

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

BUCKHEAD AMERICA CORP  
Form 10-Q  
November 14, 2001

U.S. Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the quarterly period ended SEPTEMBER 30, 2001

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-22132

BUCKHEAD AMERICA CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE

58-2023732

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

7000 CENTRAL PARKWAY, SUITE 850, ATLANTA, GEORGIA 30328

-----  
(Address of principal executive offices) (Zip Code)

(770) 393-2662

-----  
(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 X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: October 31, 2001

Common stock, par value \$.01 - 2,015,885 shares outstanding  
-----

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Condensed Consolidated Financial Statements

September 30, 2001 and 2000

(Unaudited)

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Condensed Consolidated Balance Sheets  
September 30, 2001 and December 31, 2000

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents, including restricted cash of  
\$452,821 at September 30, 2001 and \$382,646 at December 31, 2000  
Investment securities, including restricted securities of  
\$118,133 at September 30, 2001 and \$182,067 at December 31, 2000  
Accounts receivable, net  
Current portions of notes receivable, net  
Property held for sale, net  
Other current assets

Total current assets

Noncurrent portions of notes receivable, net  
Property and equipment, at cost, net  
Other assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses  
Current portions of notes payable

Septe

-----  
\$

-----  
\$  
-----

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Total current liabilities	
Noncurrent portions of notes payable	
Other liabilities	
Total liabilities	-----
Minority interests	
Shareholders' equity:	
Series B preferred stock; par value \$100; 200,000 shares authorized; 30,000 shares issued and outstanding	
Common stock; \$.01 par value; 5,000,000 shares authorized; 2,113,881 shares issued and 2,015,885 and 2,025,023 shares outstanding at September 30, 2001 and December 31, 2000, respectively	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive loss	
Treasury stock, 97,996 and 88,858 common shares at September 30, 2001 and December 31, 2000, respectively	
Total shareholders' equity	-----
	\$
	=====

See accompanying notes to condensed consolidated financial statements.

3

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Loss)  
Nine Months ended September 30, 2001 and 2000  
(Unaudited)

	2001	2000
	-----	-----
Revenues:		
Hotel revenues	\$ 14,335,846	\$ 18,87
Franchise fees, management fees, and other income	1,632,657	1,53
Gains on property and leasehold interest sales, net	-	59
Interest income	347,097	34
Total revenues	----- 16,315,600	----- 21,34
Expenses:		
Hotel operations	10,681,736	13,49
Other operating and administrative	2,799,648	2,67
Leasehold rent	2,100,253	2,07
Depreciation and amortization	770,828	1,25
Interest	2,230,916	2,18
	-----	-----

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Total expenses	18,583,381	21,68
	-----	-----
Income (loss) before income taxes	(2,267,781)	(33
Deferred income tax expense (benefit)	-	(13
	-----	-----
Net income (loss)	\$ (2,267,781)	(20
	=====	=====
Net income (loss) per common share:		
Basic	\$ (1.23)	
	=====	=====
Diluted	\$ (1.23)	
	=====	=====
Weighted average number of shares		
used to calculate net income (loss) per common share:		
Basic	2,016,934	2,02
	=====	=====
Diluted	2,016,934	2,02
	=====	=====

See accompanying notes to condensed consolidated financial statements.

4

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Loss)  
Three Months ended September 30, 2001 and 2000  
(Unaudited)

	2001	2000
	-----	-----
Revenues:		
Hotel revenues	\$ 4,970,551	\$ 6,56
Franchise fees, management fees, and other income	564,151	56
Gains on property and leasehold sales, net	-	57
Interest income	102,900	10
	-----	-----
Total revenues	5,637,602	7,81
	-----	-----
Expenses:		
Hotel operations	3,536,261	4,90
Other operating and administrative	880,782	93
Leasehold rent	769,499	74
Depreciation and amortization	228,065	43
Interest	673,503	76
	-----	-----
Total expenses	6,088,110	7,78

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Income (loss) before income taxes	(450,508)	3
Deferred income tax expense	-	1
Net income (loss)	\$ (450,508)	\$ 1
Net income (loss) per common share:		
Basic	\$ (0.26)	\$
Diluted	\$ (0.26)	\$
Weighted average number of shares used to calculate net income (loss) per common share:		
Basic	2,015,885	2,02
Diluted	2,015,885	2,02

See accompanying notes to condensed consolidated financial statements.

5

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows  
Nine Months Ended September 30, 2001 and 2000  
(Unaudited)

	2001
Cash flows from operating activities:	
Net loss	\$ (2,267,781)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	770,828
Sales of trading securities, net	-
Gains on property and leasehold sales	-
Minority interest in income (loss)	(146,065)
Deferred income tax benefit	-
Increase in accounts receivable, net	(178,557)
Increase (decrease) in accounts payable and accrued expenses, net	(66,099)
Other, net	(187,508)
Net cash provided by (used in) operating activities	(2,075,182)
Cash flows from investing activities:	
Principal receipts on notes receivable	518,398
Originations of notes receivable	(140,000)

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Acquisitions of businesses and hotels	-
Capital expenditures	(518,812)
Proceeds from property and leasehold interest sales, net	1,984,915
Other, net	216,903
	-----
Net cash provided by (used in) investing activities	2,061,404
	-----
Cash flows from financing activities:	
Repayments of notes payable	(817,782)
Proceeds from notes payable	240,000
Distributions to minority interest partners	(36,744)
Preferred stock dividends paid	(92,500)
Other, net	27,014
	-----
Net cash provided by (used in) financing activities	(680,012)
	-----
Net increase (decrease) in cash and cash equivalents	(693,790)
Cash and cash equivalents at beginning of period	1,345,671
	-----
Cash and cash equivalents at end of period	\$ 651,881
	=====

See accompanying notes to condensed consolidated financial statements.

6

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
September 30, 2001 and 2000  
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year or any other interim period. For further information, see the consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2000.

(2) Comprehensive Income (Loss)

Total comprehensive income (loss) for the nine months ended September 30, 2001 and 2000 was \$(2,305,575) and \$(271,805), respectively, and for the three months ended September 30, 2001 and 2000 was \$(451,752) and \$(3,819), respectively.

(3) Segment Information

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Condensed operating results for each Company segment for the nine months ended September 30, 2001 and 2000 are presented below:

	Hotel Operations	Hotel Management	Hotel Franchising	Development & Corporate
Revenues	\$ 14,335,846	1,267,114	1,597,459	349,100
Expenses	11,035,173	1,734,735	845,119	1,100,276
EBITDAR*	3,300,673	(467,621)	752,340	(751,176)
Rent	2,100,253	-	-	-
Depreciation	575,040	83,288	94,500	18,000
Interest	1,729,393	-	-	501,523
Income (loss) before income taxes	\$ (1,104,013)	(550,909)	657,840	(1,270,699)

	Hotel Operations	Hotel Management	Hotel Franchising	Development & Corporate
Revenues	\$ 18,872,173	1,533,545	1,378,818	955,893
Expenses	13,894,395	1,596,126	819,598	1,256,179
EBITDAR*	4,977,778	(62,581)	559,220	(300,286)
Rent	2,074,184	-	-	-
Depreciation	1,040,418	100,025	94,500	18,000
Interest	1,729,339	-	-	454,481
Income (loss) before income taxes	\$ 133,837	(162,606)	464,720	(772,767)

BUCKHEAD AMERICA CORPORATION  
AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
September 30, 2001 and 2000  
(Unaudited)

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Condensed operating results for each Company segment for the three months ended September 30, 2001 and 2000 are presented below:

	Hotel Operations	Hotel Management	Hotel Franchising	Development & Corporate
Revenues	\$ 4,970,551	402,457	586,867	103,319
Expenses	3,666,145	513,557	274,277	388,656
EBITDAR*	1,304,406	(111,100)	312,590	(285,337)
Rent	769,499	-	-	-
Depreciation	174,540	16,025	31,500	6,000
Interest	506,716	-	-	166,787
Income (loss) before income taxes	\$ (146,349)	(127,125)	281,090	(458,124)

	Hotel Operations	Hotel Management	Hotel Franchising	Development & Corporate
Revenues	\$ 6,567,003	585,773	474,611	686,586
Expenses	5,049,740	547,309	314,839	426,334
EBITDAR*	1,517,263	38,464	159,772	260,252
Rent	740,987	-	-	-
Depreciation	362,740	36,781	31,500	6,000
Interest	626,369	-	-	138,863
Income (loss) before income taxes	\$ (212,833)	1,683	128,272	115,389

\* Earnings before interest, taxes, depreciation, amortization, and rent

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

Material Changes in Financial Condition.



## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

The Company experienced negative cash flow from operations of approximately \$2,075,000 during the first nine months of 2001. The Company repaid approximately \$818,000 of debt obligations and invested approximately \$519,000 in capital expenditures for improvements and replacements on existing properties and on new construction. A portion of the funding for these items was from additional borrowings of approximately \$240,000, principal receipts on notes receivable of approximately \$518,000, and from net proceeds from property sales of approximately \$1,985,000 .

As of December 31, 2000, the Company had 17 owned or leased hotel properties classified as held for sale. Eight of these properties were sold during the first nine months of 2001 and three others are presently under contract for sale. During 2001, three additional hotel properties were categorized as held for sale and management is evaluating other owned hotel properties for their potential for sale and the resulting impact on the Company. In connection with the aforementioned property sales, the Company also reduced its notes payable by approximately \$6,745,000.

Management has negotiated the extension of payment terms for certain of its secured and unsecured borrowings and is presently discussing extension terms with other lenders. Preferred stock dividends are eight months in arrears. Certain staff and executive level positions in the Company's hotel management and hotel franchising operations have been eliminated. Capital expenditure commitments have been limited and certain previous lease commitments have been cancelled.

Adequate liquidity for future operations will be dependent upon the generation of significant cash proceeds from hotel property sales and the timing thereof, and the Company's ability to negotiate extensions or replacements of certain of its existing credit facilities. Management presently intends to continue increased focus on its hotel franchising segment and expects that the Company's future profitability will be primarily dependent upon the growth of that segment.

### Material Changes in Results of Operations.

The decline in revenues and increase in net loss in the first three quarters of 2001 versus 2000 is partly attributable to the loss of the Company's Orlando and Daytona, Florida hotel properties. The Orlando hotel property lease expired at the end of 2000 and the Daytona hotel was sold in September 2000. The combined revenues and income before taxes from these two hotels in the first nine months of 2000 amounted to approximately \$4,264,000 and \$888,000 respectively. The third quarter of 2000 also included a gain on the sale of the Daytona property of approximately \$592,000. Excluding the Daytona gain, third quarter net loss decreased slightly in 2001 from the same quarter in 2000. This is partially attributable to the non-recognition of depreciation expense on properties held for sale.

Owned and leased hotel earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") during the nine month period ended September 30, 2001 decreased approximately \$1,069,000 as a result of the loss of the Orlando and Daytona hotels, most of which occurred in the first six months. The remaining decrease in EBITDAR in 2001 is attributable to the impact of properties sold during 2001 and overall revenue declines in other owned hotel properties which are presently held for sale. Management has noted distinct declines in demand at Company properties which are consistent within the hotel industry.

The decrease in owned and leased hotel third quarter loss before income taxes is attributable to reductions in depreciation expense resulting from 2000 and 2001

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

property sales and the aforementioned non-recognition of depreciation on properties held for sale. Also, third quarter interest expense decreased as a result of the aforementioned reductions in notes payable in connection with hotel property sales. Interest expense is expected to decrease in future periods as additional properties are sold.

Hotel management revenues, EBITDAR, and loss before income taxes worsened during the first, second, and third quarters of 2001 versus the same periods in 2000. This is partially attributable to increased payroll costs resulting from severance payments relating to eliminated positions and the addition of three sales and marketing positions since the third quarter of 2000 in an effort to improve revenues at Company and third party owned hotels. In April 2001, nine management contracts relating to hotels owned by affiliates of Quality Lodging

9

LLC were purportedly terminated by the hotel owners. The Company is contesting the validity of such terminations and is seeking to recover damages through arbitration and litigation. The Company's September 30, 2001 balance sheet includes noncurrent assets of approximately \$777,000 relating to these contracts; and management fees earned from these contracts amounted to approximately \$300,000 annually. The valuation of the Company's recorded asset is dependent upon the Company's ability to recover sought damages. The recoverability of the carrying value of the Company's deferred management contracts is dependent upon the Company's success in the aforementioned arbitration and litigation.

Hotel franchising revenues, EBITDAR, and income before income taxes improved significantly during the first, second, and third quarters of 2001 versus the same periods in 2000. Such improvements resulted primarily from additional franchise property openings. Presently there are 61 Country Hearth Inn properties open and an additional 20 properties under development, of which approximately half are expected to open within the next 12 months.

Net losses of approximately \$1,350,000 resulting from first, second, and third quarter 2001 hotel property sales were charged to previously established impairment allowances and therefore had no impact on 2001 net losses.

Development and corporate revenues primarily consist of net gains on property sales and interest income. The three and nine month periods ended September 30, 2000 include the aforementioned Daytona gain. The decreases in corporate expenses in the three and nine month periods ended September 30, 2001 resulted primarily from the termination of an executive officer in the fourth quarter of 2000.

The Company files income tax returns and recognizes income tax expense (benefit) on an annual calendar basis. The deferred income tax benefit recognized in the first, second, and third quarters of 2000 represented management's estimates of the impact on the annual income tax expense (benefit) which resulted from each quarter's operations. In the fourth quarter of 2000, management elected to establish a valuation allowance for the full amount of the Company's deferred tax assets. Consequently, no deferred tax benefit has been recognized in 2001.

### Effect of New Accounting Pronouncements.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, "Business Combinations" ("Statement 141"), and Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"). Statement 141 requires that the purchase method of accounting be used for all business combinations

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

The Company is required to adopt the provisions of Statement 141 immediately, except with regard to business combinations initiated prior to July 1, 2001, which it expects to account for using the pooling-of-interests method, and Statement 142 effective January 1, 2002. Furthermore, goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before Statement 142 is adopted in full will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized and tested for impairment in accordance with the appropriate pre-Statement 142 accounting requirements prior to the adoption of Statement 142.

Statement 141 will require upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Upon adoption of Statement 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired,

10

and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with Statement 142's transitional goodwill impairment evaluation, the Statement will require the Company to perform an assessment of whether there is an indication that goodwill (and equity-method goodwill) is impaired as of the date of adoption. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

with Statement 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of earnings.

And finally, any unamortized negative goodwill (and equity-method negative goodwill) existing at the date Statement 142 is adopted must be written off as the cumulative effect of a change in accounting principle.

Because of the extensive effort needed to comply with adopting Statements 141 and 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the Company's financial statements at the date of this report, including whether it will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"), which supersedes both FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("Statement 121") and 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" ("Opinion 30"), for the disposal of a segment of a business (as previously defined in that Opinion). Statement 144 retains the fundamental provisions in Statement 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with Statement 121. For example, Statement 144 provides guidance on how a long-lived asset that is used as part of a group should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. Statement 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike Statement 121, an impairment assessment under Statement 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under Statement 142.

Statement 144 also requires that the assets and liabilities of a disposal group classified as held for sale be presented separately in the asset and liability sections, respectively, on a gross basis in the balance sheet. In other words, the assets and liabilities of a disposal group cannot be netted and presented as a single line in the balance sheet. If a company has netted or offset the assets and liabilities of an asset group that was reported as held for sale in a balance sheet prior to the date Statement 144 is adopted, that balance sheet must be reclassified when it is presented for comparative purposes. The Company presently does not present such assets and liabilities on a net basis.

The Company is required to adopt Statement 144 no later than the year beginning after December 15, 2001, and plans to adopt its provisions for the quarter ending March 31, 2002. Management does not expect the adoption of Statement 144 to have a material impact on the Company's financial statements because the impairment assessment under Statement 144 is largely unchanged from Statement 121. The provisions of the Statement for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities. Therefore, management cannot determine the potential effects that adoption of Statement 144 will have on the Company's financial statements.

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

### Risk Factors.

This Form 10-Q contains forward looking statements that involve risks and uncertainties. Statements contained in this Form 10-Q that are not historical facts are forward looking statements that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company's actual results may differ significantly from the results indicated by such forward looking statements.

The Company is subject to a number of risks, including the general risks of investing in real estate, the illiquidity of real estate, environmental risks, possible uninsured or under insured losses, fluctuations in property taxes, hotel operating risks, the impact of competition, the difficulty of managing growth, seasonality, the risks inherent in operating a hotel franchise business and hotel management business, and the risks involved in hotel renovation and construction, and the uncertainty of obtaining additional financing or extensions of existing credit facilities as needed. For a discussion of these and other risk factors, see the "RISK FACTOR" section contained in the Company's Registration Statement on Form S-3 (File No. 333-37691).

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2001, the Company's obligations included variable rate mortgage notes and a line of credit bank note with aggregate principal balances of \$2,086,835 which mature at various dates through 2015. The Company is exposed to the market risk of significant increases in future interest rates. Each incremental one-point increase in the prime interest rate would increase the Company's interest expense by approximately \$20,000 per year. This risk is somewhat mitigated in that inflationary increases in interest rates would theoretically result in increases in average hotel room rates. Also, significant increases in interest rates would have a dampening effect on additions of competitive hotels in the Company's markets.

At September 30, 2001, the Company's unrestricted investment securities included equity securities valued at \$24,841. The Company is exposed to the risk that such securities will become worthless. The Company's restricted investment securities also include equity securities. Such restricted securities comprise the assets of the Company's deferred compensation plan and changes in the value of such securities have no net impact on the Company's earnings.

The ultimate collection of the Company's notes receivable is subject to various credit risks. Net notes receivable at September 30, 2001 amounted to \$5,123,817 and consisted of 35 notes, most of which were collateralized by or related to various hotel assets. Also, certain of these notes relate to leasehold interests in hotel properties for which the Company remains contingently liable for future rent payments. The Company is also contingently liable for certain notes payable relating to hotel properties which have been sold. The collection of such notes receivable and the potential financial exposure for contingent rents and note payable obligations is determined by the ability of other hotel operators to satisfy these obligations. Their ability to satisfy such obligations is subject to many risks, including economic conditions affecting the hotel industry, their ability to effectively manage their hotel assets, new competition, and other factors.

## Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

### Item 3. Defaults Upon Senior Securities

As of November 14, 2001, a total of \$185,000 of Series B preferred dividends are in arrears.

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

#### (a) Exhibit Index

Exhibit -----	Description -----
3(i)	Articles of Incorporation. (Incorporated by reference to Exhibit 3(i) to the Registrant's Registration Statement on Form 10-SB (No.0-22132) which became effective on November 22, 1993.)
3(i)(a)	Certificate of Amendment of Certificate of Incorporation. (Incorporated by reference to Exhibit 3(i)(a) to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994.)
3(i)(b)	Certificate of Amendment of Certificate of Incorporation. (Incorporated by reference to Appendix "A" to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on June 9, 1997.)
3(i)(c)	Certificate of Amendment of Certificate of Incorporation. (Incorporated by reference to Appendix "A" to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on May 5, 1998.)
3(ii)	By-Laws - Amended and Restated as of June 27, 1994. (Incorporated by reference to Exhibit 3(ii) to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994.)
4(i)	Certificate of Designation, Preferences and Rights of Series B Preferred Stock of the Registrant. (Incorporated by reference to Exhibit 4(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.)
11	Statement re: Computation of per share Earnings

#### (b) Reports on Form 8-K

The Company has not filed any reports on Form 8-K during the quarter for which this report is filed.

13

#### 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.

Buckhead America Corporation  
(Registrant)

Edgar Filing: BUCKHEAD AMERICA CORP - Form 10-Q

Date: November 14, 2001

/s/ Douglas C. Collins  
-----

Douglas C. Collins  
President and Chief Executive Officer

Date: November 14, 2001

/s/ Robert B. Lee  
-----

Robert B. Lee  
Senior Vice President and  
Chief Financial and Accounting Officer

14

1412350