

BRT REALTY TRUST
Form 8-K
February 22, 2013

UNITED STATES
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): January 11, 2013

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

| | | |
|--|------------------------------------|---------------------------------------|
| Massachusetts (State or other jurisdiction of incorporation) | 001-07172 (Commission file No.) | 13-2755856 (IRS Employer I.D. No.) |
|--|------------------------------------|---------------------------------------|

| | |
|--|---------------------|
| 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021 (Address of principal executive offices) | 11021 (Zip code) |
|--|---------------------|

Registrant's telephone number, including area code 516-466-3100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Explanatory Note

We are filing this Current Report on Form 8-K (the “Current Report”) to include under (i) Item 9.01(a), the audited statement of revenues and certain expenses of the Spring Valley Club Apartments (as defined) for the year ended December 31, 2011 and the unaudited statement of revenues and certain expenses for the nine months ended September 30, 2012 and (ii) Item 9.01(b), our unaudited pro forma financial statements reflecting the acquisition, by a joint venture in which we have a 80% equity interest, of a 160 unit multi-family residential property located in Panama City, Florida (the “Spring Valley Club Apartments”). The Spring Valley Club Apartments was purchased for a purchase price of \$7.2 of which \$5.6 million was financed with mortgage debt.

Item 9.01 Financial Statements and Exhibits.

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| Exhibit No. | Title of Exhibit |
| 23.1 | Consent of BDO USA, LLP dated February 22, 2013 |

Independent Auditors' Report

To the Board of Trustees and Shareholders of
BRT Realty Trust and Subsidiaries

We have audited the accompanying statement of revenues and certain expenses of the property located at 2121 Harrison Ave, Panama City, Florida ("Spring Valley Club Apartments") for the year ended December 31, 2011. The statement of revenues and certain expenses is the responsibility of BRT Realty Trust's management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Spring Valley Club Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Form 8-K of BRT Realty Trust. As described in Note 2, material amounts that would not be comparable to those resulting from the proposed future operations of Spring Valley Club Apartments are excluded from the statement of revenues and certain expenses and the statement of revenues and certain expenses is not intended to be a complete presentation of Spring Valley Club Apartments' revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of Spring Valley Club Apartments for the year ended December 31, 2011, on the basis of accounting described in Note 2.

s/BDO USA, LLP

New York, New York
February 22, 2013

Spring Valley Club Apartments
 Statements of Revenues and Certain Expenses

| | Nine Months Ended September 30, 2012 (unaudited) | Year Ended December 31, 2011 |
|--|---|------------------------------------|
| Revenues: | | |
| Rental and other income | \$921,000 | \$1,340,000 |
| Certain Expenses: | | |
| Real estate taxes | 49,000 | 68,000 |
| Management fees | 36,000 | 47,000 |
| Utilities | 100,000 | 130,000 |
| Payroll | 131,000 | 185,000 |
| Repairs and maintenance | 124,000 | 148,000 |
| Other real estate operating expenses | 93,000 | 110,000 |
| Total certain expenses | 533,000 | 688,000 |
| Revenues in excess of certain expenses | \$388,000 | \$652,000 |

See Independent Auditors' report and accompanying notes.

Spring Valley Club Apartments

Notes to Statements of Revenues and Certain Expenses

1. Organization

The property, located at 2121 Harrison Ave., Panama City, Florida (“Spring Valley Club Apartments”), is a 160-unit multi-family garden apartment complex.

BRT Realty Trust (“BRT” or the “Trust”) is a business trust organized in Massachusetts. BRT (i) originates and holds for investment senior mortgage loans secured by commercial and multi-family real estate property in the United States, (ii) began participating, in fiscal 2012, as an equity investor in joint ventures that own and operate multi-family properties and (iii) owns and operates commercial and mixed use real estate assets, and in particular, development properties located in Newark, New Jersey.

On January 11, 2013, a consolidated joint venture comprised of TRB Spring Valley LLC, the Trust’s wholly owned subsidiary and an unaffiliated joint venture partner, acquired Spring Valley Club Apartments for a purchase price of \$7.2 million, including \$5.6 million of mortgage debt.

2. Basis of Presentation and Significant Accounting Policies

The accompanying statements of revenues and certain expenses of Spring Valley Club Apartments have been prepared in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in the Trust’s Current Report on Form 8-K. Accordingly, the statements of revenues and certain expenses exclude certain expenses that may not be comparable to those expected to be incurred in the future operations of the aforementioned property. Items excluded consist of interest expense, depreciation, amortization, corporate expenses, and other costs not directly related to future operations.

Use of Estimates

The preparation of the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statements of revenues and certain expenses and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Rental revenue is recognized on an accrual basis when due from tenants. Leases are generally for a one-year term and have no renewal options.

Income Taxes

Spring Valley Club Apartments was organized as a limited liability company and is not directly subject to federal or state taxes.

BRT REALTY TRUST AND SUBSIDIARIES
Pro Forma Consolidated Financial Statements
(Unaudited)

On November 15, 2012, a consolidated joint venture comprised of TRB Grove at Trinity LLC, a wholly owned subsidiary of the Trust, and an unaffiliated joint venture partner, acquired Grove at Trinity Pointe, a 464 unit, multi-family garden apartment complex located in Cordova, Tennessee (“Grove at Trinity Pointe”). The net purchase price was \$25.5 million and included \$19.25 million of mortgage debt.

On November 19, 2012, a consolidated joint venture comprised of TRB Avondale LLC, a wholly owned subsidiary of the Trust, and an unaffiliated joint venture partner, acquired Avondale Station Apartments, a 212 unit, multi-family garden apartment complex located in Decatur, Georgia (“Avondale Station Apartments”). The net purchase price was \$10.45 million and included \$8.0 million of mortgage debt.

On January 11, 2013, a consolidated joint venture comprised of TRB Spring Valley LLC, a wholly owned subsidiary of the Trust, and an unaffiliated joint venture partner, acquired Spring Valley Club Apartments, a 160-unit, multi-family garden apartment complex located in Panama City, Florida. The net purchase price was \$7.2 million and included \$5.6 million of mortgage debt.

The following unaudited pro forma consolidated balance sheet of the Trust as of December 31, 2012, has been prepared as if the acquisition of Spring Valley Club Apartments had been completed on December 31, 2012. The unaudited pro forma consolidated statement of income for the year ended September 30, 2012 is presented as if the acquisitions had been completed on October 1, 2011. The unaudited pro forma consolidated statement of income for the three months ended December 31, 2012 is presented as if the acquisition had been completed on October 1, 2012.

The unaudited pro forma consolidated statement of income for the three months ended December 31, 2012 have been adjusted to reflect the income and expense items of Grove At Trinity Pointe and Avondale Station Apartments (“previously reported acquisitions”) from the date of acquisition through December 31, 2012.

These unaudited pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the Trust’s 2012 Annual Report on Form 10-K for the year ended September 30, 2012.

The unaudited pro forma consolidated financial statements are based on assumptions and estimates considered appropriate by the Trust’s management; however, such statements do not purport to represent what the Trust’s financial position and results of operations would have been assuming the completion of the acquisition on October 1, 2012, nor do they purport to project the Trust’s financial position and results of operations at any future date or for any future period.

In the opinion of the Trust’s management, all adjustments necessary to reflect the effects of the transactions described above have been included in the pro forma consolidated financial statements.

BRT REALTY TRUST AND SUBSIDIARIES

PRO FORMA – UNAUDITED CONSOLIDATED BALANCE SHEET

As of December 31, 2012

(Amounts in thousands, except per share data)

| | The Trust Historical | Purchase of Spring Valley Club Apartments | The Trust Pro Forma as Adjusted |
|--|-------------------------|---|---------------------------------------|
| ASSETS | | | |
| Real estate properties, net of accumulated depreciation of \$6,072 | \$255,422 | \$ 7,200 | \$262,622 |
| Real estate loans, all earning interest | 71,257 | - | 71,257 |
| Deferred fee income | (1,056) | - | (1,056) |
| | 70,201 | | 70,201 |
| Cash and cash equivalents | 32,613 | (1,456) | 31,157 |
| Restricted cash – construction holdbacks | 49,597 | - | 49,597 |
| Available-for-sale securities at market | 1,226 | - | 1,226 |
| Deferred costs, net | 12,449 | 114 | 12,563 |
| Prepaid expenses | 5,110 | - | 5,110 |
| Other assets | 5,725 | 362 | 6,087 |
| Total Assets | \$432,343 | \$ 6,220 | \$438,563 |
| LIABILITIES AND EQUITY | | | |
| Liabilities: | | | |
| Mortgages payable | \$214,810 | \$ 5,588 | \$220,398 |
| Junior subordinated notes | 37,400 | - | 37,400 |
| Accounts payable and accrued liabilities | 4,611 | 39 | 4,650 |
| Deposits payable | 2,160 | 83 | 2,243 |
| Deferred income | 25,848 | - | 25,848 |
| Total Liabilities | 284,829 | 5,710 | 290,539 |
| 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, 13,473 issued | 40,420 | - | 40,420 |
| Additional paid-in capital | 165,451 | - | 165,451 |
| Accumulated other comprehensive income | 344 | | 344 |
| Accumulated deficit | (73,889) | - | (73,889) |
| Total BRT Realty Trust shareholders' equity | 132,326 | - | 132,326 |
| Non-controlling interests | 15,188 | 510 | 15,698 |
| Total Equity | 147,514 | 510 | 148,024 |
| Total Liabilities and Equity | \$432,343 | \$ 6,220 | \$438,563 |

See accompanying notes to the unaudited pro forma consolidated financial statements

BRT REALTY TRUST AND SUBSIDIARIES

PRO FORMA – UNAUDITED CONSOLIDATED STATEMENT OF INCOME

For The Year Ended September 30, 2012

(Dollars in thousands, except share data)

| | The Trust Historical | Previously Reported Acquisitions (f) | Purchase of Spring Valley Club Apartments | The Trust Pro Forma as Adjusted |
|---|-------------------------|---|--|--|
| Revenues: | | | | |
| Rental and other revenue from real estate properties | \$8,675 | \$5,907 | \$1,329 | \$15,911 |
| Interest and fees on real estate loans | 9,530 | - | - | 9,530 |
| Recovery of previously provided allowances | 156 | - | - | 156 |
| Other income | 1,218 | - | - | 1,218 |
| Total revenues | 19,579 | 5,907 | 1,329 | 26,815 |
| Expenses: | | | | |
| Interest expense | 4,729 | 1,047 | (a) 227 | (e) 6,003 |
| Advisor's fees, related party | 1,104 | 130 | (b) 26 | (b) 1,260 |
| Property acquisition costs | 2,407 | - | - | 2,407 |
| General and administrative—including \$705 to related party | 7,161 | - | - | 7,161 |
| Operating expenses relating to real estate properties | 6,042 | 3,250 | 776 | 10,068 |
| Depreciation and amortization | 2,004 | 1,050 | (c) 180 | (c) 3,234 |
| Total expenses | 23,447 | 5,477 | 1,209 | 30,133 |
| Total revenues less total expenses | (3,868) | 430 | 120 | (3,318) |
| Equity in earnings of unconsolidated ventures | 829 | - | - | 829 |
| Gain on sale of available-for-sale securities | 605 | - | - | 605 |
| Gain on sale of loan | 3,192 | - | - | 3,192 |
| Income from continuing operations | 758 | 430 | 120 | 1,308 |
| Discontinued operations: | | | | |
| Gain on sale of real estate assets | 792 | - | - | 792 |
| Net income | 1,550 | 430 | 120 | 2,100 |
| Plus: net loss (income) attributable to non controlling interests | 2,880 | (112) | (d) (29) | (d) 2,739 |
| Net income attributable to common shareholders | \$4,430 | \$318 | \$91 | \$4,839 |
| Basic and diluted per share amounts attributable to common shareholders: | | | | |
| Income from continuing operations | \$.26 | \$.02 | \$.01 | \$.29 |
| Discontinued operations | .06 | - | - | .06 |
| Basic and diluted income per share | \$.32 | \$.02 | \$.01 | \$.35 |
| Amounts attributable to BRT Realty Trust: | | | | |
| Income from continuing operations | \$3,638 | \$318 | \$91 | \$4,047 |
| Discontinued operations | 792 | - | - | 792 |
| Net income | \$4,430 | \$318 | \$91 | \$4,839 |

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Weighted average number of common shares
outstanding:

| | | | | |
|-------------------|------------|------------|------------|------------|
| Basic and diluted | 14,035,792 | 14,035,792 | 14,035,792 | 14,035,792 |
|-------------------|------------|------------|------------|------------|

See accompanying notes to the unaudited pro forma consolidated financial statements.

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BRT REALTY TRUST AND SUBSIDIARIES

PRO FORMA – UNAUDITED CONSOLIDATED STATEMENT OF INCOME

For The Three Months Ended December 31, 2012

(Dollars in thousands, except share data)

| | The Trust Historical | Previously Reported Acquisitions(f) | Purchase of Spring Valley Club Apartments | The Trust Pro Forma as Adjusted |
|---|-------------------------|---|--|--|
| Revenues: | | | | |
| Rental and other revenue from real estate properties | \$5,640 | \$ 761 | \$332 | \$6,733 |
| Interest and fees on real estate loans | 1,879 | - | - | 1,878 |
| Recovery of previously provided allowances | 422 | - | - | 422 |
| Other income | 310 | - | - | 310 |
| Total revenues | 8,251 | 761 | 332 | 9,344 |
| Expenses: | | | | |
| Interest expense | 2,946 | 129 | (a) 57 | (e) 3,132 |
| Advisor's fees, related party | 374 | 17 | (b) 7 | (b) 397 |
| Property acquisition costs | 878 | - | - | 878 |
| General and administrative—including \$205 to related party | 1,863 | - | - | 1,863 |
| Operating expenses relating to real estate properties | 3,146 | 499 | 194 | 3,839 |
| Depreciation and amortization | 1,287 | 174 | (c) 45 | (c) 1,506 |
| Total expenses | 10,494 | 817 | 302 | 11,614 |
| Total revenues less total expenses | (2,243) | (57) | 30 | (2,270) |
| Equity in earnings of unconsolidated ventures | 61 | - | - | 61 |
| Net (loss) income | (2,182) | (57) | 30 | (2,209) |
| Plus: net loss (income) attributable to non controlling interests | 878 | 8 | (d) (7) | (d) 879 |
| Net (loss) income attributable to common shareholders | \$(1,304) | \$ (49) | \$23 | \$(1,330) |
| Basic and diluted per share amounts attributable to common shareholders: | | | | |
| (Loss) income from continuing operations | \$(.09) | \$.00 | \$.00 | \$(.09) |
| Discontinued operations | - | - | - | - |
| Basic and diluted (loss) income per share | \$(.09) | \$.00 | \$.00 | \$(.09) |
| Amounts attributable to BRT Realty Trust: | | | | |
| (Loss) income from continuing operations | \$(1,304) | (49) | \$23 | \$(1,330) |
| Discontinued operations | - | - | - | - |
| Net (loss) income | \$(1,304) | \$ (49) | \$23 | \$(1,330) |
| Weighted average number of common shares outstanding: | | | | |
| Basic and diluted | 14,053,362 | 14,053,362 | \$14,053,362 | 14,053,362 |

See accompanying notes to the unaudited pro forma consolidated financial statements.

BRT REALTY TRUST AND SUBSIDIARIES
Notes to Pro Forma Unaudited Consolidated Financial Statements
(Unaudited)

Basis of Pro Forma Presentation

1. The consolidated financial statements include the consolidated accounts of the Trust and its investments in limited liability companies in which the Trust is presumed to have control in accordance with the consolidation guidance of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Investments in entities for which the Trust has the ability to exercise significant influence but does not have financial or operating control, are accounted for under the equity method of accounting. Accordingly, the Trust’s share of the net earnings (or losses) of entities accounted for under the equity method are included in consolidated net income under the caption “Equity in earnings of unconsolidated ventures”. Investments in entities for which the Trust does not have the ability to exercise any influence are accounted for under the cost method of accounting.

In November 2012, the Trust entered into a joint venture, and the joint venture acquired Grove at Trinity Pointe for \$25.5 million, funded with cash and a mortgage loan in the amount of \$19.25 million.

In November 2012, the Trust entered into a joint venture, and the joint venture acquired Avondale Station Apartments for \$10.45 million, funded with cash and a mortgage loan in the amount of \$8.0 million.

2. Notes to the pro forma consolidated statements of income for Grove at Trinity Pointe, Avondale Station Apartments and Spring Valley Apartments for the year ended September 30, 2012 and the three months ended December 31, 2012
 - a) To reflect the interest expense resulting from the mortgages securing Grove at Trinity Pointe and Avondale Station Apartments, which expense is calculated using interest rates of 3.71% and 3.74%, respectively, and includes amortization of loan related fees.
 - b) To reflect the advisory fees to be paid by the Trust pursuant the Amended and Restated Advisory Agreement, as amended.
 - c) To reflect depreciation on the estimated useful life of 30 years of the buildings.
 - d) To reflect the non-controlling interest share of income from these properties for their 20% equity interest in these joint ventures.
 - e) To reflect the interest expense resulting from the mortgage securing Spring Valley Apartments. Interest expense is calculated using an interest rate of 4.06% and includes amortization of loan related fees.
 - f) Refers to Grove at Trinity Pointe and Avondale Station Apartments.

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 hereunto duly authorized.

BRT REALTY TRUST

By: */s/ George Zweier*
George Zweier
Vice President and
Chief Financial Officer

February 22, 2013
Great Neck, NY