

Edgar Filing: KRAMONT REALTY TRUST - Form 10-Q

KRAMONT REALTY TRUST  
Form 10-Q  
May 15, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarter ended March 31, 2002

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: 1-15923

KRAMONT REALTY TRUST  
(Exact name of Registrant as specified in its charter)

Maryland 25-6703702  
(State of Incorporation) (I.R.S. Employer Identification No.)

580 West Germantown Pike, Plymouth Meeting, PA 19462  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (610) 825-7100

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

Number of Common Shares of Beneficial Interest, par value \$.01 per share, as of May 14, 2002: 18,872,295

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KRAMONT REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

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ASSETS	(Unaudit March 31, -----)
Real estate - income producing, net of accumulated depreciation	\$ 682,07
Properties held for sale	11,20
Mortgage notes receivable	35,02
Investments in unconsolidated affiliates	3,02
Cash and cash equivalents (includes \$1,683 and \$1,718 restricted)	12,92
Other assets	23,80
Total assets	\$ 768,05 =====
LIABILITIES AND BENEFICIARIES' EQUITY	
LIABILITIES:	
Mortgages and notes payable	\$ 510,24
Accounts payable and other liabilities	13,17
Distributions payable	8,49
Total liabilities	531,91 -----
Minority interests in Operating Partnerships	20,13 -----
BENEFICIARIES' EQUITY:	
Preferred shares of beneficial interest	3
Common shares of beneficial interest, \$0.01 par value; authorized 96,683,845 shares; outstanding, 18,872,295	18
Additional paid-in capital	177,55
Retained earnings	42,15
Accumulated other comprehensive income (loss)	(89)
Treasury stock, Redeemable preferred shares of beneficial interest Series D, 146,800 shares as of March 31, 2002, at cost	(2,34)
Total beneficiaries' equity	216,68 -----
Unearned compensation on restricted shares of beneficial interest	(68)
Total liabilities and beneficiaries' equity	\$ 768,05 =====

See accompanying notes to consolidated financial statements.

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(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Revenues:		
Rent	\$ 25,539	\$ 25,674
Interest, principally from mortgage notes	1,214	1,384
Other	--	894
	-----	-----
	26,753	27,952
	-----	-----
Expenses:		
Interest	9,367	9,764
Operating	7,102	7,734
Depreciation and amortization	4,101	3,762
General and administrative	1,619	1,808
	-----	-----
	22,189	23,068
	-----	-----
Equity in income of unconsolidated affiliates	4,564	4,884
	171	192
Minority interests in income of Operating Partnerships	(231)	(210)
	-----	-----
Net income from continuing operations	4,504	4,866
Results from discontinued operations:		
Income (loss) from operations of properties sold or held for sale	(110)	232
Gain on sale of properties	212	--
Minority interest in discontinued operations	(8)	(15)
	-----	-----
Net income from discontinued operations	94	217
	-----	-----
Net Income	4,598	5,083
	-----	-----
Preferred share distribution	(1,884)	(1,877)
	-----	-----
Net income to common shareholders	\$ 2,714	\$ 3,206
	=====	=====
Per common share:		
Net income from continuing operations, basic and diluted	\$ .14	\$ .16
Net income from discontinued operation, basic and diluted	--	.01
	-----	-----
Total net income per share, basic and diluted	\$ .14	\$ .17
	-----	-----
Dividends declared	\$ .325	\$ .325
	-----	-----
Average common shares outstanding:		
Basic	18,872,295	18,677,912
	=====	=====
Diluted	18,885,102	18,678,853
	=====	=====

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CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
(dollars in thousands)  
(Unaudited)

	----- 2002 -----	----- 2001 -----
Net income	\$ 4,598	\$ 5,083
Change in fair value of cash flow hedges	87	(656)
Reclassification adjustment for hedge losses (gains) included in net income	234	(24)
Comprehensive income	\$ 4,919 =====	\$ 4,403 =====

See accompanying notes to consolidated financial statements

3

KRAMONT REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net cash provided by operating activities	10,818	\$ 6,560
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collections on mortgage notes receivable	316	415
Acquisitions, net of cash acquired	--	(231)
Capital improvements	(1,696)	(1,570)
Proceeds from the sale of real estate (net)	982	--
Change in restricted cash	35	(48)
Other	28	(42)
Net cash used in investing activities	(335)	(1,476)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	1,728	3,250
Repayments of borrowings	(1,699)	(2,742)
Cash distributions paid on common shares	(6,135)	(6,099)
Cash distributions paid on preferred shares	(1,884)	(1,877)
Distributions to minority interests	(434)	(428)

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Net cash used in financing activities	(8,424)	(7,896)
Net increase (decrease) in unrestricted cash and cash equivalents	2,059	(2,812)
Unrestricted cash and cash equivalents at the beginning of the period	9,186	10,367
Unrestricted cash and cash equivalents at the end of the period	\$ 11,245	\$ 7,555
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 8,673	\$ 8,777

See accompanying notes to consolidated financial statements.

4

KRAMONT REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BUSINESS

Kramont Realty Trust, a Maryland real estate investment trust ("Kramont"), is a self-administered, self-managed equity real estate investment trust ("REIT") which is engaged in the ownership, acquisition, redevelopment, management and leasing of community and neighborhood shopping centers. Kramont does not directly own any assets other than its interest in Kramont Operating Partnership, L.P. ("Kramont OP") and conducts its business through Kramont OP and its affiliated entities, including Montgomery CV Realty, L.P. ("Montgomery OP", together with Kramont OP and their wholly-owned subsidiaries, hereinafter collectively referred to as the "OPs", which together with Kramont are hereinafter referred to as the "Company"). The OP's, directly or indirectly, own all of the Company's assets, including its interest in shopping centers. Accordingly, the Company conducts its operations through an Umbrella Partnership REIT ("UPREIT") structure. As of March 31, 2002, the Company owned 91.94% of Kramont OP and is its sole general partner. As of March 31, 2002, Kramont indirectly owned 99.87% of the limited partnership interest of Montgomery OP and owned 100% of its sole general partner. As of March 31, 2002, the OP's owned and operated 79 shopping centers and two office buildings, and managed 5 shopping centers for third parties, located in 16 states aggregating approximately 11.5 million square feet.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included. For further information please refer to the audited financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

(2) CHANGES TO SIGNIFICANT POLICIES AND PROCEDURES

The company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective January 1, 2002. SFAS 144 resolves significant implementation issues related to SFAS No. 121, Accounting for the Impairment of Long - Lived Assets and for Long-Lived Assets to be disposed. SFAS 144 supercedes SFAS 121, but it retains its fundamental provisions. SFAS 144 retains the requirement of SFAS 121 to recognize an impairment loss only if the carrying

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amount of a long-lived asset within the scope of SFAS 144 is not recoverable from its undiscounted cash flow and exceeds its fair value. SFAS 144 requires the presentation of individual shopping centers sold or held for sale as discontinued operations (see Note 3). The provisions of SFAS 144 generally are applied prospectively and the adoption of SFAS 144 did not have a material impact on the Company's financial position or results of operations.

### (3) DISCONTINUED OPERATIONS

On March 11, 2002 the Company sold a free-standing building located in Fredericksburg, Maryland for \$750,000. The net gain from the sale of the property was \$212,000. The results of operations from this property, along with properties held for sale, is reported as income (loss) from operations of properties sold or held for sale. The properties held for sale at March 31, 2002 include a shopping center in Columbus, Mississippi, a shopping center in Hamden, Connecticut and three parcels of undeveloped land in Florida. There was no debt on these properties at March 31, 2002. The 2001 amount reflects the results of operations for the three properties sold in 2001, as well as the properties held for sale mentioned above and the property sold in 2002.

5

### (4) REAL ESTATE

(a) Real Estate is located in 16 states and consists of (in thousands):

	March 31, 2002	December 31, 2001
	-----	-----
Income producing:		
Land	\$ 120,452	\$ 120,479
Shopping centers	592,719	591,265
Office buildings	5,014	5,014
	-----	-----
Total	718,185	716,758
Less accumulated depreciation	(36,111)	(32,150)
	-----	-----
Net real estate - income producing	\$ 682,074	\$ 684,608
	=====	=====
Properties held for sale:		
Land	\$ 1,231	\$ 1,331
Shopping centers	4,758	5,158
Undeveloped land	5,427	5,452
	-----	-----
Total	11,416	11,941
Less accumulated depreciation	(213)	(199)
	-----	-----
Net properties held for sale	\$ 11,203	\$ 11,742
	=====	=====

(b) On April 26, 2002, Kramont completed the acquisition of a 75,400 square foot shopping center in Killingly, Connecticut. The center was acquired for \$8.3

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million in cash including transaction costs.

(c) Real Estate with a net book value of \$673.4 million, at March 31, 2002, is pledged as collateral for borrowings (Note 6).

(5) MORTGAGE NOTES RECEIVABLE

At March 31, 2002, the Company's mortgage notes receivable consisted of \$35.0 million collateralized by first mortgages on the recreation facilities at three Century Village adult condominium communities in southeast Florida (collectively, the "Recreation Notes"). The Recreation Notes provide for self-amortizing equal monthly principal and interest payments due through 2012, bear interest ranging from 8.84% to 13.5% per annum and contain certain prepayment prohibitions. The Recreation Notes are pledged as collateral for certain borrowings (see Note 6).

(6) BORROWINGS

Borrowings consist of (in thousands):

6

	March 31 ----- 2002 -----
Mortgage notes payable through June 2003, interest only fixed payments at an average rate of 7.96% per annum, collateralized by mortgages on twenty-seven shopping centers	\$181,700
Mortgage notes payable through August 2028, interest ranging from 6.08% to 10.28% per annum, collateralized by mortgages on thirty shopping centers	177,759
Mortgage notes payable through August 2003 under \$155 million credit facility, interest at one month LIBOR (1.88% at March 31, 2002) plus a minimum of 2.45% to a maximum of 2.95%, collateralized by mortgages on fourteen shopping centers	66,103
Mortgage notes payable through October 2008 under a mortgage loan, interest fixed at 7.00% per annum, collateralized by mortgages on nine shopping centers	63,703
Collateralized Mortgage Obligations, net of unamortized discount of \$226,000 and \$245,000 based on a fixed effective interest rate of 8.84% per annum, collateralized by certain of the Recreation Notes (see Note 5), quarterly self-amortizing principal and interest payments required through March 2007	20,975
Totals	----- \$510,240 =====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Three Months Ended March 31, 2002 and 2001

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### Net Income

For the quarter ended March 31, 2002, net income to holders of common shares of beneficial interest was \$2.7 million or \$.14 per common share compared to \$3.2 million or \$.17 per common share for the same period of 2001.

During the quarter ended March 31, 2002, rent revenue and operating expenses decreased by \$139,000 and \$632,000, respectively (a net rental income increase of \$497,000). The rent revenue decrease is primarily due to tenant bankruptcies offset by increased rentals in the existing portfolio and the acquisition of a shopping center on December 27, 2001. Operating expenses decreased during the first quarter of 2002 primarily due to less snowfall.

Other income decreased by \$894,000 due to non-recurring income received in the first quarter of 2001, primarily in the form of lease termination fees.

Interest expense decreased by \$397,000 during the first quarter of 2002 primarily as a result of a decrease in rates on the Company's variable rate debt, offset by an increase in borrowings.

Depreciation and amortization increased by \$339,000 due to capital expenditures.

Interest income decreased by \$170,000 during the first quarter of 2002, primarily attributable to scheduled repayments of mortgage notes receivable (see Note 5) which are long term and require self-amortizing payments through 2012.

7

General and administrative expenses decreased by \$189,000 primarily due to a decrease in performance related bonuses.

Net income from discontinued operations was \$94,000 for the first quarter of 2002 compared to \$217,000 for the first quarter of 2001. The 2002 amount consisted of a gain from the sale of real estate in the amount of \$212,000, offset by an aggregate loss from the operations of the property sold and properties held for sale. The 2001 amount consists of the net income from properties sold in 2001 and 2002, as well as the properties held for sale.

### Funds From Operations

Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts (NAREIT), consists of net income (computed in accordance with generally accepted accounting principles) before depreciation and amortization of real property, extraordinary items and gains and losses on sales of real estate.

The following schedule reconciles FFO to net income (in thousands):

	Three Months Ended March 31,	
	2002	2001
	-----	
Net income to common shareholders	\$ 2,714	\$3,206
Depreciation and amortization of real property (including unconsolidated affiliates)*	3,832	3,641
Gain on sale of real estate*	(197)	--



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FFO	----- \$ 6,349 =====	----- \$6,847 =====
-----	----------------------------	---------------------------

\* Net of amounts attributable to minority interests

The Company believes that FFO is an appropriate measure of operating performance because real estate depreciation and amortization charges are not meaningful in evaluating the operating results of the Company's properties and certain extraordinary items, such as the gain on the sale of real estate and deferred income tax benefit, would distort the comparative measurement of performance and may not be relevant to ongoing operations. However, FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and should not be considered as an alternative to either net income as a measure of the Company's operating performance or to cash flows from operating activities as an indicator of liquidity or cash available to fund all cash flow needs.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Statements of Cash Flows

Net cash provided by operating activities, as reported in the Consolidated Statements of Cash Flows, amounted to \$10.8 million for the three months ended March 31, 2002 compared to \$6.6 million for the same period in 2001. The increase in cash flow is primarily due to an increase in accounts payable and other liabilities of \$2.4 million in the first quarter of 2002 compared to a decrease in accounts payable and other liabilities of \$1.2 million for the same period in 2001.

8

Net cash used in investing activities for the three months ended March 31, 2002 decreased to \$335,000 from net cash used in investing activities of \$1.5 million for the same period in 2001. The 2002 amounts reflect \$1.7 million of capital improvements offset by net proceeds from the sale of real estate in the amount of \$982,000 and \$316,000 of collections on mortgage notes receivable. The 2001 amounts reflect \$1.6 million of capital improvements, as well as payments of \$231,000 towards accrued acquisition costs, offset by \$415,000 of collections on mortgage notes receivable.

Net cash used in financing activities increased to \$8.4 million for the three months ended March 31, 2002 from net cash used in financing activities of \$7.9 million in the same period in 2001. The 2002 amounts consist of cash distributions of \$8.0 million to shareholders and \$434,000 to minority interests. The 2001 amounts consist of cash distributions of \$7.9 million to shareholders and \$428,000 to minority interests, partially offset by \$508,000 of net proceeds from borrowings.

Borrowings

At March 31, 2002, the Company's contractual obligations are as follows:

Payments Due by Period (in thousands)			
Less than 1 year	1 to 3 years	4 to 5 years	After 5 years

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\$ 9.4

\$ 346.2

\$ 34.0

\$ 120.6

At March 31, 2002, borrowings were \$510.2 million. Scheduled principal payments over the remainder of this year and the next four years are \$389.6 million with \$120.6 million due thereafter. Borrowings consist of \$418.1 million of fixed rate indebtedness, with a weighted average interest rate of 7.73% at March 31, 2002, and \$92.1 million of variable rate indebtedness with a weighted average interest rate of 5.13% at March 31, 2002. The borrowings are collateralized by a substantial portion of the Company's real estate and three Century Village adult condominium communities in southeast Florida (collectively, the "Recreation Notes"). The Company expects to refinance certain of these borrowings, at or prior to maturity, through new mortgage loans on real estate. The ability to do so, however, is dependent upon various factors, including the income level of the properties, interest rates and credit conditions within the commercial real estate market. Accordingly, there can be no assurance that such refinancing can be achieved.

Effective August 1, 2000, the Company entered into an Amended and Restated Loan and Credit Facility Agreement (the "Amended Facility") with GMAC Commercial Mortgage ("GMAC") wherein GMAC increased an existing \$100 million facility to a \$155 million facility. The Amended Facility is a non-revolving line of credit with individual loan terms of three years if funds are advanced within the first twelve months, and two years if funds are advanced during the thirteenth to the eighteenth months. Effective February 1, 2002, no more funds may be advanced. Advances under the Amended Facility: (1) must be secured by assets based on specified aggregate loan to value and debt service coverage ratios, (2) bear interest at an annual rate of one month London Interbank Offering Rate ("LIBOR") plus a spread ranging from 245 to 295 basis points, based on loan to value ratios, and (3) may be drawn only during the first eighteen months of the credit facility. Additional provisions include a -1/2% commitment fee, a minimum net worth covenant of \$175.0 million, cross-default and cross-collateralization requirements with respect to debt and properties within the Amended Facility, and under certain conditions an exit fee. Advances under the Amended Facility may be used to fund acquisitions, expansions, renovations, financing and refinancing of real estate. As of March 31, 2002, the Company had \$66.1 million outstanding under the \$155 million Amended Facility. Interest rate caps in the notional amount of \$87.3 million were purchased upon closing of the Amended Facility. Pursuant to the Amended Facility, the Company is required to make monthly escrow payments for the payment of tenant improvements and repair reserves.

9

On March 28, 2002 the Company entered into a Mezzanine Loan Agreement ("Mezzanine Agreement") with GMAC for an amount not to exceed \$18.5 million in the form of a revolving credit facility. Under terms of the Mezzanine Agreement, the facility will be used for acquisitions, capital expenditures, and general corporate purposes. The Mezzanine Agreement calls for an interest rate of the greater of 7 percent, or one month LIBOR plus 375 basis points. The term of the line expires on August 31, 2003, which is the maturity date of the Company's \$155 million Amended Facility. At March 31, 2002 there was no outstanding balance on this credit facility.

In 1996, Kranzco entered into a seven year, fixed rate real estate mortgage loan in the principal amount of \$181.7 million (the "Mortgage Loan"), at a weighted average interest rate of 7.96%, which is inclusive of trustee and servicing fees. The Mortgage Loan is secured by twenty seven-shopping center properties

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(the "Mortgaged Properties"). The entire outstanding principal balance of the Mortgage Loan is due in June 2003. The Mortgage Loan requires maintenance of a sinking fund account and a capital and tenant improvement (TI) reserve account. All funds in the capital and TI reserve account may be used to fund capital improvements, repairs, alterations, tenant improvements and leasing commissions at the Mortgaged Properties.

In 1998, Kranzco obtained a \$65.9 million fixed rate mortgage from Salomon Brothers Realty Corp. This loan is secured by a first mortgage on nine properties acquired by Kranzco in September 1998. The mortgage loan bears a fixed interest rate of 7% per annum and requires monthly payments of interest and principal based on a 30-year amortization. The mortgage matures on October 1, 2008. The outstanding balance on the mortgage was approximately \$63.7 million as of March 31, 2002. Pursuant to the mortgage, the Company is required to make monthly escrow payments for the payment of tenant improvements and repair reserves.

In addition, the Company has thirty mortgage loans outstanding as of March 31, 2002 which were primarily assumed in connection with various acquisitions of certain shopping centers. These mortgage loans have maturity dates ranging from 2002 through 2028. Twenty-one of the thirty mortgage loans have fixed interest rates ranging from 6.08% to 10.28%. The outstanding principal balance on these mortgage loans at March 31, 2002 was approximately \$151.7 million. Three mortgage loans with an outstanding principal balance at March 31, 2002 of \$3.1 million have interest rates payable at a rate adjusted each year equal to the sum of Moody's A Corporate Bond Index Daily Rate plus 0.125% per annum, rounded up to the next highest 1/8 percentage rate. Two mortgage loans with an outstanding principal balance at March 31, 2002 of \$6.3 million have interest rates payable at a rate adjusted each year equal to the sum of Moody's A Corporate Bond Index Daily Rate minus 0.125% per annum, rounded up to the next highest 1/8 percentage rate. One mortgage loan with an outstanding principal balance at March 31, 2002 of \$1.5 million has an interest rate payable at a rate adjusted monthly to the sum of 30 day LIBOR plus 2.5%. One mortgage loan with an outstanding principal balance at March 31, 2002 of \$3.2 million has an interest rate payable at a rate adjusted monthly to the sum of 30 day LIBOR plus 1.6%. One mortgage loan with an outstanding principal balance at March 31, 2002 of \$5.4 million has an interest rate payable at a rate adjusted semi-annually to the sum of 6 month LIBOR plus 1.85%. One mortgage loan with an outstanding principal balance at March 31, 2002 of \$6.5 million has an interest rate payable at a rate adjusted monthly to the sum of the bank's prime rate plus .25%.

The Company also has \$21.0 million of borrowings consisting of Collateralized Mortgage Obligations, net of unamortized discount, with a fixed effective interest rate of 8.84% which are collateralized by the Recreation Notes and require self-amortizing principal and interest payments through March 2007.

The Company has a line of credit with Wachovia Bank in the amount of \$3.2 million. This line is secured by a shopping center and has an interest rate payable at a rate adjusted monthly to the sum of 30 day LIBOR plus 1.8%. The line of credit matures on August 1, 2003. At March 31, 2002 there was no outstanding balance on this line of credit.

The Company has a line of credit with Wilmington Trust of Pennsylvania in the amount of \$3.5 million secured by two shopping centers with an interest rate payable at a rate adjusted monthly to the sum of 30 day LIBOR plus 1.8%. The line of credit matures on June 30, 2002. At March 31, 2002 there was no outstanding balance on this line of credit.

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### Capital Resources

The Company's operating funds are generated from rent revenue net of operating expense from income producing properties and, to a much lesser extent, interest income on the mortgage notes receivable. The Company believes that the operating funds will be sufficient in the foreseeable future to fund operating and administrative expenses, interest expense, recurring capital expenditures and distributions to shareholders in accordance with REIT requirements. Sources of capital for non-recurring capital expenditures and scheduled principal payments, including balloon payments, on outstanding borrowings are expected to be obtained from property refinancings, scheduled principal repayments on the mortgage notes receivable, sales of non-strategic real estate, the Company's lines of credit and/or potential debt or equity financings in the public or private markets.

### Subsequent Events

On April 16, 2002, the Company signed an agreement to purchase 11,155 Series A-1 Increasing Rate Cumulative Convertible Preferred Shares ("Series A-1 Preferred Shares"), from a shareholder of beneficial interest for \$6.0 million, which shares constitute all of our outstanding Series A-1 Preferred Shares. The Company expects to close the purchase of the Series A-1 Preferred Shares on May 15, 2002.

On April 18, 2002, the Company filed a Shelf Registration Statement on Form S-3 to register \$150,000,000 in common and preferred shares of beneficial interest, depository shares, warrants and debt securities. The Shelf Registration Statement became effective April 17, 2002.

On April 26, 2002, the Company completed the acquisition of a 75,400 square foot shopping center in Killingly, Connecticut for a purchase price of \$8.3 million including transaction costs. The center is anchored by a 50,000 square foot supermarket.

On May 9, 2002, the Company agreed to sell 2.3 million of its common shares of beneficial interest to Cohen & Steers Capital Management, Inc. ("Cohen & Steers"), on behalf of itself and as investment adviser to certain investment advisory clients. The Company intends to use the estimated net proceeds of \$31.3 million for acquisitions, debt reductions, and other corporate purposes. The purchase agreement provides that the obligation to purchase the common shares of beneficial interest is subject to certain closing conditions.

### INFLATION

During recent years, the rate of inflation has remained at a low level and has had minimal impact on the Company's operating results.

Most of the tenant leases contain provisions designed to lessen the impact of inflation. These provisions include escalation clauses which generally increase rental rates annually based on cost of living indexes (or based on stated rental increases which are currently higher than recent cost of living increases), and percentage rentals based on tenant's gross sales, which generally increase as prices rise. Many of the leases are for terms of less than ten years which increases the Company's ability to replace those leases which are below market rates with new leases at higher base and/or percentage rentals. In addition, most of the leases require the tenants to pay their proportionate share of increases in operating expenses, including common area maintenance, real estate taxes and insurance.

However, in the event of significant inflation, the Company's operating results could be adversely affected if general and administrative expenses and interest

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expense increases at a rate higher than rent income or if the increase in inflation exceeds rent increases for certain tenant leases which provide for stated rent increases (rather than based on cost of living indexes).

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure to market risk is to changes in interest rates. The Company has both fixed and variable rate debt. The Company has \$510.2 million of debt outstanding as of March 31, 2002 of which \$418.1 million, or 82.23%, has been borrowed at fixed rates ranging from 6.08% to 10.28% with maturities

11

through 2028. As these debt instruments mature, the Company typically refinances such debt at their existing market interest rates which may be more or less than interest rates on the maturing debt. Changes in interest rates have different impacts on the fixed and variable rate portions of the Company's debt portfolio. A change in interest rates impacts the net market value of the Company's fixed rate debt, but has no impact on interest incurred or cash flows on the Company's fixed rate debt. Interest rate changes on variable debt impacts the interest incurred and cash flows but does not impact the net market value of the debt instrument. Based on the variable rate debt of the Company as of March 31, 2002, a 100 basis point increase in interest rates would result in an additional \$900,000 in interest incurred per year and a 100 basis point decline would lower interest incurred by \$900,000. To ameliorate the risks of interest rate increases, the Company has entered into interest rate swap and cap agreements in the notional amounts of \$32.5 million and \$87.3 million, respectively.

### FORWARD LOOKING INFORMATION: CERTAIN CAUTIONARY STATEMENTS

Certain statements contained in "Management's Discussion and Analysis of Results of Operations and Financial Condition" and elsewhere in this Form 10-Q, that are not related to historical results, are forward looking statements, such as anticipated liquidity and capital resources, completion of potential acquisitions and collectibility of mortgage notes receivable. The matters referred to in forward looking statements are based on assumptions and expectations of future events which may not prove to be accurate and which could be affected by the risks and uncertainties involved in the Company's business; many of which cannot be predicted with accuracy and some of which might not even be anticipated. Prospective investors are cautioned that any such statements are not guarantees of future performance and that actual results may differ materially from those projected and implied in the forward-looking statements. These risks and uncertainties include, but are not limited to, the burden of the Company's substantial debt obligations; the risk that the Company may not be able to refinance its debt obligations on reasonable terms, if at all; the highly competitive nature of the real estate leasing market; adverse changes in the real estate leasing markets, including, among other things, competition with other companies; general economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of prospective tenants and lease rents; financial condition and bankruptcy of tenants, including disaffirmance of leases by bankrupt tenants; the availability and terms of debt and equity financing; risks of real estate acquisition, expansion and renovation; construction and lease-up delays; the level and volatility of interest rates; governmental actions and initiatives; environmental/safety requirements, as well as certain other risks described in this Form 10-Q. Subsequent written and oral forward looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by cautionary statements in this paragraph

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and elsewhere described in this Form 10-Q and in other reports the Company filed with the Securities and Exchange Commission.

### PART II. OTHER INFORMATION

- ITEM 1. Legal Proceedings  
None.
- ITEM 2. Changes in Securities and Use of Proceeds  
None.
- ITEM 3. Defaults upon Senior Securities  
None.

12

- ITEM 4. Submission of Matters to a Vote of Security Holders  
None.
- ITEM 5. Other Information  
Not Applicable.
- ITEM 6. Exhibits and Reports on Form 8-K:
- Exhibits:
- 10.78 Purchase Agreement between the Company and Cohen & Steers Capital Management, Inc., dated as of May 9, 2002.
- 10.79 Preferred Stock Redemption Agreement between the Company and David H. Hillman, dated as of April 16, 2002.
- Reports on Form 8-K:  
None.

13

### SIGNATURES

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.

KRAMONT REALTY TRUST

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(Registrant)

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May 14, 2002

/s/ Louis P. Meshon, Sr.  
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Louis P. Meshon Sr., President

May 14, 2002

/s/ Etta M. Strehle  
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Etta M. Strehle, Chief Accounting Officer

May 14, 2002

/s/ Carl E. Kraus  
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Carl E. Kraus, Chief Financial Officer and Treasurer