

AMREIT  
Form 10-Q  
August 14, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 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, 2008

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: 0-28378

(Name of registrant as specified its charter)

TEXAS  
(State or Other Jurisdiction of Incorporation or  
Organization)

76-0410050  
(I.R.S. Employer Identification No.)

8 GREENWAY PLAZA, SUITE 1000  
HOUSTON, TEXAS  
(Address of Principal Executive Offices)

77046  
(Zip Code)

713-850-1400  
(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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer "  
Non-accelerated filer " Smaller reporting company x  
(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 x

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of August 12, 2008
Class A Common Stock, \$0.01 par value	6,634,489 shares
Class C Common Stock, \$0.01 par value	4,150,088 shares
Class D Common Stock, \$0.01 par value	10,982,002 shares

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

AmREIT AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
June 30, 2008 and December 31, 2007  
(in thousands, except share data)

	June 30, 2008	December 31, 2007
(unaudited)		
<b>ASSETS</b>		
Real estate investments at cost:		
Land	\$ 127,551	\$ 130,563
Buildings	135,124	141,045
Tenant improvements	9,543	10,105
	272,218	281,713
Less accumulated depreciation and amortization	(17,369)	(15,626)
	254,849	266,087
Real estate held for sale and investment in direct financing leases held for sale, net	32,871	22,438
Net investment in direct financing leases held for investment	2,063	2,058
Intangible lease cost, net	11,226	13,096
Investment in merchant development funds and other affiliates	6,720	10,514
Net real estate investments	307,729	314,193
Cash and cash equivalents	205	1,221
Tenant receivables, net	4,132	4,398
Accounts receivable, net	2,570	1,251
Accounts receivable - related party	3,944	5,386
Notes receivable - related party	9,393	10,442
Deferred costs	2,284	2,472
Other assets	5,189	4,394
<b>TOTAL ASSETS</b>	<b>\$ 335,446</b>	<b>\$ 343,757</b>

LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable	\$ 175,556	\$ 168,560
Notes payable, held for sale	12,570	12,811
Accounts payable - related party	367	49
Accounts payable and other liabilities	5,446	7,650
Below market leases, net	2,378	3,401
Security deposits	705	674
<b>TOTAL LIABILITIES</b>	<b>197,022</b>	<b>193,145</b>
Minority interest	1,220	1,179
Shareholders' equity:		
Preferred shares, \$.01 par value, 10,000,000 shares authorized, none issued	-	-
Class A common shares, \$.01 par value, 50,000,000 shares authorized, 6,634,489 and 6,626,559 shares issued, respectively	66	66
Class C common shares, \$.01 par value, 4,400,000 shares authorized, 4,149,094 and 4,143,971 shares issued and outstanding, respectively	42	41
Class D common shares, \$.01 par value, 17,000,000 shares authorized, 11,036,170 and 11,045,763 shares issued and outstanding, respectively	110	110
Capital in excess of par value	185,571	185,165
Accumulated distributions in excess of earnings	(39,527)	(33,365)
Cost of treasury shares, 1,229,253 and 337,308 Class A common shares, respectively	(9,058)	(2,584)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>137,204</b>	<b>149,433</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS'</b>	<b>\$ 335,446</b>	<b>\$ 343,757</b>

EQUITY

See Notes to Consolidated Financial Statements.

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AmREIT AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the three and six months ended June 30, 2008 and 2007  
(unaudited)  
(in thousands, except per share data)

	Three months ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Revenues:</b>				
Rental income from operating leases	\$ 8,142	\$ 7,504	\$ 15,628	\$ 14,396
Earned income from direct financing leases	60	61	120	120
Real estate fee income	115	160	285	854
Real estate fee income - related party	1,311	349	2,743	1,062
Construction revenues	698	695	1,130	792
Construction revenues - related party	1,650	219	2,554	1,095
Securities commission income - related party	424	1,484	949	2,477
Asset management fee income - related party	377	312	753	596
<b>Total revenues</b>	<b>12,777</b>	<b>10,784</b>	<b>24,162</b>	<b>21,392</b>
<b>Expenses:</b>				
General and administrative	2,288	1,818	4,706	3,976
Property expense	2,456	2,006	4,425	3,731
Construction costs	2,221	868	3,342	1,729
Legal and professional	432	470	876	763
Real estate commissions	5	26	42	447
Securities commissions	355	1,245	840	2,074
Depreciation and amortization	2,606	1,925	4,505	3,834
<b>Total expenses</b>	<b>10,363</b>	<b>8,358</b>	<b>18,736</b>	<b>16,554</b>
<b>Operating income</b>	<b>2,414</b>	<b>2,426</b>	<b>5,426</b>	<b>4,838</b>
<b>Other income (expense):</b>				
Interest and other income - related party	229	250	503	500
Loss from merchant development funds and other affiliates	(246)	(15)	(389)	(27)

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Income tax benefit for taxable REIT subsidiary	200	224	276	374
Interest expense	(2,371)	(2,086)	(4,802)	(4,176)
Income before discontinued operations	226	799	1,014	1,509
Income (loss) from discontinued operations, net of taxes	(891)	302	(682)	595
Income (loss) from discontinued operations	(891)	302	(682)	595
Net income (loss)	(665)	1,101	332	2,104
Distributions paid to class B, C and D shareholders	(2,504)	(2,711)	(5,002)	(5,416)
Net loss available to class A shareholders	\$ (3,169)	\$ (1,610)	\$ (4,670)	\$ (3,312)
Net loss per class A common share - basic and diluted				
Loss before discontinued operations	\$ (0.39)	\$		