

BRT REALTY TRUST  
Form 10-Q  
August 09, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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, 2016

OR

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 13-2755856  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
60 Cutter Mill Road, Great Neck, NY 11021  
(Address of principal executive offices) (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 Regulations 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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(Do not check if a smaller reporting company)

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.

13,906,702 Shares of Beneficial Interest,  
\$3 par value, outstanding on August 5, 2016

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BRT REALTY TRUST AND SUBSIDIARIES

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## Part I FINANCIAL INFORMATION

## Item 1. Financial Statements

## BRT REALTY TRUST AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	June 30, 2016 (Unaudited)	September 30, 2015
<b>ASSETS</b>		
Real estate properties, net of accumulated depreciation and amortization of \$38,024 and \$34,142	\$ 668,985	\$ 591,727
Real estate loan	19,500	—
Cash and cash equivalents	37,727	15,556
Restricted cash	6,397	6,518
Deferred costs, net	5,950	5,327
Deposits and escrows	15,442	12,782
Other assets	7,100	6,882
Assets of discontinued operations	—	173,228
Real estate asset held for sale	27,020	23,859
Total Assets	\$ 788,121	\$ 835,879
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgages payable	\$ 516,617	\$ 456,064
Junior subordinated notes	37,400	37,400
Accounts payable and accrued liabilities	15,919	14,780
Liabilities of discontinued operations	—	148,213
Mortgage payable held for sale	27,130	19,248
Total Liabilities	597,066	675,705
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, 13,240 and 13,428 issued	39,720	40,285
Additional paid-in capital	161,038	161,842
Accumulated other comprehensive loss	(927	) (58
Accumulated deficit	(51,032	) (79,414
Total BRT Realty Trust shareholders' equity	148,799	122,655
Non-controlling interests	42,256	37,519
Total Equity	191,055	160,174
Total Liabilities and Equity	\$ 788,121	\$ 835,879

See accompanying notes to consolidated financial statements.



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CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Rental and other revenues from real estate properties	\$22,637	\$19,778	\$66,866	\$57,375
Other income	608	12	2,641	64
Total revenues	23,245	19,790	69,507	57,439
Expenses:				
Real estate operating expenses - including \$531 and \$353 to related parties for the three months ended and \$1,336 and \$1,065 for the nine months ended	10,944	10,022	32,052	28,602
Interest expense - including \$86 to related party for the nine months ended June 30, 2016	6,014	4,855	17,594	14,354
Advisor's fees, related party	—	612	693	1,801
Property acquisition costs - including \$892 and \$276 to related parties for the three months ended and \$1,331 and \$276 for the nine months ended	1,408	—	2,418	295
General and administrative - including \$47 and \$57 to related party for the three months ended and \$134 and \$184 for the nine months ended	2,373	1,654	6,402	5,047
Depreciation	5,871	4,453	16,487	12,655
Total expenses	26,610	21,596	75,646	62,754
Total revenue less total expenses	(3,365 )	(1,806 )	(6,139 )	(5,315 )
Gain on sale of real estate	10,263	—	35,098	2,777
Gain on sale of partnership interest	386	—	386	—
Loss on extinguishment of debt	—	—	(2,668 )	—
Income (loss) from continuing operations	7,284	(1,806 )	26,677	(2,538 )
Discontinued operations:				
Loss from discontinued operations	—	(1,702 )	(2,788 )	(4,883 )
Gain on sale of partnership interest	—	—	15,467	—
(Loss) income from discontinued operations	—	(1,702 )	12,679	(4,883 )
Net income (loss)	7,284	(3,508 )	39,356	(7,421 )
Net (income) loss attributable to non-controlling interests	(1,804 )	930	(10,974 )	1,597
Net income (loss) attributable to common shareholders	\$5,480	\$(2,578 )	\$28,382	\$(5,824 )
Basic and diluted per share amounts attributable to common shareholders:				
Income (loss) from continuing operations	\$0.39	\$(0.13 )	\$1.00	\$(0.29 )
(Loss) income from discontinued operations	—	(0.05 )	1.02	(0.12 )
Basic and diluted earnings (loss) per share	\$0.39	\$(0.18 )	\$2.02	\$(0.41 )
Amounts attributable to BRT Realty Trust:				
Income (loss) from continuing operations	\$5,480	\$(1,883 )	\$14,044	\$(4,069 )
Income (loss) from discontinued operations	—	(695 )	14,338	(1,755 )
Net Income (loss)	\$5,480	\$(2,578 )	\$28,382	\$(5,824 )
Weighted average number of common shares outstanding:				
Basic and diluted	13,932,515	14,101,056	14,055,436	14,144,236

See accompanying notes to consolidated financial statements.

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BRT REALTY TRUST AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (Unaudited)  
 (Dollars in thousands)

	Three Months		Nine Months	
	Ended		Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income (loss)	\$7,284	\$(3,508)	\$39,356	(7,421 )
Other comprehensive loss:				
Unrealized (loss) gain on derivative instruments	(855 )	26	(869 )	(22 )
Other comprehensive (loss) income	(855 )	26	(869 )	(22 )
Comprehensive income (loss)	6,429	(3,482 )	38,487	(7,443 )
Comprehensive income (loss) attributable to non-controlling interests	1,507	(926 )	10,675	(1,600 )
Comprehensive income (loss) attributable to common shareholders	\$4,922	\$(2,556)	\$27,812	\$(5,843)

See accompanying notes to consolidated financial statements.



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CONSOLIDATED STATEMENT OF EQUITY

Nine Months Ended June 30, 2016

(Unaudited)

(Dollars in thousands, except share data)

	Shares of Beneficial Interest	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Accumulated Deficit	Non- Controlling Interest	Total
Balances, September 30, 2015	\$ 40,285	\$ 161,842	\$ (58 )	\$ (79,414 )	\$ 37,519	\$ 160,174
Restricted stock vesting	390	(390 )	—	—	—	—
Compensation expense - restricted stock and restricted stock units	—	689	—	—	—	689
Contributions from non-controlling interests	—	—	—	—	22,639	22,639
Distributions to non-controlling interests	—	—	—	—	(27,086 )	(27,086 )
Deconsolidation of joint ventures upon sale	—	—	—	—	(1,790 )	(1,790 )
Shares repurchased - 318,554 shares	(955 )	(1,103 )	—	—	—	(2,058 )
Net income	—	—	—	28,382	10,974	39,356
Other comprehensive loss	—	—	(869 )	—	—	(869 )
Comprehensive income	—	—	—	—	—	38,487
Balances, June 30, 2016	\$ 39,720	\$ 161,038	\$ (927 )	\$ (51,032 )	\$ 42,256	\$ 191,055

See accompanying notes to consolidated financial statements.

BRT REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in Thousands)

	Nine Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$39,356	\$(7,421 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	19,049	16,048
Amortization of restricted stock	689	676
Gain on sale of real estate	(35,098 )	(2,777 )
Gain on sale of partnership interest	(15,853 )	—
Loss on extinguishment of debt	2,668	—
Effect of deconsolidation of non-controlling interest	(1,692 )	—
Increases and decreases from changes in other assets and liabilities:		
(Increase) decrease in interest and dividends receivable	(2,212 )	16
(Increase) decrease in prepaid expenses	(434 )	(652 )
(Increase) decrease in deposits and escrows	(2,567 )	2,138
Decrease in other assets	2,216	3,996
Increase (decrease) in accounts payable and accrued liabilities	776	(19 )
Net cash provided by operating activities	6,898	12,005
Cash flows from investing activities:		
Collections from real estate loans	—	2,000
Additions to real estate properties	(189,299)	(10,777 )
Net costs capitalized to real estate properties	(36,411 )	(45,784 )
Net change in restricted cash - Newark	(1,952 )	7,373
Net change in restricted cash - Multi Family	122	3,680
Purchase of non controlling interests	—	(4,679 )
Proceeds from the sale of real estate properties	166,400	9,604
Proceeds from the sale of joint venture interest	19,242	—
Net cash used in investing activities	(41,898 )	(38,583 )
Cash flows from financing activities:		
Proceeds from mortgages payable	175,614	35,718
Increase in other borrowed funds	6,001	—
Mortgage payoffs	(112,234)	(8,473 )
Mortgage amortization	(3,852 )	—
Loss on extinguishment of debt	(2,668 )	—
Increase in deferred borrowing costs	(1,932 )	(2,684 )
Capital contributions from non-controlling interests	22,639	1,419
Capital distribution to non-controlling interests	(27,085 )	(3,975 )
Proceeds from sale of New Market Tax Credits	2,746	—
Repurchase of shares of beneficial interest	(2,058 )	(2,422 )
Net cash provided by financing activities	57,171	19,583
Net increase (decrease) in cash and cash equivalents	22,171	(6,995 )
Cash and cash equivalents at beginning of period	15,556	23,181

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Cash and cash equivalents at end of period	\$37,727	\$16,186
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$20,069	\$18,235
Taxes paid	\$632	\$131
Acquisition of real estate through assumption of debt	\$16,051	\$17,173
Real estate properties reclassified to assets held for sale	\$27,020	\$68,259
Accrued costs related to real estate property	\$—	\$3,920
Mortgage payable reclassified to held for sale	\$26,400	\$—
See accompanying notes to consolidated financial statements.		

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BRT REALTY TRUST AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2016

Note 1 – Organization and Background

BRT Realty Trust (“BRT” or the “Trust”) is a business trust organized in Massachusetts. BRT owns, operates and develops multi family properties and owns and operates other assets, including real estate and a real estate loan. Generally, the multi family properties are acquired with venture partners in transactions in which the Trust contributes 65% to 80% of the equity. At June 30, 2016, the Trust owns 31 multi-family properties with 8,973 units located in 11 states (including 271 units at a property under construction and 350 units at a property in the lease up stage). At June 30, 2016, the net book value of the multi family assets (including real estate asset held for sale) was \$685,537,000. The Trust also owns and operates various other real estate assets. At June 30, 2016, the net book value of the real property included in these other real estate assets was \$29,968,000, including a real estate loan of \$19,500,000. BRT 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 June 30, 2016, and for the three and nine months ended June 30, 2016 and 2015, 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 nine months ended June 30, 2016 and 2015, are not necessarily indicative of the results for the full year. The consolidated balance sheet as of September 30, 2015, 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 ("GAAP") for complete financial statements.

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 ("VIE's") in which the Trust is determined to be the primary beneficiary. Material inter-company balances and transactions have been eliminated.

The Trust’s consolidated joint ventures that own multi family properties, were determined to be VIE’s 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 an investor that has disproportionately fewer voting rights. It was determined that the Trust is 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 the entity and the right to receive benefits that could potentially be significant to the VIE.

The joint venture that owns the Dallas, TX property was determined not to be a VIE but is consolidated because the Trust has a controlling financial interest in the entity due to its substantive participating rights.

The distributions to each joint venture partner are determined pursuant to the applicable operating agreement and may not be pro-rata to the percentage equity interest each partner has in the applicable venture.

Certain items on the consolidated financial statements for the prior fiscal periods have been reclassified to conform with the current year's presentation, including the reclassification of (i) balance sheet and revenue and expense items related to the Newark Joint Venture, which are now reported as discontinued operations and (ii) reclassification of real estate properties and mortgages to held for sale.

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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 nine months ended June 30, 2016, the Trust did not declare a dividend on its shares.

#### Stock Based Compensation

The Trust's Amended and Restated 2016 Incentive Plan (the "Plan") permits the Trust to grant stock options, restricted stock, restricted stock units, performance shares awards and any one or more of the foregoing, up to a maximum of 600,000 shares. The Plan also allows for the grant of cash settled dividend equivalent rights in tandem with the grant of restricted stock units and certain performance based awards.

Pursuant to the Plan, during the quarter ended June 30, 2016, the Trust issued restricted stock units (the "Units") to acquire up to 450,000 common shares (the "Pay for Performance Program"). Subject to satisfying a continued service requirement through the five years ending March 31, 2021 (the "Performance Period"), the Units entitle the recipients to acquire in the aggregate, (i) 200,000 shares (the "TSR Award") based on achieving, during the Performance Period, certain levels in compounded annual growth rate ("CAGR") in total shareholder return ("TSR"), and (ii) 200,000 shares based on achieving, during the Performance Period, certain levels in CAGR in adjusted funds from operations, as determined pursuant to the performance agreement. In addition, subject to satisfying the continued service requirement, up to 50,000 shares may be added to or subtracted from the TSR Award, based on attaining or failing to attain, during the Performance Period, of CAGR in TSR relative to the CAGR in TSR for the constituent REITs that comprise, with specified exceptions, the FTSE NAREIT Equity Apartment Index. Recipients of the Units are entitled to receive cash dividends with respect to the common shares underlying the Units as if the underlying shares were outstanding during the Performance Period, if, when, and to the extent, the related Units vests. Accordingly, for accounting purposes, the shares underlying the Units are excluded in the outstanding shares reflected on the balance sheet.

For the awards which vest based on TSR, a third party appraiser prepared a Monte Carlo simulation pricing model to assist management in determining the fair value. For the awards which vest based on adjusted funds from operations, the fair value is based on the market value on the date of grant. Expense is not recognized on the Units which the Trust does not expect to vest as a result of service conditions or the Trust's performance expectations. The total amount recorded as deferred compensation with respect to the Units is \$2,117,000 and is being charged to General and administrative expense over the approximate five year vesting period. The deferred compensation expense to be recognized is net of certain forfeiture and performance assumptions. The Trust recorded \$50,000 of compensation expense related to the amortization of unearned compensation with respect to the Units in the three and nine months ended June 30, 2016.

In January 2016, the Trust granted 141,050 shares of restricted stock pursuant to the 2012 Incentive Plan (the "2012 Plan"). As of June 30, 2016, an aggregate of 667,025 shares of unvested restricted stock are outstanding pursuant to the 2012 Plan and the 2009 Incentive Plan (collectively the "Prior Plans"). No additional awards may be granted under the Prior Plans. All restricted shares 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 sheets until they vest, but are included in the earnings per share computation. For the three months ended June 30, 2016 and 2015, the Trust recorded \$221,000 and \$232,000, respectively, of compensation expense related to the amortization of unearned compensation with respect to the restricted share awards. For the nine months ended June 30, 2016 and 2015, the Trust recorded \$639,000 and \$676,000, respectively of compensation expense related to the amortization of unearned compensation with respect to

the restricted share awards. At June 30, 2016 and September 30, 2015, \$2,311,000 and \$2,184,000 has been deferred

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as unearned compensation and will be charged to expense over the remaining vesting periods of these restricted share awards. The weighted average vesting period of these restricted shares is 2.6 years.

**Share Buyback**

In February 2016, pursuant to a share repurchase program then in effect, the Trust purchased 252,000 shares of beneficial interest at the market price of \$6.26 for a purchase price, including commission, of \$1,584,000.

On March 11, 2016, the Board of Trustees approved a new share repurchase program authorizing the Trust to repurchase up to \$5,000,000 of shares of beneficial interest through September 30, 2017. During the quarter ended June 30, 2016, the Trust purchased 66,554 shares of beneficial interest at an average market price of \$7.11 for a purchase price, including commissions, of \$474,000.

**Per Share Data**

Basic earnings (loss) per share is determined by dividing net income (loss) applicable to common shareholders for the applicable period by the weighted average number of shares of beneficial interest outstanding during such period. The Units are excluded from the basic earnings per share calculation, as they are not participating securities. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue shares of beneficial interest were exercised or converted into shares of beneficial interest or resulted in the issuance of shares of beneficial interest that share in the earnings of the Trust. Diluted earnings (loss) per share is determined by dividing net income (loss) applicable to common shareholders for the applicable period by the weighted average number of shares of beneficial interest outstanding during such period. For the three and nine month periods ended June 30, 2016, none of the Units are included in the diluted weighted average as they did not meet the applicable performance metrics during such periods.

Basic and diluted shares outstanding for the three months ended June 30, 2016 and 2015, were 13,932,515 and 14,101,056, respectively, and for the nine months ended June 30, 2016 and 2015 were 14,055,436 and 14,144,236, respectively.

**Note 4 Real Estate Properties**

A summary of real estate properties owned (including properties held for sale) follows (dollars in thousands):

	September 30, 2015	Capitalized Costs and Improvements	Depreciation	Sales	June 30, 2016 Balance	
Multi-family	\$ 605,040	\$ 205,350	\$ 29,225	\$ (16,390 )	\$ (137,688)	\$ 685,537
Land - Daytona, FL	7,972	—	2	—	—	7,974
Shopping centers/Retail - Yonkers, NY	2,574	—	—	(80 )	—	2,494
Total real estate properties	\$ 615,586	\$ 205,350	\$ 29,227	\$ (16,470 )	\$ (137,688)	\$ 696,005

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The following table summarizes the preliminary allocations of the purchase prices of assets acquired during the three months ended June 30, 2016 (dollars in thousands):

	Preliminary Purchase Price Allocation
Land	\$ 18,875
Buildings and Improvements	69,688
Acquisition-related intangible assets	587
Total Consideration	\$ 89,150

The preliminary measurements of fair value reflected above are subject to change. The Trust expects to finalize the valuations and complete the purchase price allocations within one year from the date of the applicable acquisition.

The following table summarizes the preliminary allocations of the purchase price of seven properties purchased between July 1, 2015 and June 30, 2016 and the finalized allocation of the purchase price of such properties, as adjusted, as of June 30, 2016 (dollars in thousands):

	Preliminary Purchase Price Allocation	Adjustments	Finalized Purchase Price Allocation
Land	\$ 28,556	\$ (4,730 )	\$ 23,826
Building and improvements	181,912	4,087	185,999
Acquisition-related intangible assets	332	643	975
Total Consideration	\$ 210,800	\$ —	\$ 210,800

## Note 5 Acquisitions and Dispositions

## Property Acquisitions

The table below provides information for the nine months ended June 30, 2016 regarding the Trust's purchases of multi-family properties (dollars in thousands):

Location	Purchase Date	No. of Units	Contract Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Property Acquisition Costs
N. Charleston, SC (a)	10/13/2015	271	\$3,625	—	\$6,558	65 %	—
La Grange, GA	11/18/2015	236	22,800	\$ 16,051	6,824	100 %	\$ 57
Katy, TX	1/22/2016	268	40,250	30,750	8,150	75 %	382
Macon, GA	2/1/2016	240	14,525	11,200	3,250	80 %	158
Southaven, MS	2/29/2016	392	35,000	28,000	5,856	60 %	413
San Antonio, TX	5/6/2016	288	35,150	26,400	6,688	65 %	539
Dallas, TX	5/11/2016	494	37,000	27,938	6,750	50 %	567
Columbia, SC	5/31/2016	204	17,000	12,934	4,930	80 %	302
		2,393	\$205,350	\$ 153,273	\$49,006		\$ 2,418

(a) This acquisition of 41.5 acres of land was purchased for development. The initial equity includes funds contributed in connection with the commencement of construction. Acquisition costs of \$63,000 related to this development have



been capitalized.

The N. Charleston, SC purchase was accounted for as an asset acquisition and the other purchases were accounted for as business combinations. The purchase price for the business combinations is allocated to the acquired assets and assumed liabilities based on management's estimate of the fair value of the acquired assets and assumed liabilities at the dates of acquisition.

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## Property Dispositions

The following table is a summary of the real estate properties disposed of by the Trust in the nine months ended June 30, 2016 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner portion of gain
New York, NY	10/1/2015	1	\$652	\$609	—
Cordova, TN	3/2/2016	464	31,100	6,764	\$ 2,195
Kennesaw, GA	3/15/2016	450	64,000	17,429	10,037
Pooler, GA	4/6/2016	300	38,500	5,710	1,405
Collierville, TN	6/1/2016	324	34,300	4,586	917
		1,539	\$168,552	\$35,098	\$ 14,554

On June 6, 2016, the Trust sold its partnership interest in a venture that owned a Little Rock, AK property. The Trust sold its interest for \$2,342,000 and recognized a gain of \$386,000 on the sale.

On July 27, 2016, the Trust entered into a contract to sell the Wichita, KS property for \$30,000,000. The sale is subject to customary closing conditions. The Trust anticipates a gain on the sale of the property of approximately \$7,700,000 (net of a mortgage prepayment charge of \$1,900,000), of which \$2,900,000 will be allocated to non-controlling interests.

## Note 6 –Discontinued Operations

On February 23, 2016, the Trust sold, through subsidiaries which owned such interests, its equity interests in RBH - TRB Newark Holdings, LLC (the "Newark Joint Venture"), to RBH Partners III, LLC, for \$16,900,000 (the "NJV Sale"). The buyer is an affiliate of the Trust's former partners in the Newark Joint Venture. The Trust recognized a gain of \$15,467,000 in connection with this sale. In addition, the Trust (i) may be paid up to an additional \$900,000 by the newly formed parent of the Newark Joint Venture ("Holdco") upon the achievement of specified investment returns, development of certain properties, realization of specified cost savings and any one or more of the foregoing and (ii) has been granted a nominal profit participation interest in Holdco. None of these amounts will be recognized until received.

Other than the agreement of the Trust's subsidiary to provide an indemnity with respect to up to \$2,800,000 of obligations related to the venture, neither the Trust nor its subsidiaries have any guaranty, indemnity or similar obligations with respect to the Newark Joint Venture.

As a result of the NJV Sale, the mortgage debt in principal amount of \$19,500,000 (the "NJV Debt") owed to the Trust by this venture (which was not included on the Trust's consolidated balance sheet at September 30, 2015 as such debt and the interest that had accrued thereon was eliminated in consolidation), is reflected as a real estate loan on the balance sheet at June 30, 2016. The NJV Debt is secured by various contiguous parcels on Market Street (between University Avenue and Washington Street) in Newark, NJ. The site is approximately 68,000 square feet and has approximately 303,000 square feet of rentable space. The NJV Debt matures in June 2017 and bears an annual interest rate of 11%. Six percent (6%) is to be paid on a monthly basis ("Current Interest") and five percent (5%) is deferred (the "Deferred Interest"). Prior to the June 3, 2016 agreement described below, Deferred Interest was to be paid in June 2016 and at maturity in June 2017. At June 30, 2016, the amount of Deferred Interest that has been recognized is \$2,212,000.

Effective as of June 3, 2016, the Trust entered into an agreement with the Newark Joint Venture pursuant to which the Trust agreed, among other things, (i) to defer, until September 30, 2016, the payment of the Deferred Interest owed at

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June 30, 2016, (ii) subject to the Trust's receipt of \$750,000 of Deferred Interest, to release certain of the mortgages securing the NJV Debt in connection with the repayment (the "Repayment"), if any, of all or a portion of such debt on or before September 30, 2016, and (iii) in the event a Repayment occurs before September 30, 2016, to defer the payment of any remaining Deferred Interest until the June 2017 maturity of the NJV Debt.

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The assets and liabilities as of September 30, 2015 of the discontinued operations of the Newark Joint Venture and the statement of operations for the three and nine months ended June 30, 2016 and 2015, are summarized as follows (dollars in thousands):

Balance Sheet	September 30, 2015
<b>ASSETS</b>	
Real estate properties, net	\$ 141,441
Restricted cash	13,277
Deferred costs, net	9,683
Deposits and escrows	93
Other assets	8,734
Total assets of discontinued operations	\$ 173,228
<b>LIABILITIES</b>	
Mortgage payable	\$ 110,375
Accounts payable and accrued liabilities	6,848
Deferred income	30,990
Total liabilities of discontinued operations	\$ 148,213

Statement  
of  
Operations