

STRATUS PROPERTIES INC
Form 10-Q
November 06, 2009

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 September 30, 2009

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: 0-19989

Stratus Properties Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1211572
(I.R.S. Employer Identification No.)

98 San Jacinto Blvd., Suite 220
Austin, Texas
(Address of principal executive offices)

78701
(Zip Code)

(512) 478-5788
(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. R Yes o 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). o Yes o 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 o
Non-accelerated filer o

Accelerated filer o
Smaller reporting company R

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On October 30, 2009, there were issued and outstanding 7,435,133 shares of the registrant's common stock, par value \$0.01 per share.

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STRATUS PROPERTIES INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

STRATUS PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 24,926	\$ 17,097
Investment in U.S. treasury securities	-	15,388
Real estate, commercial leasing assets and facilities, net:		
Property held for sale – developed or under development	136,473	115,966
Property held for sale – undeveloped	31,928	27,514
Property held for use, net	84,709	56,919
Deferred tax asset	8,633	7,330
Investment in unconsolidated affiliate	3,468	2,283
Other assets	13,552	10,049
Total assets	\$ 303,689	\$ 252,546
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	\$ 12,278	\$ 6,585
Deposits	7,396	1,301
Accrued interest and property taxes	2,975	3,203
Debt	75,951	63,352
Other liabilities	2,079	3,583
Total liabilities	100,679	78,024
Commitments and contingencies		
Equity:		
Stratus stockholders' equity:		
Preferred stock	-	-
Common stock	83	83
Capital in excess of par value of common stock	197,285	196,692
Accumulated deficit	(34,829)	(30,095)
Accumulated other comprehensive loss	-	(3)
Common stock held in treasury	(17,941)	(17,441)
Total Stratus stockholders' equity	144,598	149,236
Noncontrolling interest in subsidiary	58,412	25,286
Total equity	203,010	174,522
Total liabilities and equity	\$ 303,689	\$ 252,546

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

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Real estate	\$ 2,116	\$ 5,691	\$ 4,201	\$ 11,994
Rental income	1,163	1,158	3,296	3,278
Commissions, management fees and other	65	60	869	792
Total revenues	3,344	6,909	8,366	16,064
Cost of sales:				
Real estate, net	2,710	4,954	6,806	11,163
Rental	788	944	2,405	2,683
Depreciation	403	435	1,227	1,211
Total cost of sales	3,901	6,333	10,438	15,057
General and administrative expenses	1,818	1,723	5,832	5,277
Total costs and expenses	5,719	8,056	16,270	20,334
Operating loss	(2,375)	(1,147)	(7,904)	(4,270)
Interest income and other	66	330	894	1,432
Loss on extinguishment of debt	-	-	(182)	-
Gain (loss) on interest rate cap agreement	(37)	(121)	33	(121)
Loss from continuing operations before income taxes and equity in unconsolidated affiliate's (loss) income	(2,346)	(938)	(7,159)	(2,959)
Equity in unconsolidated affiliate's (loss) income	(95)	99	(277)	365
Benefit from income taxes	844	268	2,448	660
Loss from continuing operations	(1,597)	(571)	(4,988)	(1,934)
Loss from discontinued operations	-	-	-	(105)
Net loss	(1,597)	(571)	(4,988)	(2,039)
Net loss attributable to noncontrolling interest in subsidiary	44	124	254	188
Net loss attributable to Stratus common stock	\$ (1,553)	\$ (447)	\$ (4,734)	\$ (1,851)
Net loss per share attributable to Stratus common stock:				
Continuing operations	\$ (0.21)	\$ (0.06)	\$ (0.64)	\$ (0.23)
Discontinued operations	-	-	-	(0.01)
Basic and diluted net loss per share attributable to Stratus common stock	\$ (0.21)	\$ (0.06)	\$ (0.64)	\$ (0.24)
Weighted average shares of common stock outstanding:				
Basic and diluted	7,435	7,641	7,439	7,613

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

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In Thousands)

	Nine Months Ended September 30,	
	2009	2008
Cash flow from operating activities:		
Net loss	\$ (4,988)	\$ (2,039)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations	-	105
Depreciation	1,227	1,211
(Gain) loss on interest rate cap agreement	(33)	121
Loss on extinguishment of debt	182	-
Cost of real estate sold	2,912	8,126
Deferred income taxes	(1,303)	(648)
Stock-based compensation	552	761
Equity in unconsolidated affiliate's loss (income)	277	(365)
Distribution of unconsolidated affiliate's income	-	1,266
Deposits	(802)	(1,471)
Purchases and development of real estate properties	(32,653)	(21,959)
Municipal utility district reimbursements	4,551	6,229
Decrease in other assets	615	495
Increase (decrease) in accounts payable, accrued liabilities and other	3,249	(2,554)
Net cash used in operating activities	(26,214)	(10,722)
Cash flow from investing activities:		
Development of commercial leasing properties	(27,262)	(10,337)
(Investment in) return of investment in unconsolidated affiliate	(1,462)	2,374
Proceeds from matured U.S. treasury securities	15,391	-
Investment in interest rate cap agreement	-	(673)
Other	53	25
Net cash used in investing activities	(13,280)	(8,611)
Cash flow from financing activities:		
Borrowings from revolving credit facility	15,000	-
Payments on revolving credit facility	(4,769)	-
Borrowings from project and term loans	4,700	2,054
Payments on project and term loans	(488)	(175)
Noncontrolling interest contributions	33,380	16,678
Net (payments for) proceeds from stock-based awards	(96)	94
Purchases of Stratus common shares	(404)	(517)
Financing costs	-	(2,845)
Net cash provided by financing activities	47,323	15,289
Net increase (decrease) in cash and cash equivalents	7,829	(4,044)
Cash and cash equivalents at beginning of year	17,097	40,873
Cash and cash equivalents at end of period	\$ 24,926	\$ 36,829

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

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
(In Thousands)

Stratus Stockholders' Equity

	Common Stock	Capital in Excess of Par Value	Accum- ulated Deficit	Other Comprehensive Loss	Stock Held In Treasury	Total Stratus Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Equity
Balance at December 31, 2008	\$ 83	\$ 196,692	\$ (30,095)	\$ (3)	\$ (17,441)	\$ 149,236	\$ 25,286	\$ 174,522
Stock-based compensation	-	593	-	-	-	593	-	593
Tender of shares for stock-based awards	-	-	-	-	(96)	(96)	-	(96)
Purchases of Stratus common shares	-	-	-	-	(404)	(404)	-	(404)
Noncontrolling interest contributions	-	-	-	-	-	-	33,380	33,380
Comprehensive income (loss):								
Net loss	-	-	(4,734)	-	-	(4,734)	(254)	(4,988)
Other comprehensive income, net of taxes:								
Unrealized gain on U.S. treasury securities	-	-	-	3	-	3	-	3
Other comprehensive income	-	-	-	3	-	3	-	3
Total comprehensive income (loss)	-	-	-	3	-	(4,731)	(254)	(4,985)
Balance at September 30, 2009	\$ 83	\$ 197,285	\$ (34,829)	\$ -	\$ (17,941)	\$ 144,598	\$ 58,412	\$ 203,010
Balance at December 31, 2007	\$ 81	\$ 195,898	\$ (26,258)	\$ -	\$ (14,279)	\$ 155,442	\$ -	\$ 155,442
Exercised and issued stock-based awards and other	1	(525)	-	-	-	(524)	-	(524)
Stock-based compensation	-	895	-	-	-	895	-	895
Tender of shares for stock-based awards	-	-	-	-	(596)	(596)	-	(596)
Purchases of Stratus common shares	-	-	-	-	(517)	(517)	-	(517)
Noncontrolling interest contributions	-	-	-	-	-	-	-	-