

ASSOCIATED ESTATES REALTY CORP  
Form 10-Q  
May 01, 2013

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 March 31, 2013

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 1-12486  
Associated Estates Realty Corporation  
(Exact name of registrant as specified in its charter)

OHIO  
(State or other jurisdiction of  
incorporation or organization)

34-1747603  
(I.R.S. Employer  
Identification Number)

1 AEC Parkway, Richmond Hts., Ohio 44143-1550  
(Address of principal executive offices)  
(216) 261-5000  
(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 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 (§232.405 of this chapter) 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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)  
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

The number of shares outstanding as of April 26, 2013 was 50,368,192 shares.

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ASSOCIATED ESTATES REALTY CORPORATION

Index

|                                       | Page                                                                                                                              |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| <u>PART 1 - FINANCIAL INFORMATION</u> |                                                                                                                                   |
| ITEM 1                                | <u>Consolidated Financial Statements (Unaudited)</u>                                                                              |
|                                       | <u>Consolidated Balance Sheets at March 31, 2013 and December 31, 2012</u> 3                                                      |
|                                       | <u>Consolidated Statements of Operations and Comprehensive Income for the three month periods ended March 31, 2013 and 2012</u> 4 |
|                                       | <u>Consolidated Statements of Cash Flows for the three month periods ended March 31, 2013 and 2012</u> 5                          |
|                                       | <u>Notes to Consolidated Financial Statements</u> 6                                                                               |
| ITEM 2                                | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 20                                   |
| ITEM 3                                | <u>Quantitative and Qualitative Disclosures About Market Risk</u> 28                                                              |
| ITEM 4                                | <u>Controls and Procedures</u> 28                                                                                                 |
| <u>PART II – OTHER INFORMATION</u>    |                                                                                                                                   |
| ITEM 1                                | <u>Legal Proceedings</u> 29                                                                                                       |
| ITEM 1A                               | <u>Risk Factors</u> 29                                                                                                            |
| ITEM 2                                | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 29                                                             |
| ITEM 6                                | <u>Exhibits</u> 30                                                                                                                |
|                                       | <u>SIGNATURES</u> 31                                                                                                              |

PART 1. FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
ASSOCIATED ESTATES REALTY CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

| (In thousands, except share and per share amounts)                                                                                                                                                       | March 31,<br>2013 | December 31,<br>2012 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                                            |                   |                      |
| Real estate assets                                                                                                                                                                                       |                   |                      |
| Land                                                                                                                                                                                                     | \$229,472         | \$241,159            |
| Buildings and improvements                                                                                                                                                                               | 1,169,492         | 1,223,042            |
| Furniture and fixtures                                                                                                                                                                                   | 36,972            | 36,997               |
| Construction in progress                                                                                                                                                                                 | 14,600            | 10,449               |
| Gross real estate                                                                                                                                                                                        | 1,450,536         | 1,511,647            |
| Less: Accumulated depreciation                                                                                                                                                                           | (371,078)         | (371,730)            |
| Net real estate                                                                                                                                                                                          | 1,079,458         | 1,139,917            |
| Cash and cash equivalents                                                                                                                                                                                | 19,549            | 4,740                |
| Restricted cash                                                                                                                                                                                          | 4,961             | 4,429                |
| Accounts receivable, net                                                                                                                                                                                 |                   |                      |
| Rents                                                                                                                                                                                                    | 1,524             | 1,395                |
| Other                                                                                                                                                                                                    | 1,146             | 553                  |
| Other assets, net                                                                                                                                                                                        | 21,510            | 21,443               |
| Total assets                                                                                                                                                                                             | \$1,128,148       | \$1,172,477          |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                                            |                   |                      |
| Mortgage notes payable                                                                                                                                                                                   | \$375,255         | \$376,278            |
| Unsecured notes                                                                                                                                                                                          | 150,000           | —                    |
| Unsecured revolving credit facility                                                                                                                                                                      | —                 | 190,500              |
| Unsecured term loan                                                                                                                                                                                      | 150,000           | 150,000              |
| Total debt                                                                                                                                                                                               | 675,255           | 716,778              |
| Accounts payable and other liabilities                                                                                                                                                                   | 29,432            | 32,865               |
| Dividends payable                                                                                                                                                                                        | 10,283            | 10,149               |
| Resident security deposits                                                                                                                                                                               | 3,642             | 3,846                |
| Accrued interest                                                                                                                                                                                         | 3,487             | 2,363                |
| Total liabilities                                                                                                                                                                                        | 722,099           | 766,001              |
| Noncontrolling redeemable interest                                                                                                                                                                       | 1,734             | 1,734                |
| <b>Equity</b>                                                                                                                                                                                            |                   |                      |
| Common shares, without par value, \$.10 stated value; 91,000,000 authorized 50,368,193 issued and outstanding at March 31, 2013 and 49,526,639 issued and outstanding at December 31, 2012, respectively | 5,037             | 4,953                |
| Paid-in capital                                                                                                                                                                                          | 634,402           | 634,587              |
| Accumulated distributions in excess of accumulated net income                                                                                                                                            | (232,428)         | (233,208)            |
| Accumulated other comprehensive loss                                                                                                                                                                     | (3,046)           | (2,934)              |
| Total shareholders' equity attributable to AERC                                                                                                                                                          | 403,965           | 403,398              |
| Noncontrolling interest                                                                                                                                                                                  | 350               | 1,344                |
| Total equity                                                                                                                                                                                             | 404,315           | 404,742              |
| Total liabilities and equity                                                                                                                                                                             | \$1,128,148       | \$1,172,477          |

The accompanying notes are an integral part of these consolidated financial statements.



ASSOCIATED ESTATES REALTY CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(UNAUDITED)

| (In thousands, except per share amounts)                             | Three Months Ended<br>March 31, |          |
|----------------------------------------------------------------------|---------------------------------|----------|
|                                                                      | 2013                            | 2012     |
| Revenue                                                              |                                 |          |
| Property revenue                                                     | \$44,681                        | \$38,207 |
| Office revenue                                                       | 312                             | —        |
| Total revenue                                                        | 44,993                          | 38,207   |
| Expenses                                                             |                                 |          |
| Property operating and maintenance                                   | 17,092                          | 15,072   |
| Depreciation and amortization                                        | 14,383                          | 11,874   |
| Construction and other services                                      | —                               | 70       |
| General and administrative                                           | 4,958                           | 4,369    |
| Development costs                                                    | 262                             | 310      |
| Total expenses                                                       | 36,695                          | 31,695   |
| Operating income                                                     | 8,298                           | 6,512    |
| Interest expense                                                     | (7,421                          | ) (9,308 |
| Income (loss) from continuing operations                             | 877                             | (2,796   |
| Income from discontinued operations:                                 |                                 |          |
| Operating income, net of interest expense                            | 690                             | 750      |
| Gain (loss) on disposition of properties                             | 8,796                           | (40      |
| Income from discontinued operations                                  | 9,486                           | 710      |
| Net income (loss)                                                    | 10,363                          | (2,086   |
| Net (income) loss attributable to noncontrolling interests           | (17                             | ) 5      |
| Net income (loss) attributable to AERC                               | \$10,346                        | \$(2,081 |
| Allocation to participating securities                               | (48                             | ) —      |
| Net income (loss) applicable to common shares                        | \$10,298                        | \$(2,081 |
| Earnings per common share - basic:                                   |                                 |          |
| Income (loss) from continuing operations applicable to common shares | \$0.02                          | \$(0.07  |
| Income from discontinued operations                                  | 0.19                            | 0.02     |
| Net income (loss) applicable to common shares - basic                | \$0.21                          | \$(0.05  |
| Earnings per common share - diluted:                                 |                                 |          |
| Income (loss) from continuing operations applicable to common shares | \$0.02                          | \$(0.07  |
| Income from discontinued operations                                  | 0.18                            | 0.02     |
| Net income (loss) applicable to common shares - diluted              | \$0.20                          | \$(0.05  |
| Comprehensive income:                                                |                                 |          |
| Net income (loss)                                                    | \$10,363                        | \$(2,086 |
| Other comprehensive income:                                          |                                 |          |
| Change in fair value and reclassification of hedge instruments       | (112                            | ) 23     |
| Total comprehensive income (loss)                                    | 10,251                          | (2,063   |
| Comprehensive (income) loss attributable to noncontrolling interests | (17                             | ) 5      |
| Total comprehensive income (loss) attributable to AERC               | \$10,234                        | \$(2,058 |
| Dividends declared per common share                                  | \$0.19                          | \$0.17   |

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|                                                                   |        |        |
|-------------------------------------------------------------------|--------|--------|
| Weighted average number of common shares<br>outstanding - basic   | 49,634 | 42,343 |
| Weighted average number of common shares<br>outstanding - diluted | 50,280 | 42,343 |

The accompanying notes are an integral part of these consolidated financial statements.

4

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ASSOCIATED ESTATES REALTY CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

| (In thousands)                                                                           | Three Months Ended<br>March 31, |             |
|------------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                          | 2013                            | 2012        |
| Cash flow from operating activities:                                                     |                                 |             |
| Net income (loss)                                                                        | \$ 10,363                       | \$(2,086 )  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                 |             |
| Depreciation and amortization (including discontinued operations)                        | 14,561                          | 13,231      |
| (Gain) loss on disposition of properties                                                 | (8,796                          | ) 40        |
| Amortization of deferred financing costs and other                                       | 299                             | 714         |
| Share-based compensation expense                                                         | 1,419                           | 1,161       |
| Net change in assets and liabilities:                                                    |                                 |             |
| Accounts receivable                                                                      | (736                            | ) 949       |
| Accounts payable and accrued expenses                                                    | (2,384                          | ) (1,785 )  |
| Other operating assets and liabilities                                                   | 844                             | (1,164 )    |
| Total adjustments                                                                        | 5,207                           | 13,146      |
| Net cash flow provided by operating activities                                           | 15,570                          | 11,060      |
| Cash flow from investing activities:                                                     |                                 |             |
| Recurring fixed asset additions                                                          | (2,140                          | ) (1,929 )  |
| Revenue enhancing/non-recurring fixed asset additions                                    | (25                             | ) (173 )    |
| Acquisition fixed asset additions                                                        | (395                            | ) (223 )    |
| Development fixed asset additions                                                        | (4,017                          | ) (18,397 ) |
| Net proceeds from disposition of operating properties                                    | 61,970                          | —           |
| Other investing activity                                                                 | (798                            | ) (106 )    |
| Net cash flow provided by (used for) investing activities                                | 54,595                          | (20,828 )   |
| Cash flow from financing activities:                                                     |                                 |             |
| Principal amortization payments on mortgage notes payable                                | (826                            | ) (731 )    |
| Principal repayments of mortgage notes payable                                           | —                               | (123,448 )  |
| Payment of debt procurement costs                                                        | (1,055                          | ) (2,656 )  |
| Proceeds from construction loan funding                                                  | —                               | 2,500       |
| Proceeds from issuance of unsecured notes                                                | 150,000                         | —           |
| Revolving credit facility borrowings                                                     | 67,200                          | 191,300     |
| Revolving credit facility repayments                                                     | (257,700                        | ) (47,300 ) |
| Common share dividends paid                                                              | (9,346                          | ) (7,122 )  |
| Operating partnership distributions paid                                                 | (16                             | ) (13 )     |
| Exercise of stock options                                                                | 1,550                           | —           |
| Purchase of treasury shares                                                              | (697                            | ) (952 )    |
| Noncontrolling interest investment in partnership                                        | —                               | 350         |
| Purchase of noncontrolling interest in partnership                                       | (4,544                          | ) —         |
| Other financing activities, net                                                          | 78                              | 114         |
| Net cash flow (used for) provided by financing activities                                | (55,356                         | ) 12,042    |
| Increase in cash and cash equivalents                                                    | 14,809                          | 2,274       |
| Cash and cash equivalents, beginning of period                                           | 4,740                           | 4,328       |
| Cash and cash equivalents, end of period                                                 | \$ 19,549                       | \$6,602     |
| Supplemental disclosure of cash flow information:                                        |                                 |             |
| Dividends declared but not paid                                                          | 1. The Report fully             |             |



complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2004

/s/ C. Kevin McArthur

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C. Kevin McArthur  
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Glamis Gold Ltd. (the Company ) on Form 6-K for the period ended March 31, 2004 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report ) I, Cheryl S. Maher, in my capacity as Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2004

/s/ Cheryl S. Maher

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Cheryl S. Maher  
Chief Financial Officer