

AGREE REALTY CORP
Form 10-Q
August 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Mark One

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2011

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 1-12928

Agree Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

38-3148187
(I.R.S. Employer
Identification No.)

31850 Northwestern Highway, Farmington Hills, Michigan 48334
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (248) 737-4190

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 Regulation S-T 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller reporting company
(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

As of August 5, 2011, the Registrant had 9,860,314 shares of common stock, \$0.0001 par value, outstanding.

Index

Part I:	Financial Information	Page
Item 1.	Interim Consolidated Financial Statements	
	Consolidated Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010	1-2
	Consolidated Statements of Income (Unaudited) for the three months ended June 30, 2011 and 2010	3
	Consolidated Statements of Income (Unaudited) for the six months ended June 30, 2011 and 2010	4
	Consolidated Statement of Stockholders' Equity (Unaudited) for the six months ended June 30, 2011	5
	Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2011 and 2010	6-7
	Notes to Consolidated Financial Statements (Unaudited)	8-15
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16-25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25-26
Item 4.	Controls and Procedures	26
Part II:	Other Information	
Item 1.	Legal Proceedings	27
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3.	Defaults Upon Senior Securities	28
Item 4.	{Removed and Reserved}	28
Item 5.	Other Information	29
Item 6.	Exhibits	29
	Signatures	30

Part I – Financial Information
Item 1 – Interim Consolidated Financial Statements

Agree Realty Corporation

Consolidated Balance Sheets

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Real Estate Investments		
Land	\$105,214,745	\$103,693,227
Buildings	230,185,967	227,645,287
Less accumulated depreciation	(69,075,136)	(66,111,215)
	266,325,576	265,227,299
Property under development	308,683	359,299
Property held for sale, net	-	6,522,821
Net Real Estate Investments	266,634,259	272,109,419
Cash and Cash Equivalents	851,857	593,281
Accounts Receivable - Tenants, net of allowance of \$35,000 at June 30, 2011 and December 31, 2010	2,670,957	1,330,129
Unamortized Deferred Expenses		
Financing costs, net of accumulated amortization of \$5,518,802 and \$5,392,802 at June 30, 2011 and December 31, 2010, respectively	1,018,228	1,133,194
Leasing costs, net of accumulated amortization of \$986,686 and \$934,399 at June 30, 2011 and December 31, 2010, respectively	796,764	812,295
Lease intangibles costs, net of accumulated amortization of \$154,231 and \$50,479 at June 30, 2011 and December 31, 2010 respectively	8,539,863	8,152,248
Other Assets	851,015	911,801
	\$281,362,943	\$285,042,367

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Balance Sheets

	June 30, 2011 (Unaudited)	December 31, 2010
Liabilities and Stockholders' Equity		
Mortgages Payable	\$68,800,849	\$71,526,780
Notes Payable	27,328,904	28,380,254
Dividends and Distributions Payable	4,075,324	5,145,740
Deferred Revenue	9,000,979	9,345,754
Accrued Interest Payable	273,217	221,154
Accounts Payable		
Capital expenditures	456,162	286,078
Operating	1,637,282	1,427,718
Interest Rate Swap	780,871	793,211
Deferred Income Taxes	705,000	705,000
Tenant Deposits	83,569	80,402
Total Liabilities	113,142,157	117,912,091
Stockholders' Equity		
Common stock, \$0.0001 par value; 13,350,000 shares authorized, 9,857,314 and 9,759,014 shares issued and outstanding, respectively	985	976
Excess stock, \$0.0001 par value, 6,500,000 shares authorized, 0 shares issued and outstanding	-	-
Series A junior participating preferred stock, \$0.0001 par value, 150,000 shares authorized, 0 shares issued and outstanding	-	-
Additional paid-in capital	180,424,067	179,705,353
Deficit	(14,355,164)	(14,702,252)
Accumulated other comprehensive income (loss)	(752,816)	(764,735)
Total stockholders' equity—Agree Realty Corporation	165,317,072	164,239,342
Non-controlling interest	2,903,714	2,890,934
Total Stockholders' Equity	168,220,786	167,130,276

\$281,362,943 \$285,042,367

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Revenues		
Minimum rents	\$ 8,294,361	\$ 7,950,230
Percentage rents	5,351	12,534
Operating cost reimbursements	761,623	640,579
Development fee income	483,274	138,895
Other income	61,060	16,832
Total Revenues	9,605,669	8,759,070
Operating Expenses		
Real estate taxes	791,304	507,303
Property operating expenses	388,213	330,036
Land lease payments	254,703	96,825
General and administrative	1,520,974	1,202,030
Depreciation and amortization	1,620,853	1,408,639
Total Operating Expenses	4,576,047	3,544,833
Income From Operations	5,029,622	5,214,237
Other Expense		
Interest expense, net	(1,206,289)	(1,124,128)
Income Before Discontinued Operations	3,823,333	4,090,109
Gain (loss) on sale of asset from discontinued operations	-	(3,352)
Income from discontinued operations	-	344,702
Net Income	3,823,333	4,431,459
Less Net Income Attributable to Non-Controlling Interest	(130,210)	(140,061)
Net Income Attributable to Agree Realty Corporation	\$ 3,693,123	\$ 4,291,398
Earnings Per Share – Basic	\$ 0.38	\$ 0.46
Earnings Per Share – Dilutive	\$ 0.38	\$ 0.46
Dividend Declared Per Share	\$ 0.40	\$ 0.51
Weighted Average Number of Common Shares Outstanding – Basic	9,628,874	9,317,829
Weighted Average Number of Common Shares Outstanding – Dilutive	9,655,921	9,349,696

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Statements of Income (Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues		
Minimum rents	\$ 17,350,722	\$ 15,841,974
Percentage rents	21,408	12,999
Operating cost reimbursements	1,500,935	1,310,394
Development fee income	894,693	535,904
Other income	83,550	34,603
Total Revenues	19,851,308	17,735,874
Operating Expenses		
Real estate taxes	1,405,683	996,665
Property operating expenses	809,420	725,716
Land lease payments	481,864	193,650
General and administrative	2,962,920	2,453,758
Depreciation and amortization	3,248,668	2,752,175
Total Operating Expenses	8,908,555	7,121,964
Income From Operations	10,942,753	10,613,910
Other Expense		
Interest expense, net	(2,511,176)	(2,393,886)
Income Before Discontinued Operations	8,431,577	8,220,024
Gain on sale of asset from discontinued operations	-	5,328,333
Income from discontinued operations	91,816	851,583
Net Income	8,523,393	14,399,940
Less Net Income Attributable to Non-Controlling Interest	(290,453)	(542,453)
Net Income Attributable to Agree Realty Corporation	\$ 8,232,940	\$ 13,857,487
Earnings Per Share – Basic	\$.86	\$ 1.59
Earnings Per Share – Dilutive	\$.85	\$ 1.59
Dividend Declared Per Share	\$.80	\$ 1.02
Weighted Average Number of Common Shares Outstanding – Basic	9,625,072	8,708,001
Weighted Average Number of Common Shares Outstanding – Dilutive	9,656,599	8,734,194

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Statement of Stockholders' Equity (Unaudited)

	Common Shares	Stock Amount	Additional Paid-In Capital	Non-Controlling Interest	Deficit	Accumulated Other Comprehensive Income (loss)
Balance, January 1, 2011	9,759,014	\$976	\$179,705,353	\$ 2,890,934	\$(14,702,252)	\$ (764,735)
Issuance of shares under the Equity Incentive Plan	98,300	9	-	-	-	-
Forfeiture of shares	-	-	-	-	-	-
Vesting of restricted stock	-	-	718,714	-	-	-
Dividends and distributions declared for the period January 1, 2011 to June 30, 2011	-	-	-	(278,094)	(7,885,852)	-
Other comprehensive (loss)	-	-	-	421	0	11,919
Net income for the period January 1, 2011 to June 30, 2011	-	-	-	290,453	8,232,940	-
Balance, June 30, 2011	9,857,314	\$985	\$180,424,067	\$ 2,903,714	\$(14,355,164)	\$ (752,816)

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash Flows From Operating Activities		
Net income	\$8,523,393	\$14,399,940
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,987,351	2,869,498
Amortization	387,317	171,959
Stock-based compensation	718,714	562,000
Gain on sale of asset	-	(5,328,333)
(Increase) Decrease in accounts receivable	(1,340,828)	(1,018,269)
(Increase) Decrease in other assets	109,001	63,273
(Increase) Decrease in accounts payable	211,558	(373,981)
Decrease in deferred revenue	(344,775)	(344,775)
Increase (Decrease) in accrued interest	52,063	(41,690)
Increase (Decrease) in tenant deposits	3,167	(10,103)
Net Cash Provided By Operating Activities	11,306,961	10,949,519
Cash Flows From Investing Activities		
Acquisition of real estate investments (including capitalized interest of \$-0- in 2011 and \$148,507 in 2010)	(4,223,710)	(11,564,231)
Proceeds from sale of asset	6,522,821	9,761,601
Payments of leasing costs	(36,756)	(64,210)
Increase in cash - restricted	-	-