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