

INLAND REAL ESTATE CORP  
Form 10-Q  
November 06, 2003

**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 September 30, 2003**

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 #0-28382**

**Inland Real Estate Corporation**

(Exact name of registrant as specified in its charter)

Maryland

#36-3953261

(State or other jurisdiction)

(I.R.S. Employer Identification Number)

of incorporation or organization)

2901 Butterfield Road, Oak Brook, Illinois

60523

(Address of principal executive office)

(Zip code)

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Registrant's telephone number, including area code: 630-218-8000

N/A

(Former name, former address and former fiscal  
year, if changed since last report)

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

As of November 5, 2003, there were 65,376,248 Shares of Common Stock outstanding.

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**INLAND REAL ESTATE CORPORATION**  
(a Maryland corporation)

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**Part I - Financial Information**

**Item 1. Consolidated Financial Statements**

**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Balance Sheets**

**September 30, 2003 and December 31, 2002**

Assets

September 30, 2003  
(unaudited)

December 31, 2002

Investment properties:

Land

\$  
342,091,150

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335,485,705  
Building and improvements

908,210,503

-

875,898,829

1,250,301,653

1,211,384,534

Less accumulated depreciation

138,679,193

-

117,939,233

Net investment properties

1,111,622,460

1,093,445,301

Cash and cash equivalents

27,606,173

21,433,995

Investment in securities (net of an unrealized gain of \$1,480,060 and  
\$1,151,182 at September 30, 2003 and December 31, 2002,  
respectively)

12,057,752



	12,578,575
Investment in marketable securities	
	64,340
	63,073
Assets held for sale (net of accumulated depreciation of \$4,519,273)	
	24,333,454
	-
Restricted cash	
	9,075,546
	10,398,430
Accounts and rents receivable (net of provision for doubtful accounts of \$2,920,832 and \$2,678,945 at September 30, 2003 and December 31, 2002, respectively)	
	31,286,093
	30,795,862
Mortgage receivable (net of investment in LLC of (\$602,146) and \$74,723 at September 30, 2003 and December 31, 2002, respectively)	

	8,171,492
	6,716,013
Deposits and other assets	
	1,797,304
	656,756
Acquired above market lease intangibles (net of accumulated amortization of \$733,098 and \$181,744 at September 30, 2003 and December 31, 2002, respectively)	
	5,588,275
	5,726,993
Acquired in place lease intangibles (net of accumulated amortization of \$462,474 and \$79,294 at September 30, 2003 and December 31, 2002, respectively)	
	8,769,861
	1,958,320
Leasing fees (net of accumulated amortization of \$1,216,095 and \$839,177 at September 30, 2003 and December 31, 2002, respectively)	

1,874,951

1,519,353

Loan fees (net of accumulated amortization of \$4,472,825 and  
\$3,360,671 at September 30, 2003 and December 31, 2002,  
respectively)

4,682,716

-

4,738,340

Total assets

\$

1,246,930,417

1,190,031,011

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See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Balance Sheets**  
**(continued)**

**September 30, 2003 and December 31, 2002**

Liabilities and Stockholders' Equity

September 30, 2003  
(unaudited)

December 31, 2002

Liabilities:

Accounts payable and accrued expenses

\$

2,216,201

1,801,279

Acquired below market lease intangibles (net of accumulated  
amortization of \$1,113,397 and \$247,611 at September 30, 2003

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and December 31, 2002, respectively)

	7,305,531
	6,771,727
Accrued interest	
	2,166,578
	1,856,638
Accrued real estate taxes	
	21,647,540
	24,405,734
Distributions payable	
	5,196,906
	5,310,303
Security and other deposits	
	2,537,701

	2,991,480
Mortgages payable	
	588,196,586
	582,282,367
Line of credit	
	125,000,000
	80,000,000
Prepaid rents and unearned income	
	3,160,976
	2,356,484
Liabilities associated with assets held for sale	
	14,028,353
	-
Other liabilities	

2,372,728

-

3,048,898

Total liabilities

773,829,100

-

710,824,910

Minority interest

21,409,070

-

22,456,919

Redeemable common stock relating to Put Agreement

35,000,000

-

-

Stockholders' Equity:

Preferred stock, \$.01 par value, 6,000,000 Shares authorized; none  
issued and outstanding at September 30, 2003 and December 31,  
2002



Common stock, \$.01 par value, 100,000,000 Shares authorized;  
 65,278,171 and 64,460,139 Shares issued and outstanding at  
 September 30, 2003 and December 31, 2002, respectively

	-
	-
	613,456
	644,601
Additional paid-in capital (net of offering costs of \$58,816,092)	588,723,657
	614,459,497
Deferred stock compensation	(48,000)
	(60,000)
Accumulated distributions in excess of net income	(174,076,926)
	(159,446,098)

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Accumulated other comprehensive income

1,480,060

-

1,151,182

Total stockholders' equity

416,692,247

-

456,749,182

Commitments and contingencies

Total liabilities and stockholders' equity

\$  
1,246,930,417

1,190,031,011

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See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Statements of Operations**

**For the three and nine months ended September 30, 2003 and 2002**  
**(unaudited)**

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Three months ended  
Sept 30, 2003

Three months ended  
Sept 30, 2002

Nine months ended  
Sept 30, 2003

Nine months ended  
Sept 30, 2002

Income:

Rental income

\$  
31,757,306

27,453,753

	93,857,717
	78,050,605
Additional rental income	
	10,626,878
	9,456,312
	35,013,630
	29,775,677
Lease termination income	
	-
	-
	369,819
	618,981
Interest income	
	65,280

	282,228
	293,660
	1,165,519
Dividend income	
	274,338
	371,764
	825,025
	960,079
Other income	
	<u>149,949</u>
	-
	<u>169,180</u>
	-
	<u>383,657</u>
	-
	<u>357,059</u>

42,873,751

37,733,237

130,743,508

110,927,920

Expenses:

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Professional services

95,239

70,194

349,770

303,100

General and administrative expenses

1,379,100

1,028,073

3,912,357

3,183,485

Bad debt expense

184,348

1,329,544

1,401,721



2,025,630  
Property operating expenses

11,672,556

9,679,742

39,086,687

32,490,770

Interest expense

10,026,989

8,737,842

29,550,658

24,236,039

Depreciation

8,638,406

7,152,147

	25,069,395
	20,457,417
Amortization	
	393,642
	100,204
	889,425
	337,831
Acquisition cost expenses	
	<u>          -</u>
	-
	<u>35,532</u>
	-
	<u>23,232</u>
	-
	<u>35,552</u>

32,390,280

-

28,133,278

-

100,283,245

-

83,069,824

Income from operations

	10,483,471
	9,599,959
	30,460,263
	27,858,096
Minority interest	
	(34,027)
	(249,441)
	(391,870)
	(695,381)
Income (loss) from operations of unconsolidated ventures	
	<u>(56,403)</u>
	-
	<u>(91,393)</u>
	-
	<u>(188,044)</u>
	-
	<u>40,231</u>

Income before discontinued operations

10,393,041

9,259,125

29,880,349

27,202,946

Discontinued operations

Income from discontinued operations (including gain on sale of investment properties of \$220,335 for the three months ended September 30, 2002, and \$2,529 and \$1,582,421 for the nine months ended September 30, 2003 and 2002, respectively)

537,999

-

532,679

-

1,136,713

-

2,545,544

Net income

\$  
10,931,040  
  
9,791,804  
  
31,017,062  
  
29,748,490

Other comprehensive income:

Unrealized gain (loss) on investment securities

(63,892)

-

(595,342)

-

328,878

-

138,743



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Comprehensive income

\$  
10,867,148  
  
9,196,462  
  
31,345,940  
  
29,887,233

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See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Statements of Operations**  
**(continued)**

**For the three and nine months ended September 30, 2003 and 2002**  
**(unaudited)**

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Three months ended  
Sept 30, 2003

Three months ended  
Sept 30, 2002

Nine months ended  
Sept 30, 2003

Nine months ended  
Sept 30, 2002

Income before discontinued operations per common share,  
basic and diluted

\$

.16

.14

.46

.43

=====

=====

=====

=====

Income from discontinued operations per common share, basic  
and diluted

\$

.01

.01

.02

.04

=====

=====

=====

=====

Net income per common share, basic and diluted

\$

.17

.15

.48

.47

=====

=====

=====

=====

Weighted average common shares outstanding, basic

65,195,530

63,736,497

64,919,871

63,739,999

Weighted average common shares outstanding, diluted

65,200,984

63,741,951

64,925,324

63,745,453

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See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Statement of Stockholders' Equity**

**For the nine months ended September 30, 2003**  
**(unaudited)**

Number of Shares

Common Stock

Additional Paid-in Capital

Deferred Stock Compensation

Accumulated Distributions in Excess of Net Income

Accumulated Other Comprehensive Income

Total

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Balance January 1, 2003

64,460,139

\$

644,601

614,459,497

(60,000)

(159,446,098)

1,151,182

456,749,182



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Net income

-  
-  
-  
-  
31,017,062  
-  
31,017,062

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Other comprehensive income

-  
-  
-  
-  
-

328,878

328,878

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Distributions declared (\$.70 for the nine  
months ended September 30, 2003 per  
common share outstanding)

-

-

-

-

(45,647,890)

-

(45,647,890)

Proceeds from DRP

1,599,553

15,996

16,699,388

-

-

-

16,715,384

Stock compensation

-  
-  
-  
12,000  
-  
-  
12,000

Reclassification of redeemable common  
stock relating to Put Agreement

-  
  
(39,326)  
  
(34,960,674)  
  
-  
  
-  
  
-  
  
(35,000,000)

Repurchase of shares

(781,521)

-

(7,815)

-

(7,474,554)

-

-

-

-

-

-

-

(7,482,369)

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Balance September 30, 2003

\$

65,278,171

613,456

588,723,657

(48,000)

(174,076,926)

1,480,060

416,692,247

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See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2003 and 2002**  
**(unaudited)**

Nine months ended  
Sept 30, 2003

-

Nine months ended  
Sept 30, 2002

Cash flows from operating activities:

Net income

\$

31,017,062

29,748,490

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation	25,069,395
	20,457,417
Amortization	889,425
	337,831
Depreciation and amortization related to discontinued operations	402,616
	688,844
Amortization of deferred stock compensation	12,000

Amortization on acquired above market leases

551,354

Amortization on acquired below market leases

(865,786)

Gain on sale of investment properties

(2,529)

Minority interest

(1,582,421)

391,870

695,381

Loss from operations of unconsolidated ventures

	676,869
	140,393
Rental income under master lease agreements	
	234,592
	13,412
Straight line rental income	
	(1,030,642)
	(1,381,902)
Provision for doubtful accounts, net	
	393,445
	917,986
Interest on unamortized loan fees	
	1,145,651
	863,611
Changes in assets and liabilities:	

Restricted cash	538,396
	(1,295,257)
Accounts and rents receivable	(1,064,676)
	(686,573)
Other assets	(1,140,548)
	(549,870)
Accounts payable and accrued expenses	110,450

	286,505
Accrued interest payable	
	381,133
	26,736
Accrued real estate taxes	
	(2,541,902)
	3,113,058
Security and other deposits	
	(420,096)
	(201,466)
Other liabilities	
	1,734
	937
Prepaid rents and unearned income	

810,170

-

(776,069)

Net cash provided by operating activities

55,559,983

-

50,817,043

See accompanying notes to consolidated financial statements.

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**INLAND REAL ESTATE CORPORATION**  
**(a Maryland corporation)**

**Consolidated Statements of Cash Flows**  
**(continued)**

**For the nine months ended September 30, 2003 and 2002**  
**(unaudited)**

Nine months ended  
Sept 30, 2003

-

Nine months ended  
Sept 30, 2002

Cash flows from investing activities:

Restricted cash

\$

784,487

(138,224)



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Escrows held for others

(677,904)

171,539

Sale of investment securities

849,701

-

Purchase of marketable securities

(1,267)

906,168

Additions to investment properties, net of accounts payable

(11,035,431)

(5,180,255)

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Purchase of investment properties

(62,321,063)

(78,000,546)

Proceeds from sale of investment properties

494,237

8,211,791

Purchase of minority interest units

-

(1,500,000)

Mortgage receivable

(2,132,348)

14,824,809

Leasing fees

(734,563)

-

(526,089)

Net cash used in investing activities

(74,774,151)

-

(61,230,807)