

ABRAMS INDUSTRIES INC
Form 10-Q
March 14, 2001

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
January 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 February 28, 2001, was 2,950,403.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ABRAMS INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | January 31, 2001 | April 30, 2000 |
|--|-----------------------------|---------------------------|
|--|-----------------------------|---------------------------|

ASSETS**CURRENT ASSETS**

| | | |
|--|-------------|-------------|
| Cash and cash equivalents | \$9,798,923 | \$7,268,974 |
| Receivables (note 2) | 15,913,291 | 120,056,054 |
| Less: Allowance for doubtful accounts (note 3) | (956,589) | (24,777) |
| Costs and earnings in excess of billings | 1,745,553 | 2,319,102 |
| Net assets of discontinued operations (note 4) | 514,141 | 1,423,593 |
| Property held for sale | 33,404 | 33,404 |
| Deferred income taxes | 685,277 | 685,277 |
| Other | 728,377 | 538,840 |

| | | |
|----------------------|------------|------------|
| Total current assets | 28,462,377 | 32,300,467 |
|----------------------|------------|------------|

INCOME-PRODUCING

| | | |
|-----------------|------------|------------|
| PROPERTIES, net | 26,883,161 | 59,854,096 |
|-----------------|------------|------------|

| | | |
|------------------------------------|-----------|-----------|
| PROPERTY, PLANT AND EQUIPMENT, net | 1,477,059 | 1,602,359 |
|------------------------------------|-----------|-----------|

| | | |
|--|------------|-----------|
| REAL ESTATE HELD FOR FUTURE SALE OR DEVELOPMENT (note 5) | 36,143,370 | 4,204,442 |
|--|------------|-----------|

| | | |
|------------------|--------|---------|
| OTHER ASSETS | | |
| Notes receivable | 75,776 | 170,433 |

| | | |
|---|-----------|-----------|
| Cash surrender value of life insurance on officers, net | 1,367,903 | 1,225,265 |
|---|-----------|-----------|

| | | |
|--------------------------|---------|---------|
| Deferred loan costs, net | 443,078 | 531,959 |
|--------------------------|---------|---------|

| | | |
|-------|-----------|---------|
| Other | 2,579,124 | 956,846 |
|-------|-----------|---------|

| | | |
|--|--------------|---------------|
| | \$97,431,848 | \$102,845,867 |
|--|--------------|---------------|

LIABILITIES AND
SHAREHOLDERS EQUITY
CURRENT LIABILITIES

Trade and subcontractors payables
\$10,432,081 \$13,373,742
Billings in excess of costs and
earnings
1,998,282 1,289,114
Accrued expenses
2,800,183 5,454,257
Current maturities of long-term
debt
1,361,211 1,363,175

Total current liabilities
16,591,757 21,480,288

DEFERRED INCOME TAXES
3,448,538 3,448,538

OTHER LIABILITIES
3,831,807 3,641,266

MORTGAGE NOTES PAYABLE,
less current maturities
33,414,137 34,033,941

OTHER LONG-TERM DEBT, less
current maturities
17,684,665 17,895,696

Total liabilities
74,970,904 80,499,729

SHAREHOLDERS EQUITY

Common stock, \$1 par value;
authorized 5,000,000 shares;
3,041,639 issued and 2,950,403
outstanding in January 2001,
3,014,039 issued and 2,936,356
outstanding in April 2000
3,041,639 3,014,039

Additional paid-in capital
2,100,202 2,019,690

Deferred stock compensation
(104,600)

Retained earnings
17,889,584 17,724,960

22,926,825 22,758,689

Less cost of treasury stock
465,881 412,551

| | | |
|---------------------------|--------------|---------------|
| Total shareholders equity | 22,460,944 | 22,346,138 |
| <hr/> | | |
| <hr/> | | |
| | \$97,431,848 | \$102,845,867 |
| <hr/> | | |
| <hr/> | | |

See accompanying notes to consolidated financial statements

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

| | THIRD QUARTER ENDED | | NINE MONTHS ENDED | |
|--|---------------------|--------------|-------------------|---------------|
| | JANUARY 31, | | JANUARY 31, | |
| | 2001 | 2000 | 2001 | 2000 |
| REVENUES | | | | |
| Construction | \$23,883,137 | \$26,597,648 | \$121,908,990 | \$115,014,236 |
| Rental income | 3,520,721 | 3,489,166 | 9,745,907 | 9,422,373 |
| Real estate sales | | | 6,740,456 | |
| <hr/> | | | | |
| | 27,403,858 | 30,086,814 | 131,654,897 | 131,177,065 |
| Interest | | 102,753 | 88,264 | 359,190 |
| Other | | 13,994 | 6,323 | 37,275 |
| <hr/> | | | | |
| | 27,520,605 | 30,181,401 | 132,051,362 | 131,476,730 |
| <hr/> | | | | |
| <hr/> | | | | |
| COSTS AND EXPENSES | | | | |
| Applicable to REVENUES | | | | |
| Construction | 22,416,989 | 24,887,730 | 114,457,368 | 110,253,918 |
| Rental property operating expenses, excluding interest | 2,251,640 | 2,078,673 | 5,629,648 | 5,340,142 |

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Cost of real estate sold
6,150 3,827,675

24,668,629 26,972,553 120,087,016 119,421,735

Selling, general and administrative Construction
2,000,893 1,242,334 4,697,040 2,665,802

Real estate
328,331 387,663 969,205 1,742,270

Parent
597,848 539,377 1,868,404 2,059,698

2,927,072 2,169,374 7,534,649 6,467,770

Interest costs incurred, less interest capitalized
1,329,972 1,374,383 3,908,426 4,084,270

28,925,673 30,516,310 131,530,091 129,973,775

EARNINGS (LOSS) FROM CONTINUING OPERATIONS
BEFORE INCOME TAX EXPENSE (BENEFIT)
(1,405,068)(334,909)521,271 1,502,955
INCOME TAX EXPENSE (BENEFIT)
(544,000)(119,000)210,000 590,000

EARNINGS (LOSS) FROM CONTINUING OPERATIONS
(861,068)(215,909)311,271 912,955
DISCONTINUED OPERATIONS (note 4)
Earnings (Loss) from discontinued operations, adjusted for
applicable expense (benefit) for income taxes of \$45,000,
(\$1,076,000), \$126,000, and (\$942,000), respectively
75,326(1,812,525)205,563(1,549,095)

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Loss reserve for sale of fixed assets of discontinued operations,
 adjusted for applicable benefit for income taxes of \$598,000
 (1,013,697) (1,013,697)

EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS
 75,326(2,826,222)205,563(2,562,792)

NET EARNINGS (LOSS)
 \$(785,742)\$(3,042,131)\$516,834\$(1,649,837)

NET EARNINGS (LOSS) PER SHARE FROM:
 Continuing Operations Basic and Diluted \$.29)\$(.08)\$.11\$.31
 Discontinued Operations Basic and Diluted .03(.96).07(.87)

NET EARNINGS (LOSS) PER SHARE BASIC AND DILUTED
 \$(.26)\$(1.04)\$.18\$(.56)

DIVIDENDS PER SHARE
 \$.04\$.04\$.12\$.12

WEIGHTED AVERAGE SHARES OUTSTANDING
 2,932,7602,936,3562,934,8552,936,356

See accompanying notes to consolidated financial statements.

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

**NINE MONTHS ENDED
JANUARY 31,**

| | 2001 | 2000 |
|--|-------------|-------------|
|--|-------------|-------------|

Cash flows from operating activities:

Net income (loss)

\$516,834 \$(1,649,837)

Adjustments to reconcile net
income (loss) to net cash provided
by operating activities:

Depreciation and amortization

2,265,338 2,348,912

Deferred tax expense

1,060,626

Gain on sales of real estate and
property, plant, and equipment

(2,912,781)

(Earnings) Loss from discontinued
operations

(205,563) 2,562,792

Changes in assets and liabilities:

Receivables, net

5,074,575 7,457,499

Costs and earnings in excess of
billings

573,549 387,977

Other current assets

(189,537) (377,299)

Other assets

(219,052) 383,357

Trade and subcontractors
payable

(2,941,661) (4,151,704)

Accrued expenses

(2,654,074) (1,312,530)

Billings in excess of costs and
earnings

709,168 (1,662,449)

Other liabilities

77,740 (174,228)

Net cash provided by continuing
operations

3,007,317 1,960,335

Net cash provided by discontinued
operations

1,115,015 2,975,015

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Net cash provided by operating activities

4,122,332 4,935,350

Cash flows from investing activities:

Proceeds from sales of real estate and property, plant, and equipment

6,519,731

Additions to properties, property, plant and equipment, net

(364,970) (9,597,268)

Repayments received on notes receivable

94,657 96,679

Net cash used in investing activities

(270,313) (2,980,858)

Cash flows from financing activities:

Short-term repayments

(7,367,400)

Debt proceeds

9,503,137

Debt repayments

(911,531) (6,461,536)

Additions to deferred loan costs

(5,000) (232,426)

Repurchase of capital stock

(53,330)

Cash dividends

(352,209) (352,364)

Net cash used in financing activities

(1,322,070) (4,910,589)

Net increase (decrease) in cash and cash equivalents

2,529,949 (2,956,097)

Cash and cash equivalents at beginning of period

7,268,974 7,396,072

Cash and cash equivalents at end of period

\$9,798,923 \$4,439,975

| | |
|---|------------------------|
| Supplemental schedule of cash flow information | |
| Interest paid, net of amounts capitalized | \$3,662,619\$4,013,623 |
| | <hr/> |
| | <hr/> |
| Income taxes paid (refunded), net | \$203,255\$(291,375) |
| | <hr/> |
| | <hr/> |

See accompanying notes to consolidated financial statements.

ABRAMS INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2001, AND APRIL 30, 2000
(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, 2000. Results of operations for interim periods are not necessarily indicative of annual results.

NOTE 2. RECEIVABLES

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

NOTE 3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

During the quarter ended January 31, 2001, Montgomery Ward & Co., Incorporated, a customer of the Company's Construction Segment, filed a voluntary petition for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court. At the time of the filing, the Construction Segment was due approximately \$918,000 from Montgomery Ward for services previously completed. To date, the Company has been unable to obtain any information that would provide reason for it to expect it will collect any portion of the receivable; therefore, the Company has reserved 100% of the amount due.

NOTE 4. 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 have been consolidated and presented as Net assets of discontinued operations on the Consolidated Balance Sheets at January 31, 2001, and April 30, 2000. For the quarter and first nine months ended January 31, 2001, Earnings from discontinued operations, net of income tax expense, were \$75,326 and \$205,563, respectively. For the same periods last year, loss from discontinued operations, net of income tax benefit, was \$2,826,222 and \$2,562,792, respectively.

NOTE 5. REAL ESTATE HELD FOR FUTURE SALE OR DEVELOPMENT

The Company's Real Estate Segment is currently marketing for sale together its two shopping centers located in North Fort Myers, Florida, and Englewood, Florida. As of January 31, 2001, the net book value of these two properties, including outlots and anchor pads, was \$35,002,322. The results of operations for the two properties for the quarter and nine months ended January 31, 2001, and 2000, are summarized below:

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| | THIRD QUARTER ENDED JANUARY 31, | | NINE MONTHS ENDED JANUARY 31, | |
|---|------------------------------------|--------------|----------------------------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| Revenues | \$ 1,377,672 | \$ 1,389,679 | \$ 3,591,649 | \$ 3,607,886 |
| Operating expenses, including depreciation and interest | 1,474,428 | 1,307,101 | 3,693,523 | 3,304,737 |
| Results of operations | \$(96,756) | \$82,578 | \$(101,874) | \$303,149 |

NOTE 6. NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities , in June 1998. SFAS 133, as amended, is effective for fiscal quarters of fiscal years beginning after June 15, 2000. Accordingly, the Company is required to implement SFAS 133, as amended, on May 1, 2001. Management anticipates that the adoption of SFAS 133 will not have a material impact on the Company's results of operations or financial condition.

NOTE 7. OPERATING SEGMENTS

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

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**For the Quarter Ended
January 31, 2001**

Construction Real Estate Parent Eliminations Consolidated

Revenues from unaffiliated customers \$23,883,137 \$3,520,721 \$ \$ \$27,403,858

Interest and other income 48,609 45,240 22,898 116,747
 Intersegment revenue 25,039 95,807 (120,846)

Total revenues from continuing operations
 \$23,956,785 \$3,661,768 \$22,898 \$(120,846) \$27,520,605

Earnings (loss) from continuing operations before income taxes
 \$(572,305) \$(255,220) \$(593,266) \$15,723 \$(1,405,068)

For the Quarter Ended January 31, 2000 Construction Real Estate Parent Eliminations Consolidated

Revenues from unaffiliated customers \$26,597,648 \$3,489,166 \$ \$30,086,814
 Interest and other income 27,845 53,490 28,675 (15,423) 94,587
 Intersegment revenue 403,122 (403,122)

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Total revenues from continuing operations
 \$26,625,493 \$3,945,778 \$28,675 \$(418,545) \$30,181,401

Earnings (loss) from continuing operations before income taxes
 \$432,130 \$94,284 \$(681,725) \$(179,598) \$(334,909)

**For the Nine Months Ended January 31, 2001 Construction Real
 Estate Parent Eliminations Consolidated**

Revenues from unaffiliated customers
 \$121,908,990 \$9,745,907 \$ 131,654,897

Interest and other income
 163,423 204,035 29,007 396,465

Intersegment revenue
 25,039 267,346 (292,385)

Total revenues from continuing operations
 \$122,097,452 \$10,217,288 \$29,007 \$(292,385) \$132,051,362

Earnings (loss) from continuing operations before income taxes
 \$2,697,063 \$(293,392) \$(1,920,798) \$38,398 \$521,271

For the Nine Months Ended January 31, 2000

| | Construction | Real Estate | Parent | Eliminations | Consolidated |
|--|----------------------|---------------------|-----------------|----------------------|----------------------|
| Revenues from unaffiliated customers | \$115,014,236 | \$16,162,829 | \$ | \$ | \$131,177,065 |
| Interest and other income | 127,390 | 173,325 | 66,395 | (67,445) | 299,665 |
| Intersegment revenue | | | | 1,205,950 | (1,205,950) |
| Total revenues from continuing operations | \$115,141,626 | \$17,542,104 | \$66,395 | \$(1,273,395) | \$131,476,730 |
| Earnings (loss) from continuing operations before income taxes | \$2,005,220 | \$2,260,424 | \$(2,461,692) | \$(300,997) | \$1,502,955 |

The Company's Real Estate Segment completed and fully implemented the outsourcing of the asset management responsibilities of its commercial real estate portfolio in January 2001.

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

Changes in CONSOLIDATED BALANCE SHEETS between April 30, 2000, and January 31, 2001.

Accounts receivable decreased by \$4,142,763; Costs and earnings in excess of billings decreased by \$573,549; Billings in excess of costs and earnings increased by \$709,168; and Trade and subcontractors payable decreased by

\$2,941,661, primarily because of the timing of the submission and payment of invoices for construction work performed.

Real estate held for future sale or development increased by \$31,938,928, and Income producing properties decreased by \$32,970,935, primarily as a result of the reclassification of the net book value of two of the Company's shopping centers. The Company's Real Estate Segment is actively marketing its approximately 294,000 square foot shopping center in North Fort Myers, Florida, and its approximately 214,000 square foot shopping center in Englewood, Florida.

Accrued expenses decreased by \$2,654,074, primarily due to the payment of year-end accruals and estimated income taxes.

Results of operations of third quarter and first nine months of fiscal 2001 compared to third quarter and first nine months of fiscal 2000.

REVENUES from Continuing Operations

For the third quarter 2001, Consolidated REVENUES from continuing operations, including Interest income and Other income, and net of intersegment eliminations, were \$27,520,605, compared to \$30,181,401 for the third quarter 2000, a decrease of 9%. For the first nine months of fiscal 2001, Consolidated REVENUES from continuing operations were \$132,051,362, compared to \$131,476,730 for the first nine months of fiscal 2000.

The figures in Chart A are Segment revenues from continuing operations net of Intersegment eliminations and do not include Interest income or Other income.

CHART A

REVENUE FROM CONTINUING OPERATIONS SUMMARY BY SEGMENT

(Dollars in Thousands)

| | Third Quarter Ended January 31, | | Amount Increase (Decrease) | Percent Increase (Decrease) | Nine Months Ended January 31, | | Amount Increase (Decrease) | Percent Increase (Decrease) |
|-----------------|------------------------------------|-----------------|----------------------------------|-----------------------------------|----------------------------------|------------------|----------------------------------|-----------------------------------|
| | 2001 | 2000 | | | 2001 | 2000 | | |
| Construction(1) | \$23,883 | \$26,598 | \$(2,715) | (10) | \$121,909 | \$115,014 | \$6,895 | 6 |
| Real Estate(2) | 3,521 | 3,489 | 32 | 1 | 9,746 | 16,163 | (6,417) | (40) |
| | <u>\$27,404</u> | <u>\$30,087</u> | <u>\$(2,683)</u> | <u>(9)</u> | <u>\$131,655</u> | <u>\$131,177</u> | <u>\$478</u> | <u>0</u> |

NOTES TO CHART A

- (1) REVENUES for the third quarter of fiscal 2001 were lower than those of the third quarter of fiscal 2000, primarily due to a decrease in the number of currently active customers and a decrease in business from certain existing customers. The volatility with respect to the levels of capital spending of the Company's customers and

the competitive bidding process the Company must go through on most projects before they are awarded inhibits the Company's ability to project future revenue trends.

- (2) REVENUES for the first nine months of fiscal 2001 were lower than those of the first nine months of fiscal 2000, primarily due to a real estate sale in the first quarter of fiscal 2000, which generated approximately \$6.7 million in revenues. There were no real estate sales in the first nine months of fiscal 2001. The Company reviews its real estate portfolio on an ongoing basis and places a property on the market for sale when it believes it is in its best interests to do so. In addition, a property may be marketed in one fiscal year, but the sale may not close until a subsequent year, due to individually negotiated contract terms. Real estate sales, which may have a material impact on the Company's results of operations, do not occur every year, and the Company cannot predict the timing of any such sales.

The following table indicates the backlog of construction contracts and expected real estate rentals for the next twelve months by industry segment.

| | January 31, | |
|---------------|---------------|---------------|
| | 2001 | 2000 |
| Construction | \$ 33,145,000 | \$ 38,386,000 |
| Real Estate | | |
| | 11,553,000 | 11,245,000 |
| <hr/> | | |
| Total Backlog | \$44,698,000 | \$49,631,000 |
| <hr/> | | |
| <hr/> | | |

No assurance can be given as to future backlog levels or whether the Company will realize earnings from the revenues resulting from the backlog at January 31, 2001.

COSTS AND EXPENSES: Applicable to REVENUES from Continuing Operations

As a percentage of total Segment REVENUES from Continuing Operations (See Chart A) for the third quarter 2001 and 2000, the total applicable COSTS AND EXPENSES (See Chart B) were 90% for both periods. As a percentage of total Segment REVENUES from Continuing Operations for the first nine months of fiscal 2001 and 2000, the total applicable COSTS AND EXPENSES were 91% 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)

| | Third Quarter Ended January 31, | | Percent of Segment Revenues For Third Quarter Ended January 31, | | Nine Months Ended January 31, | | Percent of Segment Revenues For Nine Months Ended January 31, | |
|-----------------|------------------------------------|-----------------|--|------|----------------------------------|------------------|--|------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Construction(1) | \$22,417 | \$24,888 | 94 | 94 | \$114,457 | \$110,254 | 94 | 96 |
| Real Estate(2) | 2,252 | 2,085 | 64 | 60 | 5,630 | 9,168 | 58 | 57 |
| | <u>\$24,669</u> | <u>\$26,973</u> | 90 | 90 | <u>\$120,087</u> | <u>\$119,422</u> | 91 | 91 |

NOTES TO CHART B

- (1) The decrease in the percentage of COSTS AND EXPENSES: Applicable to REVENUES for the first nine months of fiscal 2001 compared to the same period for fiscal 2000 is attributable to: (1) an increase in the size and complexity of work performed, which provided higher margins but involved more risk; (2) improved efficiencies in project management; (3) no significant losses on jobs due to scheduling adjustments; and (4) a refinement in the mix of the Company's customer base. The Company has exposure to increased costs for many reasons beyond its immediate control, including, but not limited to, market competition, unexpected costs, delays due to weather, or an individual customer's scheduling adjustments. Therefore, the Company cannot predict whether the percentages reflected above will continue at the current level.
- (2) The decrease in the dollar amount of COSTS AND EXPENSES: Applicable to REVENUES for first nine months of fiscal 2001 compared to first nine months of fiscal 2000 is primarily attributable to the cost of the real estate sold in the first quarter of fiscal 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES from Continuing Operations

For the third quarter 2001 and 2000, Selling, general and administrative expenses from continuing operations, net of intersegment eliminations, were \$2,927,072 and \$2,169,374, respectively. As a percentage of Consolidated REVENUES from Continuing Operations, these expenses were 11% and 7%, respectively. For the first nine months of fiscal 2001 and 2000, Selling, general and administrative expenses from continuing operations, net of intersegment eliminations, were \$7,534,649 and \$6,467,770, respectively. As a percentage of Consolidated REVENUES from Continuing Operations, these expenses were 6% and 5%, 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

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(Dollars in Thousands)

| | Third Quarter Ended January 31, | | Percent of Segment Revenues For Third Quarter Ended January 31, | | Nine Months Ended January 31, | | Percent of Segment Revenues For Nine Months Ended January 31, | |
|-----------------|------------------------------------|----------------|--|------|----------------------------------|----------------|--|------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Construction(1) | \$2,001 | \$1,242 | 8 | 5 | \$4,697 | \$2,666 | 4 | 2 |
| Real Estate(2) | 328 | 388 | 9 | 11 | 969 | 1,742 | 10 | 11 |
| Parent | 598 | 539 | 2 | 2 | 1,869 | 2,060 | 1 | 2 |
| | <u>\$2,927</u> | <u>\$2,169</u> | 11 | 7 | <u>\$7,535</u> | <u>\$6,468</u> | 6 | 5 |

NOTES TO CHART C

- (1) On a dollar and percentage basis, Selling, general and administrative expenses were higher for the third quarter of 2001 compared to the third quarter of 2000, primarily due to the allowance for doubtful accounts reserve for the Montgomery Ward receivable as discussed above (see NOTE 3 to the Consolidated Financial Statements). On a dollar and percentage basis, Selling, general and administrative expenses were higher for the first nine months of 2001, compared to the same period of 2000, primarily due to the Montgomery Ward reserve and an increase in incentive compensation directly related to higher segment profits.
- (2) On a dollar and percentage basis, Selling, general and administrative expenses were lower for the third quarter and first nine months of 2001 compared to the same periods of 2000, primarily because of a decrease in personnel and incentive compensation costs.

Liquidity and capital resources.

Between April 30, 2000, and January 31, 2001, working capital increased by \$1,050,441. Operating activities from continuing operations provided cash of \$3,007,317, and discontinued operations provided cash of \$1,115,015. Investing activities used cash of \$270,313. Financing activities used cash of \$1,322,070.

At January 31, 2001, the Company and its subsidiaries had available unsecured committed lines of credit totaling \$13,000,000, of which none was outstanding; \$12,500,000 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 2001, at which time it may be used to pay down the mortgage loan if certain leasing requirements are not attained. Each of the lines of credit has a twelve-month maturity, except for one \$500,000 line, which has a twenty-five month maturity.

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. Such risks, uncertainties and other matters 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 related to the Construction Segment, the timing of and amount of earnings recognition related to the possible sale of properties held for sale, the potential loss of a significant customer, and the deterioration in the financial stability of an anchor tenant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes since April 30, 2000.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) The Registrant has not filed any reports on Form 8-K during the quarter ended January 31, 2001.

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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: March 13, 2001 /s/ Alan R. Abrams

Alan R. Abrams Chief Executive Officer

Date: March 13, 2001/s/ Melinda S. Garrett

Melinda S. Garrett Chief Financial Officer

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