

Edgar Filing: IRT PROPERTY CO - Form 10-Q

IRT PROPERTY CO
Form 10-Q
November 13, 2001

UNITED STATES 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 September 30, 2001

OR

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

For the Transition Period From _____ to _____

Commission File Number 1-7859

IRT PROPERTY COMPANY

(Exact name of registrant as specified in its charter)

Georgia

58-1366611

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

200 Galleria Parkway, Suite 1400
Atlanta, Georgia

30339

(Address of principal executive offices)

(Zip Code)

(770) 955-4406

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,
if changed since last report)

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

Class Outstanding at November 13, 2001

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Common Stock, \$1 Par Value

30,489,489 Shares

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CERTAIN INFORMATION CONTAINED IN THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. READERS OF THIS REPORT SHOULD BE AWARE THAT THERE ARE VARIOUS FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS MADE HEREIN. THIS INFORMATION IS FURTHER QUALIFIED BY THE SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS AND THE INFORMATION IN THE SECTION ENTITLED "RISK FACTORS" CONTAINED IN THE IRT PROPERTY COMPANY ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000, WHICH ARE INCORPORATED HEREIN BY REFERENCE.

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Item 1. Financial Statements

IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share amounts)

| | September 30, 2001 | December 2000 |
|--|-----------------------|------------------|
| | ----- | ----- |
| | (Unaudited) | |
| ASSETS | | |
| Real estate investments: | | |
| Rental properties | \$ 645,449 | \$ 632, |
| Properties under development | 15,110 | |
| | ----- | ----- |
| Accumulated depreciation | 660,559 | 633, |
| | (105,603) | (96, |
| | ----- | ----- |
| Net rental properties | 554,956 | 536, |
| Equity investment in and advances to unconsolidated affiliates | - | 17, |
| Net investment in direct financing leases | 2,207 | 4, |
| Mortgage loans, net | 4,735 | 4, |
| | ----- | ----- |
| Net real estate investments | 561,898 | 562, |
| Cash and cash equivalents | 1,562 | |
| Prepaid expenses and other assets | 13,028 | 10, |
| | ----- | ----- |
| Total assets | \$ 576,488 | \$ 574, |
| | ===== | ===== |

LIABILITIES & SHAREHOLDERS' EQUITY

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Liabilities:

| | | | | |
|--|----|----------|----|-------|
| Mortgage notes payable, net | \$ | 135,359 | \$ | 116, |
| 7.3% convertible subordinated debentures, net | | 23,275 | | 23, |
| Senior notes, net | | 124,750 | | 124, |
| Indebtedness to banks | | 36,000 | | 55, |
| Accrued interest | | 2,850 | | 3, |
| Accrued expenses and other liabilities | | 11,854 | | 8, |
| | | ----- | | ----- |
| Total liabilities | | 334,088 | | 331, |
| Commitments and contingencies (Note 11) | | | | |
| Minority interest payable | | 7,815 | | 7, |
| Shareholders' equity: | | | | |
| Preferred stock, \$1 par value, authorized 10,000,000 shares; none issued | | - | | - |
| Common stock, \$1 par value, 150,000,000 shares authorized; 33,234,206 shares issued in 2001 and 2000, respectively | | 33,234 | | 33, |
| Additional paid-in capital | | 272,145 | | 272, |
| Deferred compensation/stock loans | | (1,762) | | (1, |
| Treasury stock, at cost, 2,746,717 and 2,889,276 shares in 2001 and 2000, respectively | | (22,818) | | (23, |
| Cumulative distributions in excess of net earnings | | (46,214) | | (44, |
| | | ----- | | ----- |
| Total shareholders' equity | | 234,585 | | 235, |
| | | ----- | | ----- |
| Total liabilities and shareholders' equity | \$ | 576,488 | \$ | 574, |
| | | ===== | | ===== |

The accompanying notes are an integral part of these consolidated balance sheets.

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IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Three and Nine Months Ended September 30, 2001 and 2000
(Unaudited)
(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------|-------------------------------------|----------|------------------------------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| REVENUES: | | | | |
| Income from rental properties | \$21,463 | \$21,333 | \$63,983 | \$63,37 |
| Interest income | 92 | 287 | 372 | 76 |
| Interest on direct financing leases | 51 | 118 | 335 | 41 |
| Gain on sale of outparcel | 258 | - | 1,003 | |
| | ----- | ----- | ----- | ----- |
| Total revenues | 21,864 | 21,738 | 65,693 | 64,56 |

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| | | | | |
|---|----------|----------|----------|----------|
| EXPENSES: | | | | |
| Operating expenses of rental properties | 5,241 | 4,914 | 15,929 | 14,700 |
| Interest expense | 5,723 | 5,499 | 17,202 | 16,300 |
| Depreciation | 3,826 | 3,800 | 11,348 | 10,910 |
| Amortization of debt costs | 165 | 133 | 477 | 390 |
| General and administrative | 1,076 | 1,132 | 3,159 | 2,800 |
| | ----- | ----- | ----- | ----- |
| Total expenses | 16,031 | 15,478 | 48,115 | 45,110 |
| Equity in loss of unconsolidated affiliates | - | (16) | (4) | (5) |
| | ----- | ----- | ----- | ----- |
| Earnings before income taxes, minority interest and gain on sales of properties | 5,833 | 6,244 | 17,574 | 19,390 |
| Income tax provision | - | - | (53) | |
| Minority interest of unitholders in operating partnership | (117) | (143) | (422) | (45) |
| Gain on sales of properties | - | 644 | 2,498 | 3,380 |
| | ----- | ----- | ----- | ----- |
| NET EARNINGS | \$ 5,716 | \$ 6,745 | \$19,597 | \$22,310 |
| | ===== | ===== | ===== | ===== |
| PER SHARE: | | | | |
| Net earnings -- basic | \$ 0.19 | \$ 0.21 | \$ 0.65 | \$ 0.70 |
| | ===== | ===== | ===== | ===== |
| Net earnings -- diluted | \$ 0.19 | \$ 0.21 | \$ 0.64 | \$ 0.66 |
| | ===== | ===== | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: | | | | |
| Basic | 30,388 | 31,408 | 30,294 | 31,820 |
| | ===== | ===== | ===== | ===== |
| Diluted | 31,339 | 32,255 | 31,191 | 34,720 |
| | ===== | ===== | ===== | ===== |

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

IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2001 and 2000
(Unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|---------------------------------------|------------------------------------|-------|
| | ----- | ----- |
| | 2001 | 2000 |
| | ----- | ----- |
| Cash flows from operating activities: | | |

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| | | |
|--|-----------|-----------|
| Net earnings | \$ 19,597 | \$ 22,318 |
| Adjustments to reconcile earnings to net cash from operating activities: | | |
| Depreciation | 11,348 | 10,910 |
| Gain on sale of operating properties | (2,498) | (3,382) |
| Gain on sale of outparcels | (1,003) | - |
| Minority interest of unitholders in partnership | (153) | (117) |
| Straight line rent adjustment | (370) | (83) |
| Amortization of deferred compensation | 88 | 93 |
| Amortization of debt costs and discounts | 501 | 399 |
| Amortization of capitalized leasing income | 119 | 117 |
| Changes in assets and liabilities: | | |
| Decrease in accrued interest on debentures and senior notes | (762) | - |
| Increase in interest receivable, prepaid expenses and other assets | (882) | (2,004) |
| Increase in accrued expenses and other liabilities | 2,472 | 1,728 |
| | ----- | ----- |
| Net cash flows from operating activities | 28,457 | 29,979 |
| | ----- | ----- |
| Cash flows used in investing activities: | | |
| Additions to operating properties, net | (12,143) | (5,917) |
| Additions to development properties, net | (6,451) | - |
| Proceeds from sales of operating properties, net | 11,260 | 12,446 |
| Proceeds from sale of outparcels, net | 1,330 | - |
| Investment in unconsolidated affiliates | - | (4,392) |
| Purchase of unconsolidated affiliate, net of assets acquired | 177 | - |
| Distribution from dissolution of unconsolidated affiliate | 21 | - |
| Funding of mortgage loans | (445) | (3,072) |
| Collections of mortgage loans, net | 23 | 7 |
| | ----- | ----- |
| Net cash flows used in investing activities | (6,228) | (928) |
| | ----- | ----- |
| Cash flows used in financing activities: | | |
| Cash dividends, net | (21,422) | (22,180) |
| Purchase of treasury stock | (405) | (13,272) |
| Exercise of stock options | 1,561 | 172 |
| Proceeds from mortgage notes payable | 20,740 | - |
| Principal amortization of mortgage notes payable | (1,890) | (1,546) |
| Repayment of mortgage notes payable | - | (3,520) |
| Proceeds from 7.77% senior notes issuance | 50,000 | - |
| Repayment of 7.45% senior notes | (50,000) | - |
| Increase (decrease) in bank indebtedness | (19,000) | 10,823 |
| Payment of deferred financing costs | (1,082) | - |
| | ----- | ----- |
| Net cash flows used in financing activities | (21,498) | (29,523) |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | 731 | (472) |
| Cash and cash equivalents at beginning of period | 831 | 514 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 1,562 | \$ 42 |
| | ===== | ===== |
| Supplemental disclosures of cash flow information: | | |
| Total cash paid during period for interest | \$ 18,887 | \$ 17,111 |
| | ===== | ===== |

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

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IRT PROPERTY COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2001 and 2000
(Dollars in thousands, except per share amounts)

1. Unaudited Financial Statements

These consolidated financial statements for interim periods are unaudited and should be read in conjunction with the Company's Report on Form 10-K for the year ended December 31, 2000. The accompanying consolidated financial statements include the accounts of IRT Property Company and its wholly-owned subsidiaries, IRT Management Company ("IRTMC"), VW Mall, Inc., IRT Alabama, Inc. ("IRTAL") and IRT Capital Corporation II ("IRTCCII"), and its majority-owned subsidiary, IRT Partners L.P. ("LP") (collectively, the "Company"). Intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to a fair presentation of the financial statements as of September 30, 2001 and 2000 have been recorded. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

As of December 31, 2000, the Company's investment in IRT Capital Corporation ("IRTCC") and IRTCCII was accounted for under the equity method of accounting. In January 2001, IRTCC was dissolved and the Company's investment in IRTCC was eliminated. In March 2001, the Company purchased the remaining voting and non-voting common stock of IRTCCII, making IRTCCII a wholly-owned subsidiary. See Note 9.

2. Investment in and Advances to Unconsolidated Affiliates

As of September 30, 2001, LP, IRTCCII, IRTAL and IRTMC guaranteed the Company's indebtedness under the Company's existing unsecured revolving term loan and its other senior debt. The guarantees are joint and several and full and unconditional.

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| | GUARANTORS | | |
|--------------------------|-------------------------|------------------------------|--------------------|
| | IRT PROPERTY COMPANY | COMBINED SUBSIDIARIES (1) | IRT PARTNERS, L |
| AS OF SEPTEMBER 30, 2001 | | | |
| ASSETS | | | |
| Net rental properties | \$ 391,249 | \$ 26,179 | \$ 137,52 |
| Investment in affiliates | 115,414 | - | |
| Other assets | 37,753 | 30,569 | 24,73 |
| | | | |

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| | | | |
|--|------------|-----------|------------|
| Total assets | 544,416 | 56,748 | 162,266 |
| LIABILITIES | | | |
| Mortgage notes payable | 93,602 | 4,113 | 37,644 |
| Senior Notes, net | 124,750 | - | - |
| Indebtedness to banks | 36,000 | - | - |
| Other liabilities | 83,871 | 22,492 | 3,144 |
| Total liabilities | 338,223 | 26,605 | 40,788 |
| SHAREHOLDERS' EQUITY | | | |
| Total shareholders' equity | 206,193 | 30,143 | 121,478 |
| Total liabilities and shareholders' equity | \$ 544,416 | \$ 56,748 | \$ 162,266 |

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

| | | | |
|---|-----------|----------|----------|
| REVENUES | | | |
| Income from rental properties | \$ 15,199 | \$ 322 | \$ 5,944 |
| Interest Income | 190 | - | 150 |
| Interest on direct financing leases | 51 | - | - |
| Other income | 284 | 2,477 | - |
| Total revenues | 15,724 | 2,799 | 6,104 |
| EXPENSES | | | |
| Operating expenses of rental properties | 3,636 | 82 | 1,524 |
| Interest expense | 5,054 | 193 | 734 |
| Depreciation | 2,809 | 63 | 954 |
| Amortization of debt costs | 161 | 1 | - |
| General and administrative | 746 | 62 | 264 |
| Total expenses | 12,406 | 401 | 3,484 |
| Equity in earnings (losses) of affiliates | 2,398 | - | - |
| Earnings before income taxes, minority interest and gain on sales of properties | 5,716 | 2,398 | 2,624 |
| Minority interest in operating partnership | - | - | - |
| Net Earnings | \$ 5,716 | \$ 2,398 | \$ 2,624 |

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

| | | | |
|-------------------------------------|-----------|--------|-----------|
| REVENUES | | | |
| Income from rental properties | \$ 45,498 | \$ 945 | \$ 17,544 |
| Interest Income | 899 | - | 324 |
| Interest on direct financing leases | 335 | - | - |

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| | | | |
|---|-------------|------------|-----------|
| Other income | 327 | 8,888 | 29 |
| | ----- | ----- | ----- |
| Total revenues | 47,059 | 9,833 | 18,16 |
| | ----- | ----- | ----- |
| EXPENSES | | | |
| Operating expenses of rental properties | 11,088 | 218 | 4,62 |
| Interest expense | 15,534 | 479 | 2,04 |
| Depreciation | 8,312 | 153 | 2,88 |
| Amortization of debt costs | 469 | 2 | |
| General and administrative | 2,223 | 170 | 76 |
| | ----- | ----- | ----- |
| Total expenses | 37,626 | 1,022 | 10,31 |
| | ----- | ----- | ----- |
| Equity in earnings (losses) of affiliates | 8,758 | - | |
| | ----- | ----- | ----- |
| Earnings before income taxes, minority interest and gain on sales of properties | 18,191 | 8,811 | 7,84 |
| Income tax provision | - | (53) | |
| Minority interest in operating partnership | - | - | |
| Gain on sales of properties | 1,390 | - | 1,10 |
| | ----- | ----- | ----- |
| Net Earnings | \$ 19,581 | \$ 8,758 | \$ 8,95 |
| | ===== | ===== | ===== |
| Net cash flows provided by (used in) operating activities | \$ 19,796 | \$ 7,738 | \$ 10,66 |
| | ===== | ===== | ===== |
| Net cash flows (used in) provided by investing activities | \$ (2,481) | \$ (2,589) | \$ (1,84 |
| | ===== | ===== | ===== |
| Net cash flows (used in) provided by financing activities | \$ (11,172) | \$ (4,918) | \$ (14,46 |
| | ===== | ===== | ===== |

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| | IRT PROPERTY COMPANY | COMBINED SUBSIDIARIES (1) | IRT PARTNERS, L |
|--------------------------|-------------------------|------------------------------|--------------------|
| | ----- | ----- | ----- |
| GUARANTORS | | | |
| AS OF DECEMBER 31, 2000 | | | |
| ASSETS | | | |
| Net rental properties | \$ 394,144 | \$ 5,575 | \$ 137,11 |
| Investment in affiliates | 127,364 | - | |
| Other assets | 29,444 | 21,720 | 8,70 |

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| | | | |
|---|------------|-----------|-----------|
| Total assets | 550,952 | 27,295 | 145,81 |
| LIABILITIES | | | |
| Mortgage notes payable | 81,741 | 4,173 | 30,59 |
| Senior Notes, net | 124,714 | - | |
| Indebtedness to banks | 55,000 | - | |
| Other liabilities | 54,344 | 1,319 | 8,32 |
| Total liabilities | 315,799 | 5,492 | 38,91 |
| SHAREHOLDERS' EQUITY | | | |
| Total shareholders' equity | 235,153 | 21,803 | 106,89 |
| Total liabilities and shareholders' equity | \$ 550,952 | \$ 27,295 | \$ 145,81 |
| FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000 | | | |
| REVENUES | | | |
| Income from rental properties | \$ 16,113 | \$ 171 | \$ 5,04 |
| Interest Income | 217 | - | 7 |
| Interest on direct financing leases | 118 | - | |
| Other income | 20 | 1,846 | |
| Total revenues | 16,468 | 2,017 | 5,11 |
| EXPENSES | | | |
| Operating expenses of rental properties | 3,527 | 30 | 1,35 |
| Interest expense | 4,822 | 68 | 60 |
| Depreciation | 2,908 | 19 | 87 |
| Amortization of debt costs | 132 | 1 | |
| General and administrative | 860 | 1 | 27 |
| Total expenses | 12,249 | 119 | 3,11 |
| Equity in earnings (losses) of affiliates | 1,881 | - | |
| Earnings before minority interest and gain on sales of properties | 6,100 | 1,898 | 2,00 |
| Minority interest in operating partnership | - | - | |
| Gain on sales of properties | 644 | - | |
| Net Earnings | \$ 6,744 | \$ 1,898 | \$ 2,00 |
| FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 | | | |
| REVENUES | | | |

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| | | | |
|---|---------------------------|---------------------|-----------------------------------|
| Income from rental properties | \$ 47,647 | \$ 508 | \$ 15,22 |
| Interest Income | 463 | - | 30 |
| Interest on direct financing leases | 416 | - | |
| Other income | 64 | 5,920 | |
| | ----- | ----- | ----- |
| Total revenues | 48,590 | 6,428 | 15,52 |
| | ----- | ----- | ----- |
| EXPENSES | | | |
| Operating expenses of rental properties | 10,623 | 94 | 3,99 |
| Interest expense | 14,260 | 206 | 1,83 |
| Depreciation | 8,234 | 57 | 2,61 |
| Amortization of debt costs | 397 | 2 | |
| General and administrative | 2,156 | 3 | 64 |
| | ----- | ----- | ----- |
| Total expenses | 35,670 | 362 | 9,08 |
| | ----- | ----- | ----- |
| Equity in earnings (losses) of affiliates | 6,014 | - | |
| | ----- | ----- | ----- |
| Earnings before minority interest and gain on sales of properties | 18,934 | 6,066 | 6,44 |
| Minority interest in operating partnership | - | - | |
| Gain on sales of properties | 3,382 | - | |
| | ----- | ----- | ----- |
| Net Earnings | \$ 22,316 | \$ 6,066 | \$ 6,44 |
| | ===== | ===== | ===== |
| Net cash flows provided by (used in) operating activities | \$ 16,465 | \$ 5,827 | \$ 8,45 |
| | ===== | ===== | ===== |
| Net cash flows provided by (used in) investing activities | \$ 7,816 | \$ - | \$ (2,30) |
| | ===== | ===== | ===== |
| Net cash flows (used in) provided by financing activities | \$ (28,602) | \$ (5,813) | \$ (2,29) |
| | ===== | ===== | ===== |
| | IRT CAPITAL CORPORATION I | ELIMINATING ENTRIES | CONSOLIDATED IRT PROPERTY COMPANY |
| | ----- | ----- | ----- |
| AS OF DECEMBER 31, 2000 | | | |
| ASSETS | | | |
| Net rental properties | \$ - | \$ (17,989) | \$ 536,833 |
| Investment in affiliates | - | (110,022) | 17,342 |
| Other assets | 31 | (39,907) | 20,385 |
| | ----- | ----- | ----- |
| Total assets | 31 | (167,918) | 574,560 |
| | ===== | ===== | ===== |
| LIABILITIES | | | |

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| | | | |
|--|-------|--------------|------------|
| Mortgage notes payable | - | - | 116,509 |
| Senior Notes, net | - | - | 124,714 |
| Indebtedness to banks | - | - | 55,000 |
| Other liabilities | 2 | (39,197) | 43,184 |
| | ----- | ----- | ----- |
| Total liabilities | 2 | (39,197) | 339,407 |
| | ----- | ----- | ----- |
| SHAREHOLDERS' EQUITY | | | |
| Total shareholders' equity | 29 | (128,721) | 235,153 |
| | ----- | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 31 | \$ (167,918) | \$ 574,560 |
| | ===== | ===== | ===== |

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000

| | | | |
|---|--------|------------|-----------|
| REVENUES | | | |
| Income from rental properties | \$ - | \$ (21) | \$ 21,333 |
| Interest Income | - | - | 287 |
| Interest on direct financing leases | - | - | 118 |
| Other income | - | (1,866) | - |
| | ----- | ----- | ----- |
| Total revenues | - | (1,887) | 21,738 |
| | ----- | ----- | ----- |
| EXPENSES | | | |
| Operating expenses of rental properties | - | (21) | 4,914 |
| Interest expense | - | - | 5,499 |
| Depreciation | - | (7) | 3,800 |
| Amortization of debt costs | - | - | 133 |
| General and administrative | 1 | (10) | 1,132 |
| | ----- | ----- | ----- |
| Total expenses | 1 | (38) | 15,478 |
| | ----- | ----- | ----- |
| Equity in earnings (losses) of affiliates | - | (1,897) | (16) |
| | ----- | ----- | ----- |
| Earnings before minority interest and gain on sales of properties | (1) | (3,746) | 6,244 |
| Minority interest in operating partnership | - | (143) | (143) |
| Gain on sales of properties | - | - | 644 |
| | ----- | ----- | ----- |
| Net Earnings | \$ (1) | \$ (3,889) | \$ 6,745 |
| | ===== | ===== | ===== |

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

| | | | |
|-------------------------------------|-------|---------|-----------|
| REVENUES | | | |
| Income from rental properties | \$ - | \$ (96) | \$ 63,379 |
| Interest Income | - | - | 767 |
| Interest on direct financing leases | - | - | 416 |
| Other income | - | (5,984) | - |
| | ----- | ----- | ----- |

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| | | | |
|---|--------|-------------|-------------|
| Total revenues | - | (6,080) | 64,562 |
| ----- | | | |
| EXPENSES | | | |
| Operating expenses of rental properties | - | (68) | 14,707 |
| Interest expense | - | - | 16,301 |
| Depreciation | - | (22) | 10,910 |
| Amortization of debt costs | - | - | 399 |
| General and administrative | 5 | (58) | 2,800 |
| ----- | | | |
| Total expenses | 5 | (148) | 45,117 |
| ----- | | | |
| Equity in earnings (losses) of affiliates | - | (6,064) | (50) |
| ----- | | | |
| Earnings before minority interest and gain on sales of properties | (5) | (11,996) | 19,395 |
| Minority interest in operating partnership | - | (459) | (459) |
| Gain on sales of properties | - | - | 3,382 |
| ----- | | | |
| Net Earnings | \$ (5) | \$ (12,455) | \$ 22,318 |
| ===== | | | |
| Net cash flows provided by (used in) operating activities | \$ (3) | \$ (653) | \$ 29,979 |
| ===== | | | |
| Net cash flows provided by (used in) investing activities | \$ - | \$ 350 | \$ (928) |
| ===== | | | |
| Net cash flows (used in) provided by financing activities | \$ - | \$ 248 | \$ (29,523) |
| ===== | | | |