

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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USP REAL ESTATE INVESTMENT TRUST

CIK: **102438** | IRS No.: **426149662** | State of Incorporation: **IA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-07589** | Film No.: **95536068**
SIC: **6798** Real estate investment trusts

Mailing Address

4333 EDGEWOOD ROAD NE
CEDAR RAPIDS IA 52499

Business Address

4333 EDGEWOOD RD NE
CEDAR RAPIDS IA 52499
3193988975

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 quarter ended March 31, Commission file number 0-
1995 7589

USP REAL ESTATE INVESTMENT TRUST
(Exact name of registrant as specified in its charter)

Iowa 42-6149662
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

4333 Edgewood Road N.E., Cedar 52499
Rapids, IA (Zip Code)
(Address of principal executive
offices)

Registrant's telephone number, including area code: (319) 398-8975

N/A
(Former name, address and 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

The number of shares of beneficial interest of the registrant outstanding at May 10, 1995 was 3,880,000.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

USP REAL ESTATE INVESTMENT TRUST

Balance Sheets

(unaudited)

<TABLE>

<S>	<C>	<C>	<C>
	March 31,		December 31,
	1995	1994	1994
ASSETS			
Real Estate			
Land, buildings and improvements at cost	39,651,566	44,115,186	39,651,566
Less accumulated depreciation	(9,930,926)	(9,925,363)	(9,726,767)
Net book value	29,720,640	34,189,823	29,924,799
Mortgage loans receivable, net of deferred gain	1,306,844	1,329,864	1,312,805
Real estate and mortgage loans receivable	31,027,484	35,519,687	31,237,604
Cash and cash equivalents	1,055,430	1,065,143	2,086,511
Rents and other receivables	743,518	501,167	535,792
Prepaid and deferred expenses	306,149	317,910	316,921
Taxes held in escrow	218,604	165,132	156,765
Total Assets	33,351,185	37,569,039	34,333,593
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Mortgage loans payable	15,614,927	20,423,422	16,853,303
Accounts payable and accrued expenses	720,264	810,111	494,922

Distribution declared	271,600	232,800	271,600
Tenant deposits	75,960	128,550	73,989
Other	25,671	60,738	26,496
Total Liabilities	16,708,422	21,655,621	17,720,310
Shareholders' Equity			
Shares of beneficial interest, \$1 par value, 20,000,000 shares authorized, 3,880,000 shares issued and outstanding	3,880,000	3,880,000	3,880,000
Additional paid-in capital	12,018,890	12,033,418	12,018,890
Undistributed net earnings	743,873	--	714,393
Total Shareholders Equity	16,642,763	15,913,418	16,613,283
Total Liabilities & Shareholders' Equity	33,351,185	37,569,039	34,333,593

</TABLE>

USP REAL ESTATE INVESTMENT TRUST
Statements of Operations
(unaudited)

<TABLE>

<S>	<C>	<C>
	Three Months Ended	
	March 31,	
	1995	1994
REVENUE		
Rents	1,363,033	1,605,733
Interest	60,744	45,941
Total Revenue	1,423,777	1,651,674
EXPENSES		
Property expenses:		
Real estate taxes	185,949	228,346
Wages and salaries	--	7,127
Repairs and maintenance	88,464	116,606
Utilities	24,515	35,485
Management fee	64,704	73,842
Insurance	11,670	16,620
Other	23,428	30,862

Total property expenses, excluding depreciation	398,730	508,888
Depreciation	206,242	257,040
Total property expenses	604,972	765,928
Interest	408,364	528,161
Administrative expense	109,361	110,257
Total Expenses	1,122,697	1,404,346
Net earnings	301,080	247,328
Net earnings per share	.08	.06
Distributions to shareholders	271,600	232,800
Distributions to shareholders per share	.07	.06

USP REAL ESTATE INVESTMENT TRUST
Statements of Cash Flows
(unaudited)

<TABLE>

<S>	<C>	<C>
	Three Months Ended March 31,	
	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Rents collected	1,257,527	1,682,609
Interest received	58,831	45,767
Payments for operating expenses	(342,135)	(704,452)
Interest paid	(395,713)	(529,967)
Net cash provided by operating activities	578,510	493,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal collections on mortgage loans receivable	5,961	5,423
Capital expenditures	(2,083)	--
Other, net	(96,552)	139,018
Net cash provided (used) by investing activities	(92,674)	144,441

CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage loans payable	(109,153)	(136,101)
Principal repayment on mortgage loan	(1,136,164)	
Net proceeds from refinancing	--	114,369
Distributions paid to shareholders	(271,600)	(232,800)
Net cash used by financing activities	(1,516,917)	(254,532)
Net increase (decrease) in cash and cash equivalents	(1,031,081)	383,866
Cash and cash equivalents at beginning of period	2,086,511	681,277
Cash and cash equivalents at end of period	1,055,430	1,065,143

RECONCILIATION OF NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net earnings	301,080	247,328
Depreciation	206,242	257,040
Amortization	12,651	11,344
Decrease (increase) in rents and other receivables	(99,552)	47,678
Decrease in prepaid and deferred expenses	2,453	16,727
Increase in taxes held in escrow	(61,839)	(114,080)
Increase (decrease) in accounts payable and accrued expenses	225,342	(1,104)
Increase (decrease) in advance rents	(7,867)	29,024
Net cash provided by operating activities	578,510	493,957

NOTES TO FINANCIAL STATEMENTS

NOTE 1: The unaudited interim financial statements are prepared in accordance with generally accepted accounting principles and include all adjustments of a normal recurring nature necessary for a fair presentation of the financial position and quarterly results. Interim reports should be read in conjunction with the audited financial statements and related notes included in the 1994 Annual Report.

NOTE 2: Shareholders' equity, December 31, 1994	16,613,283
Net earnings	301,080
Distributions to shareholders	(271,600)
Shareholders' equity, March 31, 1995	16,642,763

Item 2. Management's Discussion and Analysis of Financial

Condition and Results of Operations.

We are pleased to present the Trust's 1995 first quarter report. Net earnings were \$301,080 (\$.08 per share) for the three months ended March 31, 1995 compared to \$247,328 (\$.06 per share) for the same period a year ago. Funds from operations (earnings from operations plus depreciation) were \$507,322 (\$.13 per share) for 1995 compared to \$504,368 (\$.13 per share) for 1994.

The increase in earnings was primarily attributable to an increase in interest income and decreases in depreciation and interest expense. Interest income increased \$15,000 due to higher interest rates on funds available for investment. Depreciation expense declined \$51,000 primarily due to the 1994 sale of Midway Business Park, Tucson, Arizona. Interest expense declined \$120,000 due to the prepayment of mortgage loans on Midway and First Tuesday Mall, Carrollton, Georgia. Partially offsetting these factors was the loss of Midway's net operating income which was \$142,000 in 1994.

Rents and property expenses before depreciation declined from 1994 to 1995 due to the sale of Midway. Midway contributed rental income of \$245,000 and incurred property expenses exclusive of depreciation of \$103,000 in 1994. Rents and property expenses before depreciation for properties owned in both years were stable from 1994 to 1995. Overall occupancy of the Trust's real estate portfolio remained strong at 95% as of March 31, 1995.

The Trust previously reported that Publix Supermarkets at Kingsley Square in Orange Park, Florida had exercised its option to extend their lease for five years. The lease extension, effective February 11, 1995, requires the Trust to contribute up to \$250,000 toward remodeling costs at the Publix store. The Trust had expected to incur this cost in 1995, but it is now anticipated that this will not be incurred until 1996. Luria's, a 23,587 square foot tenant at Kingsley Square, discontinued operations there in March 1995. Luria's has continued to pay rent and has notified the Trust that it will honor its lease which runs through March 2010. The Trust is cooperating with Luria's in securing a new tenant to sublease this space.

The Trust has begun exploring strategic alternatives to maximize shareholder value. Such alternatives may include a business combination or sale of the Trust's assets. We are continuing to pursue various possibilities and will keep you informed.

Capital resources of the Trust consist of equity in real estate investments and mortgage loans receivable.

Properties are maintained in good condition and adequate insurance coverage is provided. Liquidity is represented by cash and cash equivalents (\$1,055,430 at March 31, 1995) as well as cash flow from the continued operation of the Trust's real estate portfolio, which is considered sufficient to meet current obligations.

The Board of Trustees declared a first quarter distribution of \$.07 per share, payable May 22, 1995 to shareholders of record May 9, 1995. Distributions to shareholders continue to be dependent upon earnings, cash flow, financial condition and other factors reviewed by the Board of Trustees.

PART II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

At the Trust's annual meeting of shareholders on May 5, 1995, 82% of the Trust's outstanding shares were represented, either in person or by proxy. All four incumbent Trustees were re-elected to the Board of Trustees, with each receiving at least 98% of the vote for the shares represented. The vote tabulation for each Trustees was as follows:

<TABLE>

<S> <C> <C>

Trustee	Votes For	Votes Withheld
Gary A. Downing	3,118,133	57,454
Patrick E. Falconio	3,124,992	50,595
Edwin L. Ingraham	3,125,122	50,465
Samuel L. Kaplan	3,124,697	50,890

</TABLE>

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, thereunto duly authorized.

USP REAL ESTATE INVESTMENT TRUST

/s/ Alan F. Fletcher
Alan F. Fletcher
Vice President and Treasurer
(principal financial officer)

/s/ Edward J. Kittleson
Edward J. Kittleson
Controller
(principal accounting officer)

Dated: May 10, 1995