

KONOVER PROPERTY TRUST INC
Form 10-Q
August 14, 2002
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2002

OR

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

Commission File Number 1-11998

KONOVER PROPERTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

56-1819372
(I.R.S. Employer
Identification No.)

3434 Kildaire Farm Road
Suite 200
Raleigh, North Carolina
(Address of principal executive offices)

27606
(Zip Code)

(919) 372-3000
(Registrant's telephone number, including area code)

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 No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 31,915,014 shares of Common Stock, \$0.01 par value, as of August 14, 2002.

Table of Contents

KONOVER PROPERTY TRUST, INC.

INDEX

	<u>Page No.</u>
PART I. FINANCIAL INFORMATION	
Item 1. <u>Consolidated Financial Statements (Unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	32
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	33
Item 2. <u>Changes in Securities and Use of Proceeds</u>	34
Item 3. <u>Defaults Upon Senior Securities</u>	34
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	34
Item 5. <u>Other Information</u>	34
Item 6. <u>Exhibits and Reports on Form 8-K</u>	34

Table of Contents

PART I

Item 1. *Consolidated Financial Statements (Unaudited)*

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page No.</u>
<u>Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001</u>	4
<u>Consolidated Statements of Operations for the three months ended June 30, 2002 and 2001</u>	5
<u>Consolidated Statements of Operations for the six months ended June 30, 2002 and 2001</u>	6
<u>Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2002</u>	7
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and 2001</u>	8
<u>Notes to Consolidated Financial Statements</u>	9

Table of Contents**KONOVER PROPERTY TRUST, INC.****CONSOLIDATED BALANCE SHEETS**

	June 30, 2002	December 31, 2001
	(Unaudited)	(Audited)
	(in thousands)	
ASSETS		
Income producing properties:		
Land	\$ 44,440	\$ 43,725
Buildings and improvements	246,216	240,993
Deferred leasing and other charges	14,844	14,361
	305,500	299,079
Accumulated depreciation and amortization	(38,296)	(33,373)
	267,204	265,706
Properties under development/projects in process	369	4,694
Properties held for sale	10,028	60,701
Other assets:		
Cash and cash equivalents	24,237	17,615
Restricted cash	6,214	4,956
Tenant and other receivables, net allowance of \$3,264 and \$2,948 at June 30, 2002 and December 31, 2001, respectively	3,214	5,406
Notes receivable	2,627	477
Investment in and advances to unconsolidated entities	13,452	18,606
Deferred charges and other assets	4,589	6,855
	\$ 331,934	\$ 385,016
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Debt on income properties	\$ 180,849	\$ 229,709
Capital lease obligations	58	196
Accounts payable and other liabilities	9,312	10,732
	190,219	240,637
Commitments and contingencies		
Minority interests	4,870	3,680
Stockholders equity:		
Convertible preferred stock, Series A, 5,000,000 shares authorized, 780,680 issued and outstanding at June 30, 2002 and December 31, 2001	18,679	18,679
Stock purchase warrants	9	9
Common stock, \$0.01 par value, 100,000,000 shares authorized 31,914,354 and 31,647,387 issued and outstanding at June 30, 2002 and December 31, 2001, respectively	319	316
Additional paid-in capital	290,944	290,453
Accumulated deficit	(173,069)	(168,756)
Deferred compensation Restricted stock plan	(37)	(2)
	136,845	140,699

\$ 331,934 **\$ 385,016**
_____ **_____**

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

Table of Contents

KONOVER PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months ended June 30,	
	2002	2001
	(in thousands, except per share data)	
Rental operations:		
Revenues:		
Base rents	\$ 7,429	\$ 17,137
Percentage rents	149	395
Property operating cost recoveries	1,647	3,813
Other	10	326
	9,235	21,671
Property operating costs:		
Common area maintenance	1,044	2,885
Utilities	223	649
Real estate taxes	959	2,154
Insurance	195	291
Marketing	9	59
Other	876	1,023
	3,306	7,061
Depreciation and amortization	2,679	6,420
	5,985	13,481
	3,250	8,190
Other expenses:		
General and administrative	2,630	1,676
Stock compensation amortization	42	183
Severance and other related costs		918
Interest, net	4,055	7,802
	(3,477)	(2,389)
Loss from operations		
Adjustment to carrying value of property	(300)	105,110
(Gain) on sale of real estate	(213)	
Abandoned transaction costs	31	8
Equity in (earnings) losses of unconsolidated entities	(185)	4,800
	(2,810)	(112,307)
Loss before minority interest		
Minority interest	100	3,133
	(2,710)	(109,174)
Net loss		
Preferred dividends	(93)	
	(93)	

Edgar Filing: KONOVER PROPERTY TRUST INC - Form 10-Q

Net loss applicable to common stockholders	\$ (2,803)	\$ (109,174)
	_____	_____
Basic loss applicable to common stockholders per share	\$ (0.09)	\$ (3.50)
	_____	_____
Weighted-average number of common shares outstanding	31,887	\$ 31,234
	_____	_____
Diluted loss applicable to common stockholders per share	\$ (0.09)	\$ (3.50)
	_____	_____
Weighted-average number of diluted shares outstanding	31,887	31,234
	_____	_____

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents

KONOVER PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months ended June 30,	
	2002	2001
	(in thousands, except per share data)	
Rental operations:		
Revenues:		
Base rents	\$ 15,343	\$ 34,260
Percentage rents	227	530
Property operating cost recoveries	3,830	7,590
Other	483	1,771
	19,883	44,151
Property operating costs:		
Common area maintenance	2,105	5,439
Utilities	418	1,397
Real estate taxes	2,019	4,391
Insurance	374	626
Marketing	21	120
Other	1,569	2,068
	6,506	14,041
Depreciation and amortization	5,377	12,533
	11,883	