

BRT REALTY TRUST
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2013

OR

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-07172

BRT REALTY TRUST

(Exact name of Registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

13-2755856
(I.R.S. Employer
Identification No.)

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60 Cutter Mill Road, Great Neck, NY
(Address of principal executive offices)

11021
(Zip Code)

516-466-3100

(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

14,162,837 Shares of Beneficial Interest,

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\$3 par value, outstanding on May 3, 2013

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BRT REALTY TRUST AND SUBSIDIARIES

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Table of Contents**Part 1 - FINANCIAL INFORMATION****Item 1. Financial Statements****BRT REALTY TRUST AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except share data)**

	March 31, 2013 (Unaudited)	September 30, 2012
ASSETS		
Real estate properties net of accumulated depreciation and amortization of \$7,684 and \$4,787	\$ 269,014	\$ 190,317
Real estate loans, all earning interest	91,476	37,096
Deferred fee income	(1,051)	(512)
Real estate loans, net	90,425	36,584
Cash and cash equivalents	16,634	78,245
Restricted cash construction holdbacks	40,587	55,252
Available-for-sale securities at fair value	325	1,249
Deferred costs, net	12,207	12,337
Prepaid expenses	4,464	5,978
Other assets	6,569	5,994
Total Assets	\$ 440,225	\$ 385,956
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable	\$ 220,755	\$ 169,284
Junior subordinated notes	37,400	37,400
Accounts payable and accrued liabilities	3,649	4,298
Deposits payable	2,615	2,108
Deferred income	25,848	25,848
Total Liabilities	290,267	238,938
Commitments and contingencies		
Equity:		
BRT Realty Trust shareholders equity:		
Preferred shares, \$1 par value:		
Authorized 10,000 shares, none issued		
Shares of beneficial interest, \$3 par value:		
Authorized number of shares, unlimited, 13,535 and 13,473 issued	40,606	40,420
Additional paid-in capital	165,402	165,258
Accumulated other comprehensive (loss) income	(30)	356
Accumulated deficit	(72,879)	(72,585)
Total BRT Realty Trust shareholders equity	133,099	133,449
Non-controlling interests	16,859	13,569
Total Equity	149,958	147,018

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Total Liabilities and Equity	\$	440,225	\$	385,956
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See accompanying notes to consolidated financial statements.

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	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Revenues:				
Rental and other revenue from real estate properties	\$ 6,866	\$ 1,019	\$ 12,506	\$ 1,787
Interest and fees on real estate loans	2,966	2,202	4,845	4,454
Recovery of previously provided allowances		3	422	10
Other income	314	463	624	590
Total revenues	10,146	3,687	18,397	6,841
Expenses:				
Interest expense	2,661	875	5,607	1,342
Advisor s fees, related party	443	273	817	444
General and administrative including \$198 and \$232 to related party for the three months ended and \$403and \$481 for the six months ended	1,721	2,006	3,584	3,680
Property acquisition costs	160	1,793	1,038	1,793
Operating expenses relating to real estate properties	3,417	959	6,563	1,745
Depreciation and amortization	1,618	180	2,905	364
Total expenses	10,020	6,086	20,514	9,368
Total revenues less total expenses	126	(2,399)	(2,117)	(2,527)
Equity in earnings (loss) of unconsolidated ventures	68	(40)	129	(115)
Gain on sale of available-for-sale securities	482	342	482	324
Gain on sale of loan				3,192
Income (loss) from continuing operations	676	(2,097)	(1,506)	874
Discontinued operations:				
Gain on sale of real estate assets				490
Net income (loss)	676	(2,097)	(1,506)	1,364
Plus: net loss attributable to non-controlling interests	334	1,069	1,212	1,482
Net income (loss) attributable to common shareholders	\$ 1,010	\$ (1,028)	\$ (294)	\$ 2,846
Basic and diluted per share amounts attributable to common shareholders:				
Income (loss) from continuing operations	\$.07	\$ (.07)	\$ (.02)	\$.17
Discontinued operations				.03
Basic and diluted income (loss) per share	\$.07	\$ (.07)	\$ (.02)	\$.20
Amounts attributable to BRT Realty Trust:				
Income (loss) from continuing operations	\$ 1,010	\$ (1,028)	\$ (294)	\$ 2,356
Discontinued operations				490
Net income (loss)	\$ 1,010	\$ (1,028)	\$ (294)	\$ 2,846

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Weighted average number of common shares
outstanding:

Basic and diluted	14,170,229	14,050,088	14,111,153	14,015,940
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(Dollars in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,		
	2013	2012	2013	2012	
Net income (loss)	\$ 676	\$ (2,097)	\$ (1,506)	\$ 1,364	
Other comprehensive income:					
Net unrealized (loss) gain on available-for-sale securities	(392)	(79)	(415)	297	
Unrealized gain (loss) on derivative instruments	18	(27)	29	(27)	
Other comprehensive (loss) income	(374)	(106)	(386)	270	
Comprehensive income (loss)	302	(2,203)	(1,892)	1,634	
Comprehensive loss attributable to non-controlling interests	337	1,065	1,216	1,478	
Comprehensive income (loss) attributable to common shareholders	\$ 639	\$ (1,138)	\$ (676)	\$ 3,112	

See accompanying notes to consolidated financial statements.

Table of Contents**BRT REALTY TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY**

Six Months Ended March 31, 2013

(Unaudited)

(Dollars in thousands, except share data)

	Shares of Beneficial Interest	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Non- Controlling Interest	Total
Balances, September 30, 2012	\$ 40,420	\$ 165,258	\$ 356	\$ (72,585)	\$ 13,569	\$ 147,018
Restricted stock vesting	186	(186)				
Compensation expense restricted stock		330				330
Contributions from non-controlling interests					5,191	5,191
Distributions to non-controlling interests					(689)	(689)
Net loss				(294)	(1,212)	(1,506)
Other comprehensive loss			(386)			(386)
Comprehensive loss						(1,892)
Balances, March 31, 2013	\$ 40,606	\$ 165,402	(30)	\$ (72,879)	\$ 16,859	\$ 149,958

See accompanying notes to consolidated financial statements.

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BRT REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in Thousands)

	Six Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net (loss) income	(1,506)	\$ 1,364
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Recovery of previously provided allowances	(422)	(10)
Depreciation and amortization	3,727	611
Amortization of deferred fee income	(791)	(817)
Amortization of restricted stock	330	391
Gain on sale of real estate assets from discontinued operations		(490)
Gain on sale of available-for-sale securities	(482)	(324)
Gain on sale of loan		(3,192)
Equity in (earnings) loss of unconsolidated joint ventures	(129)	115
Distribution of earnings of unconsolidated joint ventures	90	355
Change in straight line rent	7	16
Increases and decreases from changes in other assets and liabilities:		
(Increase) decrease in interest and dividends receivable	(550)	254
Decrease in prepaid expenses	7	120
Decrease in prepaid interest	1,507	165
Decrease in accounts payable and accrued liabilities	(113)	(2,058)
Decrease in deferred costs	(430)	(33)
Increase in security deposits and other receivables	(286)	(2,940)
Other	282	(8)
Net cash provided by (used in) operating activities	1,241	(6,481)
Cash flows from investing activities:		
Collections from real estate loans	8,658	71,499
Additions to real estate loans	(63,038)	(66,099)
Loan loss recoveries	422	10
Additions to real estate properties	(64,600)	(68,650)
Net costs capitalized to real estate owned	(16,559)	(4,365)
Net change in restricted cash - construction holdbacks	14,665	(33,064)
Collection of loan fees	1,330	1,544
Proceeds from sale of real estate owned	24	516
Proceeds from sale of available-for-sale securities	991	2,513
Purchase of available-for-sale-securities		(1,634)
Distributions of capital of unconsolidated joint ventures		3,035
Contributions to unconsolidated joint ventures		(4,760)
Net cash used in investing activities	(118,107)	(99,455)

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Table of Contents**BRT REALTY TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****(Unaudited)****(Dollars in Thousands)**

	Six Months Ended March 31,	
	2013	2012
Cash flows from financing activities:		
Increase in mortgages payable	52,248	88,992
Mortgage principal payments	(777)	(3,103)
Increase in deferred borrowing costs	(718)	(7,110)
Capital contributions from non-controlling interests	5,191	7,375
Capital distribution to non-controlling interests	(689)	
Proceeds from sale of New Markets Tax Credits		13,730
Repurchase of shares of beneficial interest		(879)
Net cash provided by financing activities	55,255	99,005
Net decrease in cash and cash equivalents	(61,611)	(6,931)
Cash and cash equivalents at beginning of period	78,245	44,025
Cash and cash equivalents at end of period	\$ 16,634	\$ 37,094
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of capitalized interest	4,669	\$ 1,383
Taxes paid	80	\$ 168

See accompanying notes to consolidated financial statements.

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BRT REALTY TRUST AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2013

Note 1 Organization and Background

BRT Realty Trust (BRT or the Trust) is a business trust organized in Massachusetts. BRT (i) originates and holds for investment senior mortgage loans secured by commercial and multi-family real estate property in the United States, (ii) began participating, in fiscal 2012, as an equity investor in joint ventures that own and operate multi-family properties and (iii) owns and operates commercial and mixed use real estate assets, and in particular, development properties located in Newark, New Jersey.

The loans we originate generally have relatively high yields and are short-term or bridge loans with a duration ranging from six months to one year, with up to a one year extension in certain cases. Our policy is to lend at a floating rate of interest based on a spread over the prime rate, with a stated minimum rate, though we originate fixed rate loans as circumstances dictate.

The Trust conducts its operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes.

Note 2 - Basis of Preparation

The accompanying interim unaudited consolidated financial statements as of March 31, 2013 and for the three and six months ended March 31, 2013 and 2012 reflect all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for such interim periods. The results of operations for the three and six months ended March 31, 2013 are not necessarily indicative of the results for the full year. The balance sheet as of September 30, 2012 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

Certain items on the consolidated financial statements for the preceding period have been reclassified to conform with the current period's presentation.

The consolidated financial statements include the accounts and operations of BRT Realty Trust, its wholly owned subsidiaries, and its majority owned or controlled real estate entities and its interests in variable interest entities in which the Trust is determined to be the primary beneficiary. Material intercompany balances and transactions have been eliminated.

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RBH-TRB Newark Holdings LLC, referred to herein as the Newark Joint Venture, was determined to be a Variable Interest Entity (VIE) because the total equity investment at risk is not sufficient to permit it to finance its activities without additional subordinated financial support by its equity holders. The Trust was determined to be the primary beneficiary of this joint venture because it has a controlling interest in that it has the power to direct the activities of the Newark Joint Venture that most significantly impact the entity s economic performance and it has the obligation to absorb losses of, and the right to receive benefits from, the entity that could potentially be significant to the Newark Joint Venture.

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Note 2 - Basis of Preparation (Continued)

The Trust's consolidated joint ventures that own multi-family properties were determined to be VIEs because the voting rights of some equity investors are not proportional to their obligations to absorb the expected losses of the entity and their right to receive the expected residual returns. In addition, substantially all of the entity's activities either involve or are conducted on behalf of the investor that has disproportionately few voting rights.

The Trust was determined to be the primary beneficiary of these joint ventures because it has a controlling interest in that it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and it has the obligation to absorb losses of and the right to receive benefits from the entity that could potentially be significant to the VIE.

With respect to its unconsolidated joint ventures, in which (i) the Trust is primarily the managing member but does not exercise substantial operating control over these entities or the Trust is not the managing member and (ii) such entities are not VIEs, the Trust has determined that such joint ventures should be accounted for under the equity method of accounting for financial statement purposes.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Note 3 - Equity

Common Share Dividend Distribution

During the quarter ended March 31, 2013, the Trust did not declare a dividend to its shareholders.

Restricted Shares

The Trust's 2012 Incentive Plan, approved by its shareholders in January 2012, permits the Trust to grant stock options, restricted stock, restricted stock units, performance shares awards and any one or more of the foregoing. A maximum of 600,000 shares may be issued pursuant to such plan. As of March 31, 2013, 131,475 shares have been issued pursuant to this plan. An aggregate of 495,950 shares of restricted stock have also been granted pursuant to the Trust's 2003 and 2009 equity incentive plans (collectively, the "Prior Plans") and had not vested as of March 31, 2013. No additional awards may be granted under the Prior Plans. The restricted shares that have been granted under the plans vest five years from the date of grant and under specified circumstances, including a change in control, may vest earlier. For accounting purposes, the restricted shares are not included in the outstanding shares shown on the consolidated balance sheet until they vest, but are included in the

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earnings per share computation. The estimated fair value of restricted stock at the date of grant is being amortized ratably into expense over the applicable vesting period. For the three months ended March 31, 2013 and 2012 the Trust recorded \$137,000 and \$179,000 of compensation expense, respectively, and for the six months ended March 31, 2013 and 2012, recorded \$330,