

FIRST INDUSTRIAL REALTY TRUST INC

Form 10-Q/A

November 09, 2004

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q/A  
AMENDMENT NO.1 TO FORM 10-Q**

**/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2004**

// Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-13102

**FIRST INDUSTRIAL REALTY TRUST, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**36-3935116**  
(I.R.S. Employer  
Identification No.)

**311 S. Wacker Drive, Suite 4000, Chicago, Illinois 60606**  
(Address of Principal Executive Offices)

**(312) 344-4300**  
(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, 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).  
Yes /X/ No //

Number of shares of Common Stock, \$.01 par value, outstanding as of July 30, 2004: 41,232,038

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Explanatory Note

This amendment on Form 10-Q/A to Form 10-Q of First Industrial Realty Trust, Inc., for the quarter ended June 30, 2004 includes revisions to historical financial data and related descriptions resulting from the Company's determination that approximately \$1.1 million of additional depreciation expense (\$1.0 million net of minority interest) relating to certain properties should have been recorded in the second quarter of 2004. This amendment includes changes to Part I items, Item 1, Item 2 and Item 4, but is not intended to update other information presented in other items in this report as originally filed. We are not required to and we have not updated any forward looking statements previously included in the Form 10-Q filed on August 6, 2004.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**  
**Form 10-Q/A**  
**For the Period Ended June 30, 2004**

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**PART I. FINANCIAL INFORMATION**  
**Item 1. Financial Statements**  
**FIRST INDUSTRIAL REALTY TRUST, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except share and per share data)  
(Unaudited)

	<b>(As Restated)</b>	
	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Assets:		
Investment in Real Estate:		
Land	\$ 441,831	\$ 443,942
Buildings and Improvements	2,208,528	2,180,038
Furniture, Fixtures and Equipment	885	885
Construction in Progress	88,713	115,935
Less: Accumulated Depreciation	(368,461)	(349,252)
	<hr/>	<hr/>
Net Investment in Real Estate	2,371,496	2,391,548
	<hr/>	<hr/>
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of \$849 at June 30, 2004	14,787	
Cash and Cash Equivalents		821
Restricted Cash	68,886	82,006
Tenant Accounts Receivable, Net	6,853	8,994
Investments in Joint Ventures	16,491	13,186
Deferred Rent Receivable	15,344	13,912
Deferred Financing Costs, Net	12,609	9,818
Prepaid Expenses and Other Assets, Net	173,262	127,738
	<hr/>	<hr/>
Total Assets	\$2,679,728	\$2,648,023
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Mortgage Loans Payable, Net	\$ 44,886	\$ 45,746
Senior Unsecured Debt, Net	1,346,905	1,212,152
Unsecured Line of Credit	84,000	195,900
Accounts Payable and Accrued Expenses	66,978	77,156
Rents Received in Advance and Security Deposits	29,226	28,889
Dividends Payable	33,496	31,889
	<hr/>	<hr/>

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Total Liabilities	<u>1,605,491</u>	<u>1,591,732</u>
Commitments and Contingencies		
Minority Interest	160,173	167,118
Stockholders' Equity:		
Preferred Stock (\$.01 par value, 10,000,000 shares authorized, 20,000, 500, 250 and 500 shares of Series C, F, G and H Cumulative Preferred Stock, respectively, issued and outstanding at June 30, 2004, having a liquidation preference of \$2,500 per share (\$50,000), \$100,000 per share (\$50,000), \$100,000 per share (\$25,000), and \$250,000 per share (\$125,000) respectively. At December 31, 2003, 20,000, 50,000 and 30,000 shares of Series C, D and E Cumulative Preferred Stock, respectively, was issued and outstanding, having a liquidation preference of \$2,500 per share (\$50,000), \$2,500 per share (\$125,000) and \$2,500 per share (\$75,000), respectively)		1
Common Stock (\$.01 par value, 100,000,000 shares authorized, 43,770,815 and 42,376,770 shares issued and 41,244,415 and 39,850,370 shares outstanding at June 30, 2004 and December 31, 2003)	438	424
Additional Paid-in-Capital	1,206,899	1,161,373
Distributions in Excess of Accumulated Earnings	(195,516)	(172,892)
Unearned Value of Restricted Stock Grants	(23,762)	(19,035)
Accumulated Other Comprehensive Loss	(3,407)	(10,110)
Treasury Shares at Cost (2,526,400 shares at June 30, 2004 and December 31, 2003)	<u>(70,588)</u>	<u>(70,588)</u>
Total Stockholders' Equity	<u>914,064</u>	<u>889,173</u>
Total Liabilities and Stockholders' Equity	<u>\$2,679,728</u>	<u>\$2,648,023</u>

The accompanying notes are an integral part of the financial statements.

**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Dollars in thousands, except per share data)  
(Unaudited)**

	<b>(As Restated)</b> <b>Six Months</b> <b>Ended</b> <b>June 30, 2004</b>	<b>Six Months</b> <b>Ended</b> <b>June 30, 2003</b>
Revenues:		
Rental Income	\$ 121,971	\$ 123,484
Tenant Recoveries and Other Income	40,388	37,076
	<u>162,359</u>	<u>160,560</u>
Total Revenues		
Expenses:		
Real Estate Taxes	25,082	23,645
Repairs and Maintenance	12,752	12,196
Property Management	6,573	6,061
Utilities	5,867	4,984
Insurance	1,681	1,792
Other	3,169	3,381
General and Administrative	16,888	13,987
Amortization of Deferred Financing Costs	910	875
Depreciation and Other Amortization	46,444	34,304
	<u>119,366</u>	<u>101,225</u>
Total Expenses		
Other Income/Expense:		
Interest Income	1,578	1,255
Gain on Settlement of Interest Rate Protection Agreement	1,450	
Interest Expense	(47,684)	(47,792)
Loss From Early Retirement of Debt		(1,466)
	<u>(44,656)</u>	<u>(48,003)</u>
Total Other Income/Expense		
(Loss) Income from Continuing Operations Before Equity in Income of Joint Ventures and Income Allocated to Minority Interest	(1,663)	11,332
Equity in Income of Joint Ventures	546	443
Minority Interest Allocable to Continuing Operations	2,560	(264)

Income from Continuing Operations	1,443	11,511
Income from Discontinued Operations (Including Gain on Sale of Real Estate of \$51,637 and \$34,831 for the Six Months Ended June 30, 2004 and 2003, respectively)	54,869	45,296
Minority Interest Allocable to Discontinued Operations	(7,693)	(6,731)
Income Before Gain on Sale of Real Estate	48,619	50,076
Gain on Sale of Real Estate	6,583	4,636
Minority Interest Allocable to Gain on Sale of Real Estate	(923)	(689)
Net Income	54,279	54,023
Less: Preferred Stock Dividends	(9,834)	(10,088)
Redemption of Series D and E Preferred Stock	(7,359)	
Net Income Available to Common Stockholders	\$ 37,086	\$ 43,935
(Loss) Income from Continuing Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	\$ (0.25)	\$ 0.14
Diluted	\$ (0.25)	\$ 0.14
Income from Discontinued Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	\$ 1.18	\$ 1.00
Diluted	\$ 1.17	\$ 1.00
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	\$ 0.93	\$ 1.14
Diluted	\$ 0.92	\$ 1.14
Net Income	\$ 54,279	\$ 54,023
Other Comprehensive Income:		
Settlement of Interest Rate Protection Agreements	6,657	



Mark-to-Market of Interest Rate Protection Agreements and Interest Rate Swap Agreements	(7)	311
Amortization of Interest Rate Protection Agreements	53	96
	<u>          </u>	<u>          </u>
Comprehensive Income	\$ 60,982	\$ 54,430
	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of the financial statements.

**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Dollars in thousands, except per share data)  
(Unaudited)**

	<b>(As Restated) Three Months Ended June 30, 2004</b>	<b>Three Months Ended June 30, 2003</b>
Revenues:		
Rental Income	\$ 61,262	\$ 57,503
Tenant Recoveries and Other Income	18,981	18,368
	<u>80,243</u>	<u>75,871</u>
Total Revenues		
Expenses:		
Real Estate Taxes	12,355	11,838
Repairs and Maintenance	5,916	5,770
Property Management	3,808	2,586
Utilities	2,539	2,268
Insurance	863	882
Other	1,400	1,911
General and Administrative	9,665	7,223
Amortization of Deferred Financing Costs	464	437
Depreciation and Other Amortization	24,633	17,611
	<u>61,643</u>	<u>50,526</u>
Total Expenses		
Other Income/Expense:		
Interest Income	866	479
Gain on Settlement of Interest Rate Protection Agreement	1,450	
Interest Expense	(23,986)	(23,966)
	<u>(21,670)</u>	<u>(23,487)</u>
Total Other Income/Expense		
(Loss) Income from Continuing Operations Before Equity in Income of Joint Ventures and Income Allocated to Minority Interest	(3,070)	1,858
Equity in Income of Joint Ventures	301	269
Minority Interest Allocable to Continuing Operations	2,083	472

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(Loss) Income from Continuing Operations	(686)	2,599
Income from Discontinued Operations (Including Gain on Sale of Real Estate of \$26,906 and \$16,374 for the Three Months Ended June 30, 2004 and 2003, respectively)	27,881	21,181
Minority Interest Allocable to Discontinued Operations	<u>(3,834)</u>	<u>(3,147)</u>
Income Before Gain on Sale of Real Estate	23,361	20,633
Gain on Sale of Real Estate	3,337	3,336
Minority Interest Allocable to Gain on Sale of Real Estate	<u>(459)</u>	<u>(496)</u>
Net Income	26,239	23,473
Less: Preferred Stock Dividends	(4,790)	(5,044)
Redemption of Series D and E Preferred Stock	<u>(7,359)</u>	<u>          </u>
Net Income Available to Common Stockholders	<u>\$ 14,090</u>	<u>\$ 18,429</u>
(Loss) Income from Continuing Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	<u>\$ (0.25)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.25)</u>	<u>\$ 0.01</u>
Income from Discontinued Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	<u>\$ 0.60</u>	<u>\$ 0.47</u>
Diluted	<u>\$ 0.59</u>	<u>\$ 0.47</u>
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:		
Basic	<u>\$ 0.35</u>	<u>\$ 0.48</u>
Diluted	<u>\$ 0.35</u>	<u>\$ 0.48</u>
Net Income	\$ 26,239	\$ 23,473
Other Comprehensive Income:		
Settlement of Interest Rate Protection Agreements	6,657	157
	(388)	

Mark-to-Market of Interest Rate Protection Agreements and Interest Rate Swap  
Agreements

Amortization of Interest Rate Protection Agreements	(1)	49
	<u>          </u>	<u>          </u>
Comprehensive Income	\$ 32,507	\$ 23,679
	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of the financial statements.

**FIRST INDUSTRIAL REALTY TRUST, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Dollars in thousands)**  
**(Unaudited)**

	<b>(As Restated)</b>	
	<b>Six Months Ended</b>	<b>Six Months Ended</b>
	<b>June 30, 2004</b>	<b>June 30, 2003</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 54,279	\$ 54,023
Income Allocated to Minority Interest	6,056	7,684
	<hr/>	<hr/>
Net Income Before Minority Interest	60,335	61,707
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	39,124	33,398
Amortization of Deferred Financing Costs	910	875
Other Amortization	11,594	8,491
Provision for Bad Debt	(455)	(230)
Loss From Early Retirement of Debt		1,466
Equity in Income of Joint Ventures	(546)	(443)
Distributions from Joint Ventures	546	443
Gain on Sale of Real Estate	(58,220)	(39,467)
Increase in Tenant Accounts Receivable and Prepaid Expenses and Other Assets, Net	(14,920)	(9,993)
Increase in Deferred Rent Receivable	(2,840)	(468)
Decrease in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	(11,018)	(7,154)
Decrease in Restricted Cash		2,742
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	24,510	51,367
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of and Additions to Investment in Real Estate	(186,456)	(162,633)
Net Proceeds from Sales of Investments in Real Estate	149,446	128,506
Contributions to and Investments in Joint Ventures	(4,020)	(1,742)
Distributions from Joint Ventures	620	1,447
Repayment of Mortgage Loans Receivable	21,245	40,581
Decrease in Restricted Cash	13,120	9,687
	<hr/>	<hr/>
Net Cash (Used In) Provided by Investing Activities	(6,045)	15,846
	<hr/>	<hr/>

## CASH FLOWS FROM FINANCING ACTIVITIES:

Net Proceeds from the Issuance of Common Stock	31,967	3,000
Proceeds from the Sale of Preferred Stock	200,000	
Preferred Stock Offering Costs	(5,576)	
Redemption of Preferred Stock	(200,000)	
Repurchase of Restricted Stock	(3,468)	(1,591)
Purchase of Treasury Shares		(997)
Proceeds from Maturity of U.S. Government Securities		15,832
Proceeds from Senior Unsecured Debt	134,496	
Other Proceeds from Senior Unsecured Debt	6,657	
Dividends/Distributions	(64,613)	(62,649)
Preferred Stock Dividends	(9,075)	(10,088)
Repayments on Mortgage Loans Payable	(594)	(37,965)
Proceeds from Unsecured Line of Credit	312,000	149,400
Repayments on Unsecured Line of Credit	(423,900)	(117,100)
Book Overdraft	6,580	
Debt Issuance Costs	(3,760)	(53)
	<u>          </u>	<u>          </u>
Net Cash Used in Financing Activities	(19,286)	(62,211)
	<u>          </u>	<u>          </u>
Net (Decrease) Increase in Cash and Cash Equivalents	(821)	5,002
Cash and Cash Equivalents, Beginning of Period	821	
	<u>          </u>	<u>          </u>
Cash and Cash Equivalents, End of Period	\$ <u>          </u>	\$ <u>5,002</u>

The accompanying notes are an integral part of the financial statements.

**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in thousands)**

**(Unaudited)**

**1. Organization and Formation of Company**

First Industrial Realty Trust, Inc. (the Company) was organized in the state of Maryland on August 10, 1993. The Company is a real estate investment trust as defined in the Internal Revenue Code. The Company's operations are conducted primarily through First Industrial, L.P. (the Operating Partnership) of which the Company is the sole general partner with an approximate 86.3% and 85.3% ownership interest at June 30, 2004 and June 30, 2003, respectively. Minority interest in the Company at June 30, 2004 and June 30, 2003 of approximately 13.7% and 14.7%, respectively, represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

As of June 30, 2004, the Company owned 814 in-service industrial properties located in 22 states, containing an aggregate of approximately 59.2 million square feet of gross leasable area (GLA). Of the 814 in-service industrial properties owned by the Company, 683 are held by the Operating Partnership and limited liability companies of which the Operating Partnership is the sole member, 101 are held by limited partnerships in which the Operating Partnership is the limited partner and wholly-owned subsidiaries of the Company are the general partners and 30 are held by an entity wholly-owned by the Operating Partnership. As of June 30, 2004, the Company, through wholly-owned limited liability companies of which the Operating Partnership is the sole member, owns minority equity interests in, and provides asset and property management services to, three joint ventures which invest in industrial properties (the September 1998 Joint Venture, the December 2001 Joint Venture and the May 2003 Joint Venture).

This amendment on Form 10-Q/A to Form 10-Q of First Industrial Realty Trust, Inc., for the quarter ended June 30, 2004 incorporates certain revisions to historical financial data and related descriptions. As a result of its own internal control procedures, the Company determined that approximately \$1,138 of additional depreciation expense (\$979 net of minority interest) relating to certain properties should have been recorded in the second quarter of 2004. Accordingly, the Company has recognized this additional depreciation expense in its results of operations for the six months and three months ended June 30, 2004. Due to this restatement, net income available to common stockholders for the three months ended June 30, 2004 decreased to \$14,090 as compared to \$15,069, as previously reported. On a per share basis, basic and diluted net income available to common stockholders for the three months ended June 30, 2004 decreased to \$0.35 and \$0.35, respectively, compared to \$0.37 and \$0.37, respectively, as previously reported. Net income available to common stockholders for the six months ended June 30, 2004 decreased to \$37,086, compared to \$38,065, as previously reported. On a per share basis, basic and diluted net income available to common stockholders for the six months ended June 30, 2004 decreased to \$0.93 and \$0.92, respectively, compared to \$0.95 and \$0.94, respectively, as previously reported. Loss from continuing operations for the three months ended June 30, 2004 decreased to \$(686) as compared to \$293, as previously reported. On a per share basis, basic and diluted loss from continuing operations available to common stockholders for the three months ended June 30, 2004 decreased to \$(0.25) and \$(0.25), respectively, compared to \$(0.22) and \$(0.22), respectively, as previously reported. Income from continuing operations for the six months ended June 30, 2004 decreased to \$1,443 as compared to \$2,422, as previously reported. On a per share basis, basic and diluted loss from continuing operations available to common stockholders for the six months ended June 30, 2004 decreased to \$(0.25) and \$(0.25), respectively, compared to \$(0.23) and \$(0.23), respectively, as previously reported.

**2. Summary of Significant Accounting Policies**

The accompanying unaudited interim financial statements have been prepared in accordance with the accounting policies described in the financial statements and related notes included in the Company's 2003 Form 10-K and should be read in conjunction with such financial statements and related notes. The following notes to these interim financial statements highlight significant changes to the notes included in the December 31, 2003 audited financial statements included in the Company's 2003 Form 10-K and present interim disclosures as required by the Securities and Exchange Commission.

In order to conform with generally accepted accounting principles, management, in preparation of the Company's financial statements, is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of June 30, 2004 and December 31, 2003, and the reported amounts of revenues and expenses for each of the six and three months ended June 30, 2004 and 2003. Actual results could differ from those estimates.



**FIRST INDUSTRIAL REALTY TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands)  
(Unaudited)

**2. Summary of Significant Accounting Policies, continued**

*Tenant Accounts Receivable, Net:*

In the opinion of management, the accompanying unaudited interim financial statements reflect all adjustments necessary for a fair statement of the financial position of the Company as of June 30, 2004 and the results of its operations and comprehensive income for each of the six and three months ended June 30, 2004 and 2003, respectively, and its cash flows for each of the six months ended June 30, 2004 and 2003, respectively, and all adjustments are of a normal recurring nature.

The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable which is estimated to be uncollectible. Tenant accounts receivable in the consolidated balance sheets are shown net of an allowance for doubtful accounts of approximately \$1,435 and \$1,890 as of June 30, 2004 and December 31, 2003, respectively.

*Stock Incentive Plan:*

Prior to January 1, 2003, the Company accounted for its stock incentive plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ( APB 25 ). Under APB 25, compensation expense is not recognized for options issued in which the strike price is equal to the fair value of the Company's stock on the date of grant. Certain options issued in 2000 were issued with a strike price less than the fair value of the Company's stock on the date of grant. Compensation expense was recognized for the intrinsic value of these options determined at the date of grant over the vesting period. On January 1, 2003, the Company adopted the fair value recognition provisions of the Financial Accounting Standards Board's ( FASB ) Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation ( FAS 123 ), as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. The Company is applying the fair value recognition provisions of FAS 123 prospectively to all employee option awards granted after December 31, 2002. The Company has not awarded options to employees or directors of the Company during the six months ended June 30, 2004 and 2003, therefore no stock-based employee compensation expense is included in net income available to common stockholders related to the fair value recognition provisions of FAS 123.

The following table illustrates the pro forma effect on net income and earnings per share as if the fair value recognition provisions of FAS 123 had been applied to all outstanding and unvested option awards in each period presented:

Six Months Ended		Three Months Ended	
(As Restated)	June 30, 2004	(As Restated)	June 30, 2003
June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003

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Net Income Available to Common Stockholders as reported	\$37,086	\$43,935	\$14,090	\$18,429
Add: Stock-Based Employee Compensation Expense Included in Net Income Available to Common Stockholders, Net of Minority Interest as reported		46		
Less: Total Stock-Based Employee Compensation Expense, Net of Minority Interest Determined Under the Fair Value Method	(207)	(680)	(104)	(329)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Income Available to Common Stockholders pro forma	\$36,879	\$43,301	\$13,986	\$18,100
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Income Available to Common Stockholders per Share as reported Basic	\$ 0.93	\$ 1.14	\$ 0.35	\$ 0.48
Net Income Available to Common Stockholders per Share pro forma Basic	\$ 0.92	\$ 1.13	\$ 0.35	\$ 0.47
Net Income Available to Common Stockholders per Share as reported Diluted	\$ 0.92	\$ 1.14	\$ 0.35	\$ 0.48
Net Income Available to Common Stockholders per Share pro forma Diluted	\$ 0.92	\$ 1.12	\$ 0.34	\$ 0.47

**FIRST INDUSTRIAL REALTY TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands)  
(Unaudited)

## 2. Summary of Significant Accounting Policies, continued

### *Discontinued Operations:*

On January 1, 2002, the Company adopted the FASB Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ( FAS 144 ). FAS 144 addresses financial accounting and reporting for the disposal of long-lived assets. FAS 144 requires that the results of operations and gains or losses on the sale of properties sold and the results of operations from properties that are classified as held for sale at June 30, 2004 be presented in discontinued operations if both of the following criteria are met: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposal transaction and (b) the Company will not have any significant continuing involvement in the operations of the property after the disposal transaction. FAS 144 also requires prior period results of operations for these properties to be restated and presented in discontinued operations in prior consolidated statements of operations.

## 3. Investments in Joint Ventures

As of June 30, 2004, the September 1998 Joint Venture owned 43 industrial properties comprising approximately 1.5 million square feet of GLA, the December 2001 Joint Venture owned 36 industrial properties comprising approximately 6.2 million square feet of GLA and the May 2003 Joint Venture owned three industrial properties comprising approximately 1.7 million square feet of GLA. Thirty of the 36 industrial properties purchased by the December 2001 Joint Venture were purchased from the Company. The Company deferred 15% of the gain resulting from these sales, which is equal to the Company's economic interest in the December 2001 Joint Venture. The 15% gain deferral reduced the Company's investment in the joint venture and is amortized into income over the life of the sold property, generally 40 years. If the December 2001 Joint Venture sells any of the 30 properties that were purchased from the Company to a third party, the Company will recognize the unamortized portion of the deferred gain as gain on sale of real estate. If the Company repurchases any of the 30 properties that it sold to the December 2001 Joint Venture, the 15% gain deferral will be netted against the basis of the property purchased (which reduces the basis of the property).

During the six months ended June 30, 2004 and 2003, the Company invested the following amounts in its three joint ventures as well as received distributions and recognized fees from acquisition, disposition, property management and asset management services in the following amounts:

	<b>Six Months Ended June 30, 2004</b>	<b>Six Months Ended June 30, 2003</b>
Contributions	\$ 2,525	