

ABRAMS INDUSTRIES INC

Form 10-Q

December 13, 2001

Table of Contents

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
October 31, 2001

Commission File No.
0-10146

ABRAMS INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

Georgia

58-0522129

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1945 The Exchange, Suite 300, Atlanta, Georgia 30339

(Address of principal executive offices) (Zip Code)
(770) 953-0304

(Registrant's telephone number, including area code)
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

The number of shares of \$1.00 par value Common Stock of the Registrant outstanding as of November 30, 2001, was 2,920,609.

TABLE OF CONTENTS

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

Table of Contents

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**ABRAMS INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

October 31, 2001	April 30, 2001
---------------------	-------------------

ASSETS

CURRENT ASSETS

Cash and cash equivalents (note 3)	\$6,146,744	\$11,448,750
Receivables (note 2)	22,543,855	15,510,253
Less: Allowance for doubtful accounts	(973,777)	(961,461)
Costs and earnings in excess of billings	1,310,635	1,483,195
Property held for sale (note 5)	12,864,946	33,404
Deferred income taxes	864,036	786,460
Other	944,147	785,799

Total current assets	43,700,586	29,086,400
----------------------	------------	------------

**INCOME-PRODUCING
PROPERTIES, net**

	26,319,820	26,712,359
--	------------	------------

**PROPERTY, PLANT AND
EQUIPMENT, net**

	766,124	1,284,689
--	---------	-----------

**REAL ESTATE HELD FOR FUTURE
SALE OR DEVELOPMENT (note 6)**

	23,562,661	36,100,308
--	------------	------------

OTHER ASSETS

Intangible assets, net (note 10)
 2,198,458 1,220,147
 Goodwill (notes 9 & 10)
 1,741,831
 Other
 3,322,990 3,215,782

\$101,612,470 \$97,619,685

LIABILITIES AND SHAREHOLDERS
EQUITY

CURRENT LIABILITIES

Trade and subcontractors payables
 \$14,511,706 \$8,803,760
 Billings in excess of costs and earnings
 2,029,497 1,506,766
 Accrued expenses
 2,668,946 3,720,661
 Net liabilities of discontinued operations
 (note 3)
 1,903,375
 Current maturities of long-term debt
 (note 5)
 13,831,769 1,709,490

Total current liabilities
 33,041,918 17,644,052

DEFERRED INCOME TAXES
 3,495,986 3,372,824
 OTHER LIABILITIES
 4,034,229 3,916,647
 MORTGAGE NOTES PAYABLE, less
 current maturities (note 5)
 20,351,191 32,915,932

OTHER LONG-TERM DEBT, less
current maturities
16,841,876 17,264,687

Total liabilities
77,765,200 75,114,142

SHAREHOLDERS EQUITY

Common stock, \$1 par value; authorized
5,000,000 shares; 3,049,439 issued and
2,920,709 outstanding in October 2001,
3,041,039 issued and 2,943,303
outstanding in April 2001
3,049,439 3,041,039
Additional paid-in capital
2,120,502 2,097,315
Deferred stock compensation
(36,073) (75,094)
Retained earnings
19,321,772 17,930,914

24,455,640 22,994,174
Less cost of treasury stock
608,370 488,631

Total shareholders equity
23,847,270 22,505,543

\$101,612,470 \$97,619,685



See accompanying notes to consolidated financial statements.



Table of Contents

ABRAMS INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SECOND QUARTER ENDED OCTOBER 31,		FIRST SIX MONTHS ENDED OCTOBER 31,	
	2001	2000	2001	2000
REVENUES				
Construction	\$28,979,970	\$50,415,128	\$64,905,126	\$98,025,853
Real estate	3,188,194	3,050,763	6,428,045	6,225,186
Energy management	796,616	1,615,928		

	32,964,780	53,465,891	72,949,099	104,251,039
Interest	43,250	127,132	127,509	256,437
Other	28,709	11,825	42,623	23,281

	33,036,739	53,604,848	73,119,231	104,530,757

COSTS AND EXPENSES

Applicable to REVENUES

Construction

28,215,507 46,917,840 63,115,704 92,040,379

Rental property operating expenses, excluding interest

1,632,269 1,783,143 3,257,585 3,378,008

Energy management

433,995 849,364

30,281,771 48,700,983 67,222,653 95,418,387

Selling, general and administrative

Construction

810,802 1,679,936 1,546,794 2,696,147

Real estate

105,033 224,365 243,954 640,874

Energy management

336,767 647,325

Parent

629,500 643,254 1,355,307 1,270,556

1,882,102 2,547,555 3,793,380 4,607,577

Interest

1,117,222 1,285,590 2,269,686 2,578,454

33,281,095 52,534,128 73,285,719 102,604,418

EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

(244,356) 1,070,720 (166,488) 1,926,339

INCOME TAX EXPENSE

(98,000) 421,000 (72,000) 754,000

EARNINGS (LOSS) FROM CONTINUING OPERATIONS

(146,356) 649,720 (94,488) 1,172,339

DISCONTINUED OPERATIONS (note 3)

Earnings from discontinued operations, adjusted for applicable income tax expense of \$1,056,000, \$59,000, \$1,056,000, and \$81,000, respectively

1,720,749 92,756 1,720,749 130,237

NET EARNINGS

\$1,574,393 \$742,476 \$1,626,261 \$1,302,576

NET EARNINGS (LOSS) PER SHARE FROM:

Continuing Operations-Basic and Diluted

\$(.05) \$.22 \$(.03) \$.40

Discontinued Operations-Basic and Diluted

.59 .03 .59 .04

NET EARNINGS PER SHARE-BASIC AND DILUTED

\$.54 \$.25 \$.56 \$.44

DIVIDENDS PER SHARE

\$.04 \$.04 \$.08 \$.08

WEIGHTED AVERAGE SHARES OUTSTANDING

2,928,627 2,935,451 2,935,776 2,935,903

See accompanying notes to consolidated financial statements.

Table of Contents

ABRAMS INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

**SIX MONTHS ENDED
OCTOBER 31,**

2001	2000
------	------

Cash flows from operating activities:

Net income

\$1,626,261 \$1,302,576

Adjustments to reconcile net income to net cash used in operating activities:

Discontinued operations, net of tax

(1,221,731) 671,625

Depreciation and amortization

1,173,143 1,579,338

Changes in assets and liabilities:

Receivables, net

(7,084,517) (9,341,189)

Costs and earnings in excess of billings

172,560 (2,235,877)

Other current assets

124,687 67,494

Other assets

(125,429) (281,282)

Trade and subcontractors payable

5,707,946 5,895,881

Accrued expenses

(1,954,330) (1,204,993)

Billings in excess of costs and earnings

522,731 1,125,601

Other liabilities

30,269 101,997

Net cash used in operating activities

(1,028,410) (2,318,829)

Cash flows from investing activities:

Additions to properties, property, plant and equipment, net

Edgar Filing: ABRAMS INDUSTRIES INC - Form 10-Q

(69,799) (276,744)
Changes in intangible assets
(31,661)
Acquisition, net of cash acquired
(2,971,663)
Repayments received on notes receivable
67,732 62,464

Net cash used in investing activities
(3,005,391) (214,280)

Cash flows from financing activities:

Debt repayments
(921,962) (603,306)
Repurchase of capital stock
(110,839) (14,833)
Cash dividends
(235,404) (234,908)

Net cash used in financing activities
(1,268,205) (853,047)

Net decrease in cash and cash equivalents
(5,302,006) (3,386,156)
Cash and cash equivalents at beginning of
period
11,448,750 7,268,974

Cash and cash equivalents at end of period
\$6,146,744 \$3,882,818

Supplemental disclosure of noncash
investing activities:

Transfer of Real estate held for future
development or sale to Property held for
sale
\$12,831,542 \$

Transfer of Property to Real estate held for
future development or sale
\$321,710 \$

Supplemental schedule of cash flow
information

Interest paid, net of amounts capitalized
\$2,124,627 \$2,475,279

Income taxes paid (refunded), net
\$143,452 \$(198,856)

See accompanying notes to consolidated financial statements.

Table of Contents

ABRAMS INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, AND APRIL 30, 2001
(UNAUDITED)

NOTE 1. UNAUDITED STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying financial statements contain all adjustments, which consist solely of normal recurring accruals, necessary for a fair statement of the results for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report to Shareholders for the year ended April 30, 2001. Results of operations for interim periods are not necessarily indicative of annual results.

NOTE 2. RECEIVABLES

All net contract and trade receivables are expected to be collected within one year.

NOTE 3. DISCONTINUED OPERATIONS

During the quarter ended January 31, 2000, the Board of Directors of the Company decided to discontinue the operations of the Manufacturing Segment. The remaining assets and liabilities of the Manufacturing Segment were consolidated and presented as Net liabilities of discontinued operations on the Consolidated Balance Sheet at April 30, 2001, which included a \$2.76 million deferred gain, a current liability, related to the amount awarded to the Company in connection with the Georgia World Congress Center Authority's condemnation of the Company's former manufacturing facility. The award was under appeal by both parties at April 30, 2001, and was settled in October 2001. Earnings from discontinued operations for the quarter and six-month period ended October 31, 2001, represent the gain related to the condemnation.

At October 31, 2001, Cash on the Consolidated Balance Sheet includes \$526,345 formerly included in discontinued operations.

NOTE 4. OPERATING SEGMENTS

In May 2001, the Company formed a third operating segment, Energy Management, and subsequently acquired substantially all of the assets of Servidyne Systems, Inc., an energy management and engineering services company. Through this new segment, the Company offers its institutional customers energy efficiency products and engineering services that reduce energy consumption, labor, equipment maintenance, and capital costs in commercial buildings.

Table of Contents

The table below exhibits selected financial data on a segment basis. Earnings (loss) from continuing operations before income taxes is total revenue less operating expenses of continuing operations, including depreciation and interest. Parent expenses have not been allocated to the subsidiaries.

For the Quarter Ended October 31, 2001	Construction	Real Estate	Energy Management	Parent Elimination	Consolidated
Revenues from unaffiliated customers	\$28,979,970	\$3,188,194	\$796,616	\$	\$32,964,780
Interest and other income					
8,092 58,180 48,921 (43,234) 71,959					
Intersegment revenue					
122,845 (122,845)					
Total revenues from continuing operations					
\$28,988,062 \$3,369,219 \$796,616 \$48,921 \$(166,079) \$33,036,739					
Earnings (loss) from continuing operations before income taxes					
\$(107,620) \$519,478 \$23,600 \$(659,315) \$(20,499) \$(244,356)					

**For the Quarter Ended October 31, 2000 Construction Real Estate Energy
Management Parent Eliminations Consolidated**

Revenues from unaffiliated customers					
\$50,415,128	\$3,050,763	\$	\$	\$	\$53,465,891
Interest and other income					
45,303	90,339	3,315		138,957	
Intersegment revenue					
86,649	(86,649)				

Total revenues from continuing operations
\$50,460,431 \$3,227,751 \$ 3,315 \$(86,649) \$53,604,848

Earnings (loss) from continuing operations before income taxes
 \$1,800,329 \$(66,660) \$ (674,561) \$11,612 \$1,070,720

**For the Six Months Ended October 31, 2001 Construction Real Estate Energy
 Management Parent Eliminations Consolidated**

Revenues from unaffiliated customers
 \$64,905,126 \$6,428,045 \$1,615,928 \$ \$72,949,099
 Interest and other income
 50,598 103,779 106,375 (90,620) 170,132
 Intersegment revenue
 243,148 (243,148)

Total revenues from continuing operations
 \$64,955,724 \$6,774,972 \$1,615,928 \$106,375 \$(333,768) \$73,119,231

Earnings (loss) from continuing operations before income taxes
 \$160,054 \$1,007,786 \$114,869 \$(1,470,535) \$21,338 \$(166,488)

**For the Six Months Ended October 31, 2000 Construction Real Estate Energy
 Management Parent Eliminations Consolidated**

Revenues from unaffiliated customers
 \$98,025,853 \$6,225,186 \$ \$ \$ \$104,251,039
 Interest and other income
 114,814 158,795 6,109 279,718
 Intersegment revenue
 171,539 (171,539)

Total revenues from continuing operations
\$98,140,667 \$6,555,520 \$ \$6,109 \$(171,539) \$104,530,757

Earnings (loss) from continuing operations before income taxes
\$3,269,368 \$(38,172) \$ \$(1,327,532) \$22,675 \$1,926,339

NOTE 5. PROPERTY HELD FOR SALE

During the quarter ended October 31, 2001, the Company entered into an agreement to sell, at a gain, its shopping center in Englewood, Florida. The Company currently anticipates completing the sale during this fiscal year. As of October 31, 2001, the book basis of the property, \$12.5 million, has been reclassified as a current asset in Property held for sale; the related mortgage debt, \$12.3 million, has been reclassified as a current liability in Current maturities of long-term debt. The results of operations for the property are summarized below:

Table of Contents

	SECOND QUARTER ENDED OCTOBER 31,		FIRST SIX MONTHS ENDED OCTOBER 31,	
	2001	2000	2001	2000
Revenues	\$465,433	\$466,325	\$931,771	\$931,565
Operating expenses, including depreciation for the quarter and six-month period ended October 31, 2000, and interest	429,051	491,096	831,879	936,393
<hr/>				
<hr/>				
<hr/>				
<hr/>				
Results of operations	\$36,382	\$(24,771)	\$99,892	\$(4,828)
<hr/>				
<hr/>				
<hr/>				
<hr/>				

Also, included in Property held for sale at October 31, 2001, was the book basis of an outlot at the Company's shopping center in North Ft. Myers, Florida. The outlot was sold at a gain in November 2001.

NOTE 6. REAL ESTATE HELD FOR FUTURE SALE OR DEVELOPMENT

As of October 31, 2001, the Company's shopping center, five outlots and expansion land in North Ft. Myers, Florida, were held for sale. The net book value of all of the combined property was \$22.1 million. The results of operations for the property are summarized below:

	SECOND QUARTER ENDED OCTOBER 31,		FIRST SIX MONTHS ENDED OCTOBER 31,	
	2001	2000	2001	2000
Revenues	\$653,128	\$636,028	\$1,304,943	\$1,282,410
Operating expenses, including depreciation for the quarter and six-month period ended October 31, 2000, and interest	398,077	671,355	805,364	1,260,738

Results of operations
\$255,051 \$(35,327) \$499,579 \$21,672

NOTE 7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. In May 2001, the Company issued 150,616 incentive stock options with an exercise price of \$4.00 per share to certain employees. The options issued are not currently dilutive.

NOTE 8. NEW ACCOUNTING PRONOUNCEMENTS

During June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141). Under the provisions of SFAS 141, all business combinations initiated after June 30, 2001, must be accounted for using the purchase method of accounting. The adoption of SFAS 141 is not expected to have a material impact on the Company's financial statements.

Also during June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). Under the provisions of SFAS 142, there will be no amortization of goodwill and other intangible assets that have indefinite useful lives. Instead, these assets must be tested for impairment annually and when events or changes in

Table of Contents

circumstances indicate that impairment may have occurred. The Company has elected to adopt SFAS 142 as of May 1, 2001, and therefore goodwill and a trademark with an indefinite useful life acquired in the transaction described below have not been amortized.

During August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 supercedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. In addition, SFAS 144 supercedes the accounting and reporting provisions of APB Opinion No. 30,

Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions for segments of a business to be disposed of. SFAS 144 addresses the treatment of assets held for sale or to be otherwise disposed of, the evaluation of impairment for long-lived assets, and the reporting of discontinued operations. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of SFAS 144.

NOTE 9. ACQUISITION

In May 2001, the Company acquired substantially all of the assets and employed all of the personnel of an energy management and engineering services company, Servidyne Systems, Inc., and acquired certain intellectual property from an affiliated company, Servidyne, Incorporated, for approximately \$3.1 million, including the costs associated with completing the acquisition, in an all cash transaction (the Servidyne transaction). This acquisition was accounted for as a purchase, and accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair market values as of the date of acquisition. The results of operations related to the acquired assets have been included in the Company's financial statements since May 2001. Servidyne has offered its expertise, products and services to its institutional customers for more than 27 years. In pursuit of growth and improved shareholder returns, the Company will seek opportunities to leverage Servidyne's reservoir of knowledge in order to assist the now combined customer base in making building infrastructures more efficient.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets	\$ 149,163
Furniture, fixtures and equipment	13,321
Intangible assets	1,200,034
Goodwill	1,741,831
<hr/>	
Total assets acquired	3,104,349
<hr/>	
Current liabilities	(132,686)
<hr/>	
Net assets acquired	\$2,971,663
<hr/>	

Edgar Filing: ABRAMS INDUSTRIES INC - Form 10-Q

Of the \$1,200,034 of acquired intangible assets, \$315,261 was assigned to a registered trademark that is not subject to amortization. The remainder of the intangible assets consists of computer-based work management products (5-year weighted-average useful life) in the amount of \$856,113, and other intangible assets of \$28,660 (10-year useful life). The weighted-average useful life of all acquired intangible assets subject to amortization is 5 years.

Table of Contents

The goodwill amount has been assigned to the Energy Management Segment. All of the goodwill is expected to be amortized and deductible for tax purposes.

The following table displays the consolidated unaudited current results for the quarter and six-month period ended October 31, 2001, and the consolidated unaudited proforma results for the quarter and six-month period ended October 31, 2000, as if the acquisition had been completed on May 1, 2000:

	SECOND QUARTER ENDED OCTOBER 31,		FIRST SIX MONTHS ENDED OCTOBER 31,	
	2001 (actual)	2000 (proforma)	2001 (actual)	2000 (proforma)
Revenues	\$33,036,739	\$54,306,167	\$73,119,231	\$105,933,395
Net earnings	\$1,574,393	\$806,202	\$1,626,261	\$1,430,028
Net earnings per share	\$.54	\$.27	\$.56	\$.49

NOTE 10. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table illustrates the treatment of acquired intangible assets as of October 31, 2001:

	Gross Carrying Amount
Amortized intangible assets	
Computer-based work management products	\$856,113
Other	28,660
<hr/>	
	\$884,773
<hr/>	
Unamortized intangible assets	
Goodwill	\$1,741,831
Trademark	315,261
<hr/>	

\$2,057,092

The gross carrying amounts and accumulated amortization for all of the Company's intangible assets as of October 31, 2001, are as follows:

8

Table of Contents

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Amortized intangible assets		
Computer-based work management products		
\$856,114	\$95,038	
Computer software		
304,956	212,549	
Real estate lease costs		
1,235,283	642,071	
Deferred loan costs		
819,875	410,600	
Other		
28,660	1,433	

\$3,244,888 \$1,361,691

Unamortized intangible assets	
Goodwill	
\$1,741,831	
Trademark	
315,261	

\$2,057,092

Aggregate amortization expense for all amortized intangible assets:

For the quarter ended October 31, 2001	\$ 149,473
For the six months ended October 31, 2001	
\$284,462	

Estimated amortization expense for all amortized intangible assets:

Edgar Filing: ABRAMS INDUSTRIES INC - Form 10-Q

For the year ended April 30, 2003	\$448,647
For the year ended April 30, 2004	
\$361,346	
For the year ended April 30, 2005	
\$289,446	
For the year ended April 30, 2006	
\$190,304	
For the year ended April 30, 2007	
\$85,184	

As the acquisition which resulted in the recording of goodwill occurred during the current fiscal year, no goodwill or resulting amortization was recorded in the previous fiscal year, and therefore no proforma amounts are required to provide comparability.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Changes in CONSOLIDATED BALANCE SHEETS between April 30, 2001, and October 31, 2001.

Accounts receivable increased by \$7,033,602, Billings in excess of costs and earnings increased by \$522,731, and Trade and subcontractors payable increased by \$5,707,946, primarily because of the timing of the submission and payment of invoices for construction work performed.

Property held for sale increased by \$12,831,542 and Real estate held for future development or sale decreased by \$12,537,647, primarily as a result of the reclassification of the shopping center in Englewood, Florida, and an outlot at the shopping center in North Ft. Myers, Florida, as contracts have been executed for the sale of these properties. See Note 5 to the Consolidated Financial Statements.

NOTES TO CHART A

- (1) REVENUES for the second quarter and first six months 2002 were lower than those of the same periods of 2001, primarily due to a reduction in the number of construction jobs available, which is the result of a decrease or elimination of current capital spending by most of the Construction Segment's existing customers. The Company anticipates this trend will continue in the short-term. During fiscal 2002, however, the Construction Segment has added several new institutional customers who already have awarded jobs to the Company, as it continues its efforts to expand and diversify its customer base.
- (2) The Energy Management Segment was formed in May 2001. See Note 9 to the Consolidated Financial Statements.

Table of Contents

The following table indicates the backlog of contracts and rental income for the next twelve months by industry segment.

	October 31,	
	2001	2000
Construction (1)	\$23,890,000	\$43,877,000
Real Estate-rental income (2)		
9,761,000	11,255,000	
Real Estate-sales		
15,465,000		
Energy Management (3)		
555,000		
<hr/>		
<hr/>		
Total Backlog	\$49,671,000	\$55,132,000
<hr/>		
<hr/>		

- (1) See Note 1 to Chart A above.
- (2) Backlog decreased due to the anticipated sale of the Englewood, Florida, shopping center. See Note 5 to the Consolidated Financial Statements.
- (3) Any Energy Management contracts that can be cancelled with less than one year's notice are not included in backlog. As of October 31, 2001, such contracts total \$1.229 million in potential revenue over the next twelve months, assuming cancellation provisions are not invoked.

COSTS AND EXPENSES: Applicable to REVENUES from Continuing Operations

As a percentage of total Segment REVENUES from Continuing Operations (See Chart A) for the second quarter 2002 and 2001, the total applicable COSTS AND EXPENSES (See Chart B) were 92% and 91%, respectively. As a percentage of total Segment REVENUES from Continuing Operations (See Chart A) for the first six months 2002 and 2001, the total applicable COSTS AND EXPENSES were 92% for both periods.

The figures in Chart B are net of Intersegment eliminations.

CHART B
COSTS AND EXPENSES APPLICABLE TO REVENUES
FROM CONTINUING OPERATIONS SUMMARY BY SEGMENT
(Dollars in Thousands)

<p>Percent of Segment Revenues For</p>	<p>Percent of Segment Revenues For</p>
---	---

Edgar Filing: ABRAMS INDUSTRIES INC - Form 10-Q

	Second Quarter Ended October 31,		Second Quarter Ended October 31,		Six Months Ended October 31,		Six Months Ended October 31,	
	2001	2000	2001	2000	2001	2000	2001	2000
Construction(1)	\$28,216	\$46,918	97	93	\$63,116	\$92,040	97	94
Real Estate								
1,632 1,783 51 58 3,258 3,378 51 54								
Energy Management(2)								
434 54 849 53								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
\$30,282 \$48,701 92 91 \$67,223 \$95,418 92 92								
<hr/>								
<hr/>								
<hr/>								
<hr/>								

NOTES TO CHART B

- (1) The increase in the percentage of COSTS AND EXPENSES: Applicable to REVENUES for second quarter and first six months 2002 compared to the same period of 2001 was primarily

Table of Contents

attributable to intense competitive pressure on margins, which is a result of a significant decrease in the number of potentially available construction jobs due to the decline or absence of current capital spending by the Company's customers. In addition, costs have increased due to certain subcontractors' defaults on their contractual obligations.

(2) The Energy Management Segment was formed in May 2001. See Note 9 to the Consolidated Financial Statements.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FROM CONTINUING OPERATIONS**

For the second quarter 2002 and 2001, Selling, general and administrative expenses from continuing operations, net of intersegment eliminations, were \$1,882,102 and \$2,547,555, respectively. As a percentage of Consolidated REVENUES from Continuing Operations, these expenses were 6% and 5%, respectively. For the first six months 2002 and 2001, Selling, general and administrative expenses from continuing operations, net of intersegment eliminations, were \$3,793,380 and \$4,607,577, respectively. As a percentage of Consolidated REVENUES from Continuing Operations, these expenses were 5% and 4%, respectively. In reviewing Chart C, the reader should recognize that the volume of revenues generally will affect the amounts and percentages. The percentages in Chart C are based upon expenses as they relate to Segment REVENUES from Continuing Operations (Chart A), except that Parent and Total expenses relate to Consolidated REVENUES from Continuing Operations.

**CHART C
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FROM CONTINUING OPERATIONS BY SEGMENT
(Dollars in Thousands)**

	Second Quarter Ended		Percent of Segment Revenues For Second Quarter Ended		Six Months Ended		Percent of Segment Revenues For Six Months Ended	
	October 31,		October 31,		October 31,		October 31,	
	2001	2000	2001	2000	2001	2000	2001	2000
Construction(1)	\$811	\$1,680	3	3	\$1,547	\$2,696	2	3
Real Estate(2)	105	225	3	7	244	641	4	10
Energy Management(3)	337	42	647	40				
Parent	629	643	2	1	1,355	1,271	2	1
<hr/>								
<hr/>								
<hr/>								
<hr/>								
	\$1,882	\$2,548	6	5	\$3,793	\$4,608	5	4
<hr/>								
<hr/>								
<hr/>								

NOTES TO CHART C

- (1) On a dollar basis, Selling, general and administrative expenses were lower for second quarter and first six months 2002 compared to the same periods of 2001 primarily because of a decrease in incentive compensation costs.
- (2) On a dollar and percentage basis, Selling, general and administrative expenses were lower for second quarter and first six months 2002 compared to the same periods of 2001 primarily due to a decrease in personnel costs associated with the Company's outsourcing of its asset and property management functions.

Table of Contents

(3) The Energy Management Segment was formed in May 2001. See Note 9 to the Consolidated Financial Statements.
Liquidity and capital resources.

Between April 30, 2001, and October 31, 2001, working capital decreased by \$783,680. Operating activities used cash of \$1,028,410. Investing activities used cash of \$3,005,391. Financing activities used cash of \$1,268,205.

At October 31, 2001, the Company and its subsidiaries had available unsecured committed lines of credit totaling \$12,000,000, of which none was outstanding, \$11,500,000 was available, and \$500,000 was reserved for a letter of credit issued as security for a mortgage loan on an income-producing property. The letter of credit has been extended until November 2002, at which time it may be used to pay down the mortgage loan if certain leasing requirements are not attained.

Cautionary statement regarding forward-looking statements.

Certain statements contained or incorporated by reference in this Quarterly Report on Form 10-Q, including without limitation statements containing the words believes, anticipates, expects, and words of similar import, are forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other matters which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or uncertainties expressed or implied by such forward-looking statements. Many such risks, uncertainties and other matters are beyond the Company's control. They include, but are not limited to: the possibility of not achieving projected backlog revenues or not realizing earnings from such revenues; the potential impact of factors beyond the control of the Company on future revenues and costs; changes in laws and regulations, including changes in accounting standards; the timing and amount of earnings recognition related to the possible sale of real estate properties held for sale; delays in customer orders; the timing and amount of possible refinancings related to real estate properties; the level and volatility of interest rates; the potential loss of a significant customer; and the deterioration in the financial stability of an anchor tenant, significant subcontractor or significant customer.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of October 31, 2001, in connection with the contract to sell the Company's shopping center in Englewood, Florida (See Note 5 to the Company's Consolidated Financial Statements), approximately \$12.3 million of related fixed rate debt would be repaid in the current fiscal year upon the completion of the sale. As of April 30, 2001, approximately \$12.2 million of this debt was expected to mature in fiscal 2003.

In October 2001, the maturity dates of the loans related to the Company's shopping center in North Ft. Myers, Florida, and office building in Atlanta, Georgia, were extended to February 2003. Prior to that date, the Company plans to refinance the office building loan and sell the shopping center or refinance its loan.

Table of Contents

There have been no other material changes since April 30, 2001.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting, held on August 22, 2001, the shareholders voted upon and approved the Nominees for the Board of Directors. The voting was as follows:

<u>DIRECTORS</u>	<u>VOTES FOR</u>	<u>VOTES WITHHELD</u>
Alan R. Abrams	2,660,408	14,900
David L. Abrams	2,660,408	14,900
Edward M. Abrams	2,660,408	14,900
J. Andrew Abrams	2,660,408	14,900
Paula Lawton Bevington	2,660,308	15,000
Gilbert L. Danielson	2,660,408	14,900
Melinda S. Garrett	2,660,308	15,000
Robert T. McWhinney, Jr.	2,660,408	14,900
B. Michael Merritt	2,660,308	15,000
L. Anthony Montag	2,660,408	14,900
Felker W. Ward, Jr.	2,660,308	15,000

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The Registrant has filed the following report on Form 8-K during the quarter ended October 31, 2001:

Form 8-K filed October 30, 2001, to report Changes in Registrant's Certifying Accountant.

Table of Contents

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.

ABRAMS INDUSTRIES, INC.
(Registrant)

Date: December 12, 2001

/s/ Alan R. Abrams

Alan R. Abrams
Chief Executive Officer

Date: December 12, 2001

/s/ Melinda S. Garrett

Melinda S. Garrett
Chief Financial Officer