FORM 10-K405/A

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405 [amend]

Filing Date: **1999-07-27** | Period of Report: **1998-07-31**
SEC Accession No. 0000892569-99-002000

FILER

EXCEL LEGACY CORP

CIK:**1050671**| IRS No.: **330781747** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K405/A** | Act: **NE** | File No.: **000-23503** | Film No.: **99670600**
SIC: **6532** Real estate dealers (for their own account)

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A
AMENDMENT NO. 1

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Fiscal Year Ended: July 31, 1998

COMMISSION FILE NUMBER: 0-23503

EXCEL LEGACY CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	33-0781747
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

16955 VIA DEL CAMPO, SUITE 100, SAN DIEGO, CALIFORNIA 92127
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: (619) 675-9400

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

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

COMMON STOCK, $0.01 PAR VALUE PER SHARE
(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 subject to such filing requirements for the past 90 days. Yes [X] 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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Registrant's shares of common stock held by non-affiliates was $60,839,000 as of October 23, 1998 based on the $2.71875 closing price on such date.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT OCTOBER 23, 1998
Common Stock, $.01 par value	33,457,804

PART II

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

COMBINED FINANCIAL STATEMENTS OF EXCEL LEGACY ASSET GROUP, AUDITED BY PRICEWATERHOUSECOOPERS LLP, AS OF AND FOR THE YEARS ENDED JULY 31, 1997, 1996 AND 1995.

The combined balance sheets as of July 31, 1997 and 1996 and the related statements of operations, of changes in investment by Excel Realty Trust, Inc. and of cash flows for each of the three years in the period ended July 31, 1997 and notes thereto appear elsewhere in this annual report and should be read in conjunction with this selected financial data.

CONSOLIDATED FINANCIAL STATEMENTS OF EXCEL LEGACY CORPORATION, AUDITED BY PRICEWATERHOUSECOOPERS LLP, AS OF JULY 31, 1998 AND FOR THE PERIOD FROM INCEPTION (NOVEMBER 17, 1997) THROUGH JULY 31, 1998.

The consolidated balance sheet as of July 31, 1998 and the related statements of income, of changes in stockholders' equity and of cash flows for the period from inception (November 17, 1997) through July 31, 1998 and the notes thereto appear elsewhere in this annual report and should be read in conjunction with this selected financial data.

CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS OF EXCEL LEGACY ASSET GROUP FOR THE EIGHT MONTHS ENDED MARCH 31, 1998 AND 1997.

The unaudited interim condensed statements of operations and of cash flows appear elsewhere in this annual report. They include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited interim period and should be read in conjunction with this selected financial data.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

<TABLE>
<CAPTION>

INCOME STATEMENT DATA	PERIOD FROM INCEPTION (NOVEMBER 17, 1997) TO JULY 31, 1998	EIGHT MONTHS ENDED MARCH 31, 1998	YEAR ENDED JULY 31, 1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Total revenue	$ 8,145	3,757	6,395	5,032	5,897
Total operating expenses	(5,267)	(3,149)	(4,565)	(4,513)	(4,603)
Net income before income taxes	2,878	2,365	1,830	519	1,294
Provision for income taxes	(1,143)	946	(729)	(207)	(515)
Net income	1,735	1,419	1,101	312	779
Net income per share:					
Basic	$ 0.11	N/A	N/A	N/A	N/A
Diluted	$ 0.07	N/A	N/A	N/A	N/A
Weighted average number of shares:					
Basic	15,842	N/A	N/A	N/A	N/A
Diluted	25,984	N/A	N/A	N/A	N/A
BALANCE SHEET DATA (AT PERIOD END)					
Net real estate	$ 175,756	(1)	60,350	61,048	59,184
Total assets	246,916	(1)	83,687	62,169	59,388
Mortgages payable	72,714	(1)	35,115	36,754	38,224
Stockholders' equity	165,919	(1)			
Investment by Excel Realty Trust	--	(1)	48,344	25,162	20,903

</TABLE>

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(1) Not applicable as assets were spun-off to Excel Legacy Corporation at March 31, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Financial Statements and the Notes thereto. As Excel Legacy Corporation (the "Company) was not formed until November 17, 1997, comparison results with 1997 are not provided.

The period from inception (November 17, 1997) to July 31, 1998

RENTAL REVENUE was $4.4 million during the period. Ten single tenant properties owned by the Company since April 1, 1998 in conjunction with the Spin-off accounted for $1.6 million of rental revenue and construction on two properties in Colorado leased to AMC that were completed on March 20, 1998 and April 3, 1998 accounted for $1.8 million of revenue. Additionally, $0.4 million of rental revenue was attributable to a shopping mall located in Palm Springs, California which has been owned by the Company since May 1, 1998. The remaining $0.6 million of rental revenue was attributable to three properties located in Scottsdale, Arizona acquired by the Company in conjunction with the Spin-off.

OTHER OPERATING INCOME totaled $1.7 million in the period. Of this income, $1.2 million related to revenues recognized from Millennia which had acquired nine operating car washes in June 1998. TenantFirst which was acquired by the Company in May 1998 accounted for $0.4 million of revenues from various management contracts. Finally, the Company recognized $0.1 million of revenues from the Grand Hotel which was completed in July 1998.

INTEREST INCOME AND OTHER REVENUES were $2.0 million and primarily related to $1.3 million of interest earned on the Company's outstanding notes receivable which were acquired on March 31, 1998. In addition, the Company earned $0.6 million of interest income from its cash accounts.

INTEREST EXPENSE was $1.5 million and primarily related to the $72.7 million of mortgage debt outstanding at July 31, 1998. Of the mortgage debt outstanding, $35.8 million was assumed in connection with the Spin-off on March 31, 1998 and $36.9 million was assumed in June 1998.

DEPRECIATION AND AMORTIZATION EXPENSE totaled $1.0 million and primarily related to the $122.7 million of buildings and the $2.4 million of leasehold interests held by the Company at July 31, 1998.

PROPERTY OPERATING EXPENSES were $0.9 million and primarily related to the three properties located in Scottsdale, Arizona and the property located in Palm Springs, California. The other real estate properties owned by the Company are subject to triple net leases whereby the Company does not incur any significant operating expenses.

OTHER OPERATING EXPENSES were $0.9 million in 1998. Expenses of $0.8 million related to Millennia and $0.1 million related to the Grand Hotel.

GENERAL AND ADMINISTRATIVE EXPENSES were $0.9 million in 1998. The general and administrative expenses include certain costs charged to the Company by Excel since April 1998 pursuant to an administrative services agreement providing for the sharing of certain facilities and services. Additionally, $0.3 million of the expenses related to Millennia.

PROVISION FOR INCOME TAXES was $1.1 million, of which $0.9 million was current expense and $0.2 million was deferred expense primarily relating to the utilization of the deferred tax asset.

Comparison of the Eight Months Ended March 31, 1998 to the Eight Months Ended March 31, 1997.

RENTAL REVENUE for the eight months ended March 31, 1998 was approximately $3.8 million, an increase of 15.2% over rental revenue of approximately $3.3 million for the eight months ended March 31, 1997. The increase relates to an office building and land leased to a restaurant which were acquired in October 1997.

INTEREST REVENUE for the eight months ended March 31, 1998 was approximately $1.8 million, an increase of 159.4% over interest revenue of $694,000 in the comparable period in 1997. The increase was primarily attributable to additional loans made on the Los Arcos and First Street projects during the corresponding periods.

INTEREST EXPENSE for the eight months ended March 31, 1998 was approximately $1.9 million, a decrease of 5.0% over interest expense of approximately $2.0 million in the comparable period in 1997. The decrease is attributable to recurring principal payments on the mortgages on those properties occupied by Wal-Mart and Lowe's.

ADMINISTRATIVE EXPENSES for the eight months ended March 31, 1998 were $453,000, a decrease of 29.7% over administrative expenses of $644,000 in the comparable period in 1997. The decrease is primarily attributable to bonuses paid in 1997.

PROPERTY EXPENSES of $126,000 in the eight months ended March 31, 1998 related to properties acquired in October 1997. Property expenses were $0 in the eight months ended March 31, 1997.

The PROVISION FOR INCOME TAXES for the eight months ended March 31, 1998 was $946,000, an increase of 210.2% over income tax expense of $305,000 in the comparable period in 1997. The increase is attributable to the increase in income before income taxes during the period.

LIQUIDITY AND CAPITAL RESOURCES

In connection with the formation and capitalization of the Company, the Company received approximately $11.1 million in cash and approximately $10.9 million in notes receivable from the sale of common stock to certain officers and employees of the Company. In addition, the Company sold 21,281,000 shares of Series A Preferred Stock for total net proceeds (after a placement fee of $2.4 million) of approximately $104.0 million.

At July 31, 1998, the total mortgage debt of the Company consisted of the following: (i) $26.0 million in mortgages on eight properties leased to Wal-Mart which have fixed interest rates of 7.9% to 8.5%. These mortgages are self-amortizing with the rent being paid by Wal-Mart directly to the mortgage holders. The mortgages will be entirely repaid when the initial terms of the leases with Wal-Mart expire. (ii) $7.7 million in mortgages on two properties leased to Lowe's which have fixed interest rates of 7.6% and 8.8%. These mortgages are also self-amortizing over the term of the leases with Lowe's and will be repaid when the leases expire. (iii) A $2.6 million mortgage securing an office building in Scottsdale, Arizona, monthly payments of which are approximately $25,000 with a balloon payment in the year 2006. (iv) $36.9 million in mortgages on two properties leased to AMC. These mortgages amortize over a period of twenty years which is equivalent to the term of the leases. The mortgages have fixed rates of 7.48% and 7.52%, respectively. All of the Company's mortgage debt is non-recourse to the Company.

In August and September 1998, Millennia incurred $14.8 million of debt in connection with the acquisition of nine car washes. The notes bear interest at 8.5% per annum, amortize over fifteen years and are non-recourse to the Company.

On July 31, 1998, the Company had 21,281,000 shares of Series A Preferred Stock outstanding (the "Preferred A Shares"). Holders of the Preferred A Shares are entitled to receive, when and if declared by the Board of Directors, cumulative cash dividends payable in an amount per share equal to the cash dividends, if any, on the shares of common stock into which the Preferred A Shares are convertible. Holders of the Preferred A Shares are also entitled to a liquidation preference of $5.00 per share, plus a

premium of 7% per annum, in the event of any liquidation, dissolution or other winding up of the affairs of the Company.

The Preferred A Shares are convertible into common stock of the Company at the election of the holders at any time, on a one-for-one basis, subject to adjustment in certain circumstances. The Preferred A Shares also are convertible into common stock by the Company if the closing price of the Company's common stock is equal to or greater than certain milestones for 30 consecutive trading days. Such price milestones were met in May 1998 and on May 18, 1998, the Company took steps to exercise its right to convert all of the Preferred A Shares into common stock, which conversion was expected to take place on August 18, 1998.

On August 17, 1998, the Company withdrew its election to convert the Preferred A Shares, and instead the holders and the Company agreed to modify the terms of the Preferred A Shares. The Company decided to effect such modification through the exchange of the Preferred A Shares for new preferred shares of the Company, rather than through an amendment to the Preferred A Shares. The new preferred shares will be substantially similar to the Preferred A Shares, except in the following respects:

1. The new preferred shares will be convertible into common stock at the election of the Company upon the earlier to occur of the following: (a) six months after the listing of the Company's common stock on a national securities exchange (including the New York Stock Exchange, American Stock Exchange or Nasdaq), or (b) March 31, 2000.

2. Certain voting rights provided to the holders with respect to future issuances of common stock will be removed.

In October 1998, the Company obtained an unsecured revolving credit facility of $15.0 million from BankBoston, N.A. (the "Credit Facility"), all of which is available at October 23, 1998. Any amounts borrowed on the Credit Facility carry an interest rate of LIBOR plus 2.5%. The Credit Facility expires in October 1999.

The Company anticipates that cash flow from operations will be adequate to meet the current cash requirements of its operating properties. The Company expects to meet its long-term liquidity requirements, such as property acquisitions and development, mortgage debt maturities, and other investment opportunities, through the most advantageous sources of capital available to the Company at the time, which may include the sale of common stock, preferred stock or debt securities through public offerings or private placements, entering into joint venture arrangements with financial partners, the incurrence of indebtedness through secured or unsecured borrowings and the reinvestment of proceeds from the disposition of assets.

YEAR 2000

The Company currently uses Management Reports Inc. ("MRI") software on a Novell local area network. To the extent the Company's software applications contain source codes that are unable to appropriately interpret the upcoming calendar Year 2000, some level of modification, or even possible replacement of such applications may be necessary. The Company has made an assessment of the impact of the Year 2000 issue on its internal operations and has developed a plan to bring its computer systems into compliance before the end of 1999. The plan addresses the modification or replacement of applications and operating systems to achieve timely Year 2000 compliance and also includes communication and analysis with outside vendors with whom the Company interfaces electronically. Although it is not possible to quantify the aggregate cost of such modifications, the Company does not anticipate that the cost will have a material adverse effect on its financial position or results of operations. The foregoing discussion of Year 2000 issues contains forward-looking statements and actual compliance may be affected by a number of factors which include the timing and compliance by the Company's outside vendors and suppliers. This discussion should be read in conjunction with the Company's disclosures under the heading "Certain Cautionary Statements" in this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure affecting its market risk sensitive financial instruments is interest rate risk. The Company's balance sheet contains financial instruments in the form of interest-earning notes receivable and interest-bearing mortgages payable. The Company manages the risk to its cash flow from changes in interest rates by limiting and monitoring its variable rate financial instruments. Although the fair value of its financial instruments may be affected by changes in interest rates, the Company has not disposed of them prior to maturity. Thus, the primary effect of changes in interest rates would occur to the extent that financial instruments mature and are replaced with others at different interest rates. The table below presents (1) the scheduled principal payments on notes receivable and (2) the scheduled principal repayments on mortgages payable over the next five years and thereafter. The table also includes the average interest rates of the financial instruments during each respective year and the fair value of the notes receivable and mortgages payable. The Company determines the fair value of financial instruments through the use of discounted cash flow analysis using current interest rates for (1) notes receivable with terms and credit characteristics similar to its existing portfolio and (2) borrowings under terms similar to its existing mortgages payable. Accordingly, the Company has determined that the carrying value of its financial instruments at July 31, 1998 approximates fair value.

July 31, 1998
Expected Maturity Date
(dollar amounts in thousands)

<TABLE>
<CAPTION>

	1999	2000	2001	2002	2003	There-after	Total	Fair Value
Notes Receivable, including notes from affiliates	$ --	$ 378	$ --	$ --	$27,097	$ 6,568	$34,043	$34,000
Average interest rate	--	11.00%	--	--	9.99%	10.84%	10.03%	
Mortgages Payable	$2,824	$3,056	$3,306	$3,577	$ 7,152	$52,799	$72,714	$72,700
Average interest rate	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%	7.70%	

</TABLE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements required by this item appear with Index to Financial Statements and Schedules, starting on page F-1 of this report.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The table below indicates the name, position with the Company and ages of the Company's Directors, executive officers and other key employees.

<TABLE>
<CAPTION>

NAME	POSITION WITH THE COMPANY	AGE
Gary B. Sabin............	Chairman, President and Chief Executive Officer	45
Richard B. Muir..........	Director, Executive Vice President and Secretary	43
Kelly D. Burt............	Director, Executive Vice President--Development	41
Richard J. Nordlund.......	Director	53
Robert E. Parsons, Jr.....	Director	43

Robert S. Talbott.........	Director	45
John H. Wilmot............	Director	55
Emmett R. Albergotti......	Senior Vice President--Retail Development	56
Graham R. Bullick, Ph.D...	Senior Vice President--Capital Markets	48
Mark T. Burton............	Senior Vice President--Acquisitions	38
S. Eric Ottesen...........	Senior Vice President, General Counsel and Assistant Secretary	43
James Y. Nakagawa.........	Chief Financial Officer	33

</TABLE>

Gary B. Sabin has served as the Company's Chairman of the Board of Directors (the "Board"), President and Chief Executive Officer since the Company's formation. Mr. Sabin served as Director and President of New Plan Excel , Inc. ("New Plan Excel") from September 1998 to April 1999 and as Chairman, President and Chief Executive Officer of Excel Realty Trust, Inc. ("Excel") from January 1989 to September 1998. In addition, Mr. Sabin has served as Chief Executive Officer of various companies since his founding of Excel's predecessor company and its affiliates starting in 1977. He has been active for over 20 years in diverse aspects of the real estate industry, including the evaluation and negotiation of real estate acquisitions, management, financing and dispositions.

Richard B. Muir has served as Director, Executive Vice President and Secretary since the Company's formation. Mr. Muir served as a Director, Executive Vice President and Co-Chief Operating Officer of New Plan Excel from September 1998 to April 1999 and served as Director, Executive Vice President and Secretary of Excel from January 1989 to September 1998. In addition, Mr. Muir served as an officer and director of various affiliates of Excel since 1978, primarily in administrative and executive capacities, including direct involvement in and supervision of asset acquisitions, management, financing and dispositions.

Kelly D. Burt has served as Director and Executive Vice President -- Development since May 1998. From 1992 to May 1998, Mr. Burt served as President and founder of TenantFirst, a real estate development company in San Diego, California that was acquired by us in May 1998. From 1984 to 1992, Mr. Burt was an Industrial/Office Partner at the San Diego division of Trammell Crow Company, a real estate development company headquartered in Dallas, Texas.

Richard J. Nordlund has served as a Director since the Company's formation and as President of RJN Management, a real estate firm in Santa Barbara, California, since 1985. From 1978 through 1988, Mr. Nordlund served as President of First Corporate Services, an investment banking firm in Minneapolis, Minnesota. He is also associated with Miller & Schroeder Financial, Inc. Mr. Nordlund's business experience includes 28 years in the investment banking and mortgage banking industries.

Robert E. Parsons, Jr. has served as a Director since the Company's formation. He served as a Director of Excel and then New Plan Excel from January 1989 to April 1999. Mr. Parsons is presently Executive Vice President and Chief Financial Officer of Host Marriott Corporation, a company he joined in 1981. He also serves as a director and officer of several Host Marriott subsidiaries, and as a Director of Merrill Financial Corporation, a privately-held real estate company.

Robert S. Talbott has served as a Director since the Company's formation. Mr. Talbott is an attorney and has served as President of Holrob Investments, LLC, a company engaged in the acquisition, development, management and leasing of real property, since 1997. From 1985 through 1997, Mr. Talbott served as Executive Vice President and President of Horne Properties, Inc., where he was involved in the acquisition and development of over 100 shopping centers. He also serves as a member of the Public Building Authority of Knoxville, Tennessee, as a member of the Knoxville Industrial Development Board, as a Director of the Knoxville Chamber of Commerce and as Chairman of the St. Mary's Foundation.

John H. Wilmot has served as a Director since the Company's formation. He served as a Director of Excel and then New Plan Excel from 1989 to April 1999. Mr. Wilmot, individually and through his wholly-owned corporations, develops and manages real property, including office buildings, shopping centers and residential projects primarily in the Phoenix/Scottsdale area, and has been active in such business since 1976.

Emmett R. Albergotti has served as Senior Vice President -- Retail Development since August 1998. From 1993 to August 1998, Mr. Albergotti served as Senior Vice President of AMC Realty, Inc., the real estate arm of AMC Entertainment, Inc., for which he oversaw the acquisition and development of new theater locations throughout the western United States.

Graham R. Bullick, Ph.D., has served as Senior Vice President -- Capital Markets since the Company's formation. Mr. Bullick served as Senior Vice President -- Capital Markets of Excel and then New Plan Excel from January 1991 to April 1999. Previously, Mr. Bullick was associated with Excel as a Director from 1991 to 1992. From 1985 to 1991, Mr. Bullick served as Vice President and Chief Operations Officer for a real estate investment firm, where his responsibilities included acquisition and financing of investment real estate projects.

Mark T. Burton has served as Senior Vice President -- Acquisitions since the Company's formation and held the same position with Excel and then New Plan Excel from October 1995 to April 1999. Mr. Burton also served as a Vice President of Excel from January 1989 to October 1995. Mr. Burton was associated with Excel and its affiliates beginning in 1983, primarily in the evaluation and selection of property acquisitions.

S. Eric Ottesen has served as Senior Vice President, General Counsel and Assistant Secretary since the Company's formation. Mr. Ottesen served as Senior Vice President -- Legal Affairs and Secretary of New Plan Excel from September 1998 to April 1999. Mr. Ottesen served as Senior Vice President, General Counsel and Assistant Secretary of Excel from September 1996 to September 1998. From 1987 to 1995, Mr. Ottesen was a senior partner in a San Diego law firm.

James Y. Nakagawa has served as Chief Financial Officer since October 1998. From March 1998 to October 1998, Mr. Nakagawa served as Controller of the Company. Mr. Nakagawa served as Controller of Excel and then New Plan Excel from September 1994 to April 1999. Prior to joining New Plan Excel, Mr. Nakagawa was a manager at Coopers & Lybrand LLP. Mr. Nakagawa is a certified public accountant.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Directors, executive officers and beneficial owners of ten percent or more of the Common Stock ("Reporting Persons") are required to report to the Securities and Exchange Commission (the "SEC") on a timely basis the initiation of their status as a Reporting Person and any changes with respect to their

beneficial ownership of the Common Stock. Regulations promulgated by the SEC require the Company to disclose in this Proxy Statement any reporting violations with respect to the 1998 fiscal year which came to the Company's attention based on a review of the applicable filings required by the SEC to report such status as an officer or Director or such changes in beneficial ownership as submitted to the Company. Based solely on its review of such forms received by it, the Company believes that all filing requirements applicable to its executive officers, Directors and beneficial owners of more than ten percent of the Common Stock were complied with during the fiscal year ended July 31, 1998.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF THE BOARD OF DIRECTORS

Each non-employee Director of the Company receives $6,000 per year for serving on the Board and an additional $500 for each meeting attended (other than committee meetings). An additional $4,000 is paid to any non-employee Director who serves on the Executive Committee. Each Director is eligible to receive stock options pursuant to the 1998 Stock Option Plan of Excel Legacy Corporation (the "Legacy Stock Option Plan").

Directors also receive reimbursement for travel expenses incurred in connection with their duties as Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE. The Audit Committee consists of Messrs. Nordlund, Parsons and Talbott. During the 1998 fiscal year the Audit Committee held no meetings. The Audit Committee reviews the annual audits of the Company's independent public accountants, reviews and evaluates internal accounting controls, recommends the selection of the Company's independent public accountants, reviews and passes upon (or ratifies) related party transactions, and conducts such reviews and examinations as it deems necessary with respect to the practices and policies of, and the relationship between, the Company and its independent public accountants.

COMPENSATION COMMITTEE. The Compensation Committee consists of Messrs. Nordlund, Talbott and Wilmot. During the 1998 fiscal year the Compensation Committee held no meetings. The Compensation Committee reviews compensation of senior officers of the Company and administers the Company's executive compensation policies and stock option plans.

EXECUTIVE COMMITTEE. The Executive Committee consists of Messrs. Sabin, Muir, Burt and Wilmot. During the 1998 fiscal year the Executive Committee held one meeting. The Executive Committee has all powers and rights necessary to exercise the full authority of the Board in the management of the business and affairs of the Company, except as provided in the Delaware General Corporation Law or the Company Bylaws.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 1998, the Compensation Committee was comprised of Messrs. Nordlund, Talbott and Wilmot. No interlocking relationship exists between any member of the Compensation Committee and any member of any other company's board of directors or compensation committee.

EXECUTIVE COMPENSATION

The Company was recently formed in connection with the spin-off of the Company from Excel through a special dividend to the holders of common stock of Excel of all of the outstanding common stock of the Company held by Excel (the "Spin-off"). Other than Mr. Burt, who is the only executive officer of the Company not affiliated with New Plan Excel, none of the Company's executive officers received compensation (other than in the form of option grants under the Legacy Stock Option Plan)

from or on behalf of the Company from its formation through the fiscal year ended July 31, 1998. In the 1998 fiscal year, the Company paid to New Plan Excel a portion of the salary and other compensation for executive officers of the Company who were shared with New Plan Excel on the basis of an allocation of their salary and bonus from New Plan Excel. See "Item 13. Certain Relationships and Related Transactions -- Relationship Between the Company and New Plan Excel -- Administrative Services Agreement."

The following table sets forth certain information concerning the compensation of the Chief Executive Officer and each of the other executive officers of the Company whose compensation exceeded $100,000 on an annualized basis for the period from March 31, 1998 (the date of the Spin-off) through the remainder of the fiscal year ended July 31, 1998 (the "Compensation Period").

SUMMARY COMPENSATION TABLE FOR THE 1998 FISCAL YEAR

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		LONG TERM COMPENSATION AWARDS
NAME AND PRINCIPAL POSITION(S)	YEAR	SALARY($)	OTHER ANNUAL COMPENSATION	NUMBER OF SECURITIES UNDERLYING OPTIONS(#)
<S>	<C>	<C>	<C>	<C>
Gary B. Sabin Chairman, President and Chief Executive Officer	1998	$ 82,599(1)	--	800,000
Kelly D. Burt Executive Vice President -- Development	1998	150,000(2)	$6,000(3)	300,000

</TABLE>

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(1) Represents the amount paid by the Company to New Plan Excel under the Administrative Services Agreement with respect to Mr. Sabin on an annualized basis. The Company paid to New Plan Excel $27,533 with respect to Mr. Sabin during the Compensation Period.

(2) Represents the annualized salary of Mr. Burt. Mr. Burt's salary during the Compensation Period was $50,000.

(3) Includes car allowance and miscellaneous incentive compensation.

OPTION GRANTS

The following table provides certain information concerning the stock options which the Company granted to the executive officers named in the Summary Compensation Table above during the fiscal year ended July 31, 1998. The Company has not granted any stock appreciation rights.

<TABLE>

<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES 1998(%)	EXERCISE PRICE PER SHARE ($/SH)	EXPIRATION DATE	RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(1) 5%($)	10%($)
	INDIVIDUAL GRANTS					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Gary B. Sabin	400,000	11.6%	$ 5.00	3/31/08	$922,608	$2,519,901
	400,000	11.6	10.00	3/31/08	0	519,901
Kelly D. Burt	150,000	4.3	5.00	5/1/08	365,190	1,003,488
	150,000	4.3	10.00	5/1/08	0	253,488

</TABLE>

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(1) These amounts represent assumed rates of appreciation in the price of the Common Stock during the terms of the options in accordance with rates specified in applicable federal securities regulations. Actual gains, if any, on stock option exercises will depend on the future price of the Common Stock and overall stock market conditions. There is no representation that the rates of appreciation reflected in this table will be achieved.

LEGACY STOCK OPTION PLAN

In March 1998, the Company adopted the Legacy Stock Option Plan. The principal purposes of the Legacy Stock Option Plan are to provide incentives for officers, employees and consultants of the Company and its subsidiaries through the granting of options ("Options"), thereby stimulating their personal and active interest in the Company's development and financial success, and inducing them to remain in the Company's employ. In addition to Options granted to officers, employees and consultants, the Legacy Stock Option Plan provides for formula grants of Options ("Director Options") to the Company's Directors.

Under the Legacy Stock Option Plan, not more than 5,250,380 shares of Common Stock (or the equivalent in other equity securities) will be authorized for issuance upon the exercise of Options. Furthermore, the maximum number of shares which may be subject to Options granted under the Legacy Stock Option Plan to any individual in any calendar year may not exceed 525,000.

The Compensation Committee of the Board administers the Legacy Stock Option Plan with respect to grants to employees or consultants of the Company and the full Board administers the Legacy Stock Option Plan with respect to Director Options. Subject to the terms and conditions of the Legacy Stock Option Plan, the Board or the Compensation Committee has the authority to select the persons to whom Options are to be granted, to determine the number of shares to be subject thereto and the terms and conditions thereof, and to make all other determinations and to take all other actions necessary or advisable for the administration of the Legacy Stock Option Plan. Similarly, the Board has discretion to determine the terms and conditions of Director Options and to interpret and administer the Legacy Stock Option Plan with respect to Director Options. The Compensation Committee (and the Board) are also authorized to adopt, amend and rescind rules relating to the administration of the Legacy Stock Option Plan.

Pursuant to the terms of the Legacy Stock Option Plan, each Director will be granted an option to purchase 3,000 shares of Common Stock on the date of each annual meeting of stockholders after initial election at which the Director is re-elected to the Board.

On March 31, 1998, the Company issued Options to acquire an aggregate of 3,100,000 shares of Common Stock to its executive officers (other than Mr. Burt, who was not hired until May 1998) under the Legacy Stock Option Plan, 50.0% of which have an exercise price of $5.00 per share and 50.0% of which have an exercise price of $10.00 per share. The Options will become exercisable in five equal annual installments commencing on the first anniversary of the date of grant. In May 1998, the Company issued options to purchase 300,000 shares of Common Stock to Mr. Burt on the same terms.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of Common Stock and Series A Preferred Stock beneficially owned as of July 1, 1999 by (1) the executive officers and Directors of the Company, (2) all of the Company's executive officers and Directors as a group, and (3) all other stockholders known by the Company to beneficially own more than 5.0% of the Common Stock or Series A Preferred Stock. Except as otherwise indicated, each individual named has a business address of 16955 Via Del Campo, Suite 100, San Diego, California 92127, and has sole investment and voting power with respect to the securities shown.

Name	Number of Shares of Common Stock Beneficially Owned	Number of Shares of Series A Preferred Stock Beneficially Owned	Percent Beneficially Owned
Gary B. Sabin (1)	3,855,072	--	11.5% of Common Stock 7.0% of Voting Stock
Richard B. Muir	1,097,909	--	3.3% of Common Stock 2.0% of Voting Stock
Mark T. Burton	1,018,300	--	3.0% of Common Stock 1.9% of Voting Stock
Graham R. Bullick	1,006,605	--	3.0% of Common Stock 1.8% of Voting Stock
S. Eric Ottesen	1,000,556	--	3.0% of Common Stock 1.8% of Voting Stock
Kelly D. Burt	888,700	--	2.7% of Common Stock 1.6% of Voting Stock
John H. Wilmot (2)	110,336	--	*
Richard J. Nordlund (3)	32,468	--	*
James Y. Nakagawa	26,020	--	*
Robert E. Parsons, Jr. (4)	12,123	--	*
Robert S. Talbott (5)	3,000	--	*
Officers and Directors as a group (12 persons)	9,051,089	--	27.1% of Common Stock 16.5% of Voting Stock
Fidelity Management Company (6)	2,715,790	--	8.1% of Common Stock 5.0% of Voting Stock
Longleaf Partners Realty Fund (7)	2,280,000	14,600,000	6.8% of Common Stock 30.8% of Voting Stock
BancBoston Capital Inc. (8)	--	2,681,000	0.0% of Common Stock 4.9% of Voting Stock
The Northwestern Mutual Life Insurance Company (9)	--	2,000,000	0.0% of Common Stock 3.7% of Voting Stock
Allstate Insurance Company (10)	--	2,000,000	0.0% of Common Stock 3.7% of Voting Stock

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* Represents less than 1.0% of the outstanding shares.

(1) Includes shares of Common Stock held by EIC, of which Gary Sabin is the controlling stockholder.

(2) Mr. Wilmot's business address is 4455 E. Camelback Rd., Phoenix, Arizona 85018.

(3) Mr. Nordlund's business address is 615 Hot Springs Road, Santa Barbara, California 93108-1108.

(4) Mr. Parson's business address is Host Marriott Corporation, 10400 Fernwood Road, Washington, D.C. 20058.

(5) Mr. Talbott's business address is 2607 Kingston Pike, Knoxville, Tennessee 37919.

(6) Fidelity is a group of funds of which no single fund owns more than 5.0% of the Common Stock. Fidelity's business address is 82 Devonshire Street, Boston, Massachusetts 02109.

(7) Longleaf Partners Realty Fund's business address is c/o Southeastern Asset Management, Inc., 6410 Poplar Avenue, 9th Floor, Memphis, Tennessee 38119.

(8) BancBoston Capital Inc.'s business address is 100 Federal Street, Boston, Massachusetts 02110. For a discussion of the relationship between the Company and an affiliate of BancBoston Capital Inc., see "Certain Relationships and Related Transactions--Private Placements."

(9) The Northwestern Mutual Life Insurance Company's business address is 720 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

(10) Allstate Insurance Company's business address is Allstate Plaza, 3075 Sanders Road, Suite G5B, Northbrook, Illinois 60062-7127.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATIONSHIP BETWEEN THE COMPANY AND NEW PLAN EXCEL

New Plan Excel was the sole stockholder of the Company prior to the Spin-off. In connection with the Spin-off, New Plan Excel and EDV transferred to the Company certain real properties, notes receivable and related assets and liabilities held by New Plan Excel and EDV.

DISTRIBUTION AGREEMENT. The Company, New Plan Excel and EDV are parties to a Distribution Agreement, which provides for, among other things, (1) the division among the Company, New Plan Excel and EDV of certain assets and liabilities, (2) the Spin-off, and (3) certain other agreements governing the relationship between the Company, New Plan Excel and EDV following the Spin-off. Pursuant to the Distribution Agreement, as consideration for the asset transfers, the Company issued to New Plan Excel (A) 23,412,580 shares of Common Stock in order to effect the Spin-off, and (B) a promissory note payable to New Plan Excel in the amount of approximately $26.4 million. Such note bore interest at the rate of 12.0% per annum, was scheduled to mature in March 2003 and was a non-recourse obligation secured by a first mortgage on one of the Company's properties. The note was repaid by the Company in April 1998. In addition, in connection with the asset transfers, New Plan Excel canceled certain indebtedness of EDV held by New Plan Excel in the amount of approximately $38.1 million.

ADMINISTRATIVE SERVICES AGREEMENT. The Company and New Plan Excel are parties to an Administrative Services Agreement, which generally provides that New Plan Excel will provide management and administrative services to the Company following the Spin-off, including the ability to use the services of New Plan Excel's employees in connection with the Company's business. In exchange for those services, the Company is required to pay New Plan Excel on a monthly basis the sum of (1) the product of 115.0% of the sum of (A) two-thirds of the aggregate amount of all wages and salaries paid during the month to New Plan Excel employees (excluding senior executives) who spend more than 50.0% of their working time performing services for the Company and are designated in writing as "Legacy Individuals" for purposes of the Administrative Services Agreement, and (B) one-third of the aggregate amount of all wages and salaries paid during the month to New Plan Excel employees (excluding senior executives) that are not designated as Legacy Individuals and (2) 23.0% of the sum of all current monthly salaries and one-twelfth of the most recent annual bonuses for the senior executives of New Plan Excel (who during the 1998 fiscal year included, for purposes of the Administrative Services Agreement, Gary B. Sabin, Richard B. Muir, Graham R. Bullick, Mark T. Burton, S. Eric Ottesen, Ronald H. Sabin and David A. Lund). For the 1998 fiscal year, the Company paid an aggregate of approximately $170,000 to New Plan Excel under the Administrative Services Agreement.

Under the Administrative Services Agreement, New Plan Excel is responsible for continuing to provide employee benefits (other than those provided under the Legacy Stock Option Plan) to New Plan Excel employees and to Legacy Individuals. The Administrative Services Agreement may be terminated either by New Plan Excel or the Company at any time upon 30 days' prior written notice to the other party. Any individuals independently hired by the Company after the Spin-off as separate employees of the Company are not subject to the Administrative Services Agreement.

TAX SHARING AGREEMENT. The Company and New Plan Excel are parties to a Tax Sharing Agreement defining the parties' rights and obligations with respect to tax returns and tax liabilities, including, in particular, federal and state income tax returns and liabilities for taxable years and other taxable periods ending on or before the date of the Spin-off. In general, New Plan Excel is responsible for (1) filing all federal and state income tax returns of New Plan Excel, the Company and any of their subsidiaries for all taxable years ending on or before the date of the Spin-off, and (2) paying the taxes relating to such returns (including any deficiencies proposed by applicable taxing authorities).

INTERCOMPANY AGREEMENT. The Company and New Plan Excel are parties to an Intercompany Agreement which provides both parties with rights to participate in certain transactions. During the term of the Intercompany Agreement, the Company has agreed not to engage in activities or make investments that involve neighborhood and community shopping centers, power centers, malls or other

conventional retail properties unless it has first provided written notice to New Plan Excel of the material terms and conditions of such activities or investments, and New Plan Excel has determined not to pursue such activities or investments. The Intercompany Agreement expressly permits the Company to engage in activities or make investments that involve office and industrial properties, single tenant retail properties, entertainment/retail/mixed-use development projects, real estate mortgages, real estate derivatives, or entities that invest primarily in or have a substantial portion of their assets in such real estate assets. The term of the Intercompany Agreement commenced on March 31, 1998 and will terminate upon the earlier of (1) the tenth anniversary of such date, or (2) a change in control of either party.

TRANSITIONAL SERVICES AGREEMENT. In connection with the Spin-off, the Company and New Plan Excel entered into a Transitional Services Agreement pursuant to which New Plan Excel was obligated to provide certain property acquisition, management and other services to the Company on a transitional basis. The fees for such transitional services were based on hourly rates or a percentage of revenues designed to reflect the actual costs (including indirect costs) of providing such services. The Transitional Services Agreement terminated on December 15, 1998.

PRIVATE PLACEMENTS

Upon consummation of the Spin-off, the Company sold (1) 9,195,224 shares of Common Stock in a private placement to certain of the Company's officers at a price of $2.39 per share (the estimated market value of the Common Stock as of the date of the Spin-off based upon the value of the assets transferred to the Company), for an aggregate purchase price of approximately $22.0 million, and (2) 21,281,000 shares of Series A Preferred Stock in a private placement to certain investors at a price of $5.00 per share, for an aggregate purchase price of approximately $106.4 million. For a list of the purchasers in the foregoing private placements and the respective amounts of Common Stock and Series A Preferred Stock purchased, see "Item 12. Securities Ownership of Certain Beneficial Owners and Management."

The Company loaned to certain of its officers, in connection with their purchase of Common Stock described above, approximately 50.0% of the purchase price therefor (an aggregate amount of approximately $10.9 million). Such loans bear interest at the rate of 7.0% per annum, mature in March 2003 and are recourse obligations of such officers.

The Company retained BancBoston Securities Inc. ("BSI"), an affiliate of BankBoston, N.A., to act as placement agent in connection with the private placement of Series A Preferred Stock described above. Pursuant to such engagement, the Company paid to BSI a success fee of approximately $2.3 million upon consummation of the private placement. As noted in "Securities Ownership of Certain Beneficial Owners and Management," BancBoston Capital Inc., an affiliate of BSI, acquired 2,681,000 shares of Series A Preferred Stock in the private placement.

OTHER MATTERS

In May 1998, the Company acquired TenantFirst, which was formed and operated by Kelly D. Burt. As consideration the Company issued to Mr. Burt 850,000 shares of Common Stock and $137,500 in cash. In connection with the acquisition of TenantFirst, the Company hired Mr. Burt as a Director and Executive Vice President -- Development of the Company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules:

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXCEL LEGACY CORPORATION

DATED: July 27, 1999 By: /s/ RICHARD B. MUIR

Name: Richard B. Muir
Title: Executive Vice President and Secretary

DATED: July 27, 1999 By: /s/ JAMES Y. NAKAGAWA

Name: James Y. Nakagawa
Title: Chief Financial and Accounting Officer

EXHIBIT INDEX

<TABLE>

<S>	<C>
2.1(2)	Distribution Agreement, dated as of March 31, 1998, by and among Excel Realty Trust, Inc., Excel Legacy Corporation and ERT Development Corporation.
3.1(3)	Amended and Restated Certificate of Incorporation of Excel Legacy Corporation.
3.2(3)	Amended and Restated Bylaws of Excel Legacy Corporation.
4.1(4)	Form of Common Stock Certificate.
4.2(2)	Certificate of Designations of the Series A Preferred Stock of Excel Legacy Corporation.
4.3(2)	Warrant to Purchase Shares of Series A Preferred Stock, dated as of March 31, 1998, issued by Excel Legacy Corporation to BankBoston Capital Inc.
4.4(2)	Warrant to Purchase Shares of Series A Preferred Stock, dated as of March 31,1998, issued by Excel Legacy Corporation to Southeastern Asset Management, Inc.
10.1(4)	1998 Stock Option Plan of Excel Legacy Corporation.
10.2(2)	Administrative Services Agreement, dated as of March 31, 1998, by and between Excel Realty Trust, Inc. and Excel Legacy Corporation.
10.3(2)	Intercompany Agreement, dated as of March 31, 1998, by and between Excel Realty Trust, Inc. and Excel Legacy Corporation.
10.4(2)	Tax Sharing Agreement, dated as of March 31, 1998, by and between Excel Realty Trust, Inc. and Excel Legacy Corporation.
10.5(2)	Transitional Services Agreement, dated as of March 31, 1998, by and between Excel Realty Trust, Inc. and Excel Legacy Corporation.
10.6(2)	Purchase Agreement, dated as of March 31, 1998, by and among Excel Legacy Corporation and the purchasers named therein.
10.7(2)	Registration Rights Agreement, dated as of March 31, 1998, by and among Excel Legacy Corporation and the purchasers named therein.
10.8(4)	Form of Indemnity Agreement between Excel Legacy Corporation and its directors and executive officers.
10.9(5)	Lease, dated as of March 26, 1997, between MBK Southern California/MBK Mountain States Ventures and American-Cinema, Inc. (including Assignment and Assumption of AMC lease dated as of December 31, 1997, between MBK Southern California/MBK Mountain States Ventures and Excel Legacy Corporation).

</TABLE>

<TABLE>

10.10(5)	Lease, dated as of March 26, 1997, between MBK Southern California/MBK Mountain States Ventures and American Multi-Cinema, Inc. (including Assignment and Assumption of AMC lease dated as of December 31, 1997, between MBK Southern California/MBK Mountain States Ventures and Excel Legacy Corporation).
10.11(1)	Operating Agreement dated as of October 9, 1998 of Grand Tusayan, LLC, a Delaware limited liability company, as amended.
10.12(1)	First Amended and Restated Operating Agreement dated as of July 27, 1998 of Millennia Car Wash, LLC, a Delaware limited liability company.
10.13(1)	First Amended and Restated Operating Agreement dated as of July 29, 1998 of Newport on the Levee, LLC, a Delaware limited liability company.
21.1(1)	Subsidiaries of Excel Legacy Corporation.
23.1(1)	Consent of PricewaterhouseCoopers LLP
27.1(1)	Financial Data Schedule.

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(1) Filed herewith (for other than Exhibits 23.1 and 27.1, refer to Annual Report on Form 10-K (File No. 0-023503) filed with the Commission on October 28, 1998).

(2) Incorporated by reference to the Company's Current Report on Form 8-K (File No. 0-23503) filed with the Commission on April 2, 1998.

(3) Incorporated by reference to the Company's Registration Statement on Form S-11 (File No. 333-55715) filed with the Commission on June 1, 1998.

(4) Incorporated by reference to Amendment No. 1 to the Company's Registrant Statement on Form 10 (File No. 0-23503) filed with the Commission on February 10, 1998.

(5) Incorporated by reference to Amendment No. 2 to the Company's Registration Statement on Form 10 (File No. 0-23503) filed with the Commission on March 12, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Excel Legacy Corporation

In our opinion, the consolidated financial statements and the financial statement schedules of Excel Legacy Corporation and subsidiaries as listed in item 14(a) of this Form 10-K present fairly, in all material respects, the financial position of Excel Legacy Corporation and subsidiaries at July 31, 1998 and the results of their operations and their cash flows for the period from Inception (November 17, 1997) to July 31, 1998, in conformity with generally accepted accounting principles. These financial statements and financial statement schedules are the responsibility of the Company's management: our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audit of these financial statements and financial statement schedules in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

San Diego, California
October 22, 1998

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
JULY 31, 1998
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS

Real estate:	
Land	$ 51,675
Buildings	122,669
Leasehold interests	2,351
Accumulated depreciation	(939)
Net real estate	175,756
Cash	11,491
Accounts receivable, less allowance for bad debts of $14	732
Notes receivable	23,171
Investment in partnerships	11,138
Interest receivable	3,889
Pre-development costs	6,662
Other assets	7,757
Deferred tax asset	6,320
	$ 246,916

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:	
Mortgages payable	$ 72,714
Accounts payable and accrued liabilities	5,680
Other liabilities	816
Income taxes payable	934
Total liabilities	80,144
Commitments and contingencies	--
Minority interests	853
Stockholders' equity:	
Series A Preferred stock, $.01 par value, 50,000,000 shares authorized, 21,281,000 shares issued and outstanding	213
Common stock, $.01 par value, 150,000,000 shares authorized, 33,457,804 shares issued and outstanding	335
Additional paid-in capital	174,508
Retained earnings	1,735
Notes receivable from officers for common shares	(10,872)
Total stockholders' equity	165,919
	$ 246,916

The accompanying notes are an integral part
of the financial statements

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD FROM INCEPTION (NOVEMBER 17, 1997) TO JULY 31,1998
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<S>	<C>
Revenue:	
Rental	$4,417
Other operating income	1,732
Interest income and other revenues	1,996
Total revenue	8,145
Operating expenses:	
Interest	1,518
Depreciation and amortization	1,057
Property operating expenses	915
Other operating expenses	876
General and administrative	898
Minority interest	3
Total operating expenses	5,267
Income before income taxes	2,878
Provision for income taxes	1,143
Net income	$1,735
Basic net income per share	$ 0.11
Diluted net income per share	$ 0.07

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD FROM INCEPTION (NOVEMBER 17, 1997) TO JULY 31, 1998
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

<TABLE>
<CAPTION>

	SERIES A PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	OFFICER NOTES RECEIVABLE	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	NUMBER	AMOUNT	NUMBER	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at inception	--	$ --	--	$ --	$ --	$ --	$ --	$ --
Issuance of preferred stock	21,281,000	213	--	--	106,192	--	--	106,405
Issuance of common stock	--	--	33,457,804	335	70,831		--	71,166
Notes receivable from officers for common shares	--	--	--	--	--	(10,872)	--	(10,872)
Issuance costs	--	--	--	--	(2,515)	--	--	(2,515)
Net income	--	--	--	--	--	--	1,735	1,735
Balance at July 31, 1998	21,281,000	$213	33,457,804	$335	$ 174,508	$(10,872)	$ 1,735	$ 165,919

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (NOVEMBER 17, 1997) TO JULY 31,1998
(IN THOUSANDS)

<TABLE>

<S>	<C>
Cash flows from operating activities:	
Net income	$ 1,735
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortization	1,057
Provision for bad debts	16
Minority interest in partnerships	3
Changes in other assets	(6,353)
Changes in accounts payable	5,680
Changes in other liabilities	1,247
Net cash provided by operating activities	3,385
Cash flows from investing activities:	
Real estate acquisitions and construction costs paid	(98,951)
Investment in partnerships	(11,138)
Pre-development costs paid	(6,662)
Net cash used in investing activities	(116,751)
Cash flows from financing activities:	
Issuance of preferred stock	106,405
Proceeds from issuance of mortgages and notes payable	82,367
Principal payments of mortgages and notes payable	(72,504)
Issuance of common stock	11,104
Issuance costs	(2,515)
Net cash provided by financing activities	124,857
Net increase in cash	11,491
Cash at inception	--
Cash at July 31	$ 11,491

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

----

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION

Excel Legacy Corporation (the "Company"), a Delaware corporation was formed on November 17, 1997. The Company was originally a wholly-owned subsidiary of Excel Realty Trust, Inc. ("Excel"), a Maryland corporation and a self-administered, self-managed real estate investment rust

("REIT"), now know as New Plan Excel Realty Trust, Inc. On March 31, 1998, Excel effected a spin-off of the Company through a special dividend to the holders of common stock of Excel of all of the outstanding common stock of the Company held by Excel (the "Spin-off").

The Company was formed to pursue opportunities available to those investors that are not restricted by the federal income tax laws governing REITs or influenced by Excel's objectives of increasing cash flows and maintaining certain leverage ratios. In connection with the Spin-off, certain real properties, notes receivable and related assets and liabilities were transferred to the Company from Excel (Note 2). Upon completion of the Spin-off, the Company ceased to be a wholly-owned subsidiary of Excel and began operating as an independent public company.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and all affiliates in which the Company has a ownership greater than 50%. The Company uses the equity method of accounting to account for its investments in which its ownership is less than 50% but has significant influence over.

REAL ESTATE

Certain real estate assets were transferred to the Company from Excel and recorded at Excel's cost. Other real estate assets acquired subsequent to the Spin-off were recorded at the Company's cost. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for buildings. Expenditures for maintenance and repairs are charged to expense as incurred and significant renovations are capitalized.

The Company assesses its properties individually for impairment whenever events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. Recoverability of property to be held and used is measured by comparing the carrying amount of the property to future undiscounted net cash flows expected to be generated by the property. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the property, the property is considered to be impaired. If the property is impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property exceeds the fair value of the property.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

PRE-DEVELOPMENT COSTS

Pre-development costs that are directly related to specific construction projects are capitalized as incurred. The Company expenses these costs to the extent they are unrecoverable or it is determined that the related project will not be pursued.

MANAGEMENT CONTRACTS

The Company acquired certain management contracts in conjunction with its acquisition of TenantFirst (Note 5). The management contracts are recorded at cost and amortized over a period of seven years.

INCOME TAXES

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets have been recorded to reflect the future tax benefit of assets acquired from Excel that were recorded at cost for book purposes and fair market value for tax purposes.

DEFERRED LEASING AND LOAN ACQUISITION COSTS

Costs incurred in obtaining tenant leases and long-term financing are amortized to other property expense and interest expense, respectively, on the straight-line method over the terms of the related leases or debt agreements.

REVENUE RECOGNITION

Base rental revenue is recognized on the straight-line basis, which averages annual minimum rents over the terms of the leases. Certain of the leases provide for additional rental revenue by way of percentage rents to be paid based upon the level of sales achieved by the lessee. Percentage rents and tenant reimbursements are recognized when they are earned.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" were issued. SFAS No. 130 and SFAS No. 131 are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements and requires restatement of earlier periods presented. SFAS No. 130 had no effect on the Company's consolidated financial statements. SFAS No. 131 establishes standards for the way that a public enterprise reports information about operating segments in annual financial statements, and requires that those enterprises report selected information about operating segments in interim financial reports to shareholders. Management is currently evaluating the requirements of SFAS 131.

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

----

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. SPIN-OFF:

Prior to the Spin-off (Note 1) on March 31, 1998, ERT Development Corporation ("EDV"), a Delaware Corporation and an affiliate of Excel transferred four notes receivable, a land parcel, a leasehold interest in a parcel of land, an office building, a single tenant building, and certain other assets to Excel for a total consideration of approximately $38,112,000. Excel contributed to the Company, the above assets from EDV, together with ten single tenant properties owned by Excel with a book value of approximately $45,747,000, certain other net assets of approximately $1,158,000, and a property held for sale with a book value of $14,525,000, in exchange for 23,412,580 common shares of the Company, assumption of debt by the Company on the ten single tenant properties of approximately $33,878,000, and issuance of a note payable to Excel from the Company in the amount of $26,402,000. This note was repaid in April 1998.

The Spin-off took place through a dividend distribution to Excel's common stockholders, of all the Company's common stock (23,412,580 shares) held by Excel. The distribution consisted of one share of the Company's common stock for each share of Excel's common stock held on the record date of March 2, 1998. The fair market value of the distribution was approximately $55,956,000 or $2.39 per share. While the Company has recorded the acquisition of assets and liabilities at fair market value for tax purposes, the Company has recorded for book purposes, the assets and liabilities at Excel's and EDV's original book value in accordance with accounting standards for distributions of non-monetary assets to owners in a spin-off. The tax effect of the difference between fair market value and book value was $6,528,000 and was recorded as a deferred tax asset.

3. REAL ESTATE:

HIGHLANDS RANCH AND WESTMINSTER, COLORADO

In January 1998, the Company acquired two properties under construction situated on approximately 43.6 acres in Highlands Ranch and Westminster, Colorado. The acquired properties consist of two 110,000 square foot 24 screen movie theaters that are occupied by AMC Multi-Cinema, Inc. ("AMC") and were completed on March 20, 1998 and April 3, 1998, respectively. The total cost of these two properties was approximately $50,047,000. The Company financed these properties with mortgage debt of $37,000,000 during 1998.

3. REAL ESTATE, CONTINUED:

SINGLE TENANT BUILDINGS

The Company acquired ten single tenant buildings from Excel in connection with the Spin-off. Eight of the buildings are leased to Wal-Mart Stores, Inc. and are located in Colorado, Illinois, Indiana (2), Michigan, Pennsylvania, Texas, and Wisconsin. The other two properties are leased to Lowe's Home Centers, Inc. and are located in Indiana and Ohio. The ten properties have a total Gross Leasable Area ("GLA") of 981,266 square feet. The Company acquired these properties for $45,747,000 and assumed $33,988,000 of mortgage debt and other net liabilities.

SCOTTSDALE GALLERIA

The Company acquired the Scottsdale Galleria ("Galleria") from Excel in connection with the Spin-off. The Scottsdale Galleria is situated on approximately 6.3 acres and consists of (i) an enclosed shopping mall contained in two separate buildings, and (ii) a multi-level parking garage. The main building is a four level building with a transparent glass roof and the smaller building contains the "5th Avenue Shops".

The property had a fair market value of $25,000,000 at the acquisition date (Note 2) and acquired the property for $14,525,000 for book purposes. This property is substantially vacant and is under consideration for a mixed use entertainment redevelopment project.

SCOTTSDALE LAND

The Company acquired approximately 3.6 acres of vacant land located in Scottsdale, Arizona which was originally owned by EDV in connection with the Spin-off. The land was acquired for approximately $3,724,000 and was acquired along with other properties located in the Scottsdale area as part of the Galleria redevelopment plan.

SCOTTSDALE CITY CENTRE

The Company acquired the Scottsdale City Centre, a 64,262 square foot office building situated on approximately two acres in Scottsdale Arizona (the "City Centre"). The City Centre was originally owned by EDV and transferred to the Company in connection with the Spin-off. The City Centre was acquired for $7,886,000 and is encumbered by mortgage debt of $2,571,000. This property was acquired as a strategic expansion site for the Galleria redevelopment project.

BRIO LAND

The Company acquired approximately 0.5 acres of land located in Scottsdale, Arizona which was originally owned by EDV in connection with the Spin-off. The land currently contains a 3,700 square foot building which is leased to Brio Restaurant and was acquired for approximately $1,609,000. The property is expected to be part of the Galleria redevelopment plan along with the other above properties located in Scottsdale.

3. REAL ESTATE, CONTINUED:

RANCHO BERNARDO LAND

In March 1998, the Company acquired approximately 11.1 acres of land located in the community of Rancho Bernardo in San Diego, California for approximately $4,072,000. The land is currently under consideration for sale.

TELLURIDE LAND

In January 1998, the Company acquired land located at the base of Telluride mountain in Telluride Mountain Village Ski Resort in Telluride, Colorado for approximately $763,000. The land was acquired for future development.

DESERT FASHION PLAZA

In May 1998, the Company acquired a majority interest in Desert Fashion Plaza, L.L.C., a Delaware limited liability company which owns an urban mall located in Palm Springs, California (the "Desert Fashion Plaza") for approximately $13,588,000. Desert Fashion Plaza contains approximately 290,000 square feet of GLA. Presently the mall is anchored by Saks Fifth Avenue and is adjacent to the Hyatt Regency Hotel. The Company has acquired this property for redevelopment.

4. NOTES RECEIVABLE:

LOS ARCOS

In connection with the Spin-off, the Company acquired a $16,212,000 promissory note payable by Los Arcos Development, LLC, the owner of a 700,000 square foot indoor regional mall located in Scottsdale, Arizona. The Company also received $2,414,000 of accrued interest in connection with the Spin-off. Interest on the note accrues at the rate of 12% per annum. The note matures on the earlier of (i) the sale of the property or (ii) December 2003. Accrued interest on the Los Arcos loan becomes payable out of the property's net cash flow once the borrower's development of the property is completed. The note is secured by a first mortgage on the property and includes a 50% profit participation upon the property's sale.

FIRST STREET

The Company acquired a $5,538,000 promissory note in connection with the Spin-off payable by First Street Investments Limited Partnership, the owner of a 120,000 square foot, eight story office building located in downtown Phoenix, Arizona. The Company also assumed $119,000 of accrued interest in connection with the Spin-off. The note matures on the earlier of (i) the sale of the property or (ii) May 2004 and is secured by a subordinated mortgage on the property and includes a 50% profit participation upon sale of the property. Until the maturity date, the borrower is to pay interest only at the rate of 11% per annum. Interest not paid currently accrues at the rate of 12% per annum.

4. NOTES RECEIVABLE, CONTINUED:

GRAND CANYON

In connection with the Spin-off, the Company acquired a $1,050,000 promissory note payable by Fain Properties Limited Partnership, the owner of approximately 17 acres of undeveloped land located in Tusayan, Arizona near the Grand Canyon National Park. The note accrues interest at 10% and is secured by a first mortgage on the property.

OTHER

The Company has outstanding two additional notes receivable it obtained in connection with the Spin-off. These notes total $371,000 at July 31, 1998 and bear interest at 11% to 12% per annum.

OFFICERS

In connection with the sale of common stock to certain of the Company's officers and employees (Note 8), the Company issued $10,872,000 of notes receivable due from certain of the Company's officers. The notes bear interest at 7%, are recourse obligations of the note holders, and are due in March 2003. The total interest receivable at July 31, 1998 from these notes total $254,000. The notes have been offset against stockholders' equity on the Company's accompanying Balance Sheet.

5. INVESTMENTS:

MILLENNIA CAR WASH, LLC

The Company has invested $19,891,000 in a joint venture arrangement with Millennia Car Wash, LLC ("Millennia"). In June 1998, Millennia acquired nine car wash properties in the Phoenix, Arizona metropolitan area. At July 31, 1998, the Company holds 100% of the ownership interest in Millennia. Another party manages the daily operations of Millennia and can earn up to 50% of the ownership interest in Millennia based upon operating results exceeding a 35% return on the Company's investment. The accounts of Millennia are consolidated with the Company's financial statements. Summary unaudited financial information as of July 31, 1998 and for the period from the acquisition of the car wash properties to July 31, 1998 is as follows (in thousands):

BALANCE SHEET	
Land	$ 3,117
Buildings, net of accumulated depreciation	13,504
Other assets	3,599
Total assets	$ 20,220
Accounts payable and other liabilities	$ 271
Stockholders' equity	19,949
Total liabilities and stockholders' equity	$ 20,220
INCOME STATEMENT	
Operating revenue	$ 1,178
Operating expenses	(747)
General and administrative costs	(288)
Depreciation and amortization	(85)
Net income	$ 58

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. INVESTMENTS, CONTINUED:

In August and September 1998, Millennia acquired an additional nine car wash properties located in Arizona and Texas for approximately $15.2 million. Notes payable of $14.8 million bearing annual interest of 8.5% were borrowed in connection with these acquisitions.

THE GRAND HOTEL

The Company has invested $13,309,000 in a joint venture, Grand Tusayan, LLC ("Grand Hotel") for the development of a hotel and dinner theater and retail shop situated near the south rim entrance to the Grand Canyon National Park in Tusayan, Arizona. The hotel was opened in July 1998 and the dinner theater was opened in October 1998. The accounts of the Grand Hotel are consolidated with the Company's financial statements. At July 31, 1998, the Company ownership in the Grand Hotel was 65% although the Company was entitled to approximately 97% of the Grand Hotel's operations based upon its equity contributed. Summary unaudited financial information as of July 31, 1998 and for the period from the completion of the hotel to July 31, 1998 is as follows (in thousands):

BALANCE SHEET	
Leasehold interest in land	$ 2,351
Building, net of depreciation	9,986
Other assets	1,380
Total assets	$ 13,717
Accounts payable and other liabilities	$ 114
Stockholders' equity	13,603
Total liabilities and stockholders' equity	$ 13,717
INCOME STATEMENT	
Revenue	$ 95
Operating expenses	(114)
Depreciation and amortization	(38)
Net Loss	$ (57)

ENTERCITEMENT

In April 1998, the Company invested $6,000,000 in EnterCitement, LLC ("EnterCitement"), a theme park development company. EnterCitement owns approximately 510 acres of land in Indianapolis, Indiana, on which it plans to develop a theme park. The Company currently holds a 23.7% ownership interest in EnterCitement.

NEWPORT

In May 1998, the Company invested $5,000,000 in 3017977 Nova Scotia Company ("Nova Scotia Company"), a Nova Scotia unlimited liability company. Nova Scotia Company used the proceeds to help acquire the Newport Centre, an office building located in Winnipeg, Canada. The Company is entitled to a 12% preferred return on its investment from the eventual disposition of or cash flows from the property in addition to its 50% interest in Nova Scotia Company. The Company accounts for this investment on the equity method of accounting.

5. INVESTMENTS, CONTINUED:

TENANTFIRST

On May 1, 1998, the Company acquired TenantFirst Real Estate Services, Inc. ("TenantFirst"), a California corporation. In connection with the acquisition, the Company paid $138,000 in cash and issued 850,000 shares of the Company's common stock. TenantFirst performs property management and development services for various commercial properties located in San Diego, California. TenantFirst is a wholly-owned subsidiary of the Company.

6. MORTGAGES PAYABLE:

The Company had $72,714,000 in mortgages payable outstanding at July 31, 1998 at 7.37% to 8.53%. The mortgages are due on various dates through 2018 and monthly payments approximate $702,000. The mortgages are collateralized by real estate and an assignment of rents. The principal payments required to be made on mortgages payable over the next five years are as follows (in thousands):

YEAR ENDED JULY 31,	
1999	$ 2,824
2000	3,056

2001	3,306
2002	3,577
2003	7,152
Thereafter	52,799

	$ 72,714
	========

</TABLE>

Mortgages of $66,890,000 are fully amortizing with the final monthly payments to be made between the years 2004 and 2018. Notes payable of $14,800,000 were borrowed by Millennia in August and September of 1998 in connection with the acquisition of certain properties. These notes bear annual interest of 8.5% and are due in fifteen years.

7. INCOME TAXES:

At July 31, 1998, the Company had a net deferred tax asset of $6,319,000. The deferred tax asset includes $6,446,000 primarily relating to the difference between fair market value and book value of the real estate assets acquired from Excel in connection with the Spin-off and is non-current. The offsetting portion of the deferred asset relates to timing differences in recognizing revenue and expenses for tax purposes through operations of the Company. No valuation allowance has been provided against the deferred tax asset as the Company believes future taxable income is more likely than not. The provision for income taxes consists of the following:

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. INCOME TAXES, CONTINUED:

<TABLE>
<CAPTION>

<S>	FEDERAL <C>	STATE <C>
Current payable	$727,000	$207,000
Deferred tax expense	163,000	46,000
	--------	--------
Provision for income taxes	$890,000	$253,000
	========	========

</TABLE>

8. CAPITAL STOCK:

COMMON SHARES

In connection with the Spin-off, 23,412,580 shares of common stock were issued by the Company to its then parent company, Excel, who then distributed the shares on a one for one basis. The shares had a book value and estimated fair market value of $1.68 and $2.39 per share, respectively.

On March 31, 1998, the Company sold 9,195,224 shares of common stock to certain officers and employees of the Company for $2.39 per share. The Company received cash of $11,104,000 and issued notes receivable of $10,872,000 in connection with the sale. The shares issued in exchange for the notes receivable have been offset against stockholders' equity on the accompanying balance sheet.

SERIES A PREFERRED SHARES

On July 31, 1998, the Company had 21,281,000 shares of Series A Preferred Stock outstanding (the "Preferred A Shares"). Holders of the Preferred A Shares are entitled to receive, when and if declared by the Board of Directors, cumulative cash dividends payable in an amount per share equal to the cash dividends, if any, on the shares of common stock into which the Preferred A Shares are convertible. Holders of the Preferred A Shares are also entitled to a liquidation preference of $5.00 per share, plus a premium of 7% per annum, in the event of any liquidation, dissolution or other winding up of the affairs of the Company.

The Preferred A Shares are convertible into common stock of the Company at the election of the holders at any time, on a one-for-one basis, subject to adjustment in certain circumstances. The Preferred A Shares also are convertible into common stock by the Company if the closing price of the Company's common stock is equal to or greater than certain milestones for 30 consecutive trading days. Such price milestones were met in May 1998 and on May 18, 1998, the Company took steps to exercise its right to convert all of the Preferred A Shares into common stock, which conversion was expected to take place on August 18, 1998.

On August 17, 1998, the Company withdrew its election to convert the Preferred A Shares, and instead the holders and the Company agreed to modify the terms of the Preferred A Shares. The Company decided to effect such modification through the exchange of the Preferred A Shares for new preferred shares of the Company, rather than through an amendment to the Preferred A Shares. The new preferred shares will be substantially similar to the Preferred A Shares, except in the following respects:

----

8. CAPITAL STOCK, CONTINUED:

1. The new preferred shares will be convertible into common stock at the election of the Company upon the earlier to occur of the following: (a) six months after the listing of the Company's common stock on a national securities exchange (including the New York Stock Exchange, American Stock Exchange or Nasdaq), or (b) March 31, 2000.

2. Certain voting rights provided to the holders with respect to future issuances of common stock will be removed.

OPTIONS

The Company adopted the 1998 Stock Option Plan (the "Option Plan") for executive officers and other key employees of the Company. The aggregate number of shares issuable upon exercise of options under the Option Plan may not exceed 5,250,380 shares and are exercisable for 10 years from the date of grant. The exercise price of stock options may not be less than 100% of the fair market value of the stock on the date of grant.

In 1998, 1,900,000 options were granted under the Stock Option plan with an exercise price of $5.00 and 1,900,000 options were granted with an exercise price of $10.00. The options vest over five years and expire at various dates through December 2006. All of the options were issued to officers or affiliates of the Company.

SFAS No. 123, Accounting for Stock-Based Compensation, requires either the recording or disclosure of compensation cost for stock-based employee compensation plans at fair value. The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation costs have been recognized by the Company. Had compensation cost for the Company's stock option plan been recognized based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income in 1998 would have been reduced by $5,705,000 from $1,735,000 ($0.11 per share - basic, and $0.07 per share - diluted) to a net loss of $3,970,000 ($0.25 per share - basic, and $0.15 per share - diluted).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used: expected volatility of 36.56%; risk-free interest rate of 5.54% to 5.70%; expected life of 6 years; and dividend yield of 0.00%.

EARNINGS PER SHARE (EPS)

In accordance with the disclosure requirements of SFAS No. 128 (Note 1), a reconciliation of the numerator and denominator of basic and diluted EPS is provided as follows (in thousands, except per share amounts).

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. CAPITAL STOCK, CONTINUED:

	INCEPTION (NOV. 17, 1997) TO JULY 31, 1998
BASIC EPS	
NUMERATOR:	
Net income	$ 1,735
DENOMINATOR:	
Weighted average of common shares outstanding	15,842
EARNINGS PER SHARE:	$ 0.11
DILUTED EPS	
NUMERATOR:	
Net income	$ 1,735
DENOMINATOR:	
Weighted average of common shares outstanding	15,842
Effect of diluted securities:	
Preferred A Shares	10,142
	25,984
EARNINGS PER SHARE:	$ 0.07

9. STATEMENT OF CASH FLOWS - SUPPLEMENTAL DISCLOSURE:

The amount paid for interest in 1998 was approximately $1,648,000 of which approximately $267,000 was capitalized as construction costs.

On March 31, 1998, Excel spun-off certain assets to the Company in the form of a dividend and note payable (Notes 1 and 2). Also on March 31, 1998, common shares were issued to certain officers of the Company in exchange for cash and $10,872,000 in notes receivable (Note 4). During the period from inception (November 17, 1997) to July 31, 1998, the Company borrowed $35,523,000 in notes payable in connection with the construction of the AMC theaters.

In May 1998, the Company issued 850,000 shares of common stock in connection with the acquisition of TenantFirst (Note 5). The market value of the shares issued was approximately $3,400,000.

10. FINANCIAL INSTRUMENTS AND CREDIT RISK:

Financial instruments which potentially subject the Company to concentrations of risk consist principally of cash, accounts receivable and notes receivable. From time to time, the Company's cash balances with any one financial institution may exceed Federal Deposit Insurance limits. The following fair value disclosure was determined by the Company, using available market information and discounted cash flow analyses as of July 31, 1998. However, considerable judgement is necessary to interpret market data and to develop the related estimates of fair value. Accordingly,

10. FINANCIAL INSTRUMENTS AND CREDIT RISK, CONTINUED:

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 Company believes that the carrying values reflected in the Consolidated Balance Sheet at July 31, 1998 approximates the fair values for cash, accounts receivable and payable, notes receivable and mortgages payable.

At July 31, 1998 the Company's three largest tenants accounted for approximately 20%, 15%, and 5%, respectively, of total revenues for the period ended July 31, 1998. At July 31, 1998, the Company owned 31 properties located in 11 states of which 14 properties were located in Arizona.

11. RELATED PARTY TRANSACTIONS:

The Company shares certain employees with New Plan Excel Realty Corporation ("New Plan Excel"), formerly Excel. The shared employees are paid by New Plan Excel and reimbursed by the Company based upon a Administrative Services Agreement which requires the Company to pay New Plan Excel 23% of the salary and bonus of the shared employees as compensation for their services to the Company. For the period ended July 31, 1998, approximately $170,000 was paid by the Company for these services. Additionally, approximately $24,000 was paid by the Company to New Plan Excel as reimbursement for various operating expenses.

12. MINIMUM FUTURE RENTALS:

The Company leases its operating properties under noncancelable operating leases generally requiring the tenant to pay a minimum rent. The leases generally either (i) require the tenant to pay all expenses of operating the property such as insurance, property taxes, and structural repairs and maintenance, or (ii) require the tenant to reimburse the Company for the tenant's share of real estate taxes and other common area maintenance expenses or for the tenant's share of any increase in expenses over a base year. Minimum future rental revenue for the next five years for the retail commercial real estate owned at July 31, 1998 and subject to noncancelable operating leases is as follows (in thousands):

YEAR ENDED JULY 31,	
1999	$ 11,191
2000	11,536
2001	11,425
2002	11,190
2003	10,971
Thereafter	110,590

----

13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial data is as follows (in thousands except per share amounts):

	TOTAL REVENUES	NET INCOME	PER SHARE-BASIC	PER SHARE-DILUTED
First quarter	$ --	$ --	$ --	$ --
Second quarter	--	--	--	--
Third quarter	1,343	363	0.03	0.02
Fourth quarter	6,802	1,372	0.04	0.03

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE PERIOD FROM INCEPTION (NOVEMBER 17, 1997) TO JULY 31, 1998
(IN THOUSANDS)

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO BAD DEBT EXPENSE	DEDUCTIONS ACCOUNTS RECEIVABLE WRITTEN OFF	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
Allowance for bad debts:	$ --	$ 16	$ 2	$ 14

</TABLE>

EXCEL LEGACY CORPORATION AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
JULY 31, 1998
(IN THOUSANDS)

<TABLE>
<CAPTION>

		INITIAL COST		NET COST CONSOLIDATED (SOLD) SUBSEQUENT TO ACQUISITION	
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
<S>	<C>	<C>	<C>	<C>	<C>
Scottsdale Galleria Scottsdale, AZ	$ --	$ 1,755	$ 13,077	$ --	$ --
Scottsdale City Centre Scottsdale, AZ	2,539	2,760	5,126	--	--
Scottsdale Towers Land Scottsdale, AZ	--	3,743	--	--	--
Brio Restaurant Scottsdale, AZ	--	563	1,046	--	--
Grand Hotel Tusayan, AZ	-(1)	--	10,021	--	--
Desert Fashion Plaza Palm Springs, CA	--	3,816	9,772	--	102
4-S Ranch Land Rancho Bernardo, CA	--	4,072	--	--	1,033
Land Telluride, CO	--	752	--	--	--
Land Yosemite,	--	600	--	--	--
Land Rancho Bernardo, CA	--	3,623	--	--	--

Wal-Mart Building Berlin, MI	1,567	680	1,378	--	--
Wal-Mart Building Decateur, IN	2,330	1,011	2,050	--	--
Wal-Mart Building Big Rapids, MI	2,249	1,042	2,133	--	--
Wal-Mart Building Wysomming. PA	4,528	2,118	4,294	--	--
Wal-Mart Building Brighton, CO	2,285	1,069	2,167	--	--
Wal-Mart Building Wabash, IN	2,496	1,168	2,367	--	--
Lowes Building Terre Haute, IN	3,716	1,855	3,037	--	--
Wal-Mart Building Orland Hills, IL	5,922	2,631	5,372	--	--
Wal-Mart Building Temple, TX	4,195	1,563	3,979	--	--
Lowe's Building Middletown, OH	3,951	2,187	3,646	--	--
Millenia Car Washes (2) Phoenix, AZ	--	3,117	13,572	--	--
AMC Theater Highlands Ranch, CO	18,067	5,800	18,736	--	--
AMC Theater Westminster, CO	18,869	5,750	19,761	--	--
	$ 72,714	$ 51,675	$121,534	$ --	$ 1,135

</TABLE>

<TABLE>
<CAPTION>

DESCRIPTION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD LAND	BUILDINGS AND IMPROVEMENTS	TOTAL (a)	ACCUMULATED DEPRECIATION (b)	DATE OF CONSTRUCTION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENTS IS COMPUTED
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Scottsdale Galleria Scottsdale, AZ	1,755	$ 13,077	$ 14,832	$ 123	(3)	1998	40 years
Scottsdale City Centre Scottsdale, AZ	2,760	5,126	7,886	48	1982	1998	40 years
Scottsdale Towers Land Scottsdale, AZ	3,743	--	3,743	--	--	1998	--
Brio Restaurant Scottsdale, AZ	563	1,046	1,609	10	1975	1998	40 years
Grand Hotel Tusayan, AZ	--	10,021	10,021	35	1998	1998	40 years
Desert Fashion Plaza Palm Springs, CA	3,816	9,874	13,690	51	1967	1998	40 years
4-S Ranch Land Rancho Bernardo, CA	4,072	1,033	5,105	--	(3)	1998	--
Land Telluride, CO	752	--	752	--	--	1998	--
Land Yosemite,	600	--	600	--	--	1998	--
Land							

Rancho Bernardo, CA	3,623	--	3,623	--	--	1998	--
Wal-Mart Building Berlin, MI	680	1,378	2,058	13	1992	1998	40 years
Wal-Mart Building Decateur, IN	1,011	2,050	3,061	19	1992	1998	40 years
Wal-Mart Building Big Rapids, MI	1,042	2,133	3,175	20	1992	1998	40 years
Wal-Mart Building Wysomming. PA	2,118	4,294	6,412	40	1992	1998	40 years
Wal-Mart Building Brighton, CO	1,069	2,167	3,236	20	1992	1998	40 years
Wal-Mart Building Wabash, IN	1,168	2,367	3,535	22	1992	1998	40 years
Lowes Building Terre Haute, IN	1,855	3,037	4,892	28	1993	1998	40 years
Wal-Mart Building Orland Hills, IL	2,631	5,372	8,003	50	1992	1998	40 years
Wal-Mart Building Temple, TX	1,563	3,979	5,542	37	1992	1998	40 years
Lowe's Building Middletown, OH	2,187	3,646	5,833	34	1993	1998	40 years
Millenia Car Washes (2) Phoenix, AZ	3,117	13,572	16,689	68	1976-1990	1998	25 years
AMC Theater Highlands Ranch, CO	5,800	18,736	24,536	176	1998	1998	40 years
AMC Theater Westminster, CO	5,750	19,761	25,511	145	1998	1998	40 years
	51,675	$122,669	$174,344	$ 939			

</TABLE>

(1) This property is on a land lease with a cost of $2,351 which is not included above.

(2) These represent nine car washes located in Phoenix, Arizona.

(3) Property is currently being redeveloped.

[a] Reconciliation of total real estate carrying value is as follows:

<TABLE>

<S>	<C>
Balance at inception (November 17, 1997):	$ --
Acquisitions:	173,209
Improvements and other additions:	1,135
Balance at July 31, 1998:	$174,344
Total cost for federal income tax purposes at the end of each year	$190,732

</TABLE>

[b] Reconciliation of accumulated depreciation is as follows:

<TABLE>

<S>	<C>
Balance at inception (November 17, 1997):	$ --
Depreciation expense:	939
Balance at July 31, 1998:	$ 939

========
</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Excel Legacy Corporation

We have audited the accompanying combined balance sheets of Excel Legacy Corporation Asset Group (the "Portfolio"), as defined in Note 1, as of July 31, 1997 and 1996 and the related combined statements of operations, changes in investment by Excel Realty Trust, Inc. and cash flows for each of the three years in the period ended July 31, 1997. These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Excel Legacy Corporation Asset Group as of July 31, 1997 and 1996 and the combined results of their operations and their cash flows for each of the three years in the period ended July 31, 1997, in conformity with generally accepted accounting principles.

As more fully described in Note 1, certain general and administrative expenses were paid by Excel Realty Trust, Inc. and allocated to the Portfolio principally based on Excel Realty Trust, Inc.'s specific identification of individual cost items based upon estimated levels of effort devoted by its corporate administrative departments. We have reviewed the methods and documentation used in allocating such amounts and, in the circumstances, we believe the methods used are reasonable and the documentation appropriate. However, if the Portfolio had operated as a separate entity, actual expenses might have been different.

PricewaterhouseCoopers LLP

San Diego, California
November 24, 1997

EXCEL LEGACY CORPORATION ASSET GROUP

COMBINED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	JULY 31, 1996 <C>	JULY 31, 1997 <C>
ASSETS		
Real estate:		
Land	$ 15,324	$ 15,324
Buildings	34,789	34,789
Real estate under development	13,888	14,060
Leasehold interest	--	--
Accumulated depreciation	(2,953)	(3,823)
Net real estate	61,048	60,350
Notes receivable	1,050	21,958
Interest receivable	71	1,379

Other assets	--	--
	$ 62,169	$ 83,687

LIABILITIES AND INVESTMENT BY EXCEL REALTY TRUST, INC

Liabilities:		
Mortgages payable	$ 36,754	$ 35,115
Interest payable	253	228
Other liabilities	--	--
Total liabilities	37,007	35,343
Commitments and contingencies	--	--
Investment by Excel Realty Trust, Inc.	25,162	48,344
	$ 62,169	$ 83,687

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION ASSET GROUP

COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED JULY 31,			EIGHT MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Revenue:					
Rental revenue	$5,897	$4,937	$4,937	$3,291	3,757
Interest	--	95	1,458	694	1,757
Total revenue	5,897	5,032	6,395	3,985	5,514
Operating expenses:					
Interest	3,185	3,080	2,896	1,999	1,927
Depreciation and amortization	870	870	870	590	643
Administrative expenses	548	563	799	644	453
Property expenses	--	--	--	--	126
Total operating expenses	4,603	4,513	4,565	3,223	3,149
Income before income taxes	1,294	519	1,830	762	2,365
Provision for income taxes	515	207	729	305	946
Net income	$ 779	$ 312	$1,101	$ 457	$1,419

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION ASSET GROUP

COMBINED STATEMENTS OF CHANGES IN INVESTMENT BY EXCEL REALTY TRUST, INC.

(IN THOUSANDS)

<TABLE>

<S>	<C>
Investment by Excel Realty Trust, Inc. at August 1, 1994	$ 17,441
Net income for the year ended July 31, 1995	779
Net return to Excel Realty Trust, Inc.	(276)
Investment by Excel Realty Trust, Inc. at July 31, 1995	17,944
Net income for the year ended July 31, 1996	312
Net investment by Excel Realty Trust, Inc.	6,906
Investment by Excel Realty Trust, Inc. at July 31, 1996	25,162
Net income for the year ended July 31, 1997	1,101
Net investment by Excel Realty Trust, Inc.	22,081
Investment by Excel Realty Trust, Inc. at July 31, 1997	48,344
Net income for the eight months ended March 31, 1998	1,419
Net investment by Excel Realty Trust, Inc.	9,282
Investment by Excel Realty Trust, Inc. at March 31, 1998	59,045

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION ASSET GROUP

COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED JULY 31,			EIGHT MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net income	$ 779	$ 312	$ 1,101	$ 276	$ 1,881
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization	870	870	870	580	643
Change in interest receivable and other assets	--	(71)	(1,308)	(397)	(1,676)
Change in interest payable and other liabilities	(8)	(9)	(24)	(16)	240
Net cash provided by operating activities	1,641	1,102	639	443	1,088
Cash flows from investing activities:					
Net costs paid on real estate held for development	--	(5,488)	(171)	99	(643)
Cash paid for real estate acquired	--	--	--	--	(6,601)
Cash paid for leasehold interest	--	--	--	--	(1,790)
Advances for notes receivable	--	(1,050)	(20,908)	(16,593)	(131)
Net cash used in investing activities	--	(6,538)	(21,079)	(16,494)	(9,165)
Cash flows from financing activities:					
Principal payments of mortgages payable	(1,365)	(1,470)	(1,641)	(776)	(1,205)
Net investment by Excel Realty Trust, Inc.	(276)	6,906	22,081	16,827	9,282
Net cash provided by (used in) financing activities	(1,641)	5,436	20,440	16,051	8,077
Net increase in cash	--	--	--	--	--
Cash at beginning of period	--	--	--	--	--

Cash at end of period	$ --	$ --	$ --	$ --	--
	=======	=======	========	========	=======

</TABLE>

The accompanying notes are an integral part of the financial statements

EXCEL LEGACY CORPORATION ASSET GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION:

FORMATION OF THE COMPANY

Excel Legacy Corporation (the "Company"), a Delaware Corporation, was formed on November 17, 1997 to own, operate and/or develop real estate. Certain real estate assets ("Excel Legacy Corporation Asset Group") are planned to be transferred from Excel Realty Trust, Inc. ("Excel") and ERT Development Corporation ("EDV"), an unconsolidated affiliate of Excel, to the Company. In September 1997, Excel's Board of Directors approved in principle, a plan for the distribution (the "Distribution") of Company stock to holders of Excel common stock. Excel is the sole stockholder of the Company and the Company is currently considered a qualified REIT subsidiary of Excel.

The following assets were acquired prior to July 31, 1997 and are scheduled to be transferred to the Company:

- Ten single tenant free-standing buildings with a book value of $45.8 million and encumbered by mortgages of $35.1 million at July 31, 1997.

- A 670,000 square foot shopping mall located in Scottsdale, Arizona which is substantially vacant. The Company intends to redevelop this property. The book value is $14.7 million at July 31, 1997.

- Four notes receivable related to development projects located in Arizona (3) and California. The principal amount of the notes at July 31, 1997 is $22.0 million.

The following additional assets were acquired subsequent to July 31, 1997 and are scheduled to be transferred to the Company:

- A single-tenant free-standing building with a book value of $1.6 million and unencumbered at July 31, 1997.

- An office building containing 64,000 square feet located in Scottsdale, Arizona. This building was acquired in October 1997 for $7.9 million. At July 31, 1997 the property has a book value of approximately $7.9 million and is encumbered by a mortgage of $2.8 million.

- A leasehold interest in 6.5 acres of land located in Tusayan, Arizona. The leasehold interest was acquired in November 1997 for approximately $1.8 million and has a term of 50 years with two 10-year renewal options.

Other assets may be transferred to the Company as the Boards of the Company and Excel deem appropriate. The Company's authorized stock consists of 150,000,000 shares of $.01 par value common stock and 50,000,000 shares of $.01 par value preferred stock.

BASIS OF PRESENTATION

These financial statements present the financial position, results of operations, and cash flows for the Excel Legacy Corporation Asset Group, hereafter referred to as the Company, as if it were a separate entity of Excel for all periods presented. Excel and EDV's historical basis in the assets and liabilities has

1. ORGANIZATION AND BASIS OF PRESENTATION, CONTINUED:

been carried over. Changes in investment by Excel represent the net income of the Company plus the net change in cash and non-cash items transferred between the Company and Excel.

The combined financial statements include assets, liabilities and operations to be transferred to the Company in connection with the acquisition of assets from Excel and EDV. All significant intercompany accounts have been eliminated. Certain general and administrative expenses were paid by Excel and allocated to the Company, principally based on Excel's specific identification of individual cost items based upon estimated levels of effort devoted by its corporate administrative departments. Expense amounts allocated to administrative expenses were $799,000, $563,000 and $548,000 for each of the years ended July 31, 1997, 1996 and 1995, respectively. In the opinion of management, the methods for allocating corporate administrative expenses are reasonable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REAL ESTATE

Land, buildings and real estate under development are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for buildings. The leasehold interest is being amortized over the initial lease term of 50 years using the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred and significant renovations are capitalized. Direct costs incurred for properties under development or redevelopment are capitalized and depreciation is not charged to the property until the project is completed.

The Company assesses whether there has been a permanent impairment in the value of its real estate by considering factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include a lessee's ability to pay rent under the terms of the lease. If these factors indicate that there has been a permanent impairment in the value of its real estate, the Company estimates the future cash flows expected to result from the operations of the property and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the property, the Company will recognize a permanent impairment loss, equal to the amount by which the carrying amount of the property exceeds the fair value of the property.

INCOME TAXES

The Company's income tax provision is determined as if the Company had paid income tax on taxable income on a separate company basis. Taxes payable are charged directly against the investment by Excel. The Company's income tax provision, all of which is current, is based on income before taxes. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities of their financial reporting amounts at each year end based on enacted laws and statutory tax rates applicable to the years in which the differences are expected to affect taxable income. There are no significant timing differences between financial reporting and taxable income and as such, the Company has not recorded any deferred income tax assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

REVENUE RECOGNITION

Base rental revenue is recognized on the straight-line basis, which averages annual minimum rents over the terms of the leases. The leases also provide that the tenant directly pay all of the common area maintenance and other operating expenses.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CONCENTRATION OF CREDIT RISK

As of July 31, 1997, eight of the 12 operating properties held by the Company are leased to Wal-Mart. Rents from these stores account for approximately 65% of the Company's scheduled rental revenue. Two of the operating properties, which account for 21% of scheduled rental revenue, are leased to Lowe's. While the financial position of the Company may be adversely affected by financial difficulties experienced by Wal-Mart, the Company has not experienced any such events. Wal-Mart and Lowe's are publicly-traded companies, and financial and other information regarding these companies is on file with the Securities and Exchange Commission.

Additionally, two of the Company's notes receivable which account for 95.0% of the Company's scheduled interest revenue at July 31, 1997 are with the same developer. EDV is committed to provide up to approximately $9,000,000 in additional advances related to these notes.

3. REAL ESTATE:

The financial statements include 11 single tenant free-standing buildings which are located in Arizona, Colorado, Illinois, Indiana (3), Michigan, Ohio, Pennsylvania, Texas, and Wisconsin and an office building in Arizona. Eight of the buildings are leased by Wal-Mart and two of the buildings are leased by Lowe's. The financial statements also include a leasehold interest in land located in Arizona.

REAL ESTATE UNDER DEVELOPMENT

The financial statements include a property located in Scottsdale, Arizona that is under redevelopment. The shopping center is substantially vacant with large amounts of demolition having occurred. Depreciation expense is no longer being charged to the property and costs incurred during redevelopment are being capitalized.

EXCEL LEGACY CORPORATION ASSET GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES RECEIVABLE:

The Company holds a $16,593,000 mortgage loan receivable from a developer and owner of a shopping center located in Scottsdale, Arizona. The borrower intends to redevelop the property through the acquisition of adjoining parcels and the construction of certain improvements. The loan was originated in December 1996, and matures upon the sale of the property and bears interest at the rate of 12.0%. In addition, the borrower must pay the Company a "profits participation" equal to 50.0% of the profits generated by the property. The loan is non-recourse and repayment of the loan is collateralized by a first mortgage on the property. Interest receivable at July 31, 1997 and July 31, 1996 is $1,193,000 and $0, respectively.

Summarized unaudited financial statements as of and for the twelve months ended December 31, 1997 for the shopping center are as follows:

<TABLE>
<CAPTION>
BALANCE SHEET:

<S>	<C>
Real estate, net of depreciation	$ 15,445,000
Other assets	1,741,000
	$ 17,186,000
Notes payable to the Company	$ 16,593,000
Other liabilities	2,365,000
	18,958,000
Partners' deficit	(1,772,000)
	$ 17,186,000

STATEMENT OF OPERATIONS:

Total revenues	$ 3,293,000
Operating expenses:	
Property	(1,737,000)
Interest	(1,945,000)
Depreciation	(322,000)
Amortization	(251,000)
Net operating loss	$ (962,000)

</TABLE>

The Company holds a $4,290,000 promissory note receivable from a developer and owner of an eight story office building in downtown Phoenix, Arizona. The loan was originated in May 1997 and matures upon the sale of the property by the borrower. Until maturity, the loan bears interest at 11.0% per annum. In addition, the borrower must pay the Company a "profits participation" equal to 50.0% of the profits generated by the property. The loan is non-recourse and repayment of the loan is collateralized by a first mortgage on the property. Interest receivable was $84,000 and $0 at July 31, 1997 and July 31, 1996, respectively.

EXCEL LEGACY CORPORATION ASSET GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES RECEIVABLE, CONTINUED:

The Company holds a $1,050,000 promissory note receivable from an owner of a land parcel located in Arizona. The loan originated in October 1995 and matures in September 1998. Until the maturity date, the borrower is to pay interest at the rate of 7.0% per annum. In addition, upon maturity, prepayment or acceleration of the note, the borrower must pay additional interest from October 1995 on the principal amount of the note at the rate of 3.0% per annum. The note is non-recourse and repayment of the loan is collateralized by a first mortgage on the property.

At July 31, 1997, the Company has approximately $156,000 in notes receivable from a developer relating to predevelopment expenses of a property located in San Diego, California. The outstanding amounts related to these advances bear interest at the rate of 12.0%. EDV is committed to provide up to $2,500,000 in total advances related to this project.

5. MORTGAGES PAYABLE:

Ten of the Company's single free-standing buildings are encumbered by mortgages. The Company's office building is encumbered by a 8.125% mortgage due in 2006. Interest rates on the properties range from 7.625% to 8.75% and mature on various dates to 2014. Monthly payments at July 31, 1997 total $405,000. The loans are non-recourse and repayment of the loans by the Company is collateralized by a first mortgage on the properties.

The principal payments required to be made on mortgages payable are as follows (in thousands):

<TABLE>
<CAPTION>

Year	
1998	$ 2,026
1999	2,182
2000	2,353
2001	2,538
2002	2,743
Thereafter	25,974

</TABLE>

6. MINIMUM FUTURE RENTALS:

The Company leases its properties to tenants under noncancelable operating leases generally requiring the tenant to pay a minimum rent. The leases generally either (i) require the tenant to pay all expenses of operating the property such as insurance, property taxes, and structural repairs and maintenance, or (ii) require the tenant to reimburse the Company for the tenant's share of real estate taxes and other common area maintenance expenses. Minimum future rental revenue for the next five years is as follows (in thousands):

<TABLE>
<CAPTION>

Year	
1998	$ 5,684
1999	5,519
2000	5,411
2001	5,268
2002	5,070
Thereafter	62,239

</TABLE>

EXCEL LEGACY CORPORATION ASSET GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. STATEMENT OF CASH FLOWS - SUPPLEMENTAL DISCLOSURE:

The amounts paid for interest during the years ended July 31, 1997, 1996 and 1995 were $2,920,000, $3,089,000, and $3,193,000, respectively.

8. NEW PRONOUNCEMENTS:

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share and SFAS No. 129, Disclosure of Information about Capital Structure, which become effective for periods after December 15, 1997 and SFAS No. 131, Disclosures about Segments in an Enterprise and Related Information and SFAS No. 130, Comprehensive Income, which become effective in 1998. The Company has determined that the adoption of these SFASs will not have a material effect on the consolidated financial statements.

9. INTERIM FINANCIAL INFORMATION (UNAUDITED):

The accompanying combined statements of operations of changes in investment by Excel Realty Trust, Inc. and of cash flows for each of the eight-month periods ended March 31, 1998 and 1997 are unaudited but include all adjustments (consisting only of normal recurring adjustments) which the Company considers necessary for a fair presentation of the operating results and cash flows of such periods. Interim results are not necessarily indicative of results for the entire year or future periods.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-79673) of our report dated October 22, 1998 relating to the consolidated financial statements and financial statement schedules of Excel Legacy Corporation, which appear in Excel Legacy Corporation's annual report on Form 10-K/A for the period from inception (November 17, 1997) to July 31, 1998. We also consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-79673) of our report dated November 24, 1997 relating to the combined financial statements of Excel Legacy Asset Group, which appear in Excel Legacy Corporation's annual report on Form 10-K/A for the period from inception (November 17, 1997) to July 31, 1998.

/s/ PricewaterhouseCoopers LLP

San Diego, California
July 26, 1999

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