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KONOVER PROPERTY TRUST INC

Form 8-K

May 29, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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) May 15, 2002

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)

56-1819372
(I.R.S. Employer Identif

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

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

27606
(Zip Code)

No Change

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

Konover Property Trust, Inc.

ITEM 2: Acquisition or Disposition of Assets

On May 15, 2002, Konover Property Trust, Inc. (the "Company"), through its wholly owned subsidiary Mount Pleasant KPT LLC, closed on the sale of Mount Pleasant Towne Centre, a 426,000 square foot shopping center located in Mount Pleasant, South Carolina, to DRA Advisors, Inc. for approximately \$55.3 million, including the assumption of mortgage indebtedness of approximately \$45.9 million. The net proceeds from the sale after transaction costs were approximately \$9.1 million.

Reference is made to the Press Release dated May 16, 2002 attached hereto as Exhibit 99.2 and incorporated by reference hereto.

ITEM 7: Financial Statements and Exhibits

(a) Not applicable

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(b) Pro forma financial information

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(c) Exhibits

| Exhibit Number ----- | Description of Exhibit ----- |
|-------------------------|--|
| Exhibit 99.1 | The Agreement for Sale, dated March 15, 2002, by and between Mount Pleasant KPT LLC as seller and DRA Advisors, Inc. as buyer. |
| Exhibit 99.2 | Press Release issued by the Company on May 16, 2002. |

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Pro forma Consolidated Balance Sheet
Konover Property Trust, Inc.
As of March 31, 2002
(Amounts in thousands)
(Unaudited)

| | Konover Property Trust, Inc./ (a) / | Mount Pleasant Towne Centre / (b) / | Pro Ko Pro Trus |
|--|---|--|--------------------------|
| ----- | | | |
| Assets | | | |
| Investment in rental property, excluding properties held for sale, net | \$ 270,281 | \$ - | \$ |
| Properties held for sale | 63,107 | (53,079) | |
| Cash and cash equivalents | 18,316 | 9,130 | |
| Restricted cash | 6,475 | (1,484) | |
| Accounts receivable, net | 4,401 | - | |
| Deferred charges and other assets | 6,360 | (826) | |
| Notes receivable | 2,628 | - | |
| Investment in and advances to unconsolidated entities | 13,071 | - | |
| | ----- | | |
| Total assets | \$ 384,639 | \$ (46,259) | \$ |
| | ===== | | |

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| | | | |
|--|------------|-------------|----|
| Liabilities and Shareholders Equity | | | |
| Debt on income properties | \$ 229,212 | \$ (45,946) | \$ |
| Capital lease obligation | 74 | - | |
| Accounts payable and other liabilities | 10,764 | (473) | |
| | ----- | | |
| Total liabilities | 240,050 | (46,419) | |
| Minority interests | 4,952 | - | |
| | ----- | | |
| Shareholders' equity: | | | |
| Convertible preferred stock | 18,679 | - | |
| Stock purchase warrants | 9 | - | |
| Common stock | 319 | - | |
| Additional paid-in capital | 291,045 | - | |
| Accumulated deficit | (170,359) | 160 | |
| Deferred compensation | (56) | - | |
| | ----- | | |
| Total shareholders' equity | 139,637 | 160 | |
| | ----- | | |
| Total liabilities and shareholders' equity | \$ 384,639 | \$ (46,259) | \$ |
| | ===== | | |

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Notes to Pro forma Consolidated Balance Sheet
Konover Property Trust, Inc.
(Unaudited)

Basis of Presentation:

On May 15, 2002, Konover Property Trust, Inc. (the "Company"), through its wholly owned subsidiary Mount Pleasant KPT LLC, closed on the sale of Mount Pleasant Towne Centre, a 426,000 square foot shopping center located in Mount Pleasant, South Carolina, to DRA Advisors, Inc. for approximately \$55.3 million, including the assumption of mortgage indebtedness of approximately \$45.9 million. The net proceeds from the sale after transaction costs were approximately \$9.1 million.

The unaudited pro forma consolidated balance sheet as of March 31, 2002 is based on the unaudited historical financial statements of the Company after giving effect to the disposition of Mount Pleasant Towne Centre and certain adjustments as described below.

Balance Sheet Adjustments:

- (a) Represents the historical unaudited consolidated balance sheet of the Company as of March 31, 2002.
- (b) Represents the elimination of the historical unaudited balance sheet accounts as of March 31, 2002 of Mount Pleasant Towne Centre and the impact of the sale as described above.

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Pro forma Consolidated Statement of Operations
 Konover Property Trust, Inc.
 For the Three Months Ended March 31, 2002
 (Amounts in thousands, except per share information)
 (Unaudited)

| | Konover Property Trust, Inc./ (a) / | Mount Pleasant Towne Centre Sale/ (b) / | Pro Kon Proper |
|--|--|--|----------------------|
| Revenues | | | |
| Base rents | \$ 7,914 | \$ (1,297) | \$ |
| Percentage rents | 422 | (15) | |
| Property operating cost recoveries | 2,183 | (385) | |
| Other income | 129 | 48 | |
| Total revenues | 10,648 | (1,649) | |
| Expenses | | | |
| Property operating | 2,140 | (285) | |
| Real estate taxes | 1,060 | (173) | |
| Depreciation and amortization | 2,698 | - | |
| General and administrative | 1,909 | - | |
| Stock compensation amortization | 44 | - | |
| Operating loss of sold management business | 84 | - | |
| Interest, net | 4,523 | (926) | |
| Equity in earnings of unconsolidated earnings | (150) | - | |
| Total expenses | 12,308 | (1,384) | |
| Loss before minority interests | (1,660) | (265) | |
| Minority interest | 57 | - | |
| Net loss | (1,603) | (265) | |
| Preferred dividends | - | - | |
| Loss applicable to common stockholders | \$ (1,603) | \$ (265) | \$ |
| Earnings per common share: | | | |
| Basic | \$ (0.05) | | \$ |
| Diluted | \$ (0.05) | | \$ |
| Weighted average common shares outstanding: | | | |
| Basic | 31,767 | | |
| Diluted | 31,767 | | |

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Pro forma Consolidated Statement of Operations
 Konover Property Trust, Inc.
 For the Year Ended December 31, 2001
 (Amounts in thousands, except per share information)
 (Unaudited)

| | Konover Property Trust, Inc./ (a) / | Pro Forma Mount Pleasant Towne Centre Sale/ (b) / | 2001 Pro Disposa |
|---|--|--|---------------------|
| Revenues | | | |
| Base rents | \$ 58,265 | \$ (5,328) | \$ (2 |
| Percentage rents | 834 | (53) | (|
| Property operating cost recoveries | 13,575 | (1,110) | (|
| Other income | 2,439 | 179 | (|
| Total revenues | 75,113 | (6,312) | (3 |
| Expenses | | | |
| Property operating | 17,243 | (1,078) | (|
| Real estate taxes | 7,782 | (690) | (|
| Depreciation and amortization | 18,505 | (1,449) | (|
| General and administrative | 7,950 | - | |
| Stock compensation amortization | 845 | - | |
| Severance and other related costs | 6,099 | - | |
| Interest, net | 28,131 | (3,623) | (|
| Gain on sale of real estate | (367) | - | |
| Adjustment to carrying value of property and investments | 114,755 | (6,123) | (10 |
| Abandoned transaction costs | 83 | - | |
| Equity in losses of unconsolidated ventures | 6,782 | - | |
| Minority interest | (3,645) | - | |
| Total expenses | 204,163 | (12,963) | (12 |
| Loss before extraordinary item | (129,050) | 6,651 | 9 |
| Extraordinary gain on early retirement of debt | 775 | - | |
| Net loss | (128,275) | 6,651 | 9 |
| Preferred dividends | (271) | - | |
| Loss applicable to common stockholders | \$ (128,546) | \$ 6,651 | \$ 9 |
| Earnings per common share: | | | |
| Basic | \$ (4.11) | | |
| Diluted | \$ (4.11) | | |

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Weighted average common shares outstanding:

Basic 31,292

Diluted 31,292

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

Basis of Presentation:

On May 15, 2002, Konover Property Trust, Inc. (the "Company"), through its wholly owned subsidiary Mount Pleasant KPT LLC, closed on the sale of Mount Pleasant Towne Centre, a 426,000 square foot shopping center located in Mount Pleasant, South Carolina, to DRA Advisors, Inc. for approximately \$55.3 million, including the assumption of mortgage indebtedness of approximately \$45.9 million. The net proceeds from the sale after transaction costs were approximately \$9.1 million.

The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 are based on the unaudited financial statements of the Company after giving effect to the dispositions of the Mount Pleasant Towne Centre and certain adjustments as described below.

Statements of Operations Adjustments:

- (a) Represents, the unaudited consolidated statement of operations of the Company for the three months ended March 31, 2002 and audited consolidated statement of operations for the year ended December 31, 2001.
- (b) Represents the elimination of the historical unaudited statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 of Mount Pleasant Towne Centre. Other income includes management fees earned in connection with the Company's on-going management of the property.
- (c) Represent the elimination of the historical unaudited statements of operations for the year ended December 31, 2001 of the 33 properties sold during 2001. The properties include the 31 property outlet portfolio sale in September 2001, the sale of the Shoreside shopping center in September 2001, and the sale of the Nashville outlet shopping center in December 2001.

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 33 properties in 2001.

EXHIBIT INDEX

Number Description

- 99.1 The Agreement for Purchase and Sale, dated March 15, 2002, by and between Mount Pleasant KPT LLC as seller and DRA Advisors, Inc. as buyer.
- 99.2 Press Release issued by the Company on May 16, 2002 regarding the completion of the sale of Mount Pleasant Towne Centre.

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: May 29, 2002

By: /s/ Daniel J. Kelly

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