's level of debt and the limitations imposed by its debt agreements may have important consequences to the company, including the following: the Company may be unable to refinance its indebtedness at maturity or the refinancing terms may be less favorable than the terms of its original indebtedness; cash flow may be insufficient to meet required principal and interest payments; the Company may be forced to dispose of one or more of its properties, possibly on disadvantageous terms; the Company may default on its obligations and the lenders or mortgagees may foreclose on the properties that secure the loans and receive an assignment of rents and leases; and the Company's default under one mortgage loan with cross default provisions could result in a default on other indebtedness. If one or more of these events were to occur, the Company's financial position, results of operations, cash flow, quoted per share trading price of its common stock and ability to satisfy its debt service obligations and to pay distributions to stockholders could be adversely affected. In addition, foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could

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hinder the Company's ability to meet the strict REIT distribution requirements imposed by the Internal Revenue Code of 1986, as amended. At December 31, 2001, we had outstanding, \$114.5 million under our Credit Facility and \$251.8 million under various secured mortgages. The Company's total debt represented 76.6% of its total market capitalization at December 31, 2001. The Company currently has availability of \$13 million under its Credit Facility.

Our failure to qualify as a real estate investment trust could have material adverse consequences to stockholders.

We believe that we are organized and have operated in a manner which would allow us to qualify as a real estate investment trust under the Internal Revenue Code beginning with our taxable year ended December 31, 1993, and we intend to continue to operate in such a manner. No assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify as a REIT or to remain so qualified.

If we qualify for taxation as a REIT, we will generally not be required to pay federal corporate income taxes on the portion of our net income that is currently distributed to stockholders. This treatment substantially eliminates the double taxation (i.e., at the corporate and stockholder levels) that generally results from investment in a corporation.

Qualification as a real estate investment trust requires us to satisfy numerous requirements established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a real estate investment trust, at least 95% of our gross income in any year must be derived from qualifying sources, we must satisfy specified distribution requirements and we must satisfy specified asset tests on a quarterly basis. These provisions and the applicable Treasury Regulations are more complicated in our case because we hold our assets through a partnership. Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a real estate investment trust.

If we fail to qualify as a REIT in any taxable year, we would not be allowed a deduction in computing our taxable income for amounts distributed to our stockholders. As a result, we would be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under certain statutory provision, we would be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which we lost qualification. If we lose our real estate investment trust status, our net earnings available for investment or distribution to stockholders may be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to stockholders. Even if we qualify as a real estate investment trust, we will be required to pay certain federal, state and local taxes on our income and property.

Our failure to comply with REIT distribution requirements could have adverse consequences.

To maintain our status as a REIT for federal income tax purposes, we generally are required to distribute to our stockholders at least 90% (95% for years prior to 2001) of our taxable income each year. This taxable income is determined without regard to the dividends paid deduction and by excluding net capital gains.

We are also subject to tax at regular corporate rates to the extent that we distribute less than 100% of our taxable income (including net capital gains) each year.

In addition, we are subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of 85% of our ordinary income for that calendar year, 95% of our capital gain net income for the calendar year, and any amount of that income that was not distributed in prior years.

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We intend to continue to make distributions to our stockholders to comply with the distribution requirements of the Internal Revenue Code and to reduce exposure to federal income taxes and the nondeductible excise tax.

Differences in timing between the receipt of income and the payment of expenses in arriving at taxable income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Our largest stockholder, LFREI, may be able to exert substantial influence over the Company's affairs.

As of December 31, 2001, LFREI owned 56.7% of the outstanding common stock of the Company (54.0% on an Adjusted Fully Diluted Basis). LFREI has substantial influence over the affairs of the Company as a result of its stock ownership and board representation, including the effective ability to block any combination transaction with a third party. This concentration of ownership in one stockholder could be disadvantageous to other stockholders' interests.

In addition, once the standstill period discussed above expires on August 14, 2002, LFREI will be in a position to control the election of the Company's board of directors or the outcome of any corporate transaction or other matter submitted to the stockholders for approval.

Our operations could be negatively affected if we lost key management personnel.

Our executive officers have substantial experience in owning, operating, managing, acquiring and developing shopping centers. We believe that our success will depend in large part upon the efforts of these executives. We have entered into employment agreements with certain of our executive officers that provide for their continued employment with us and contain certain non-compete provisions. However, there can be no guarantee that these executive officers will remain employed by us, notwithstanding their potential liability for damages to us if they should terminate their employment. The loss of key management personnel could have a negative impact on our operations.

Our ability to generate revenues and pay distributions to our stockholders is affected by the risks inherent in owning real property investments.

Real property investments are subject to a variety of risks. The yields available from equity investments in real estate depend on the amount of income generated and expenses incurred. If our properties do not generate sufficient income to meet operating expenses, including debt service and capital expenditures, results of operations and our ability to make distributions to our shareholders may be adversely affected. The performance of the economy in each of the areas in which our Properties are located affects occupancy, market rental and occupancy rates and expenses, and consequently, has an impact on the revenues from our Properties and their underlying values.

Revenues from our Properties may be further adversely affected by, among other things:

the general economic climate;

local economic conditions where the properties are located, such as oversupply of space or a reduction in demand for rental space;

the attractiveness of the properties to tenants;

competition from other available space;

our ability to provide for adequate maintenance and insurance and increased operating expenses (including real estate taxes and utilities) which may not be passed through to tenants; and

There is also the risk that as leases on the Properties expire, tenants will enter into new leases on terms that are less favorable to us. Revenues and real estate values may also be adversely affected by such factors as applicable tax laws, interest rate levels and the availability and terms of financing.

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Most of the leases of our retail properties, as is common with many multi-tenant shopping centers, provide for tenants to reimburse us for a portion (frequently based upon the portion of total retail space in the property that is occupied by the tenant) of the common area maintenance, real estate taxes, insurance and other operating expenses of the property. To the extent that a property has vacant leaseable space, not only will we be deprived of the base rent that we would receive if the vacant space were occupied, but we will have to bear the unreimbursed expense applicable to such vacant space. If a property is mortgaged to secure payment of indebtedness and if we were unable to meet our mortgage payments, a loss could be sustained as a result of foreclosure on the property or the exercise of other remedies by the mortgagee. Likewise, if a property suffers sustained reductions in revenues, we may sustain a write-down of the asset value and related charge to earnings.

Potential losses may not be covered by insurance.

The Company carries comprehensive liability, fire, extended coverage and rental loss insurance covering all of its Properties. Management believes the policy specifications and insured limits are appropriate given the relative risk of loss, the cost of the coverage and industry practice. The company does not carry insurance for generally uninsurable losses such as loss from riots or acts of God. Some of the Company's policies, like those covering losses due to floods, are subject to limitations involving large deductibles or co-payments and policy limits. In addition, the Company carries earthquake insurance on all properties in an amount and with deductibles which management believe are commercially reasonable. While the Company presently carries earthquake insurance, the amount of its earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the Company may discontinue earthquake insurance on some or all of its properties in the future if the cost of premiums for earthquake insurance exceeds the value of the coverage discounted for the risk of loss. If the Company experiences a loss which is uninsured or which exceeds policy limits, it could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, the Company would continue to be liable for the indebtedness, even if the properties were irreparable.

We could incur significant costs related to environmental problems.

Environmental laws and regulations hold us liable for the costs of removal or remediation of certain hazardous or toxic substances released on our Properties. These laws could impose liability without regard to whether we are responsible for, or even knew of, the presence of the hazardous materials. Government investigations and remediation actions may have substantial costs and the presence of hazardous wastes on a property could result in personal injury or similar claims by private plaintiffs. For instance, third parties may seek recovery from us for personal injuries associated with asbestos-containing materials and other hazardous or toxic substances if found on our properties. Moreover, the presence of these substances on our properties may hinder our ability to rent or sell our properties, or to borrow using such properties as collateral. Various laws also impose liability on persons who arrange for the disposal or treatment of such hazardous or toxic substances for the cost of removal or remediation of hazardous substances at a disposal or treatment facility. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. As owner and operator of our Properties, we may be considered to have arranged for the disposal or treatment of hazardous or toxic substances.

We may incur significant costs complying with the American with Disabilities Act and similar laws.

Under the Americans with Disability Act of 1990, all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe that our Properties substantially comply with the present requirements under the Americans with Disabilities Act, we may incur additional costs of complying with the Americans with Disabilities Act in the future. Additional federal, state and local laws also may require modifications to our Properties, or restrict our ability to renovate our Properties. We cannot predict the ultimate amount of the cost of compliance with the act or other legislation.

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Limits on the ownership of our capital stock could cause some stock transfers to be void.

In order for us to maintain our qualification as a REIT, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals, as defined in the Internal Revenue Code. In addition, rent from certain related party tenants is not qualifying income for purposes of the gross income tests under the Internal Revenue Code.

Two sets of constructive ownership rules apply in determining whether these requirements are met. These constructive ownership rules determine whether we are closely held and whether the rent we receive is from a related party tenant. Accordingly, for the purpose of preserving our REIT qualification, our charter prohibits actual or constructive ownership of more than 9.8% (in value or number of shares whichever is more restrictive) of outstanding common stock by any person. The constructive ownership rules are complex and may cause common stock owned actually or constructively by a group of related individuals and/or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of outstanding common stock, or the acquisition of an interest in an entity which owns common stock, by an individual or entity could cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the outstanding common stock, and thus subject that common stock to the ownership limit. In conjunction with the Stockholders Agreement, the Company waived the ownership restrictions with respect to LFREI based in part on representations made by LFREI to its knowledge relating to the widely held nature of the ownership interests in LFREI and its lack of ownership of any of our tenants. We believe that LFREI's ownership of our stock will not cause us to violate these ownership restrictions, however, no assurance can be given that the IRS would not successfully take a contrary position.

Our charter and the Maryland General Corporation Law contain provisions that may prevent a change of control transaction.

Certain provisions of the Maryland General Corporation Law and our charter and bylaws could have the effect of delaying, deferring or preventing a change in control of the Company or the removal of existing management and, as a result, could prevent you from being paid a premium for your common stock over then-prevailing market prices.

Ownership Limit. The ownership limit set forth in our charter may have the effect of precluding acquisition of control of the Company by a third party without consent of our board of directors even when a change in control is in your interest.

Staggered Board. Our board of directors is divided into three classes serving staggered terms of three years each. Directors for each class are chosen for a three-year term upon the expiration of the current class term. The staggered terms for directors may affect the stockholders ability to change control of the Company even where a change in control is in your interest.

Preferred Stock. Our charter authorizes the Board of Directors to issue up to 10,000,000 shares of preferred stock and to establish the preferences and rights, including the right to vote and the right to convert into common stock, of any shares issued. The power to issue preferred stock could have the effect of delaying or preventing a change in control of the Company even where a change of control is in your interest.

Control Shares. The Maryland General Corporation Law provides certain restrictions upon the voting rights of control shares in a Maryland corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the holder thereof, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of power:

one-fifth or more but less than one-third

one-third or more but less than a majority, or

a majority of all voting power.

The Maryland General Corporation Law provides that control shares have no voting rights except to the extent approved by an affirmative vote of two-thirds of the outstanding shares entitled to vote on the matter,

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excluding shares held by the acquirer or by officers and directors who are also employees. A control share acquisition means the acquisition of control shares, subject to certain exceptions. Pursuant to the statute, our bylaws exempt control share acquisitions involving our executives and certain of their associates and affiliates and, consequently, the prohibition on voting control shares will not apply to those persons.

Business Combinations. Under the Maryland General Corporation Law, certain business combinations between a Maryland corporation and any person or affiliate thereof which is the beneficial owner of 10% or more of the voting power of the corporation's shares are prohibited for five years after the most recent date on which the 10% owner became a 10% owner. Thereafter, any such business combination must be approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of our outstanding voting shares; and

two-thirds of the votes entitled to be cast by holders of outstanding voting shares held by persons other than the 10% owner with whom the business combination is to be effected, subject to certain exceptions.

Pursuant to the statute, we have exempted any business combinations involving our executive officers and certain of their associates and affiliates, and, consequently, the five-year prohibition and the super-majority vote requirement will not apply to business combinations between us and those persons.

Our ability to make decisions concerning the operation or disposition of our partially-owned properties may be restricted.

The Operating Partnership owns a 75% managing general partnership interest in the partnership that owns Kenneth Hahn Plaza and an 85% managing general partnership interest in Haagen-Central Partnership, the general partnership which is the managing general partner of, and holds a 40% interest in, the partnership that owns Vermont-Slauson Shopping Center. Therefore, the Operating Partnership holds the equivalent of a 34% interest in Vermont-Slauson Shopping Center. Together, the Operating Partnership's interests in Kenneth Hahn Plaza and Vermont-Slauson Shopping Center are referred to as the Partially-Owned Properties.

The Operating Partnership is the managing general partner of each of these partnerships, with full control over their day-to-day operations. We have certain fiduciary responsibilities to our outside partners which we will need to consider when making decisions relating to these Partially-Owned Properties. The consent of our outside partners may be required for a sale, transfer or encumbrance of the Partially-Owned Properties. In addition, the sale, transfer, assignment or pledge of partnership interest in the Partially-Owned Properties require the prior written consent of the other partners or are subject to certain rights of first refusal. These limitations may result in decisions by third parties with respect to these properties that do not fully reflect our interest.

We may issue additional shares of capital stock without stockholder approval which may dilute your investment.

We may issue shares of our common stock, preferred stock or other equity or debt securities without stockholder approval. The future issuance of capital stock may dilute an existing stockholder's investment.

Sales of a substantial number of shares of common stock, or the perception that such sales could occur, could result in decreased market prices for our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares for future sale will result in decreasing the market price of the common stock. As of March 15, 2002, 27,656,405 shares of our common stock were issued and outstanding and we had reserved for future issuance the following shares of common stock:

1,338,644 shares issuable upon the exchange of common units of the Operating Partnership issued in connection with our formation and in connection with the acquisition of properties;

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663,842 shares issuable upon exercise of options we have granted under our Second Amended and Restated 1993 Stock Option and Incentive Plan; and

861,207 additional shares issuable upon our Second Amended and Restated 1993 Stock Option and Incentive Plan.

We may be unable to successfully redevelop properties.

We may selectively pursue redevelopment projects, including the expansion of certain Properties. Such projects generally require various governmental and other approvals, the receipt of which cannot be assured. We may incur certain risks in connection with redevelopment activities, including:

the expenditure of funds on and devotion of management's time to projects which may not come to fruition;

the risk that construction costs of a project may exceed original estimates, possibly making the project uneconomic; and

the risk that occupancy rates and rents at a completed project will not be sufficient to make the project profitable.

Decreases in cash available from our Properties and other factors could limit our ability to make distributions to stockholders.

Distributions to you will be based principally on cash available for distribution from our Properties. Increase in base rent and percentage rent under the leases of our Properties or the payment of rent in connection with future acquisitions will increase our cash available for distribution. However, in the event of default or a lease termination by a lessee, there could be a decrease or cessation of rental payment. In addition, the amount available to make distributions may decrease if properties acquired in the future yield lower than expected cash available for distribution. If we incur additional indebtedness in the future, we will require additional funds to service such indebtedness. Further, as capital needs change, the board of directors may elect to reduce the size of the distribution. As a result, amounts available to make distributions may decrease. Distributions will also be dependent upon a number of other factors, including:

our financial condition;

any decision to reinvest, rather than to distribute, funds;

capital expenditures;

the annual distribution requirements under the REIT provisions of the Internal Revenue Code described above; and

such other factors as we deem relevant.

The possibility exists that our future operating results may differ from the assumptions used by our board of directors in determining the current distribution rate. In that event, the trading price of our common stock may be adversely affected.

An increase in market interest rates or a negative perception of retail shopping center REITs could cause a decrease in the market price of our common stock.

A variety of factors may influence the price of our common stock in public trading markets. We believe that investors generally perceive REITs as yield-driven investments and compare the annual yield from distributions by REITs with yields on various other types of financial instruments. Thus an increase in market interest rates generally could adversely affect the market price of our common stock. Similarly, to the extent that the investing public has a negative perception of companies in the retail business or REITs that own and operate retail shopping centers and other properties catering to retail tenants, the value of our common stock

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may be negatively impacted in comparison to shares of other REITs owning other types of properties and catering to different types of tenants.

Bankruptcy of our tenants or downturns in our tenants' businesses may reduce our cash flow.

At any time, tenants at our Properties may seek the protection of the bankruptcy laws, which could result in the rejection and termination of that tenant's lease. Although we have not experienced material losses from tenant bankruptcies, no assurance can be given that tenants will not file for bankruptcy protection in the future, or if any tenants file, that they will affirm their leases and continue to make rental payments in a timely manner. In addition, a tenant from time to time may experience a downturn in its business which may weaken its financial condition and result in the failure to make rental payments when due. Future terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001 and other attacks of terrorism or war, may result in declining economic activity having a corresponding adverse effect on the financial condition of our tenants. If tenant leases are not affirmed following bankruptcy or if a tenant's financial condition weakens, the Company's results of operations and ability to make distributions to its stockholders may be adversely affected.

Real estate assets are illiquid and we may not be able to sell our properties when we desire.

Equity real estate investments are generally illiquid which limits our ability to sell our Properties quickly in response to changes in economic or other conditions or meet certain of its strategic objectives of disposing of certain non-strategic assets. In addition, the Internal Revenue Code places certain limits or prohibitive taxes on REITs that may limit our ability to sell certain properties. These restrictions on our ability to sell our Properties could have an adverse effect on our financial position and our ability to make distributions to you.

We face significant competition that may decrease the occupancy and rental rates of our properties.

Numerous retail properties compete with our Properties in attracting tenants to lease space. Some of these competing properties are newer and better located or designed and may offer lower expenses or be better capitalized than our Properties. The number of competitive commercial properties in a particular area could have a material adverse effect on our ability to lease space in our Properties and on the rents charged. In addition, retailers at our Properties face increasing competition from outlet malls, discount shopping clubs, mail order and e-commerce.

Additionally, we may be competing for investment opportunities with entities that have substantially greater financial resources than us. These entities may generally be able to accept more risk than the Company can prudently manage.

Item 2. Properties

As of December 31, 2001, the Company's Properties consisted of 31 community shopping centers, 2 regional malls and 2 single tenant facilities, containing in the aggregate approximately 7.9 million square feet of total shopping center gross leaseable area (GLA). Approximately 6.4 million square feet of GLA is owned by the Company, and the balance is owned by certain anchor retailers. The Company has focused its efforts on four key markets, which include the Pacific Northwest, Northern and Southern California, and the Southwest. Of the 31 community centers, which comprise the core asset group of the Company, 6 are located in the Pacific Northwest, 5 in Northern and Central California, 14 in Southern California and 6 in the Southwest. The two regional malls are located in Southern California. One of the single tenant assets is in Southern California and the other is located in the Southwest.

The Company's community shopping centers range in size from approximately 14,000 square feet of total GLA to approximately 419,000 square feet of total GLA. The Company's regional malls range in size from approximately 820,000 square feet of GLA to approximately 1,248,000 square feet of GLA. The Company's single tenant facilities range in size from approximately 104,000 square feet of total GLA to approximately 115,000 square feet of total GLA.

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The Properties are designed to attract local and regional area customers and are typically anchored by one or more nationally or regionally-known retailers. Depending on the market focus of a specific property, major retailers at a property may include value-oriented discount stores, supermarkets, membership warehouses, traditional department stores, fashion-oriented department stores, shops or theaters. Anchor leases are typically for initial terms of 10 to 35 years, with one or more renewal options available to the lessee upon expiration of the initial term. By contrast, smaller shop leases are typically for 5- to 10-year terms. The longer term of the anchor leases helps to protect the Company against significant vacancies and to insure the presence of anchor retailers who draw consumers to the Company's centers. The shorter term of the smaller shop leases allows the Company to adjust rental rates for non-anchor store space on a regular basis and upgrade the overall tenant mix. Anchor leases are generally for lower base rents per square foot than leases for smaller shop tenants. The lower base rents paid by anchor retailers may be offset, in part, through periodic escalations and/or the payment of percentage rents. Certain anchor retailers at some of the Properties occupy space not owned by the Company and therefore do not pay base rent to the Company.

During 2001, the Company identified and sold certain shopping centers in accordance with its stated strategy of identifying assets for sale that have reached stabilized values. The assets sold during the year include four community shopping centers and two single tenant facilities. The 2001 sales consisted of Marshall's Plaza, a 79,000 square foot shopping center located in Modesto, California, Westgate North Shopping Center, a 104,000 square foot shopping center located in Tacoma, Washington, Center of El Centro, a 179,000 square foot shopping center located in El Centro, California, Madera Marketplace, a 169,000 square foot shopping center located in Madera, California, K-Mart Rocklin, a 86,000 single tenant facility located in Rocklin, California and K-Mart Madera, a 86,000 square foot single tenant facility, located in Madera, California.

Gross proceeds from the sales were approximately \$49.2 million. The combined book loss on the sale of assets recognized during the year was \$2.4 million. Proceeds from the sales that were used to reduce the outstanding balance on the Company's secured line of credit totaled \$33.4 million and mortgage debt repaid to the lender was approximately \$9 million. The Company also recorded an extraordinary loss on the early extinguishment of debt of \$1.8 million related to the payment of certain prepayment penalties and the write-off unamortized deferred financing costs.

Twenty-eight of the Properties are owned by the Company in fee and seven are held by the Company under long-term ground leases. Included in the long-term ground leases are the Partially-Owned Properties, Kenneth Hahn Plaza and Vermont-Slauson Shopping Center, discussed below.

The Operating Partnership owns a 75% managing general partnership interest in the partnership that owns Kenneth Hahn Plaza and a 85% managing general partnership interest in Haagen-Central Partnership, the general partnership which is the managing general partner of, and holds a 40% interest in, the partnership that owns Vermont-Slauson Shopping Center. Therefore, the Operating Partnership holds the equivalent of a 34% interest in Vermont-Slauson Shopping Center.

The Operating Partnership is the managing general partner of each such partnership, with control over day-to-day operations of the Partially-Owned Properties. As the general partner, the Operating Partnership has sole responsibility and control over the partnerships and cannot be removed by the limited partners without cause. The Company has certain fiduciary responsibilities to its outside partners which it will need to consider when making decisions relating to the Partially-Owned Properties. The consent of the Company's outside partners may be required for any sale, transfer or encumbrance of the Partially-Owned Properties. In addition, the sale, transfer, assignment or pledge of partnership interests in the partnerships which own the Partially-Owned Properties require the prior written consent of the other partners or are subject to certain rights of first refusal.

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The tables below provide information regarding the physical descriptions of the Properties, the tenants and the debt secured by the Properties.

Description of Properties

The following table sets forth the physical description and anchor tenant information with respect to the Properties as of December 31, 2001.

	<u>Year of Construction (or Most Recent Renovation)</u>	<u>Ownership Interest (Expiration)(1)</u>	<u>Land Area (Acres)</u>	<u>Total Shopping Center GLA (Sq. Ft.)</u>	<u>Company Owned GLA (Sq. Ft.)</u>	<u>Anchor or Principal Tenants</u>
COMMUNITY SHOPPING CENTERS						
Pacific Northwest						
Frontier Village Shopping Center Lake Stevens, WA	1993	Fee	15.7	153,320	153,320	Safeway, Bartell Drugs
Gresham Town Fair Gresham, OR	1988	Fee	25.6	265,765	265,765	Ross Stores, Emporium, GI Joe s, Craft Warehouse
The Medford Center Medford, OR	(1998)	Fee	30.1	418,704	333,958	Cinemark Theatres, Sears, Payless(2), Safeway(2), Circuit City, 24 Hour Fitness
Ross Center Portland, OR	1987	Fee	10.0	134,555	134,555	Ross Stores, Michaels, Pier 1 Imports
Silverdale Shopping Center Silverdale, WA	1990	Fee	6.0	67,287	67,287	Ross Stores
Vancouver Park Place Vancouver, WA	1987	Fee	6.4	77,944	77,944	T.J.Maxx, Pier 1 Imports
			<u>93.8</u>	<u>1,117,575</u>	<u>1,032,829</u>	
Subtotal Pacific Northwest						
Northern & Central California						
Bakersfield Shopping Center Bakersfield, CA	1978	Fee	9.3	14,115	14,115	
Mineral King Plaza Visalia, CA	1983	Fee	10.9	115,336	39,060	Vons(2), Longs Drugs(2)
Rheem Valley Moraga, CA	1990	Fee	18.4	159,967	159,967	T.J.Maxx, Longs Drugs
Rosedale Village Shopping Center Bakersfield, CA	1991	Fee	10.6	217,026	127,547	Savemart, Payless Drugs, Kmart(2)
Southpointe Plaza Sacramento, CA	1982	Fee	18.0	193,063	189,063	Big 5 Sporting Goods
			<u>67.2</u>	<u>699,507</u>	<u>529,752</u>	
Subtotal Northern & Central California						
Southern California						
Country Fair Shopping Center Chino, CA	1992	Fee	17.3	211,704	168,264	Albertson s(2), PETsMART, Rite-Aid, Staples, T.J. Maxx
Date Palm Center Cathedral City, CA	1987	Fee	11.8	117,356	117,356	Sam s Club (Wal-Mart)
El Camino North Oceanside, CA	1982	Fee	54.0	400,306	273,806	Mervyn s(2), Toys R Us(2),

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Fire Mountain Center Oceanside, CA	1987	Fee/Ground Lease(2048)	9.4	92,378	92,378	Ross Stores, Steinmart, Petco(2) Trader Joe's, Bookstar
Fullerton Town Center Fullerton, CA	1987	Fee	21.7	411,527	264,647	Costco(2), AMC Theatres, Toys R Us, Office Depot
Gardena Gateway Center Gardena, CA	1990	Fee	9.7	65,987	65,987	Marukai (Rite-Aid), TAWA
Kenneth Hahn Plaza Los Angeles, CA	1987	Ground Lease (2052)	14.5	165,195	165,195	Food 4 Less, Factory 2U, Rite-Aid, Super Trak Auto
La Verne Towne Center La Verne, CA	1986	Fee	19.1	231,376	231,376	Target, Vons
Lakewood Plaza Bellflower, CA	(1989)	Ground Lease (2032)	11.1	113,511	113,511	Stater Bros (Albertson's), Staples
Loma Square San Diego, CA	1980	Fee	15.8	210,704	210,704	T.J. Maxx, Circuit City, Sav-on Drugs,

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	Year of Construction (or Most Recent Renovation)	Ownership Interest (Expiration)(1)	Land Area (Acres)	Total Shopping Center GLA (Sq. Ft.)	Company Owned GLA (Sq. Ft.)	Anchor or Principal Tenants
Mountain Square Shopping Center Upland, CA	1988	Fee	15.8	273,189	273,189	Home Depot, Staples, Pavilions, Factory 2U
North County Plaza Carlsbad, CA	1987	Fee	16.9	153,325	153,325	Marshall s, Michael s, Kids R Us
Parkway Place Escondido, CA	(1989)	Ground Lease (2037)	9.7	120,425	120,425	Albertson s, Office Depot
Vermont-Slauson Shopping Center Los Angeles, CA	1981	Ground Lease (2070)	10.3	169,744	169,744	Ralphs, Kmart, Sav-on Drugs
Vineyards Marketplace Rancho Cucamonga, CA	1991	Fee	6.7	120,937	56,019	Albertson s(2), Sav-on Drugs
Subtotal Southern California			243.8	2,857,664	2,475,926	
Southwest						
Kyrene Village Shopping Center Chandler, AZ	1987	Fee	14.4	161,089	161,089	Basha s, Kyrene Lanes, Audio Express, Greenbacks
North Mountain Village Phoenix, AZ	1985	Fee	15.0	147,510	94,379	Fry s Food & Drug(2), T.J. Maxx, Greenbacks
Randolph Plaza Tucson, AZ	1999	Fee	17.3	191,685	179,382	Fry s, MacFrugal s
Southern Palms Center Tempe, AZ	1980	Fee	26.1	254,863	254,863	Food 4 Less, Staples
Sunrise Place Center Tucson, AZ	(1992)	Fee	8.5	163,131	136,919	Smith s Food & Drug(Kroger)
Subtotal Southwest			81.3	918,278	826,632	
TOTAL COMMUNITY SHOPPING CENTERS			486.1	5,593,024	4,865,139	
REGIONAL MALLS						
Baldwin Hill Crenshaw Plaza Los Angeles, CA	1988	Fee	42.0	819,604	509,604	Sears(2), Robinsons-May(2), Wal-Mart(3), Albertson s, T.J. Maxx,
Media City Center Burbank, CA	1992	Ground Lease (2078)	37.1	1,248,015	818,405	Macy s, IKEA(2), Sears(2), Mervyn s(2), AMC Theatres, Sport Chalet
TOTAL REGIONAL MALLS			79.1	2,067,619	1,328,009	
SINGLE TENANT FACILITIES						
Kmart Phoenix, AZ	1990	Fee	8.7	104,204	104,204	Kmart
Sam s Club Downey, CA	(1988)	Ground Lease (2009)	9.8	114,722	114,722	Sam s Club (Wal-Mart)

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TOTAL SINGLE TENANT FACILITIES	18.5	218,926	218,926
TOTAL ALL PROPERTIES	583.7	7,879,569	6,412,074

-
- (1) The date indicated is the expiration date of any ground lease after giving effect to all renewal periods.
 - (2) Anchor space is not owned by the Company.
 - (3) Anchor tenant is under construction.

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The following table sets forth, on a property-by-property basis, the GLA leased to anchor tenants, pad tenants and shop tenants, as of December 31, 2001:

Property Name	Total Leased GLA (sq. ft)			Available GLA (sq. ft.)	GLA to be Built (sq. ft.)	Company		Annualized Base Rent(5)	Average Base Rent psf(6)	Annual Percentage Rent(7)
	Anchor(1)	Pad(2)	Shop(3)			Owned GLA (sq. ft.)(4)	Percentage Leased(4)			
COMMUNITY SHOPPING CENTERS										
Pacific Northwest										
Frontier Village Shopping Center	68,473	20,449	33,776	30,622		153,320	80.0	\$ 1,264,370	\$ 10.30	\$ 96,600
Gresham Town Fair	159,282	26,587	70,685	9,211		265,765	96.5	2,380,380	9.28	
The Medford Center	153,612	25,432	93,219	61,695	4,500	333,958	81.5	2,684,992	9.86	247,900
Ross Center	53,331	9,020	62,928	9,276		134,555	93.1	1,590,608	12.70	9,000
Silverdale Shopping Ctr	29,020		33,870	4,397		67,287	93.5	831,225	13.22	
Vancouver Park Place	33,938	14,900	29,106			77,944	100.0	996,287	12.78	70,800
Subtotal Pacific Northwest	497,656	96,388	323,584	115,201	4,500	1,032,829	88.8	9,747,862	10.62	424,300
Northern & Central California										
Bakersfield Shopping Center			11,540	2,575		14,115	81.8	84,084	7.29	
Mineral King Plaza			32,860	6,200		39,060	84.1	511,604	15.57	
Rheem Valley	56,977	5,150	77,615	20,225		159,967	87.4	1,588,914	11.37	2,100
Rosedale Village Shopping Center	72,324	6,658	40,290	8,275		127,547	93.5	1,310,469	10.99	
Southpointe Plaza	105,650		70,735	12,678		189,063	93.3	1,414,943	8.02	
Subtotal Northern & Central California	234,951	11,808	233,040	49,953		529,752	90.6	4,910,014	10.23	2,100
Southern California										
Country Fair Shopping Center	96,225	27,341	44,698			168,264	100.0	2,411,124	14.33	21,750
Date Palm Center	99,919		12,508	4,929	4,000	117,356	95.8	1,696,441	15.09	
El Camino North	88,646	122,713	48,139	14,308	50,642	273,806	94.8	3,077,204	11.86	7,650
Fire Mountain Center	38,876	23,432	22,139	7,931		92,378	91.4	1,730,047	20.49	72,300
Fullerton Town Center	171,613	19,722	41,644	31,668		264,647	88.0	3,522,538	15.12	
Gardena Gateway Center	41,300	5,062	16,825	2,800		65,987	95.8	1,020,463	16.15	28,200
Kenneth Hahn Plaza	97,334	14,598	50,363	2,900		165,195	98.2	1,674,126	10.32	
La Verne Towne Center	158,860	1,940	57,355	13,221		231,376	94.3	1,367,929	6.27	1,050
Lakewood Plaza	93,342	4,365	15,804			113,511	100.0	1,338,286	11.79	
Loma Square	96,514		107,470	6,720		210,704	96.8	2,766,102	13.56	

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Mountain Square Shopping Center	185,945		71,819	15,425		273,189	94.4	3,179,702	12.34	64,050
North County Plaza	43,610	28,720	71,395	9,600	8,500	153,325	93.7	2,114,400	14.71	
Parkway Place	91,127	8,958	11,856	8,484		120,425	93.0	1,184,806	10.58	
Vermont-Slauson Shopping Center	107,991	3,720	23,613	34,420		169,744	79.7	921,719	6.81	11,500
Vineyards Marketplace	21,415		27,625	6,979		56,019	87.5	740,521	15.10	
Subtotal Southern California	1,432,717	260,571	623,253	159,385	63,142	2,475,926	93.6	28,745,408	12.41	206,500
Southwest										
Kyrene Village Shopping Center	93,279	5,120	44,743	17,947		161,089	88.9	1,076,866	7.52	
North Mountain Village	41,215		46,257	6,907		94,379	92.7	875,807	10.01	
Randolph Plaza	135,110	6,150	33,267	4,855		179,382	97.3	1,113,387	6.38	45,000

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Property Name	Total Leased GLA (sq. ft)			Available GLA (sq. ft.)	GLA to be Built (sq. ft.)	Company		Annualized Base Rent(5)	Average Base Rent psf(6)	Annual Percentage Rent(7)
	Anchor(1)	Pad(2)	Shop(3)			Owned GLA (sq. ft.)(4)	Percentage Leased(4)			
Southern Palms	103,875	20,025	97,745	33,218		254,863	87.0	2,044,542	9.22	58,550
Sunrise Place Center	103,025	5,100	16,114	12,680	7,080	136,919	90.7	672,105	5.41	
Subtotal Southwest	476,504	36,395	238,126	75,607	7,080	826,632	90.9	5,782,707	7.70	103,550
TOTAL COMMUNITY SHOPPING CENTERS	2,641,828	405,162	1,418,003	400,146	74,722	4,865,139	91.8	49,185,991	11.02	736,450
REGIONAL MALLS										
Baldwin Hills										
Crenshaw Plaza	291,554	29,610	175,103	13,337		509,604	97.4	7,812,436	15.74	132,300
Media City Center	467,961	48,984	240,407	61,053		818,405	92.5	13,086,889	17.28	210,900
TOTAL REGIONAL MALLS	759,515	78,594	415,510	74,390		1,328,009	94.4	20,899,325	16.67	343,200
SINGLE TENANT FACILITIES										
Kmart Phoenix, AZ	104,204					104,204	100.0	551,576	5.29	
Sam's Club Downey CA	110,822	3,900				114,722	100.0	732,765	6.39	150,000
TOTAL SINGLE TENANT FACILITIES	215,026	3,900				218,926	100.0	1,284,341	5.87	150,000
TOTAL PROPERTIES	3,616,369	487,656	1,833,513	474,536	74,722	6,412,074	92.6	\$71,369,657	\$12.02	\$1,229,650
PERCENT OF TOTAL GLA	56.40%	7.60%	28.60%	7.40%		100.00%				

(1) Anchor tenants are defined as those retail tenants occupying more than 25,000 square feet of GLA, 10% of a Property's aggregate GLA, or which represent a significant drawing power for the Property.

(2) Pad tenants means freestanding single tenants.

(3) Includes certain office space.

(4) Based upon Company Owned GLA, excluding GLA to be built.

(5)

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Total annualized base rents of the Company for leases signed as of December 31, 2001, excluding (i) percentage rents, (ii) additional amounts payable by tenants such as common area maintenance, real estate taxes and other expense reimbursements and (iii) future contractual rent escalations or cost of living increases.

- (6) Calculated as total annualized base rent divided by GLA actually leased as of December 31, 2001.
- (7) Annual percentage rent reported during 2001.

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The following table sets forth, as of December 31, 2001, information as to anchor and/or national retail tenants which individually accounted for at least 1.0% of total annualized base rent of the Properties:

Retail Tenant(1)	Number of Stores	Annualized Base Rent	Percentage of Total Annualized Base Rent	Total Tenant GLA	Percentage of Leased Company Owned GLA
Wal-Mart Stores Inc.	3	\$ 3,038,834	4.26%	360,741	6.08%
AMC Theatres	3	2,983,344	4.18%	125,429	2.11%
TJX Companies Inc.	7	1,682,059	2.36%	199,582	3.36%
Lowes Cineplex Entertainment	1	1,402,011	1.96%	67,579	1.14%
Albertson's Inc.	5	1,307,854	1.83%	188,432	3.17%
Staples Inc.	5	1,245,128	1.74%	110,881	1.87%
Safeway Inc.	4	1,201,654	1.68%	164,207	2.77%
Kroger Co.	4	1,144,006	1.60%	251,066	4.23%
Circuit City Stores Inc.	3	1,088,400	1.53%	84,680	1.43%
Home Depot Inc.	2	1,052,330	1.47%	100,464	1.69%
Ross Stores Inc.	4	933,100	1.31%	117,852	1.98%
Federated Department Stores	1	894,179	1.25%	237,145	3.99%
The Limited Inc.	11	827,198	1.16%	57,370	0.97%
Cinemark USA Inc.	1	798,566	1.12%	57,273	0.96%
Toys R Us Inc.	2	787,272	1.10%	82,022	1.38%
Sport Chalet	1	775,508	1.09%	44,957	0.76%
Kmart Corp.	2	769,756	1.08%	186,708	3.14%
Virgin Entertainment Group	1	756,000	1.06%	30,000	0.51%
Payless Shoesource Inc.	11	754,832	1.06%	36,634	0.62%
Barnes & Noble	2	742,531	1.04%	35,285	0.59%
Office Depot Inc.	3	718,679	1.01%	77,000	1.30%
TOTAL	76	\$24,903,241	34.89%	2,615,307	44.05%

(1) Excludes non-owned Anchors.

The following table sets forth, as of December 31, 2001, square footage of GLA leased to national, regional and local retail tenants and the annualized base rent generated from each:

Type of Tenant	Annualized Base Rent	% of Total Annualized Base Rent	Average Annual Base Rent Per Square Foot	Percent of Total Leased GLA
National(1)	\$53,304,497	74.7%	\$ 11.00	81.6%
Regional(2)	2,577,228	3.6%	18.43	2.4%
Local(3)	15,487,932	21.7%	16.29	16.0%
TOTAL	\$71,369,657	100.00%	\$ 12.02	100.00%

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- (1) National tenant refers to a business operating in three or more metropolitan areas located in at least three separate states.
- (2) Regional tenant refers to a business operating in more than one metropolitan area in one or two states. Includes financial institutions.
- (3) Local tenant refers to a business operating in only one metropolitan area.

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The following table sets forth, as of December 31, 2001, the annualized base rent of all of the Properties, the percentage of annualized base rent, the average rent per square foot and the percentage leased, broken down by type of tenant:

Type of Space	Annualized Base Rent	Average % of Total Annualized Base Rent	Annual Base Rent Per Square Foot	Percent Leased
Anchor	\$30,422,142	42.6%	\$ 8.41	97.7%
Pad	7,451,368	10.4%	15.28	94.4%
Shop	33,496,147	47.0%	18.27	83.5%
TOTAL	\$71,369,657	100.00%	\$ 12.02	92.6%

Segment Concentration

The following table sets forth, as of December 31, 2001, information related to the business segments in which our tenants operate which accounted for at least 2% of our annualized base rent of the properties:

Retail Tenant(1)	Number of Stores	Total Segment Annualized Base Rent	Percentage of Total Annualized Base Rent	Total Segment GLA	Percentage of Leased Company Owned GLA
Restaurants	64	\$ 5,373,529	7.53%	325,372	5.48%
Fast Food	140	5,290,041	7.41%	237,541	4.00%
Supermarkets	15	5,290,557	7.41%	723,800	12.19%
Theaters	5	5,183,921	7.26%	250,281	4.22%
Discount Retailers	7	4,518,145	6.33%	767,831	12.93%
Financial/ Business Services	119	4,115,454	5.77%	254,278	4.28%
Family Apparel	27	4,063,138	5.69%	452,941	7.63%
Health & Beauty	110	3,467,808	4.86%	201,582	3.40%
Electronics	27	3,206,513	4.49%	166,173	2.80%
Music and Video	29	2,869,635	4.02%	148,288	2.50%
Women s Apparel	39	2,593,207	3.63%	163,763	2.76%
Home Furnishings/ Housewares	25	2,228,269	3.12%	174,128	2.93%
Footwear	34	2,166,421	3.04%	108,705	1.83%
Office Supply	7	1,775,706	2.49%	173,781	2.93%
Personal Services	51	1,691,094	2.37%	99,450	1.67%
TOTAL	699	\$53,833,438	75.43%	4,247,914	71.54%

(1) Excludes non-owned anchors.

Table of Contents**Tenant Lease Expirations and Renewals**

The following table sets forth, as of December 31, 2001, tenant lease expirations for the Properties, assuming that no tenants exercise renewal options:

Year of Expiration	Overall Portfolio			Anchors		Pads		Shops	
	Number of Leases	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.
Month-to-Month	152	213,029	\$ 19.91			8,850	\$ 12.35	204,179	\$ 20.24
2002	178	493,806	15.46	216,959	\$ 6.77	17,298	19.91	259,549	22.42
2003	130	400,894	14.33	121,350	6.62	36,575	16.65	242,969	17.83
2004	132	578,770	11.92	272,931	5.89	34,671	17.74	271,168	17.24
2005	112	514,216	16.40	245,950	14.83	39,809	18.92	228,457	17.65
2006	130	642,450	14.29	305,906	11.54	47,712	14.89	288,832	17.10
2007	43	384,478	9.42	201,597	5.36	54,642	11.53	128,239	14.91
2008	26	361,792	11.47	304,429	10.12	23,849	20.66	33,514	17.17
2009	20	455,070	7.56	401,928	5.94	38,679	17.77	14,463	25.36
2010	23	442,844	8.65	372,073	7.66	46,406	12.00	24,365	17.48
Thereafter	68	1,450,189	9.49	1,173,246	8.49	139,165	13.96	137,778	13.43
TOTAL	1,014	5,937,538	\$ 12.02	3,616,369	\$ 8.41	487,656	\$ 15.28	1,833,513	\$ 18.27

The following table sets forth, as of December 31, 2001, tenant lease expirations for the Community Centers, assuming that no tenants exercise renewal options:

Year of Expiration	Community Centers			Anchors		Pads		Shops	
	Number of Leases	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.	Square Feet	Base Rent Per Sq. Ft.
Month-to-Month	56	73,308	\$ 13.37			3,150	\$ 10.00	70,158	\$ 13.53
2002	122	420,202	12.26	216,959	\$ 6.77	16,258	18.36	186,985	18.09
2003	103	353,290	12.55	121,350	6.62	36,575	16.65	195,365	15.46
2004	105	496,508	10.54	242,359	5.15	28,171	19.70	225,978	15.18
2005	92	384,089	14.32	148,371	10.03	38,089	18.36	197,629	16.76
2006	119	594,539	13.65	280,602	10.61	41,302	15.97	272,635	16.42
2007	35	337,696	8.12	201,597	5.36	54,642	11.53	81,457	12.65
2008	21	308,187	9.93	259,472	8.89	18,849	16.59	29,866	14.78
2009	15	330,207	7.52	291,106	5.79	25,197	17.96	13,904	24.66
2010	16	254,484	8.58	196,620	7.16	41,406	11.56	16,458	18.01
Thereafter	47	912,483	9.82	683,392	9.09	101,523	11.45	127,568	12.44
TOTAL	731	4,464,993	\$ 11.02	2,641,828	\$ 7.83	405,162	\$ 14.53	1,418,003	\$ 15.95

Table of Contents**Debt Secured by Properties**

The following table summarizes the outstanding indebtedness secured by the Company's Properties as of December 31, 2001 (dollars in thousands):

Lender	Property	Interest Rate	Maturity Date	Balance
Fixed Rate Mortgages:				
Metropolitan Life Insurance Company	Date Palm Center	10.450%	07/01/02	\$ 8,933
The Travelers Insurance Company	North County	10.375%	01/31/03	14,865
Column Financial, Inc.	Mineral King Plaza	9.680%	08/01/06	3,481
Eastrich #79 Corporation (AEW Loan #1)(1)	K-Mart Phoenix	11.450%	10/15/06	1,382
Eastrich #79 Corporation (AEW Loan #2)(2)	Lakewood, Sam's Club-Downey and Parkway Place	10.900%	10/15/06	8,286
Chase Commercial Mortgage Banking Corp.	Vineyards Marketplace	8.300%	11/10/09	5,119
Chase Commercial Mortgage Banking Corp.	Kyrene Village	8.300%	11/10/09	7,835
First Union National Bank(3)	Gardena	7.750%	06/01/09	6,762
First Union National Bank(3)	Gresham	7.750%	06/01/09	16,464
First Union National Bank(3)	Loma	7.750%	06/01/09	18,179
First Union National Bank(3)	Southpointe	7.750%	06/01/09	9,555
Principal Capital	North Mountain Village	7.680%	08/01/11	7,133
Prudential Mortgage Capital Co.	Randolph	6.760%	01/01/12	7,100
Prudential Mortgage Capital Co.	Mountain Square	6.760%	01/01/12	24,625
Prudential Mortgage Capital Co.	Fire Mountain	7.130%	01/01/12	11,850
Prudential Mortgage Capital Co.	Silverdale Shopping Center	7.100%	01/01/12	5,700
Prudential Mortgage Capital Co.	Ross Center	7.100%	01/01/12	11,775
Prudential Mortgage Capital Co.	Vancouver Park Place	6.910%	01/01/12	7,600
				176,644
Total Fixed Rate Mortgages		8.040%(7)		
Variable-Rate Mortgages:				
Chase Manhattan Bank(4)	Country Fair Shopping Center	5.500%	12/10/02	16,150
Chase Manhattan Bank(4)	Fullerton Town Center	5.500%	12/10/02	24,000
Chase Manhattan Bank(4)	La Verne Towne Center	5.500%	12/10/02	10,035
United California Bank(5)	El Camino North	6.188%	02/28/03	25,000
				75,185
Total Variable-Rate Mortgages		5.729%(7)		
Other Secured Debt				
CRA Certificates of Participation, Series 1985	Baldwin Hills Crenshaw Plaza	4.220%	12/01/14	30,000
CDC Certificates of Participation Series 1985	Kenneth Hahn Plaza	3.940%	11/01/15	6,000
Secured Credit Facility General Electric Capital Corp	(6)	4.458%	04/01/02	114,548
				150,548
Total Other Secured Debt		4.390%(7)		
Total secured debt		6.242%(7)		\$402,377

(1) Mortgage cross-collateralized with properties in AEW Loan #2.

(2) Mortgage cross-collateralized with property in AEW Loan #1.

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- (3) Gardena, Gresham, Loma Square and Southpointe are cross-collateralized and cross-defaulted.
- (4) Interest based on LIBOR plus 230 basis points. Mortgages have a LIBOR floor of 3.2%. Mortgage provides for three one-year extensions.
- (5) Interest based on LIBOR plus 250 basis points. Loan provides for two one-year extensions.
- (6) Secured by Media City Center, Medford Shopping Center, Sunrise Place, Frontier Village, Rheem Valley, Southern Palms, Rosedale Village and Walmart-Baldwin Hills. Interest rate at 250 basis points over LIBOR. Su