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KONOVER PROPERTY TRUST INC

Form 8-K

October 10, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 25, 2001

KONOVER PROPERTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1-11998
(Commission File Number)

(I.R.S.)

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

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

Not Applicable

(Former name or former address, if changed since last report)

Konover Property Trust, Inc.

ITEM 2: Acquisition or Disposition of Assets

On September 25, 2001, Konover Property Trust, Inc. (the "Company") closed on the sale of a portfolio consisting of 28 outlet shopping centers and three community centers to Chelsea GCA Realty, Inc. for the aggregate consideration of approximately \$180 million, including the assumption and pay down of mortgage indebtedness of approximately \$164 million. As discussed in Item 5 below, the Company simultaneously refinanced certain assets. The net proceeds from the sale and refinancing after transaction costs and escrow funding were approximately \$14 million.

The 28 outlet centers and three community centers (collectively, the "Outlet Portfolio") sold to Chelsea GCA Realty, Inc. aggregate approximately 4.3 million square feet of gross leasable area as follows:

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| Outlet Centers ----- | Location ----- |
|------------------------------------|----------------------------|
| Factory Stores of America | Arcadia, LA |
| Factory Stores of America | Boaz, AL |
| Factory Shoppes at Branson Meadows | Branson, MO |
| Carolina Outlet Center | Smithfield, NC |
| Factory Stores of America | Corsicana, TX |
| Factory Stores of America | Crossville, TN |
| Factory Stores of America | Draper, UT |
| Factory Stores of America | Georgetown, KY |
| Factory Stores of America | Graceville, FL |
| Factory Stores of America | Hanson, KY |
| Factory Stores of America | Hempstead, TX |
| Factory Stores of America | Iowa, LA |
| Factory Stores of America | Kittery, ME |
| Factory Stores of America | Lake George, NY |
| Factory Stores of America | LaMarque, TX |
| Factory Stores of America | Lebanon, MO |
| Factory Stores of America | Livingston, TX |
| Factory Stores of America | Mesa, AZ |
| Factory Stores of America | Mineral Wells, TX |
| Factory Stores of America | Nebraska City, NE |
| Factory Stores of North Bend | North Bend, WA |
| Factory Stores of America | Story City, IA |
| Factory Stores of America | Tri-Cities |
| Factory Stores of America | Tucson, AZ |
| Factory Stores of America | Tupelo, MS |
| Factory Stores of America | Union City, TN |
| Factory Stores of Vacaville | Vacaville, CA |
| Factory Stores of America | West Frankfort, IL |
| | ----- |
| | Subtotal Outlet Centers |
| | ----- |
| Community Centers ----- | |
| Dare Center | Kill Devil Hills, NC |
| MacGregor Village | Cary, NC |
| NorthRidge Shopping Center | Raleigh, NC |
| | ----- |
| | Subtotal Community Centers |
| | ----- |
| | Portfolio Total |
| | ----- |

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Reference is made to the Press Release dated September 25, 2001 attached hereto as Exhibit 99.2.

ITEM 5: Other Events

On September 25, 2001, the Company closed on a \$58 million refinancing of certain assets, simultaneously with the sale of assets discussed in Item 2. Reference is made to the Press Release dated September 25, 2001 attached hereto as exhibit 99.2 and incorporated by reference hereto.

ITEM 7: Financial Statements and Exhibits

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- (a) Not applicable.
 (b) Pro forma financial information.

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(c) Exhibits.

| Exhibit Number | Description of Exhibit |
|----------------|--|
| Exhibit 99.1 | The Agreement for Purchase and Sale, dated July 12, 2001, by and between Konover Property Trust, Inc. as seller and Chelsea GCA Realty, Inc. as buyer. |
| Exhibit 99.2 | Press Release issued by the Company on September 25, 2001. |

Proforma Consolidated Balance Sheet
 Konover Property Trust, Inc.
 As of June 30, 2001
 (Amounts in thousands)
 (Unaudited)

| | Historical / (a) / | Outlet Properties Transactions / (b) / / (c) / | Sho |
|---|--------------------|---|-----|
| | | | |
| Assets | | | |
| Income producing properties, net | \$ 253,877 | \$ (5,144) | \$ |
| Properties under development | 25,196 | (423) | |
| Properties held for sale | 245,732 | (166,130) | (|
| Cash and cash equivalents | 1,083 | 14,200 | |
| Restricted cash | 14,283 | (7,677) | |
| Accounts receivable, net | 8,165 | (1,291) | |
| Deferred charges and other assets | 11,945 | (6,790) | |
| Notes receivable | 519 | - | |
| Investment in and advances to unconsolidated entities | 21,647 | - | |
| | | | |

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| | | | |
|--|------------|--------------|------|
| Total assets | \$ 582,447 | \$ (173,255) | \$ (|
| ===== | | | |
| Liabilities and Shareholders Equity | | | |
| Debt on income properties | \$ 405,686 | \$ (170,370) | \$ (|
| Capital lease obligation | 331 | (269) | |
| Accounts payable and other liabilities | 22,378 | (4,076) | |
| ----- | | | |
| Total liabilities | 428,395 | (174,715) | (|
| Minority interests | 4,111 | - | |
| Shareholders' equity: | | | |
| Convertible preferred stock | 18,679 | - | |
| Stock purchase warrants | 9 | - | |
| Common stock | 314 | - | |
| Additional paid-in capital | 286,745 | - | |
| Accumulated deficit | (155,580) | 1,460 | |
| Deferred compensation | (226) | - | |
| ----- | | | |
| Total shareholders' equity | 149,941 | 1,460 | |
| ----- | | | |
| Total liabilities and shareholders' equity | \$ 582,447 | \$ (173,255) | \$ (|
| ===== | | | |

See accompanying Notes to Proforma Consolidated Balance Sheet

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Notes to Proforma Consolidated Balance Sheet
Konover Property Trust, Inc.
(Amounts in thousands)
(Unaudited)

Basis of Presentation:

On September 25, 2001, Konover Property Trust, Inc. (the "Company") closed on the sale of a portfolio consisting of 28 outlet shopping centers and three community centers (the "Outlet Properties") to Chelsea GCA Realty, Inc. for the aggregate consideration of approximately \$180 million, including the assumption and pay down of mortgage indebtedness of approximately \$164 million. As discussed in Item 5, the Company simultaneously refinanced certain assets. The net proceeds from the sale and refinancing after transaction costs and escrow funding were approximately \$14 million. The unaudited proforma consolidated balance sheet as of June 30, 2001 is based on the unaudited historical financial statements of the Company after giving effect to the transactions described above and certain adjustments as described below.

Balance Sheet Adjustments:

- (a) Represents the historical unaudited consolidated balance sheet of the Company as of June 30, 2001.
- (b) Represents the elimination of the historical unaudited balance sheets as of June 30, 2001 of the Outlet Properties and the impact of the sale and refinancing transactions as described above.

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- (c) In addition to the \$164 million of debt paid down or assumed in connection with the sale of the Outlet Properties and refinancing transactions, as described above, the Company recognized the gain on a \$6.0 million loan premium included in "Debt on income properties". The \$6.0 million loan premium was offset by \$4.5 million of all previously deferred loan fees associated with paid or assumed debt. The net gain on early extinguishment of debt of \$1.5 million is reflected in accumulated deficit in the shareholders' equity section of the balance sheet.
- (d) On September 14, 2001, the Company sold its Shoreside property located in Kitty Hawk, North Carolina for \$7.5 million including the assumption of mortgage indebtedness of \$5.4 million. The net cash proceeds from this sale after closing costs was approximately \$2.0 million. The Company had a gain on sale of approximately \$0.8 million. All historical balances as of June 30, 2001 for Shoreside have been eliminated.

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Proforma Consolidated Statement of Operations
 Konover Property Trust, Inc.
 For the Six Months Ended June 30, 2001
 (Amounts in thousands, except per share information)
 (Unaudited)

| | Historical / (a) / | Outlet Properties Transactions / (b) / / (c) / |
|---|--------------------|--|
| Revenues | | |
| Base rents | \$ 34,260 | \$ (17,519) |
| Percentage rents | 530 | (391) |
| Property operating cost recoveries | 7,590 | (3,665) |
| Other income | 1,771 | (1,335) |
| Total revenues | 44,151 | (22,910) |
| Expenses | | |
| Property operating costs | 9,650 | (5,756) |
| Real estate taxes | 4,391 | (2,347) |
| Depreciation and amortization | 12,533 | (5,803) |
| General and administrative | 3,664 | (8) |
| Stock compensation amortization | 563 | - |
| Severance and other related costs | 5,931 | - |
| Interest, net | 15,578 | (6,992) |
| Adjustment to carrying value of property | 105,110 | (100,487) |
| Abandoned transaction costs | 46 | (20) |
| Equity in losses of unconsolidated ventures | 5,081 | - |
| Total expenses | 162,547 | (121,413) |
| (Loss) gain before minority interest | (118,396) | 98,503 |
| Minority interest | 3,297 | (2,955) |
| Net (loss) gain | (115,099) | 95,548 |
| Preferred stock dividends | (271) | - |

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| | | |
|--|--------------|-----------|
| (Loss) gain applicable to common stockholders | \$ (115,370) | \$ 95,548 |
| Loss applicable to common stockholders per common share: | | |
| Basic | \$ (3.70) | |
| Diluted | \$ (3.70) | |
| Weighted average common shares outstanding: | | |
| Basic | 31,204 | |
| Diluted | 31,204 | |

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Proforma Consolidated Statement of Operations
Konover Property Trust, Inc.
For the Year Ended December 31, 2000
(Amounts in thousands, except per share information)
(Unaudited)

| | Historical/(a)/ | Outlet Properties Transactions/(b) (c)/ |
|---|-----------------|---|
| Revenues | | |
| Base rents | \$ 68,854 | \$ (34,215) |
| Percentage rents | 1,418 | (770) |
| Property operating cost recoveries | 16,758 | (9,045) |
| Other income | 1,890 | (646) |
| Total revenues | 88,920 | (44,676) |
| Expenses | | |
| Property operating costs | 20,689 | (11,660) |
| Real estate taxes | 8,526 | (4,574) |
| Depreciation and amortization | 25,614 | (12,090) |
| General and administrative | 6,669 | - |
| Stock compensation amortization | 2,865 | - |
| Interest, net | 27,806 | (13,500) |
| Loss (gain) on sale of real estate | 1,946 | - |
| Adjustment to carrying value of property | 19,338 | - |
| Abandoned transaction costs | 1,257 | (485) |
| Equity in losses of unconsolidated ventures | 10,416 | - |
| Total expenses | 125,126 | (42,309) |

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| | | |
|---|-------------|---------|
| (Loss) gain before minority interest | (36,206) | (2,367) |
| Minority interest | 1,157 | 71 |
| | ----- | ----- |
| Net (loss) gain | (35,049) | (2,296) |
| Preferred stock dividends | (1,084) | - |
| | ----- | ----- |
| (Loss) gain applicable to common stockholders | \$ (36,133) | (2,296) |
| | ===== | ===== |
| Loss applicable to common stockholders per common share: | | |
| Basic | \$ (1.17) | |
| | ===== | ===== |
| Diluted | \$ (1.17) | |
| | ===== | ===== |
| Weighted average common shares outstanding: | | |
| Basic | 30,954 | |
| | ===== | ===== |
| Diluted | 30,954 | |
| | ===== | ===== |

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Notes to Proforma Consolidated Statements of Operations
Konover Property Trust, Inc.
(Amounts in thousands)
(Unaudited)

Basis of Presentation:

On September 25, 2001, Konover Property Trust, Inc. (the "Company") closed on the sale of a portfolio consisting of 28 outlet shopping centers and three community centers (the "Outlet Properties") to Chelsea GCA Realty, Inc. for the aggregate consideration of approximately \$180 million, including the assumption and pay down of mortgage indebtedness of approximately \$164 million. As discussed in Item 5, the Company simultaneously refinanced certain assets. The net proceeds from the sale and refinancing after transaction costs and escrow funding were approximately \$14 million. The unaudited proforma consolidated statements of operations for the six months ended June 30, 2001 and the year ended December 31, 2000 are based on the unaudited financial statements of the Company after giving effect to the transactions described above and certain adjustments as described below.

Statements of Operations Adjustments:

- (a) Represents, the unaudited consolidated statement of operations of the Company for the six months ended June 30, 2001 and audited consolidated statement of operations for the year ended December 31, 2000. Effective June 30, 2001, the Company included in its historical consolidated statement of operations an estimated adjustment to the carrying value of the Outlet Properties.
- (b) Represents the elimination of the historical unaudited statements of operations for the six months ended June 30, 2001 and the year ended December 31, 2000 of the Outlet Properties.

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- (c) The \$164 million of debt paid down or assumed in connection with the sale of the Outlet Properties and refinancing transactions, as described above, resulted in interest expense savings of approximately \$7.4 million for the six months ended June 30, 2001 and \$13.7 million for the year ended December 31, 2000, respectively. The \$6.0 million loan premium was offset by \$4.5 million of all previously deferred loan fees associated with paid or assumed debt. The net gain on early extinguishment of debt of \$1.5 million is reflected in accumulated deficit in the shareholders' equity section of the balance sheet.
- (d) On September 14, 2001, the Company sold its Shoreside property located in Kitty Hawk, North Carolina for \$7.5 million including the assumption of mortgage indebtedness of \$5.4 million. The net cash proceeds from this sale after closing costs was approximately \$2.0 million. All historical balances for the six months ended June 30, 2001 and year ended December 31, 2000 for Shoreside have been eliminated. The Company recognized a gain on sale of approximately \$0.8 million related to this sale and is reflected in accumulated deficit in the shareholders' equity section of the balance sheet.

General and Administrative Expenses:

The pro forma consolidated statements of operations presented herein do not reflect planned reductions in certain indirect general and administrative costs arising from the Company's reorganization plans resulting from the sale of the Outlet Properties.

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KONOVER PROPERTY TRUST, INC.

SIGNATURE

Pursuant to the requirements 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.

KONOVER PROPERTY TRUST, INC.
(Registrant)

Dated: October 10, 2001

By: /s/ Daniel J. Kelly

Name: Daniel J. Kelly
Title: Executive Vice President,
Chief Financial Officer

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EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|-------------------|------------------------|
|-------------------|------------------------|

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99.1 The Agreement for Purchase and Sale, dated July 12, 2001, by and between Konover Property Trust, Inc. as seller and Chelsea GCA Realty, Inc. as buyer.

99.2 Press Release issued by the Company on September 25, 2001.