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BRT Apartments Corp.
Form 8-K
July 24, 2017

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): June 29, 2017

BRT APARTMENTS CORP.
(Exact name of Registrant as specified in charter)

Maryland 001-07172 13-2755856
(State or other jurisdiction of incorporation) (Commission file No.) (IRS Employer I.D. No.)

60 Cutter Mill Road, Suite 303, Great Neck, New York 11021
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 516-466-3100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) of Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Explanatory Note

We are filing this current report on Form 8-K (the "Current Report") to include under (i) Item 9.01(a), the audited statement of revenues and certain expenses of Mercer Crossing, a 509 unit multi-family property located at 11700 Luna Road, Farmers Branch, TX ("Mercer Crossing"), for the year ended December 31, 2016 and the unaudited statement of revenue and certain expenses for the three months ended March 31, 2017, and (ii) Item 9.01(b) our unaudited pro forma financials statements reflecting the acquisition of Mercer Crossing.

On June 29, 2017, through a consolidated joint venture in which we have a 50% equity interest we purchased Mercer Crossing, for \$85.7 million. We obtained \$55.2 million of mortgage debt in connection with the acquisition. The mortgage debt bears interest at rate of 4.22%, matures in July 2028, is interest only for five years and amortizes over the remaining six years. We contributed \$16.2 million of equity to this venture for our 50.0% interest. The property was in lease up during 2016 and as of June 29, 2017 had occupancy of 89%

Item 9.01 Financial Statements and Exhibits.

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| Exhibit No. | Title of Exhibit |
|-------------|--|
| 23.1 | Consent of BDO USA, LLP, dated July 24, 2017 |

Independent Auditor's Report

Stockholders and Board of Directors

BRT Apartments Corp.

Great Neck, New York

We have audited the accompanying statement of revenues and certain expenses of the property located at 11700 Luna Road, Farmers Branch, TX ("Mercer Crossing") for the year ended December 31, 2016.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the statement of revenues and certain expenses in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statement of revenues and certain expenses that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the statement of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the statement of revenues and certain expenses of Mercer Crossing for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with rules and regulations of the U.S. Securities and Exchange Commission and for inclusion in a Current Report on Form 8-K of BRT Apartments Corp. as described in Note 2 to the statement of revenues and certain expenses and is not intended to be a complete presentation of Mercer Crossing's revenues and expenses.

/s/ BDO USA, LLP
New York, New York
July 24, 2017

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Mercer Crossing

Statements of Revenues and Certain Expenses

| | Three Months Ended March 31, 2017 (Unaudited) | Year Ended December 31, 2016 |
|--|--|---------------------------------------|
| Revenues: | | |
| Rental income | \$1,519,000 | \$4,929,000 |
| Other income | 212,000 | 665,000 |
| Rental and other income | 1,731,000 | 5,594,000 |
| Certain Expenses: | | |
| Real estate taxes | 380,000 | 1,324,000 |
| Management fees | 50,000 | 195,000 |
| Utilities | 163,000 | 487,000 |
| Payroll | 165,000 | 563,000 |
| Insurance | 29,000 | 101,000 |
| Repairs and maintenance | 81,000 | 293,000 |
| Total certain expenses | 868,000 | 2,963,000 |
| Revenues in excess of certain expenses | \$ 863,000 | \$ 2,631,000 |

See Independent Auditor's Report and accompanying notes to the Statements of Revenues and Certain Expenses

Mercer Crossing
Notes to Statements of Revenues and Certain Expenses

1. Organization

Mercer Crossing, located at 11700 Luna Road, Farmers Branch, Texas ("Mercer Crossing" or the "Property") is a 509 unit multi-family property.

BRT Apartments Corp. ("BRT" or the "Company") is a corporation organized in Maryland. BRT is a real estate investment trust, also known as a REIT, that is primarily focused on the ownership, operation and development of multi family properties.

On June 29, 2017, a consolidated joint venture comprised of an indirect 50% owned subsidiary of the Company and an unaffiliated joint venture partner acquired the Property for \$85.7 million, including \$55.2 million of mortgage debt.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying statement of revenues and certain expenses of Mercer Crossing has been prepared in accordance with Rule 3-14 of Regulation S-X of the U.S. Securities and Exchange Commission for inclusion in the Company's Current Report on Form 8-K. Accordingly, the statement of revenues and certain expenses excludes certain expenses that may not be comparable to those expected to be incurred in the future operations of the aforementioned property. Items excluded consist of interest expense, depreciation, amortization, corporate expenses, and other costs not directly related to future operations.

Significant Accounting Policies

Use of Estimates

The preparation of the statements of revenues and certain expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the statements of revenues and certain expenses. Actual results could differ from those estimates.

Revenue Recognition

Rental revenue is recognized on an accrual basis when earned and due from tenants. Leases are generally for a one-year term and have no renewal options.

Repairs and Maintenance

Major replacement and betterments that improve or extend the life of Mercer Crossing are capitalized. Expenditures for ordinary repairs and maintenance are charged to operations as incurred.

3. Subsequent Events

Subsequent events were evaluated through July 24, 2017, the date on which the statements of revenues and certain expenses were available to be issued.

BRT APARTMENTS CORP. AND SUBSIDIARIES

Pro Forma Consolidated Financial Statements

(Unaudited)

Acquisitions

On June 29, 2017, TRB Mercer LLC, an indirect wholly owned subsidiary of BRT Apartments Corp. ("BRT" or the "Company"), and an unaffiliated joint venture partner, acquired a 509 unit multi-family property located at 11700 Lunar Road, Farmers Branch, Texas for \$85.7 million excluding \$989,000 of acquisition costs. We obtained \$55.2 million of mortgage debt in connection with the acquisition. The Company owns an indirect 50% interest in this venture.

On April 4, 2017, TRB Vanguard LLC, an indirect wholly owned subsidiary of the Company, and an unaffiliated joint venture partner, acquired a 174 unit multi-family property located at 10362 Old Olive Street Road, Creve Coeur, Missouri ("Vanguard Heights") for \$39.6 million, including \$29.0 million of mortgage debt obtained in connection with the acquisition. The Company owns a 78.4% interest in this venture.

On February 28, 2017, TRB OPOP LLC, an indirect wholly owned subsidiary of the Company and an unaffiliated joint venture partner, acquired a 128 unit multi-family high rise building located at 411 North 8th Street, St. Louis, Missouri ("OPOP Tower") and a 53 unit multi-family loft building located at 901 Locust Street, St. Louis, Missouri ("OPOP Lofts"; and together with OPOP Tower, the "OPOP Properties") for \$27.0 million and \$8.0 million, respectively, including \$20.0 million and \$6.2 million, respectively, of mortgage debt obtained in connection with the acquisitions. The Company owns a 75.5% interest in this venture.

On November 10, 2016, TRB Canalside Lofts, LLC, an indirect wholly owned subsidiary of the Company and unaffiliated joint venture partners, acquired a 374 unit multi-family property located at 383 Taylor Street, Columbia, South Carolina ("Canalside Lofts") for \$58.3 million, including \$41.0 million of mortgage debt assumed in connection with the acquisitions. The Company owns a 32.1% interest in this unconsolidated venture.

On November 4, 2016, Kilburn Crossing, LLC, an indirect wholly owned subsidiary of the Company and an unaffiliated joint venture partner, acquired a 220 unit multi-family property located at 6601 Charmed Way, Fredericksburg, Virginia ("Kilburn Crossing") for \$38.5 million, including \$29.9 million of mortgage debt obtained in connection with the acquisition. The Company owns an 80% interest in this venture.

The acquisitions of Vanguard Heights, the OPOP Properties, Canalside Lofts and Kilburn Crossing are referred to collectively as the "Previously Reported Acquisitions."

Presentation

The unaudited pro forma consolidated balance sheet is presented as if the acquisitions of the Mercer Crossing and the Previously Reported Acquisitions had been completed on December 31, 2016. The unaudited pro forma consolidated statement of income for the year ended September 30, 2016 is presented as if the Mercer Crossing and the Previously Reported Acquisitions had been completed on October 1, 2015. The unaudited pro forma consolidated statement of income for the six months ended March 31, 2017, is presented as if all the acquisitions had been completed on October 1, 2016.

These unaudited pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 30, 2016.

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The unaudited pro forma consolidated financial statements are based on assumptions and estimates considered appropriate by the Company's management; however, such statements do not purport to represent what the Company's financial position and results of operations would have been assuming the completion of the

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acquisition on October 1, 2015, nor do they purport to project the Company's financial position and results of operations at any future date or for any future period.

In the opinion of the Company's management, all adjustments necessary to reflect the effects of the transactions described above have been included in the pro forma consolidated financial statements.

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BRT APARTMENTS CORP. AND SUBSIDIARIES
PRO FORMA - UNAUDITED CONSOLIDATED BALANCE SHEET

At March 31, 2017

(Amounts in thousands, except per share data)

| | The Company Historical | Previously Reported Acquisitions | Purchase of Mercer Crossing | The Company Pro Forma as Adjusted |
|--|------------------------------|--|--------------------------------------|---|
| ASSETS | | | | |
| Real estate properties, net of accumulated depreciation | \$781,114 | \$ 40,166 | \$86,690 | \$907,970 |
| Real estate loan | 5,900 | — | — | 5,900 |
| Cash and cash equivalents | 43,147 | (9,237) | (15,852) | 18,058 |
| Restricted cash | 6,619 | — | — | 6,619 |
| Deposits and escrows | 13,101 | 194 | 949 | 14,244 |
| Investment in unconsolidated joint ventures | 14,557 | — | — | 14,557 |
| Other assets | 6,082 | 124 | 149 | 6,355 |
| Total Assets | \$870,520 | \$ 31,247 | \$71,936 | \$973,703 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities: | | | | |
| Mortgages payable, net of deferred costs | \$603,133 | \$ 28,432 | \$54,755 | \$686,320 |
| Junior subordinated notes, net of deferred costs | 37,008 | — | — | 37,008 |
| Accounts payable and accrued liabilities | 13,467 | 215 | 981 | 14,663 |
| Total Liabilities | 653,608 | 28,647 | 55,736 | 737,991 |
| Commitments and contingencies | — | — | — | — |
| Equity: | | | | |
| BRT Apartments Corp. stockholders' equity: | | | | |
| Preferred stock, \$.01 par value: | | | | |
| authorized 2,000 shares, none issued | — | — | — | — |
| Common stock \$.01 par value, 300,000 shares authorized; | | | | |
| 13,352 shares issued at March 31, 2017 | 134 | — | — | 134 |
| Additional paid-in capital | 201,546 | — | — | 201,546 |
| Accumulated other comprehensive income | 1,518 | — | — | 1,518 |
| Accumulated deficit | (36,584) | — | — | (36,584) |
| Total BRT Apartments Corp. stockholders' equity | 166,614 | — | — | 166,614 |
| Non-controlling interests | 50,298 | 2,600 | 16,200 | 69,098 |
| Total Equity | 216,912 | 2,600 | 16,200 | 235,712 |
| Total Liabilities and Equity | \$870,520 | \$ 31,247 | \$71,936 | \$973,703 |

See accompanying notes to the unaudited pro forma consolidated financial statements

BRT APARTMENTS CORP. AND SUBSIDIARIES
PRO FORMA - UNAUDITED CONSOLIDATED STATEMENT OF INCOME
For The Year Ended September 30, 2016
(Dollars in thousands, except share data)

| | The Company Historical | Previously Reported Acquisitions | Purchase of Mercer Crossing | The Company Pro Forma as Adjusted |
|---|------------------------------|--|-----------------------------------|---|
| Revenues: | | | | |
| Rental and other revenues from real estate properties | \$ 90,945 | \$ 10,287 | \$ 8,670 | \$ 109,902 |
| Other income | 3,319 | — | — | 3,319 |
| Total revenues | 94,264 | 10,287 | 8,670 | 113,221 |
| Expenses: | | | | |
| Real estate operating expenses - including \$1,950 to related parties | 43,262 | 3,999 | 3,817 | 51,078 |
| Interest expense | 23,878 | 4,166 | 2,864 | (a) 30,908 |
| Advisor's fees, related party | 693 | — | — | 693 |
| Property acquisition costs - including \$2,221 to related parties | 3,852 | — | — | 3,852 |
| General and administrative-including \$1,020 to related party | 8,536 | — | — | 8,536 |
| Depreciation | 23,180 | 4,371 | 4,012 | (b) 31,563 |
| Total expenses | 103,401 | 12,536 | 10,693 | 126,630 |
| Total revenues less total expenses | (9,137) | (2,249) | (2,023) | (13,409) |
| Gain on sale of real estate | 46,477 | — | — | 46,477 |
| Gain on sale of partnership interest | 386 | — | — | 386 |
| Loss on extinguishment of debt | (4,547) | — | — | (4,547) |
| Equity in earnings of unconsolidated joint ventures | — | 200 | — | 200 |
| Income (loss) from continuing operations | 33,179 | (2,049) | (2,023) | 29,107 |
| Provision for taxes | 700 | — | — | 700 |
| Income (loss) from continuing operations, net of tax | 32,479 | (2,049) | (2,023) | 28,407 |
| Discontinued Operations: | | | | |
| Loss from discontinued operations | (2,788) | — | — | (2,788) |
| Gain on sale of partnership interest | 15,467 | — | — | 15,467 |
| Income from discontinued operations | 12,679 | — | — | 12,679 |
| Net income (loss) | 45,158 | (2,049) | (2,023) | 41,086 |
| Net (income) loss attributable to non-controlling interests | (13,869) | 517 | 1,012 | (12,340) |
| Net income (loss) attributable to common stockholders | \$ 31,289 | \$ (1,532) | \$ (1,011) | \$ 28,746 |
| Basic and diluted per share amounts attributable to common stockholders: | | | | |
| Basic and diluted earnings (loss) per share | \$ 2.23 | \$ (0.10) | \$ (0.08) | \$ 2.05 |
| Weighted average number of shares of common stock outstanding: | | | | |
| Basic and diluted | 14,017,279 | 14,017,279 | 14,017,279 | 14,017,279 |

See accompanying notes to the pro forma unaudited consolidated financial statements
 BRT APARTMENTS CORP. AND SUBSIDIARIES
 PRO FORMA - UNAUDITED CONSOLIDATED STATEMENT OF INCOME
 For The Six Months Ended March 31, 2017
 (Dollars in thousands, except share data)

| | The Company Historical | Previously Reported Acquisitions | Purchase of Mercer Crossing | The Company Pro Forma as Adjusted |
|---|------------------------------|--|-----------------------------------|---|
| Revenues: | | | | |
| Rental and other revenues from real estate properties | \$ 49,731 | \$ 3,446 | \$ 4,335 | \$ 57,512 |
| Other income | 792 | — | — | 792 |
| Total revenues | 50,523 | 3,446 | 4,335 | 58,304 |
| Expenses: | | | | |
| Real estate operating expenses - including \$1,950 to related parties | 24,355 | 1,464 | 1,909 | 27,728 |
| Interest expense | 13,089 | 1,497 | 1,445 | (a) 16,031 |
| General and administrative-including \$1,020 to related party | 4,987 | — | — | 4,987 |
| Depreciation | 14,069 | 1,737 | 2,006 | (b) 17,812 |
| Total expenses | 56,500 | 4,698 | 5,360 | 66,558 |
| Total revenues less total expenses | (5,977) | (1,252) | (1,025) | (8,254) |
| Gain on sale of real estate | 35,838 | — | — | 35,838 |
| Loss on extinguishment of debt | (799) | — | — | (799) |
| Equity in earnings of unconsolidated joint ventures | — | 79 | — | 79 |
| Income (loss) from continuing operations | 29,062 | (1,173) | (1,025) | 26,864 |
| Provisions for taxes | 1,458 | — | — | 1,458 |
| Income (loss) from continuing operations, net of tax | 27,604 | (1,173) | (1,025) | 25,406 |
| Net (income) loss attributable to non-controlling interests | (16,063) | 278 | 512 | (15,273) |
| Net income (loss) attributable to common stockholders | \$ 11,541 | \$ (895) | \$ (513) | \$ 10,133 |
| Basic and diluted per share amounts attributable to common stockholders: | | | | |
| Basic and diluted earnings (loss) per share | \$ 0.83 | \$ (0.06) | \$ (0.04) | \$ 0.73 |
| Weighted average number of shares of common stock outstanding: | | | | |
| Basic and diluted | 13,957,706 | 13,957,706 | 13,957,706 | 13,957,706 |

BRT APARTMENTS CORP. AND SUBSIDIARIES

Notes to Pro Forma Unaudited Consolidated Financial Statements
(Unaudited)

Basis of Pro Forma Presentation

The historical consolidated financial statements of the Company include the accounts of the Company and consolidated subsidiaries in which the Company is presumed to have control in accordance with the consolidation guidance of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Investments in entities for which the Company has the ability to exercise significant influence but does not have financial or operating control, are accounted for under the equity method of accounting. Accordingly, the Company’s share of the net earnings (or losses) of entities accounted for under the equity method are included in consolidated net income (loss) under the caption “Other Income”. Investments in entities for which the Company does not have the ability to exercise any influence are accounted for under the cost method of accounting.

Notes to the pro forma unaudited consolidated balance sheet and statements of income for Mercer Crossing for the year ended September 30, 2016 and the six months ended March 31, 2017.

To reflect the interest expense resulting from the mortgage securing Mercer Crossing which expense is calculated an interest rate of 4.22% and includes amortization of deferred financing costs.

To reflect depreciation expense on the estimated useful life of the property of 30 years.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRT APARTMENTS CORP.

By: /s/ George Zweier
George Zweier

July 24, 2017 Vice President and
Great Neck, NY Chief Financial Officer