

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000914317-96-000410**

([HTML Version](#) on [secdatabase.com](#))

FILER

RESURGENCE PROPERTIES INC

CIK: **929223** | IRS No.: **133757163** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-24740** | Film No.: **96663173**
SIC: **6512** Operators of nonresidential buildings

Business Address
411 WEST PUTNAM AVENUE
GREENWICH CT 06830
2148795800

=====

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

Commission file number: 0-24740

RESURGENCE PROPERTIES INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

13-3757163
(I.R.S. Employer
Identification No.)

c/o Wexford Management LLC
411 West Putnam Avenue, Greenwich, CT 06830
(Address of principal executive offices)

(203) 862-7000
(Registrant's telephone number, including area code)

None
(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 [X] No []

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of November 1, 1996, there were 10,000,000 shares of Common Stock, \$0.01 par value, outstanding.

=====

RESURGENCE PROPERTIES INC.

FORM 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets as of September 30, 1996 and December 31, 1995

Unaudited Consolidated Statements of Operations for the Three Months Ended September 30, 1996 and 1995 and for the Nine Months Ended September 30, 1996 and 1995

Unaudited Consolidated Statement of Shareholders' Equity for the Nine Months Ended September 30, 1996

Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 1996 and 1995

Notes to Unaudited Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

<TABLE>

<CAPTION>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share amounts)

	September 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
OPERATING REAL ESTATE PROPERTIES:		
Land	\$ 15,834	\$ 20,539
Buildings and improvements	60,854	78,868
	-----	-----
	76,688	99,407
Accumulated depreciation and amortization	(4,878)	(4,337)
	-----	-----
Operating real estate properties, net	71,810	95,070
MORTGAGE LOANS ON REAL ESTATE:		
Earning	--	15,052
Non-earning	5,640	7,162
	-----	-----
	5,640	22,214
Allowance for possible losses	(3,810)	(5,295)
	-----	-----
Mortgage loans on real estate, net	1,830	16,919
CASH AND CASH EQUIVALENTS	14,718	8,818
ACCOUNTS RECEIVABLE (net of allowance for doubtful accounts of \$241 and \$196)	1,235	1,802
ASSETS HELD FOR SALE	24,225	31,707
OTHER ASSETS	4,643	1,547
	-----	-----
TOTAL ASSETS	\$ 118,461	\$ 155,863
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Senior debt	\$ 23,883	\$ 57,898
Mortgage notes payable	5,433	8,134
Real estate taxes	1,208	5,476
Other liabilities	1,226	2,354
	-----	-----
Total liabilities	31,750	73,862
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK	300	300

<CAPTION>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share amounts)

(continued)

	September 30, 1996	December 31, 1995
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, par value \$.01; 50,000,000 shares authorized; 10,000,000 shares issued and outstanding	100	100
Paid-in-capital	101,045	101,045

Accumulated deficit	(14,734)	(19,444)
Total shareholders' equity	86,411	81,701
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 118,461	\$ 155,863

See notes to unaudited consolidated financial statements

</TABLE>

<TABLE>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Minimum rents	\$ 3,432	\$ 4,271	\$ 11,046	\$ 12,658
Recoveries from tenants	704	763	2,156	2,605
Mortgage loan interest	6	503	4,560	1,687
Investment income	361	139	672	523
Net gain (loss) from asset dispositions	(172)	32	791	90
Other	1,048	149	1,216	320
Total revenues	5,379	5,857	20,441	17,883
EXPENSES:				
Property operations	1,818	2,170	5,343	6,304
Interest expense	702	1,571	2,821	5,017
Non-income producing assets	240	509	921	1,446
Management fees	512	512	1,537	1,537
General and administrative	124	322	470	768
Depreciation and amortization	776	882	2,329	2,545
Write-downs for impairment of value	740	1,020	2,449	4,020
Total expenses	4,912	6,986	15,870	21,637
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY GAIN				
	467	(1,129)	4,571	(3,754)
Income Taxes	--	--	--	--
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	467	(1,129)	4,571	(3,754)
Extraordinary Gain	--	171	160	760
NET INCOME (LOSS)	\$ 467	\$ (958)	\$ 4,731	\$ (2,994)
INCOME (LOSS) PER COMMON SHARE (10,000,000 shares outstanding):				
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	\$ 0.05	\$ (0.11)	\$ 0.46	\$ (0.38)
EXTRAORDINARY GAIN	--	0.02	0.02	0.08
NET INCOME (LOSS)	\$ 0.05	\$ (0.09)	\$ 0.48	\$ (0.30)

See notes to unaudited consolidated financial statements

</TABLE>

<TABLE>

<CAPTION>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 1996

(Dollars in thousands, except share amounts)

	COMMON STOCK		PAID - IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT			
<S>	<C>	<C>			
Balance, December 31, 1995	10,000,000	\$ 100	\$ 101,045	\$ (19,444)	\$ 81,701

Preferred stock dividends	--	--	--	(21)	(21)
Net income	--	--	--	4,731	4,731
Balance, September 30, 1996	10,000,000	\$ 100	\$ 101,045	\$ (14,734)	\$ 86,411
	=====	=====	=====	=====	=====

See notes to unaudited consolidated financial statements

</TABLE>

<TABLE>

<CAPTION>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For the Nine Months ended September 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 4,731	\$ (2,994)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization:		
Operating real estate properties	1,999	2,445
Other assets	330	100
Net gain from asset dispositions	(791)	(90)
Extraordinary gain	(160)	(760)
Write-downs for impairment of value	2,449	4,020
Straight line adjustment for stepped rentals	37	(9)
Net changes in assets and liabilities	(3,858)	(2,089)
	-----	-----
Net cash provided by operating activities	4,737	623
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sales of assets	25,934	6,982
Net collections on mortgage loans	14,050	2,717
Improvements to operating properties	(1,440)	(1,433)
Property acquisitions	(800)	(9,532)
	-----	-----
Net cash provided by (used for) investing activities	37,744	(1,266)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Senior debt repayments, net	(25,939)	(4,394)
Mortgage loan repayments	(2,701)	(70)
Preferred stock dividends	(21)	(21)
Purchase of interest in senior debt	(7,920)	(10,059)
	-----	-----
Net cash used for financing activities	(36,581)	(14,544)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,900	(15,187)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,818	26,877
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 14,718	\$ 11,690
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,924	\$ 6,113
	=====	=====

See notes to unaudited consolidated financial statements

</TABLE>

RESURGENCE PROPERTIES INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Resurgence Properties Inc. and its subsidiaries and sub-partnership (the "Company") is engaged in diversified real estate activities, including the ownership, operation and management of retail, office, industrial/warehouse and multi-family real estate, and investments in mortgage loans on real estate. The Company was incorporated on March 25, 1994 and began its operations on April 7, 1994, when the Company succeeded to most of the assets of Liberte Investors ("Liberte") upon consummation of Liberte's bankruptcy plan ("The Plan of Reorganization"). The Company is managed and administered by Wexford Management LLC ("Wexford").

The accompanying financial statements, notes and discussions should be read in conjunction with the consolidated financial statements, related notes and discussions contained in the Company's annual report on Form 10-K for the year ended December 31, 1995, which is herein incorporated by reference. Consequently, information with respect to the organization, significant accounting policies and other required disclosures are contained therein.

The interim financial information contained herein is unaudited; however, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of such financial information have been included.

The December 31, 1995 year-end balance sheet data presented herein was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

The results for the interim period are not necessarily indicative of the results to be expected for the year ending December 31, 1996.

The Company has approximately \$9.4 million of net operating loss carry-forwards ("NOL") available for U.S. income tax purposes expiring in years through 2008. The Company has provided a valuation allowance to offset the full amount of the net deferred tax assets arising from book and tax differences including those from the NOL's.

Certain reclassifications have been made to the prior year financial statements to conform with the current period presentation.

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS No. 121"). The Company adopted SFAS No. 121 for the fiscal year beginning January 1, 1996.

Under SFAS No. 121 the initial test to determine if impairment exists is to compute the recoverability of the asset based on anticipated cash flows (net realizable value) compared to the net carrying value of the asset. If anticipated cash flows on an undiscounted basis are insufficient to recover the net carrying value of the asset, an impairment loss should be recognized, and the asset written down to its estimated fair value. The fair value of the asset is the amount by which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The net realizable value of an asset will generally be greater than its fair value because net realizable value does not discount cash flows to present value and discounting is usually one of the assumptions used in determining fair value.

Upon implementation of SFAS No. 121, certain of the Company's assets held for sale have been written down to their estimated fair values, while others remain at depreciated cost. Thus, the net carrying value of the Company's asset portfolio may differ materially from its fair value. However, the write-downs for impairment do not affect the tax basis of the assets and the write-downs are not included in the determination of taxable income or loss.

Because the determination of both net realizable value and fair value is based upon projections of future economic events such as property occupancy rates, rental rates, operating cost inflation and market capitalization rates which are inherently subjective, the amounts ultimately realized at disposition may differ materially from the net carrying value as of the balance sheet date. The cash flows used to determine fair value and net realizable value are based on good faith estimates and assumptions developed by management. Inevitably, unanticipated events and circumstances may occur and some assumptions may not materialize; therefore actual results may vary from our estimates and the variances may be material. The Company may provide additional losses in subsequent periods if the real estate market or local economic conditions change and such write-downs could be material.

In October 1995, the Financial Accounting Standards Board issued

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which was effective for the Company beginning January 1, 1996. SFAS No. 123 requires expanded disclosures of stock based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share. As of September 30, 1996 there was no effect on net income or earnings per share arising from stock based compensation.

B. ASSETS HELD FOR SALE

Harbor Bay Business Park, located in Alameda, California, is a 50,000 square foot office building, built in 1989 and is situated on 2.75 acres of land. The net carrying value as of September 30, 1996 was \$1,913. During the third quarter of 1996, the Company entered into a contract to sell the property for \$2,250. Accordingly, the property was reclassified on the consolidated balance sheet from an operating property to an asset held for sale as of September 30, 1996. The property was subsequently sold in November 1996 for \$2,146, net of closing costs.

During the third quarter of 1996, the Company received \$917 from a settlement of a lawsuit the Company instituted against a former tenant for default of their lease obligation.

During the third quarter of 1996, the Company sold various land assets for net proceeds of approximately \$1,298, which resulted in a loss of \$172.

In October 1996, the Company sold Cimarron Plaza for net proceeds of \$7,912, which resulted in a loss of \$39.

C. SENIOR DEBT

The Company prepaid \$11,376 and \$3,143 in July 1996 and September 1996, respectively, of its Senior Debt then outstanding. In November 1996, the Company prepaid an additional \$7,958 of its Senior Debt then outstanding. The net principal balance outstanding after the November 1996 prepayment was approximately \$15,924.

D. WRITE-DOWNS FOR IMPAIRMENT OF VALUE AND LOAN LOSSES

During the third quarter of 1996 and 1995, the Company recorded write-downs for impairment of value on certain assets totaling \$740 and \$1,020, respectively. No independent appraisal of these assets has been obtained or is contemplated. Since the determination of fair value is based on future economic events which are inherently subjective, the amounts ultimately realized may differ materially from the carrying values as of the balance sheet date.

A discussion of the specific circumstances regarding the write-downs recorded in the third quarter of 1996 is as follows (this discussion excludes changes in net carrying values resulting from capital improvements, sales, pay downs or depreciation):

Bayshore Club Apartments, located in Naples, Florida, is a two story, 200 unit apartment complex comprising 165,600 square feet in 16 buildings that was constructed in 1976 and renovated in 1991 and is situated on 32.27 acres of land. The net carrying value of the property was \$5,640 as of December 31, 1995. In March 1996, the Company entered into a contract for sale of the property for \$5,350. Due to a subsequent decline in the standard of living in the neighborhood, increases in the number of available garden apartment units in the marketplace and the inability to reverse the decline in occupancy at the property, it was necessary to negotiate an amendment to the contract reducing the sale price to \$4,400, including estimated closing

costs. Accordingly, the property was reclassified on the consolidated balance sheet from an operating property to an asset held for sale as of March 31, 1996 and a write-down of \$1,197 was recorded during the first quarter of 1996. Subsequently, the amended contract fell through and the Company entered into a new contract with a different purchaser for \$3,800, including closing costs. Accordingly, a write-down of \$620 was recorded during the third quarter of 1996 to reduce the net carrying value to \$3,800.

P&V Enterprises, located in Palmdale, California, consists of 59 vacant lots zoned for single family homes. During the third quarter of 1996, the Company entered into an option contract with a prospective buyer, for a total sales price of \$400, including estimated closing costs.

Accordingly, a write-down of \$120 was recorded in the third quarter of 1996 to reduce the net carrying value to \$400.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section includes a discussion and analysis of the results of the Company for the quarter ended September 30, 1996.

Results of Operations - General

The Company's current objective is to maximize shareholder value through (i) actively managing its real estate and mortgage portfolio to optimize both cash flow and capital appreciation, (ii) selectively disposing of certain assets and (iii) acquiring interests in real property and mortgages offering superior profit potential. The Company believes that the market price of the Common Stock is trading at prices below the market value of the Company's assets net of its liabilities. Accordingly, the Company has undertaken an analysis of its operating and financial activities to consider alternative strategies that, consistent with the objective of maximizing long-term shareholder value, will increase the market price of the Common Stock. Strategies that the Company may pursue would include, but would not be limited to, changes in the composition of the Company's asset portfolio, business combinations, the disposition of significant portions of the Company's assets, the sale of the Company or the liquidation of the Company.

The Company has disposed of a significant portion of its portfolio acquired under the plan of reorganization of Liberte Investors. The future performance of the Company's portfolio of assets will be subject to prevailing economic conditions and to financial, business and other factors, including the future performance of the real estate market, the availability of financing to prospective asset purchasers and to other factors beyond the Company's control. For these reasons, the results of the Company's operations from period to period may not be comparable.

Inflation is not expected to have a material impact on the Company's results of operations or financial position.

Nine Months Ended September 30, 1996 Compared to the Nine Months Ended September 30, 1995 and Three Months Ended September 30, 1996 Compared to the Three Months Ended September 30, 1995

For the nine months ended September 30, 1996, revenues related to the operations of the Company's operating properties decreased to \$13,202,000 from \$15,263,000 for the same period in the prior year, primarily as a result of the disposition of six operating properties (one each in September 1995, January 1996, February 1996, March 1996, April 1996 and June 1996) partially offset by the acquisition of an operating property in February 1995. For the same period, property operating expenses decreased to \$5,343,000 from \$6,304,000 in the prior year, primarily as a result of the six dispositions and partially offset by the acquisition of one property, as mentioned above. Exclusive of revenues and expenses related to the six properties sold and one acquired, operating revenue and expenses for the nine months ended September 30, 1996 were \$10,655,000 and \$3,959,000, respectively, compared to \$10,730,000 and \$3,935,000, respectively, for the same period in the prior year. Depreciation and amortization for the nine months ended September 30, 1996 and 1995, amounted to \$2,329,000 and \$2,545,000, respectively. The decrease in depreciation and amortization is a result of the disposition of the six operating properties as mentioned above and write-downs of operating properties in the latter part of 1995.

For the three months ended September 30, 1996, revenues related to the operations of the Company's operating properties decreased to \$4,136,000 from \$5,034,000 for the same period in the prior year, primarily as a result of the disposition of six operating properties as discussed above. For the same period, property operating expenses decreased to \$1,818,000 from \$2,170,000 in the prior year, primarily as a result of the disposition of six operating properties as discussed above. Exclusive of revenues and expenses related to the six properties sold, operating revenue and expenses for the three months ended September 30, 1996 were \$3,546,000 and \$1,466,000, respectively, compared to \$3,504,000 and \$1,379,000, respectively, for the same period in the prior year. Depreciation and amortization for the three months ended September 30, 1996 and 1995, amounted to \$776,000 and \$882,000, respectively. The decrease in depreciation and amortization is a result of the disposition of the six operating properties as mentioned above and write-downs of operating properties in the latter part of 1995.

Mortgage loan interest, primarily generated from earning loans increased to \$4,560,000 for the nine months ended September 30, 1996 from \$1,687,000 for the same period in the prior year. For the three months ended September 30, 1996, mortgage loan interest decreased to \$6,000 from \$503,000 for the same period in the prior year. The increase for the nine months ended September 30, 1996 is primarily due to the payoff of the pool of first mortgage loans collateralized by eight industrial buildings located in New Jersey (the "JPC Mortgages") during the second quarter of 1996, which resulted in the recognition of contingent interest income of \$3,864,000. This increase was

slightly offset by the reduction in mortgage loan interest as a result of mortgage loan payoffs during the latter part of 1995 and the sale of a mortgage loan in January 1996. The decrease for the three months ended September 30, 1996 compared to the prior year is a result of mortgage loan payoffs during the latter part of 1995 and the sale of a mortgage loan in January 1996.

Other income increased to \$1,216,000 for the nine months ended September 30, 1996 from \$320,000 for the same period in the prior year and to \$1,048,000 for the three months ended September 30, 1996 from \$149,000 for the same period in the prior year, primarily due to a \$917,000 settlement received in September 1996 from a lawsuit the Company instituted against a former tenant for default of their lease obligation.

Investment income increased to \$672,000 for the nine months ended September 30, 1996 from \$523,000 for the same period in the prior year and to \$361,000 for the three months ended September 30, 1996 from \$139,000 for the same period in the prior year, primarily due to a larger amount of cash available for investment during the first nine months of 1996 as compared to the same period in 1995.

Interest expense decreased to \$2,821,000 for the nine months ended September 30, 1996 from \$5,017,000 for the same period in the prior year and to \$702,000 for the three months ended September 30, 1996 from \$1,571,000 for the same period in the prior year, primarily due to the reduction in the outstanding balance of the Senior Debt resulting from the purchases, prepayments and quarterly amortization payments and the payoff of the Barrington Hills mortgage in January 1996.

Expenses related to non-income producing assets decreased to \$921,000 for the nine months ended September 30, 1996 from \$1,446,000 for the same period in the prior year and to \$240,000 for the three months ended September 30, 1996 from \$509,000 for the same period in the prior year, primarily as a result of asset sales. Expenses related to non-income producing assets consisted primarily of real estate taxes. Such expenses will decrease in the future to the extent that such assets are sold. However, to the extent the Company forecloses on the remaining mortgage loans, expenses related to assets held for sale may increase.

General and administrative expenses, which primarily consists of insurance, consulting, legal and accounting fees, decreased to \$470,000 for the nine months ended September 30, 1996 from \$768,000 for the same period in the prior year and decreased to \$124,000 for the three months ended September 30, 1996 from \$322,000 for the same period in the prior year primarily due to a decrease in legal and consulting fees.

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" ("SFAS No. 121"). The Company adopted SFAS No. 121 for the fiscal year beginning January 1, 1996. See Note A to the consolidated financial statements.

In accordance with SFAS No. 121, the Company monitors the value of its assets on a continuous basis to ascertain if impairment exists, based on current information available to the Company. For the nine months and three months ended September 30, 1996, the Company recorded write-downs for impairment of value on certain assets held for sale of \$2,449,000 and \$740,000, respectively. For the nine months ended September 30, 1995, the company recorded wide-downs for impairment of value on mortgage loans of \$453,000, on operating properties of \$573,000 and certain assets held for sale of \$2,994,000, totaling \$4,020,000 and for the three months ended September 30, 1995, the Company recorded write-downs for impairment of value on mortgage loans of \$453,000 and certain assets held for sale of \$567,000, totaling \$1,020,000.

In connection with the Company's purchases of interests in the Senior Debt, as discussed below, for the nine months ended September 30, 1996 and 1995, the Company recorded extraordinary gains of \$160,000 and \$760,000, respectively, and for the three months ended September 30, 1995, the Company recorded extraordinary gains of \$171,000. No extraordinary gain was recorded for the three months ended September 30, 1996.

Capital Expenditures

Capital expenditures for the nine months ended September 30, 1996 were \$1,440,000 of which approximately \$976,000 related to tenant improvements, \$311,000 related to structural repairs at 1025 Vermont Avenue and the balance was for normal property improvements. The source of funds for such capital expenditures were from cash generated from rents, interest received on mortgage loans, proceeds from the sale of assets and principal repayments on its mortgage loans.

Liquidity and Capital Resources

For the nine months ended September 30, 1996, cash and cash equivalents increased by \$5,900,000. \$4,737,000 was provided by operating activities, \$37,744,000 was provided by investing activities and \$36,581,000 was used for financing activities. Cash provided by investing activities consisted primarily

of net proceeds from asset sales of \$25,934,000 and net collections on mortgage loans of \$14,050,000 partially offset by improvements to the operating properties of \$1,440,000 and the purchase of a building for \$800,000. Cash used for financing activities consisted primarily of net Senior Debt repayments of \$25,939,000, mortgage repayments of \$2,701,000 and purchases of interests in the Senior Debt of \$7,920,000.

During the nine months ended September 30, 1996, the Company sold Barrington Hills, Copper Creek Apartments, Olympia Corners, Pike Plaza, Shoppes at Cloverplace and the Fort Smith Quarry mortgage loan and various land assets for net proceeds of approximately \$25,934,000. These sales resulted in a net gain of \$791,000, after deducting closing costs.

In connection with Liberte's Plan of Reorganization, the Company assumed Liberte's then outstanding debt under Liberte's credit agreements which was restructured pursuant to the Credit Agreement, the Company's sole credit facility. The Credit Agreement has no provision for the extension of additional credit and the Company, at present, believes that available cash, existing cash flow from operations and the proceeds from sales of properties and mortgage repayments are sufficient to satisfy the Company's foreseeable cash requirements (principally scheduled debt maturities and amortization, capital expenditures and other assumed liabilities inclusive of real estate taxes) and, when combined with the Company's ability to leverage new investments, should be sufficient to finance such new investments.

As of September 30, 1996, the Senior Debt under the Credit Agreement was approximately \$23,883,000. This is net of \$11,229,000 which the Company has acquired through September 30, 1996. In November 1996, the Company prepaid \$7,958,000 of its Senior Debt then outstanding. The net principal balance outstanding after such prepayment was approximately \$15,924,000. The source of funds for such prepayment was from cash generated from rents, interest received on mortgage loans, proceeds from the sale of assets and principal repayments on its mortgage loans.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

(a) Not applicable.

(b) None. The Company was not required to file any reports on Form 8-K during the quarter ended September 30, 1996.

SIGNATURES

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 thereunto duly authorized.

Resurgence Properties Inc.

Date: November 14, 1996

By: /s/ Joseph M. Jacobs

Joseph M. Jacobs
Chief Executive Officer and President
(Duly Authorized Officer)

Date: November 14, 1996

By: /s/ Jay L. Maymudes

Jay L. Maymudes
Chief Financial Officer, Vice President
and Secretary (Principal Financial and
Accounting Officer and Duly Authorized
Officer)

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-END>	SEP-30-1996
<CASH>	14,718,000
<SECURITIES>	0
<RECEIVABLES>	1,476,000
<ALLOWANCES>	(241,000)
<INVENTORY>	0
<CURRENT-ASSETS>	0
<PP&E>	0
<DEPRECIATION>	0
<TOTAL-ASSETS>	118,461,000
<CURRENT-LIABILITIES>	0
<BONDS>	29,316,000
<PREFERRED-MANDATORY>	0
<PREFERRED>	300,000
<COMMON>	100,000
<OTHER-SE>	86,011,000
<TOTAL-LIABILITY-AND-EQUITY>	118,461,000
<SALES>	0
<TOTAL-REVENUES>	20,441,000
<CGS>	0
<TOTAL-COSTS>	5,343,000
<OTHER-EXPENSES>	7,706,000
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	2,821,000
<INCOME-PRETAX>	4,571,000
<INCOME-TAX>	0
<INCOME-CONTINUING>	4,571,000
<DISCONTINUED>	0
<EXTRAORDINARY>	160,000
<CHANGES>	0
<NET-INCOME>	4,731,000
<EPS-PRIMARY>	0
<EPS-DILUTED>	0

</TABLE>