U S PHYSICAL THERAPY INC /NV
Form 8-K
June 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **June 14, 2010 (June 14, 2010)**

U.S. PHYSICAL THERAPY, INC.
(Exact name of registrant as specified in its charter)

Nevada	**1-11151**	**76-0364866**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1300 West Sam Houston Parkway South, Suite 300, Houston, Texas	**77042**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(713) 297-7000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

On June 14, 2010, U. S. Physical Therapy, Inc. (the "Company") announced that it has been named to the Houston Chronicle's annual survey of the top 100 publicly traded companies in Houston. The Chronicle 100 list, prepared for the newspaper by Standard & Poor's Capital IQ division, ranks Houston's top publicly traded companies by a score based on four measures of financial performance in 2009 including total revenue, annual revenue growth, annual earnings-per-share growth and one-year total return to shareholders.

Pursuant to the rules of the Securities and Exchange Commission, the information contained in this report shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any filings by the Company under such Act or the Securities Act of 1933, as amended.

Exhibits	Description of Exhibits
99.1	Registrant's press release dated June 14, 2010 announcing that the Registrant was named to Houston Chronicle's Top 100 Publicly Traded Companies.*

*Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

U.S. PHYSICAL THERAPY, INC.

Dated: June 14, 2010 By: /s/ LAWRANCE W. MCAFEE
Lawrance W. McAfee
Chief Financial Officer
(duly authorized officer and principal financial
and accounting officer)

follows (amounts are in thousands): June 30, December 31, -------- ------------ 2003 2002 ---- ---- Balance Sheets: Real estate, net $248,839 $266,613 Other assets 33,135 37,764 -------- -------- Total assets $281,974 $304,377 ======== ======== Mortgage notes payable $247,149 $253,285 Advances from affiliates 22,334 24,725 Other liabilities 15,488 15,125 Partners' equity (deficit) (2,997) 11,242 -------- -------- Total liabilities and partners' equity (deficit) $281,974 $304,377 ======== ======== The Company's ability to sell the affordable assets on the timelines described above is dependent on a variety of factors, some of which are outside of the Company's control, such as the receipt of the approvals of various partners, lenders and governmental agencies necessary for the sale.

8. Segment Reporting

The Company is engaged in the ownership and management of market rate apartment communities. Each apartment community is considered a separate operating segment. Each segment on a stand alone basis is less than 10% of the revenues, profit or loss, and assets of the combined reported operating segments and meets the majority of the aggregation criteria under SFAS 131. The operating segments are aggregated and segregated as Core and Non-core properties.

Non-segment revenue to reconcile to total revenue consists of interest and dividend income and other income. Non-segment assets to reconcile to total assets include cash and cash equivalents, cash in escrows, accounts receivable, prepaid expenses, investments in and advances to affiliates, deferred charges and other assets.

Core properties consist of all apartment communities which have been owned more than one full calendar year. Therefore, the Core Properties represent communities owned as of January 1, 2002. Non-core properties consist of apartment communities acquired during 2002 and 2003, such that full year comparable operating results are not available.

The accounting policies of the segments are the same as those described in Notes 1 and 2 of the Company's Form 10-K.

The Company assesses and measures segment operating results based on a performance measure referred to as Funds from Operations ("FFO"). FFO is generally defined as net income (loss), before gains (losses) from the sale of property, impairment charges on depreciable property or investments, extraordinary items, plus real estate depreciation including adjustments for unconsolidated partnerships and joint ventures less dividends from non-convertible preferred shares. The Company considers debt extinguishment costs, which are incurred as a result of repaying property specific debt, as a component of the gain or loss on sale of the property. FFO is not a measure of operating results or cash flows from operating activities as measured by generally accepted accounting principles and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Other companies may calculate similarly titled performance measures in a different manner.

HOME PROPERTIES OF NEW YORK, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

8. Segment Reporting (continued)

The revenues, profit (loss), and assets for each of the reportable segments are summarized as follows as of and for the six and three-month periods ended June 30, 2003, and 2002.

Six Months

	2003	2002
Revenues		
Apartments owned		
Core properties	$184,046	$178,211
Non-core properties	30,002	6,376
Reconciling items	2,620	1,878
Total Revenue	$216,668	$186,465
Profit (loss)		
Funds from operations:		
Apartments owned		
Core properties	$100,480	$100,898
Non-core properties	17,756	3,934
Reconciling items	2,620	1,878
Segment contribution to FFO	120,856	106,710
General & administrative expenses	(9,701)	(5,921)
Interest expense	(42,934)	(36,713)
Depreciation of unconsolidated affiliates	1,113	437
Non-real estate depreciation/amortization	(1,147)	(403)
Redeemable preferred dividend (Series F)	(2,700)	(1,455)
Equity in earnings (losses) of unconsolidated affiliates	(1,184)	(1,100)
Impairment of assets held as General Partner	(520)	-
Income from discontinued operations before minority interest, depreciation and loss on disposition of property	163	3,906
Funds from Operations	63,946	65,461
Depreciation - apartments owned	(37,377)	(31,606)
Depreciation of unconsolidated affiliates	(1,113)	(437)
Redeemable preferred dividend	2,700	1,455
Prepayment penalty	(1,349)	-
Impairment of real property	(423)	-
Income from discontinued operations before minority interest and loss on disposition of property	(163)	(2,600)
Minority interest	(7,111)	(7,746)
Income from continuing operations	$19,110	$24,527

Assets - As of June 30, 2003 and December 31, 2002
Apartments owned:
- Core
- Non-core

Reconciling items

Total Assets

HOME PROPERTIES OF NEW YORK, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Pro Forma Condensed Financial Information

The Company acquired one apartment community ("2003 Acquired Community") with 280 units in one transaction during the six and three-month periods ended June 30, 2003. The total purchase price (including closing costs) of

$34 million equates to approximately $121 per unit. Consideration for the community was funded through the use of the Company's line of credit.

In addition, the Company disposed of two apartment communities ("2003 Disposed Properties") with 552 units in two unrelated transactions during the first quarter of 2003. The total selling price (including closing costs) of $19.3 million resulted in a $451 gain on sale of real estate, net of minority interest. Due to the prepayment of debt associated with the sale of one of the properties, a $1,349 charge was recorded during the first quarter. During the second quarter of 2003, the Company reported a $131 loss, net of minority interest, relating to additional expenses incurred in the same quarter for sales which took place during 2002. These costs represent a change in estimate from those accrued at the time of sale.

The following proforma information was prepared as if (i) the 2003 transaction related to the acquisition of the "2003 Acquired Community" had occurred on January 1, 2002, (ii) the 2002 transactions related to the acquisition of 21 apartment communities in seven separate transactions had occurred on January 1, 2002, (iii) the disposition of the "2003 Disposed Properties" had occurred on January 1, 2002, (iv) the 2002 transactions related to the disposition of twelve apartment communities in eight separate transactions had occurred on January 1, 2002, and (v) the 2002 Series F Preferred Share offering and the two common equity offerings had occurred on January 1, 2002. The proforma financial information is based upon the historical consolidated financial statements and is not necessarily indicative of the consolidated results which actually would have occurred if the transactions had been consummated at the beginning of 2002, nor does it purport to represent the results of operations for future periods. Adjustments to the proforma condensed combined statement of operations for the six and three-months ended June 30, 2003 and 2002, consist principally of providing net operating activity and recording interest, depreciation and amortization from January 1, 2002 to the earlier of June 30, 2003 or 2002, as applicable, or the acquisition date.

	For the Six-months Ended June 30		For the
	2003	2002	20
Total revenues	$217,164	$208,366	$109,9
Net income available to common shareholders	13,618	16,652	9,1
Per common share data:			
Net income available to common shareholders			
Basic	$0.49	$0.64	$0.
Diluted	$0.48	$0.63	$0.
Weighted average numbers of shares outstanding:			
Basic	27,881,682	26,035,093	28,289,7
Diluted	28,307,215	26,357,858	28,807,5

HOME PROPERTIES OF NEW YORK, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Derivative Financial Instruments

The Company has three interest rate swaps that effectively convert variable rate debt to fixed rate debt. As of June 30, 2003, the aggregate fair value of the Company's interest rate swaps was $1,472 prior to the allocation of minority interest and is included in accrued expenses and other liabilities in the consolidated balance sheets. For the six-months ending June 30, 2003, as the critical terms of the interest rate swaps and the hedged items are the same, no ineffectiveness was recorded in the consolidated statements of operations. All components of the interest rate swaps were included in the assessment of hedge effectiveness. The fair value of the interest rate swaps is based upon the estimate of amounts the Company would receive or pay to terminate the contract at the reporting date and is estimated using interest rate market pricing models.

11. Disposition of Property and Discontinued Operations

Included in discontinued operations for the six-month period ended June 30, 2002 are fourteen apartment community dispositions (two and twelve sold in 2003 and 2002, respectively) and two properties sold in 2003 for the six-month period ended June 30, 2003. For purposes of the discontinued operations presentation, the Company only includes interest expense associated with specific mortgage indebtedness of the properties that are sold or classified as held for sale. Properties classified in this manner through June 30, 2003, have been reflected on a comparative basis for the period ended June 30, 2002.

As part of its strategic disposition program, during 2002, the Company sold twelve properties with a total of 1,724 units for total consideration of $87 million, or an average of $51 per unit. In January, 2003, the Company sold the two apartment communities referred to above having 552 units in two unrelated transactions. The total sales price of $21.1 million equates to $38 per unit. A gain on sale of approximately $451, net of minority interest, was recorded in the first quarter from these transactions and is reflected in discontinued operations. Due to the prepayment of debt associated with the sale of one of the properties, a $1,349 charge was recorded during the first quarter. During the second quarter, the Company reported a $131 loss, net of minority interest, relating to additional expenses incurred in the same quarter for sales which took place during 2002. These costs represent a change in estimate from those accrued at the time of sale.

In connection with the Company's strategic asset disposition program, management is constantly reevaluating the performance of its portfolio on a property-by-property basis. The Company from time to time determines that it is in the best interest of the Company to dispose of assets that have reached their potential or are less efficient to operate due to their size or remote location and reinvest such proceeds in higher performing assets located in targeted geographic markets. It is possible that the Company will sell such properties at a loss. In addition, it is possible that for assets held for use, certain holding period assumptions made by the Company may change which could result in the Company's recording of an impairment charge.

HOME PROPERTIES OF NEW YORK, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

11. Disposition of Property and Discontinued Operations (continued)

On July 25, 2003, the Company sold one additional community with a total of 212 units. The total sales price of $10.5 million equates to $50 per apartment unit. The Company expects to record a loss on sale in the third quarter, net of minority interest of approximately $240. This property has not been reflected in discontinued operations at June 30, 2003 as all significant contingencies surrounding the sale had not been resolved.

The operating results of the components of discontinued operations are summarized as follows for the six and three-month periods ended June 30, 2003 and 2002.

	Six months		Th
	2003	2002	2003
Revenues:			
Rental Income	$184	$6,826	$-
Property other income	6	187	-
Total Revenues	190	7,013	-
Operating and Maintenance	(6)	2,612	-
Interest expense	33	495	-
Depreciation and amortization	-	1,306	-
Total Expenses	27	4,413	-
Income from discontinued operations before minority interest and gain (loss) on disposition of property	163	2,600	-
Minority interest	60	1,001	-
Income from discontinued operations before gain (loss) on disposition of property and related minority interest	103	1,599	-
Gain (loss) on disposition of property	320	2,689	(131
Income (loss) from discontinued operations	$423	$4,288	($131

12. Commitments and Contingencies

Contingencies

In 2001, the Company underwent a state tax audit. The state has assessed taxes of $469 for the 1998 and 1999 tax years under audit. If the state's position is applied to all tax years through December 31, 2001, the assessment would be $1.3 million. At the time, the Company believed the assessment and the state's underlying position was neither supportable by the law nor consistent with previously provided interpretative guidance from the office of the State Secretary of Revenue. After two subsequent enactments by the state legislature during 2002 affecting the pertinent tax statute, the Company has been advised that its filing position for 1998-2001 should prevail. Based upon this information as of June 30, 2003, the Company has recorded an accrual of $525, representing only its 2002 liability. Effective January 1, 2003, the Company reorganized the ownership of Home Properties Trust, subjecting the Company to a much lower level of tax going forward.

HOME PROPERTIES OF NEW YORK, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

12. Commitments and Contingencies (continued)

Guarantees

The Company has guaranteed a total of $597 of debt associated with two entities where the Company is the general partner. All other mortgage notes payable of affiliates are non-recourse debt to the limited partnerships and the Company. In addition, the Company, through its general partnership interests in certain affordable property limited partnerships, has guaranteed the Low Income Housing Tax Credits to limited partners in 75 partnerships totaling approximately $63.8 million. As of June 30, 2003, there were no known conditions that would make such payments necessary, and no amounts have been recorded. In addition, the Company, acting as general partner in certain partnerships, is obligated to advance funds to meet partnership operating deficits.

13. Impairment of Real Property

During the first quarter of 2003, the Company listed for sale a 120-unit property located in Detroit. As a result of tests performed in accordance with SFAS No. 144, it was determined that the book value of this property was in excess of the undiscounted cash flows. Therefore, an impairment of real property of $423 was recorded for the three-month period ended March 31, 2003. This property is not reflected in discontinued operations as all significant contingencies surrounding the potential sale have not been resolved.

HOME PROPERTIES OF NEW YORK, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Forward-Looking Statements

This discussion contains forward-looking statements. Although the Company believes expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that may cause actual results to differ include general economic and local real estate conditions, the weather and other conditions that might affect operating expenses, the timely completion of repositioning activities within anticipated budgets, the actual pace of future acquisitions and continued access to capital to fund growth.

Liquidity and Capital Resources

The Company's principal liquidity demands are expected to be distributions to the common and preferred stockholders and Operating Partnership Unitholders, capital improvements and repairs and maintenance for the properties, acquisition of additional properties, property development and debt repayments.

The Company intends to meet its short-term liquidity requirements through net cash flows provided by operating activities and its unsecured line of credit. The Company considers its ability to generate cash to be adequate to meet all operating requirements and make distributions to its stockholders in accordance with the provisions of the Internal Revenue Code, as amended, applicable to REITs.

As of June 30, 2003, the Company had an unsecured line of credit from M & T Bank of $115 million. The Company's outstanding balance as of June 30, 2003, was $39 million. Borrowings under the line of credit bear interest at 1.15% over the one-month LIBOR rate. Accordingly, increases in interest rates will increase the Company's interest expense and as a result will affect the Company's results of operations and financial condition. The line of credit expires on September 1, 2005.

To the extent that the Company does not satisfy its long-term liquidity requirements through net cash flows provided by operating activities and its credit facility, it intends to satisfy such requirements through the issuance of UPREIT units, proceeds from the Dividend Reinvestment Plan ("DRIP"), proceeds from the sale of properties, additional long term secured or unsecured indebtedness, or the issuance of additional equity securities. As of June 30, 2003, the Company owned 23 properties with 3,769 apartment units, which were unencumbered by debt.

In May 1998, the Company's Form S-3 Registration Statement was declared effective relating to the issuance of up to $400 million of common stock, preferred stock or other securities. The available balance on the shelf registration statement at June 30, 2003 was $144.4 million.

In September 1999, the Company completed the sale of $50 million of Series B Preferred Stock in a private transaction with GE Capital. The Series B Preferred stock carried an annual dividend rate equal to the greater of 8.36% or the actual dividend paid on the Company's common shares into which the preferred shares could be converted. The stock had a liquidation preference of $25.00 per share, a conversion price of $29.77 per share, and a five-year, non-call provision. On February 14, 2002, 1,000,000 shares of the Series B Preferred stock were converted to 839,771 common shares. The conversion had no effect on the reported results of operations. On May 24, 2002 the Company repurchased the remaining 1.0 million shares outstanding at an amount equivalent to 839,772 common shares (as if the preferred shares had been converted). The Company repurchased the shares for $29,392 equal to the $35.00 common stock trading price when the transaction was consummated. A premium of $5,025 was incurred on the repurchase.

In May and June 2000, the Company completed the sale of $60 million of Series C Preferred Stock in a private transaction with affiliates of Prudential Real Estate Investors ("Prudential"), Teachers Insurance and Annuity Association of America ("Teachers"), affiliates of AEW Capital Management and Pacific Life Insurance Company. The Series C Preferred Stock carries an annual dividend rate equal to the greater of 8.75% or the actual dividend paid on the Company's common shares into which the preferred shares can be converted. The stock has a conversion price of $30.25 per share and a five-year, non-call provision. As part of the Series C Preferred Stock transaction, the Company also issued 240,000 warrants to purchase common shares at a price of $30.25 per share, expiring in five years. On January 9, 2003, holders of 100,000 shares of Series C Preferred Shares elected to convert those shares for 330,579 shares of common stock. On May 8, 2003, 200,000 shares of Series C Preferred Shares were converted into 661,157 shares of common stock. The conversions had no effect on the reported results of operations.

In June 2000, the Company completed the sale of $25 million of Series D Preferred Stock in a private transaction with The Equitable Life Assurance Society of the United States. The Series D Preferred Stock carries an annual dividend rate equal to the greater of 8.775% or the actual dividend paid on the Company's common shares into which the preferred shares can be converted. The stock has a conversion price of $30 per share and a five-year, non-call provision.

In December 2000, the Company completed the sale of $30 million of Series E Preferred Stock in a private transaction, again with affiliates of Prudential and Teachers. The Series E Preferred Stock carries an annual dividend rate equal to the greater of 8.55% or the actual dividend paid on the Company's common shares into which the preferred shares can be converted. The stock has a conversion price of $31.60 per share and a five-year, non-call provision. In addition, as part of the Series E Preferred Stock transaction, the Company issued warrants to purchase 285,000 common shares at a price of $31.60 per share, expiring in five years. On August 20, 2002, 63,200 of the Series E Convertible Preferred Shares were converted into 200,000 shares of common stock. On May 6, 2003, 36,800 shares of Series E Preferred Shares were converted into 116,456 shares of common stock. The conversions had no effect on the reported results of operations.

On February 28, 2002, the Company closed on two common equity offerings totaling 704,602 shares of the Company's common stock, at a weighted average price of $30.99 per share, resulting in net proceeds to the Company of approximately $21.8 million.

In March 2002, the Company issued 2,400,000 shares of its 9.00% Series F Cumulative Redeemable Preferred Stock ("Series F Preferred Shares"), with a $25.00 liquidation preference per share. This offering generated net proceeds of approximately $58 million. The net proceeds were used to fund the Series B preferred stock repurchase, property acquisitions, and property upgrades. The Series F Preferred Shares are redeemable by the Company at anytime on or after March 25, 2007 at a redemption price of $25.00 per share, plus any accumulated, accrued and unpaid dividends. Each Series F Preferred share will receive an annual dividend equal to 9.00% of the liquidation preference per share (equivalent to a fixed annual amount of $2.25 per share).

The issuance of UPREIT Units for property acquisitions continues to be a source of capital for the Company. During 2003, the Company exercised an option to acquire approximately 10 acres of land adjacent to one of its existing properties for $2.8 million. In connection with this transaction, the Company issued UPREIT units valued at approximately $2.8 million. In addition, $2 million of UPREIT units were issued to satisfy an existing liability. During 2002, the Company acquired an 864-unit property for a total purchase price of $81.5 million. The Company issued UPREIT units valued at approximately $11.5 million, with the balance funded by the assumption of debt and cash.

During 2002, $27.4 million of common stock was issued under the Company's DRIP. An additional $14.5 million has been raised through the DRIP program during the first six months of 2003.

The DRIP was amended, effective April 10, 2001, in order to reduce management's perceived dilution from issuing new shares at or below the underlying net asset value. The discount on reinvested dividends and optional cash purchases was reduced from 3% to 2%. The maximum monthly investment (without receiving approval from the Company) was reduced from $5 thousand to $1 thousand. As expected, these changes significantly reduced participation in the plan. Management will continue to monitor the relationship between the Company's stock price and estimated net asset value. During times when this difference is small, management has the flexibility to issue waivers to DRIP participants to provide for investments in excess of the $1 thousand maximum monthly investment. In connection with the announcement of the February, 2002 dividend, the Company announced such waivers will be considered beginning with the March 2002 optional cash purchase, as management believed the stock was trading at or above its estimate of net asset value. During the first quarter of 2002, the Company granted 53 waivers for purchases aggregating a total of $3.9 million. No waivers were granted during the balance of 2002 or the first six months of 2003.

On August 6, 2002 the Board of Directors increased its authorization 2,000,000 shares to repurchase its common stock or UPREIT units in connection with the Company's stock repurchase program. The shares/units may be repurchased through open market or privately negotiated transactions at the discretion of Company management. The Board's action does not establish a target stock price or a specific timetable for share repurchase. During the six months of 2003, there were no shares or UPREIT Units repurchased by the Company. At June 30, 2003 the Company had authorization to repurchase 3,135,800 shares of common stock and UPREIT Units under the stock repurchase program.

As of June 30, 2003, the weighted average rate of interest on mortgage debt is 6.34% and the weighted average maturity is approximately 8 years. Approximately 96.7% of the debt is fixed rate. This limits the exposure to changes in interest rates, minimizing the effect on results of operations and financial condition.

Off-Balance Sheet Investments

The Company has investments in and advances to approximately 136 affordable housing limited partnerships where the Company acts as the managing general partner. The Company accounts for these investments on the equity method of accounting, recording its share of the net income or loss based upon the terms of the partnership agreement. To the extent that it is determined that the limited partners cannot absorb their share of the losses, if any, the general partner will record the limited partners' share of such losses.

The Company guaranteed the low income housing tax credits to the limited partners for a period of five years (from the date of property development under the tax credit program) in 75 partnerships totaling approximately $63.8 million. Such guarantee requires the Company to operate the properties in compliance with Internal Revenue Code Section 42 for 15 years. The weighted average number of compliance years remaining is approximately 10 years. In addition, acting as the general partner in certain partnerships, the Company is obligated to advance funds to meet partnership operating deficits. However, such funding requirements cease after a five-year period. If operating deficits continue to occur after the expiration of the five-year period, the Company would determine on an individual partnership basis if it is in the best interest of the Company to continue to fund these deficits. The Company believes the properties operations conform to the applicable requirements as set forth above and do not anticipate any payment on the guarantees described above.

These partnerships are funded with non-recourse financing. The Company's proportionate share of non-recourse financing was $5.6 million at June 30, 2003. The Company has guaranteed a total of $597 of debt associated with two of these partnerships. In addition, the Company, including the Management Companies, has provided loans and advances to certain of the partnerships aggregating $10.4 million at June 30, 2003. The Company assesses the financial status and cash flow of each of the partnerships at each balance sheet date in order to assess recoverability of its investment in and advances to these affiliates.

In December 2002, the Company, including its equity affiliates, determined that it would market for sale virtually all of the assets associated with its interest in the aforementioned affordable housing limited partnerships. Such assets include the equity interest in the affordable housing partnerships, loans, advances and management contracts. The Company recorded impairment charges aggregating $520 during the first six months of 2003 from monies loaned to certain equity affiliates to fund operating shortfalls, which are not anticipated to be recovered from projected sale proceeds.

The Company intends to sell the assets in three phases:

Phase I consists of the Company's interest in 40 properties containing 1,357 units, all New York State Rural Development properties, which are under contract to be sold. A closing is anticipated during the third quarter of 2003 at approximately book value.

Phase II consists of the Company's interest in 49 properties with 1,471 units, all Pennsylvania Rural Development properties. An offer has been accepted for approximately book value. The final contract is being negotiated. The Company anticipates closing on this phase during the fourth quarter of 2003.

Phase III consists of the Company's interest in the remaining 35 properties with 3,421 units, primarily located in Upstate New York and Pennsylvania. The Company has received competitive bids and is expected to select a qualified buyer in the next several months with closing anticipated in the first quarter of 2004.

The Company plans on retaining the general partner interest in one 77-unit property located in Rochester, New York. The property is 80% market rate and is managed as a market rate community.

Summarized balance sheet information relating to these partnerships is as follows (amounts are in thousands):

	June 30, 2003	December 31, 2002
Balance Sheets:		
Real estate, net	$248,839	$266,613
Other assets	33,135	37,764
Total assets	$281,974	$304,377
Mortgage notes payable	$247,149	$253,285
Advances from affiliates	22,334	24,725
Other liabilities	15,488	15,125
Partners' equity (deficit)	(2,997)	11,242
Total liabilities and partners' equity (deficit)	$281,974	$304,377

The Company's ability to sell the affordable assets on the timelines described above is dependent on a variety of factors, some of which are outside of the Company's control, such as the receipt of the approvals of various partners, lenders and governmental agencies necessary for the sale.

Acquisitions and Dispositions

During the first quarter of 2003, the Company acquired its second property in the Boston area with 280 units in Stoughton, MA. The total purchase price of $34 million, including closing costs, equates to approximately $121 per apartment unit. The weighted average expected first year capitalization rate on this acquisition is 7.7%. Capitalization rate ("cap rate") is defined as the rate of interest used to convert the first year expected net operating income ("NOI") less a 3.0% management fee into a single present value. NOI is defined by the Company as rental income and property other income less operating and maintenance expenses. Management generally considers NOI to be an appropriate measure of operating performance because it helps investors to understand the operations of a community. In addition the apartment communities are valued and sold in the market by using a multiple of NOI.

Also during the first quarter of 2003, the Company sold two communities with a total of 552 apartment units in Indiana and Ohio for total consideration of $21.1 million, or an average of $38 per unit. A gain on sale of approximately $451, net of minority interest, was reported in the first quarter from these transactions and is reflected in discontinued operations. Due to the prepayment of debt associated with the sale of Candlewood Apartments in Indiana, a $1,349 charge was recorded during the first quarter.

During the first quarter of 2003, the Company listed for sale a 120-unit property located in Detroit. The book value of the property was in excess of the projected sale proceeds by approximately $423. Therefore, an impairment of real property has been recorded for that amount. This property is not reflected in discontinued operations as the Company believes it has not yet met the criteria to classify the property as held for sale.

Subsequent to the end of the second quarter, the Company sold a 212 unit community located in Pennsylvania. The total sales price of $10.5 million equates to $50 per apartment unit. The Company expects to record a loss on sale in the third quarter, net of minority interest of approximately $240. This property has not been reflected in discontinued operations at June 30, 2003 as all significant contingencies surrounding the sale had not been resolved.

Contractual Obligations and Other Commitments

The primary obligations of the Company relate to its mortgage notes payable and its borrowings under the line of credit. The Company's mortgage notes payable and line of credit outstanding at June 30, 2003 and December 31, 2002 are summarized as follows (in thousands):

	June 30, 2003	December 31, 20
Fixed rate mortgage notes payable	$1,312,056	$1,279,7
Variable rate mortgage notes payable	6,055	21,0
Total mortgage notes payable	1,318,111	1,300,8
Variable rate line of credit facility	39,000	35,0
Total mortgage notes payable and line of credit facility	$1,357,111	$1,335,8

Mortgage notes payable are collateralized by certain apartment communities and mature at various dates from November, 2003 through June, 2036. The weighted average interest rate of the Company's variable rate notes and credit facility was 2.35% and 2.83% at June 30, 2003 and December 31, 2002, respectively. The weighted average interest rate of the Company's fixed rate notes was 6.47% and 6.50% at June 30, 2003 and December 31, 2002, respectively.

The Company has a non-cancelable operating ground lease for one of its properties. The lease expires May 1, 2020, with options to extend the term of the lease for two successive terms of twenty-five years each. At June 30, 2003, future minimum rental payments required under the lease are $70 per year until the lease expires. The lease also provides for contingent rental payments based on collected rents. The contingent rent expense for the six-month period ended June 30, 2003 amounted to $70.

As discussed in the section entitled "Off-Balance Sheet Investments," the Company has the following guarantees or commitments relating to its equity method partnership investments: a) guarantee for a total of $597 of debt associated with two of partnerships, b) guarantee of the low income housing tax credits to the limited partners for a period of five years in 75 partnerships totaling approximately $63.8 million, and c) the obligation to advance funds to meet partnership operating deficits for a five year period for certain partnerships. The Company believes the properties operations conform to the applicable requirements as set forth above and do not anticipate any payment on these guarantees.

Capital Improvements

The Company's policy is to capitalize costs related to the acquisition, development, rehabilitation, construction and improvement of properties. Capital improvements are costs that increase the value and extend the useful life of an asset. Ordinary repair and maintenance costs that do not extend the useful life of the asset are expensed as incurred. Costs incurred on a lease turnover due to normal wear and tear by the resident are expensed on the turn. Recurring capital improvements typically include: appliances, carpeting and flooring, HVAC equipment, kitchen/ bath cabinets, new roofs, site improvements and various exterior building improvements. Non- recurring, revenue generating capital improvements include, among other items: community centers, new windows, and kitchen/ bath apartment upgrades. Revenue generating capital improvements will directly result in rental earnings or expense savings. The Company capitalizes interest and certain internal personnel costs related to the communities under rehabilitation and construction.

The Company estimates that on an annual basis $525 per unit is spent on recurring capital expenditures. During the three and six-month period ended June 30, 2003 approximately $131 and $262 per unit was estimated to be spent on recurring capital expenditures. The table below summarizes the actual total capital improvements incurred by major categories for the three and six-month periods ended June 30, 2003 and 2002 and an estimate of the breakdown of total capital improvements by major categories between recurring and non-recurring, revenue generating capital improvements for the three and six-month period ended June 30, 2003 as follows:

For the three-month period ended June 30,
(in thousands, except per unit data)

	2003						2002
	Recurring Cap Ex	Per Unit(a)	Non-Recurring Cap Ex	Per Unit(a)	Total Capital Improvement	Per Unit(a)	C Improv

New Buildings	$-	$-	$496	$12	$496	$12	
Major building improvements	945	23	5,516	133	6,461	156	
Roof replacements	361	9	684	16	1,045	25	
Site improvements	346	8	1,708	41	2,054	49	
Apartment upgrades	681	16	7,788	188	8,469	204	
Appliances	566	14	667	16	1,233	30	
Carpeting/Flooring	1,777	43	1,269	31	3,046	74	
HVAC/Mechanicals	523	12	2,772	67	3,295	79	
Miscellaneous	233	6	943	23	1,176	29	
Totals	$5,432	$131	$21,843	$527	$27,275	$658	$

(a) Calculated using the weighted average number of units outstanding, including 36,736 core units, 2002 acquisition units of 4,492 and 2003 acquisition units of 280 for the three-month period ended June 30, 2003 and 36,736 core units and 2002 acquisition units of 1,467 for the three-month period ended June 30, 2002.

For the six-month period ended June 30,
(in thousands, except per unit data)

	2003						2002
	Recurring Cap Ex	Per Unit(a)	Non-Recurring Cap Ex	Per Unit(a)	Total Capital Improvement	Per Unit(a)	C Improv
New Buildings	$-	$-	$883	$21	$883	$21	
Major building improvements	1,886	46	8,029	194	9,915	240	
Roof replacements	721	17	618	15	1,339	32	
Site improvements	691	17	2,139	52	2,830	69	
Apartment upgrades	1,360	33	14,831	358	16,191	391	
Appliances	1,130	27	1,158	28	2,288	55	
Carpeting/Flooring	3,548	86	1,809	44	5,357	130	
HVAC/Mechanicals	1,045	25	4,525	109	5,570	134	
Miscellaneous	463	11	1,581	38	2,044	49	
Totals	$10,844	$262	$35,573	$859	$46,417	$1,121	$

(a) Calculated using the weighted average number of units outstanding, including 36,736 core units, 2002 acquisition units of 4,492 and 2003 acquisition units of 215 for the six-month period ended June 30, 2003 and 36,736 core units and 2002 acquisition units of 906 for the six-month period ended June 30, 2002.

The schedule below summarizes the breakdown of total capital improvements between core and non-core as follows:

For the three-month period ended June 30,
(in thousands, except per unit data)

	2003						
	Recurring Cap Ex	Per Unit	Non-Recurring Cap Ex	Per Unit	Total Capital Improvement	Per Unit	C Improv
Core Communities	$4,807	$131	$16,651	$453	$21,458	$584	$
2003 Acquisition Communities	37	131	3	12	40	143	
2002 Acquisition Communities	588	131	5,189	1,155	5,777	1,286	
Sub-total	5,432	131	21,843	527	27,275	658	
2003 Disposed Communities	-	131	-	-	-	-	
2002 Disposed Communities	-	-	-	-	-	-	
Corporate office expenditures (1)	-	-	-	-	339	-	
	$5,432	$131	$21,843	$527	$27,614	$658	$

For the six-month period ended June 30,
(in thousands, except per unit data)

	2003						
	Recurring Cap Ex	Per Unit	Non-Recurring Cap Ex	Per Unit	Total Capital Improvement	Per Unit	C Improv
Core Communities	$9,614	$262	$26,756	$728	$36,370	$990	$
2003 Acquisition Communities	56	262	-	-	56	262	
2002 Acquisition Communities	1,174	262	8,817	1,963	9,991	2,225	
Sub-total	10,844	262	35,573	859	46,417	1,121	$
2003 Disposed Communities	5	262	-	-	5	262	
2002 Disposed Communities	-	-	-	-	-	-	
Corporate office expenditures (1)	-	-	-	-	796	-	
	$10,849	$262	$35,573	$859	$47,218	$1,121	$

(1) No distinction is made between recurring and non-recurring expenditures for corporate office.

Results of Operations

Summary of Core Properties

The Company had 129 apartment communities with 36,736 units which were owned during the six-month period being presented (the "Core Properties"). The Company has acquired an additional 22 apartment communities with 4,772 units during 2002 and 2003 (the "Acquired Communities"). In addition, the Company also disposed of 14 properties with a total of 2,276 units during 2002 and 2003 (the "Disposition Communities"). These dispositions have been classified as discontinued operations. The inclusion of the Acquired Communities generally accounted for the significant changes in operating results for the six-months ended June 30, 2003.

A summary of the Core Properties net operating income is as follows (in thousands):

	Six Months			Three Month		
	2003	2002	%Chg	2003	2002	%
Rental income	$176,832	$171,731	3.0%	$89,534	$86,801	3
Property other income	7,214	6,480	11.3%	3,823	3,354	14
Total income	184,046	178,211	3.3%	93,357	90,155	3
Operating and Maintenance	(83,566)	(77,313)	(8.1%)	(39,942)	(36,799)	(8
Net operating income	$100,480	$100,898	(0.4%)	$53,415	$53,356	0

Comparison of six-months ended June 30, 2003 to the same period in 2002

Of the $28,269 increase in rental income, $23,171 is attributable to the Acquired Communities. The balance of this increase, which is from the Core Properties, was the result of an increase of 3.2% in weighted average rental rates, offset by a decrease in occupancy from 91.7% to 91.5%. Occupancy is defined as total possible rental income, net of vacancy and bad debt expense as a percentage of total possible rental income. Total possible rental income is determined by valuing occupied units at contract rates and vacant units at market rents.

Property other income, which consists primarily of income from operation of laundry facilities, late charges, administrative fees, garage and carport charges, net profits from corporate apartments, cable revenue, pet charges, and miscellaneous charges to residents increased by $1,193. Of this increase, $459 is attributable to the Acquired Communities and $734 represents an 11.3% increase from the Core Properties.

Interest and dividend income decreased $496 due to decreased levels of financing to affiliates and a lower interest rate environment.

Of the $16,057 increase in operating and maintenance expenses, $9,804 is attributable to the Acquired Communities. The balance, a $6,253 increase, is attributable to the Core Properties and is primarily due to an increase in personnel expense, repairs and maintenance, property insurance, utilities and snow removal costs. The increase in personnel and snow removal costs of $2,505 are significantly related to weather conditions. The regions in which the Company operates, received higher than normal snowfall, and many regions that get very little snow were hit with unusual snow storms. A significant amount of overtime was incurred clearing and shoveling.

General and administrative expense increased in 2003 by $3,780, or 63.8%. General and administrative expenses as a percentage of total revenues were 4.5% for 2003 as compared to 3.2% for 2002. The increase primarily is attributed to the consolidation of the Management Companies in 2003 which added an additional

$2,270 to this line item. Previously such expenses were allocated and charged to the Management Companies and were included in the equity in earnings (losses) of unconsolidated affiliates. Of the remaining $1,510 variance, $409 is related to the expensing of stock options for the first time in both of the first two quarters of 2003 and a $318 increase in incentive compensation costs compared to the same period a year ago. The balance of this increase is attributable to incremental increases in general and administrative costs related to the 2002 Acquisition Communities.

Interest expense increased $6,221 due to the increase in the amount of debt outstanding associated with the Acquired Communities offset in part by lower interest rates.

Due to the prepayment of debt associated with the sale of Candlewood Apartments in Indiana, a $1,349 charge was recorded during the first quarter.

Depreciation and amortization expense increased $7,821 due to the depreciation on the Acquisition Communities, the additions to the Core Properties, net of the Disposition Communities.

The impairment of real property of $423 relates to an apartment community in Detroit currently under contract to be sold. As a result of tests performed in accordance with SFAS No. 144, it was determined that the book value of this property was in excess of the estimated undiscounted cash flows. This property is not reflected in discontinued operations as all significant contingencies surrounding the sale have not been resolved.

In the fourth quarter of 2002, the Company announced its intention to sell virtually all of the assets associated with its general partner interests in the affordable properties to focus solely on the direct ownership and management of market rate apartment communities. At that time, the Company announced its intention to sell the assets, which include principally loans, advances and management contracts.

The impairment of assets held as General Partner of $520, represents advances made to certain of the affordable property limited partnerships during the first six months of 2003 which the Company believes will not be repaid upon the sale of the loans.

The equity in earnings (losses) of unconsolidated affiliates of $1,184 is primarily the result of the general partner recording a greater share of the underlying investment's losses due to the loans and advances to certain of the affordable property limited partnerships where the limited partner has no capital account. This is pursuant to the accounting requirements of EITF 99-10, "Percentage Used to Determine the Amount of Equity Method Losses."

Minority interest decreased $635 due to the impairment of real property and assets held by the General Partner recorded in the first six months of 2003 together with an overall reduction in income from operations as a result of increased interest and depreciation costs as compared to the previous period. Both of these items were offset by the impact of the premium paid on the repurchase of the Series B Convertible Cumulative Preferred Stock which had been treated as a charge to net income available to common shareholders in the previous year.

Included in discontinued operations for the six-month period ended June 30, 2002 are fourteen apartment community dispositions (two and twelve sold in 2003 and 2002, respectively) and two properties sold in 2003 for the six-months ended June 30, 2003. The operations of these fourteen properties have been reflected on a comparative basis for the period ended June 30, 2002.

The Company reported a $245 loss, net of minority interest, on disposition of property in the first quarter of 2002 relating to additional expenses incurred in the same quarter for a sale which closed in the fourth quarter of 2001. These costs represented a change in estimate from those accrued at the time of sale.

Comparison of the three-months ended June 30, 2003 to the same period in 2002

Of the $12,432 increase in rental income, $9,699 is attributable to the Acquired Communities. The balance of this increase, which is from the Core Properties, was the result of an increase of 3.1% in weighted average rental rates. Occupancy reflected no change and was 92.3% for each of the quarters ended June 30, 2003 and 2002. Occupancy is defined as total possible rental income, net of vacancy and bad debt expense as a percentage of total possible rental income. Total possible rental income is determined by valuing occupied units at contract rates and vacant units at market rents.

Property other income, which consists primarily of income from operation of laundry facilities, late charges, administrative fees, garage and carport charges, net profits from corporate apartments, cable revenue, pet charges, and miscellaneous charges to residents increased by $681. Of this increase, $212 is attributable to the Acquired Communities and $469 represents a 14% increase from the Core Properties.

Interest and dividend income decreased $313 due to decreased levels of financing to affiliates and a lower interest rate environment.

Of the $7,352 increase in operating and maintenance expenses, $4,209 is attributable to the Acquired Communities. The balance, a $3,143 increase, is attributable to the Core Properties and is primarily due to an increase in repairs and maintenance, personnel expense, utilities, and property insurance, offset by a decrease in real estate taxes. The increase in utilities is a combination of a colder spring than usual, as well as renewal of certain contracts during the 2003 current quarter at higher rates compared to the year ago quarter. The increase in repairs and maintenance reflects the Company's continual focus on properly maintaining the communities. Property insurance expenses in 2002 continued to benefit from the legal settlement received a couple of years ago. The increase in personnel costs reflects efforts to increase occupancy. The property management teams have been challenged to increase occupancy while selectively giving up some rental rate growth. Additional staffing, plus overtime hours to improve the Company's capture rate, contributed to the increased personnel costs.

General and administrative expense increased in 2003 by $1,760, or 62%. General and administrative expenses as a percentage of total revenues were 4.2% for 2003 as compared to 2.9% for 2002. The increase primarily is attributed to the consolidation of the Management Companies in 2003 which added an additional $1,113 to this line item. Previously such expenses were allocated and charged to the Management Companies and were included in the equity in earnings (losses) of unconsolidated affiliates. Of the remaining $647 variance, $207 is related to the expensing of stock options for the first time in the second quarter of 2003 and a $63 increase in incentive compensation costs compared to the same period a year ago. The balance of this increase is attributable to incremental increases in general and administrative costs related to the 2002 Acquisition Communities.

Interest expense increased $2,725 due to the increase in the amount of debt outstanding associated with the Acquired Communities offset in part by lower interest rates.

Depreciation and amortization expense increased $3,202 due to the depreciation on the Acquisition Communities, the additions to the Core Properties, net of the Disposition Communities.

In the fourth quarter of 2002, the Company announced its intention to sell virtually all of the assets associated with its general partner interests in the affordable properties to focus solely on the direct ownership and management of market rate apartment communities. At that time, the Company announced its intention to sell the assets, which include principally loans, advances and management contracts.

The impairment of assets held as General Partner of $93, represents advances made to certain of the affordable property limited partnerships during the second quarter of 2003 which the Company believes will not be repaid upon the sale of the loans.

The equity in earnings (losses) of unconsolidated affiliates of $444 is primarily the result of the general partner recording a greater share of the underlying investment's losses due to the loans and advances to certain of the affordable property limited partnerships where the limited partner has no capital account. This is pursuant to the accounting requirements of EITF 99-10, "Percentage Used to Determine the Amount of Equity Method Losses."

Minority interest increased $1,171 as a result of the reduced level of gains on disposition of real property reflected in discontinued operations in 2003 as compared to the same period one year ago, offset by an overall reduction in income from operations as a result of increased interest and depreciation costs as compared to the previous period. In addition, these items were offset by the impact of the premium paid on the repurchase of the Series B Convertible Cumulative Preferred Stock which had been treated as a charge to net income available to common shareholders in the previous year.

Included in discontinued operations for the three-month period ended June 30, 2002 are fourteen apartment community dispositions (two and twelve sold in 2003 and 2002, respectively) and two properties sold in 2003 for the three-months ended June 30, 2003. The operations of these fourteen properties have been reflected on a comparative basis for the period ended June 30, 2002. During the second quarter, the Company reported a $131 loss, net of minority interest, relating to additional expenses incurred in the same quarter for sales which took place during 2002. These costs represent a change in estimate from those accrued at the time of sale.

Funds From Operations

Pursuant to the revised definition of Funds From Operations ("FFO") adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), FFO is defined as net income (computed in accordance with accounting principles generally accepted in the United States of America ("GAAP")) excluding gains or losses from sales of property, minority interest and extraordinary items plus depreciation from real property including adjustments for unconsolidated partnerships and joint ventures less dividends from non-convertible preferred shares. The Company considers debt extinguishment costs which are incurred as a result of repaying property specific debt and non-cash real estate impairment charges, as a component of the gain or loss on sale of the property. Because of the limitations of the FFO definition as published by NAREIT as set forth above, the Company has made certain interpretations in applying the definition. The Company believes all adjustments not specifically provided for are consistent with the definition.

Management believes that in order to facilitate a clear understanding of the combined historical operating results of the Company, FFO should be considered in conjunction with net income as presented in the consolidated financial statements included elsewhere herein. Management believes that by excluding gains or losses related to dispositions of property and excluding real estate depreciation (which can vary among owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Cash provided by operating activities was $76,303 and $73,148 for the six-month period ended and $42,794 and $43,832 for the three-month period ended June 30, 2003 and 2002, respectively. Cash used in investing activities was $56,707 and $174,345 for the six-month period ended and $25,850 and $115,954 for the three-month period ended June 30, 2003 and 2002, respectively. Cash (used in) and provided by financing activities was ($21,668) and $103,217 for the six-month period ended and ($19,033) and $24,130 for the three-month period ended June 30, 2003 and 2002, respectively. FFO should not be considered as an alternative to net income as an indication of the Company's performance or to cash flow as a measure of liquidity.

The calculation of FFO and reconciliation to GAAP net income available to common Shareholders for the six and three-months ended June 30, 2003 and 2002 are presented below (in thousands):

	Six Months	
	2003	2002
Net income available to common shareholders	$12,813	$16,311
Convertible preferred dividends	4,010	5,779
Minority interest	7,111	7,746
Minority interest - income from discontinued operations	60	1,001
Depreciation from real property	37,377	31,606
Depreciation from real property from unconsolidated entities	1,113	437
Impairment of real property	423	-
Loss on disposition of property	10	245
Prepayment penalty from early extinguishment of debt in connection with sale of Candlewood Apartments	1,349	-
(Gain) loss on disposition of discontinued operations, net of minority interest	(320)	(2,689)
FFO as defined above	63,946	60,436
Premium on Series B preferred stock repurchase	-	5,025
FFO as adjusted by the Company	$63,946	$65,461
Weighted average common shares/units outstanding:		
- Basic	44,044.6	41,422.5
- Diluted	47,417.2	46,384.0

On May 24, 2002 the Company repurchased the 1.0 million shares outstanding of the Series B preferred stock at an amount equivalent to 839,772 common shares (as if the preferred shares had been converted). The stock had a liquidation preference of $25.00 per share, a conversion price of $29.77 per share, and a five-year, non-call provision. The Company repurchased the shares for $29,392 equal to the $35.00 common stock trading price when the transaction was consummated. A premium of $5,025 was incurred on the repurchase.

In the adjusted presentation above, the Company excluded the premium on the Series B preferred stock. The Company believes that this calculation is more reflective of continuing operations as the premium was considered a one time charge. All REITs may not be using the same definition for FFO. Accordingly, the above presentation may not be comparable to other similarly titled measures of FFO of other REITs.

Covenants

In connection with the issuance of the Series F Preferred Stock, the Company is required to maintain for each fiscal quarterly period a fixed charge coverage ratio, as defined in the Series F Cumulative Redeemable Preferred Stock Article Supplementary, of 1.75 to 1.0. The fixed charge coverage ratio and the components thereof do not represent a measure of cash generated from operating activities in accordance with generally accepted accounting principles and are not necessarily indicative of cash available to fund cash needs. Further, this ratio should not be considered as an alternative measure to net income as an indication of the Company's performance or of cash flow as a measure of liquidity. The calculation of the fixed charge coverage ratio for the four most recent quarters since the issuance of the Series F Preferred Stock are presented below (in thousands). Net operating income from discontinued operations in the calculation below is defined as total revenues from discontinued operations less operating and maintenance expenses.

Calculation Presented for Series F Covenants

		Three-months en	
	June 30 2003	Mar. 31 2003	D
EBITDA			
Total revenues	$109,713	$106,955	$1
Net operating income from discontinued operations	-	196	
Operating and maintenance	(46,040)	(49,772)	(4
General and administrative	(4,582)	(5,119)	(
Impairment of assets held as General Partner	(93)	(427)	(
Equity in earnings (losses) of unconsolidated affiliates	(444)	(740)	(1
	$58,554	$51,093	$
Fixed Charges			
Interest expense	$21,634	$21,300	$
Interest expense on discontinued operations	-	33	
Preferred dividends	3,192	3,518	
Capitalized interest	230	230	
	$25,056	$25,081	$
Times Coverage ratio:	2.34	2.04	

(1) Results for the quarter reflect impairment and other charges relating to

certain government assisted properties ("affordable properties") in which the Company is a general partner as described in more detail in the notes to the Company's annual report filed on form 10K. Excluding the impairment and other charges of $18,074, the fixed charge coverage ratio would have been 2.34.

Economic Conditions

Substantially all of the leases at the Company's apartment communities are for a term of one year or less, which enables the Company to seek increased rents upon renewal of existing leases or commencement of new leases. These short-term leases minimize the potential adverse effect of inflation on rental income, although residents may leave without penalty at the end of their lease terms and may do so if rents are increased significantly.

Historically, real estate has been subject to a wide range of cyclical economic conditions, which affect various real estate sectors and geographic regions with differing intensities and at different times. In 2002 and continuing into 2003 many regions of the United States have experienced varying degrees of economic recession and certain recessionary trends, such as the cost of obtaining sufficient property and liability insurance coverage, short-term interest rates, and a temporary reduction in occupancy. In light of this, we will continue to review our business strategy however, we believe that given our property type and the geographic regions in which we are located, we do not anticipate any changes in our strategy or material effects in financial performance.

Declaration of Dividend

On August 5, 2003, the Board of Directors approved a dividend of $.61 per share for the quarter ended June 30, 2003. This is the equivalent of an annual distribution of $2.44 per share. The dividend is payable August 28, 2003 to shareholders of record on August 18, 2003.

On August 5, 2003 the Company also declared a regular dividend of $0.5625 per share on its Series F Cumulative Redeemable Preferred Stock, for the quarter ending August 31, 2003. The dividend on the preferred shares is payable on September 2, 2003, to shareholders of record on August 18, 2003. This dividend is equivalent to an annualized rate of $2.25 per share.

Contingency

In 2001, the Company underwent a state tax audit. The state has assessed taxes of $469 for the 1998 and 1999 tax years under audit. If the state's position is applied to all tax years through December 31, 2001, the assessment would be $1.3 million. At the time, the Company believed the assessment and the state's underlying position was not supportable by the law nor consistent with previously provided interpretative guidance from the office of the State Secretary of Revenue. After two subsequent enactments by the state legislature during 2002 affecting the pertinent tax statute, the Company has been advised that its filing position for 1998-2001 should prevail. Based upon this information as of June 30, 2003, the Company has recorded an accrual of $525, representing only its 2002 liability. Effective January 1, 2003, the Company reorganized the ownership of Home Properties Trust, subjecting the Company to a much lower level of tax going forward.

New Accounting Standard

In January 2003, the FASB issued Interpretation No. 46 - "Consolidation of Variable Interest Entities", an interpretation of ARB No. 51 - "Consolidated Financial Statements." The interpretation addresses consolidation by businesses of special purpose entities (variable interest entities, "VIE"). This interpretation addresses consolidation by business enterprises of variable interest entities in which the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or in which the equity investors do not have the characteristics of a controlling financial interest. This interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The interpretation also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of this interpretation apply immediately to variable interest entities created after January 31, 2003, and in the first fiscal year or interim period beginning after June 15, 2003, to existing variable interest entities. Management is uncertain but is assuming it is reasonably possible that each of the limited partnerships in which it holds the general partnership interest would be considered a VIE where the Company is the primary beneficiary, and as a result the Company would consolidate all or a certain number of the limited partnership's assets and liabilities.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003. The provisions of FAS 149 are not expected to have a material impact on the Company's financial statements.

In May 2003, FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company is still in the process of evaluating the potential impact of this standard on its financial statements.

HOME PROPERTIES OF NEW YORK, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is interest rate risk. At June 30, 2003 and December 31, 2002, approximately 97% and 96%, respectively, of the Company's debt bore interest at fixed rates with a weighted average maturity of approximately 8 years and a weighted average interest rate of approximately 6.47% and 6.50%, respectively. The remainder of the Company's debt bears interest at variable rates with a weighted average maturity of approximately 4 and 2 years, respectively, and a weighted average interest rate of 2.87% and 2.83%, respectively, at June 30, 2003 and December 31, 2002. The Company does not intend to utilize variable rate debt to acquire properties in the future. On occasion, the Company may assume variable rate debt in connection with a property acquisition. The Company believes, however, that in no event would increases in interest expense as a result of inflation significantly impact the Company's distributable cash flow.

At June 30, 2003 and December 31, 2002, the interest rate risk on $25.2 million of such variable rate debt has been mitigated through the use of interest rate swap agreements (the "Swaps") with major financial institutions. The Company is exposed to credit risk in the event of non-performance by the counter-parties to the Swaps. The Company believes it mitigates its credit risk by entering into these Swaps with major financial institutions. The Swaps effectively convert an aggregate of $25.2 million in variable rate mortgages to fixed rates of 5.91%, 8.22% and 8.40%.

For both June 30, 2003 and December 31, 2002, the fair value of the Company's fixed rate debt, including the $25.2 million which was swapped to a fixed rate, amounted to a liability of $1.5 billion compared to its carrying amount of $1.3 billion. The Company estimates that a 100 basis point decrease in market interest rates at June 30, 2003 would have changed the fair value of the Company's fixed rate debt to a liability of $1.6 billion.

The Company intends to continuously monitor and actively manage interest costs on its debt portfolio and may enter into swap positions based upon market fluctuations. In addition, the Company believes that it has the ability to obtain funds through additional equity offerings or the issuance of UPREIT Units. Accordingly, the cost of obtaining such interest rate protection agreements in relation the Company's access to capital markets will continue to be evaluated. The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of June 30, 2003, the Company had no other material exposure to market risk.

HOME PROPERTIES OF NEW YORK, INC.

ITEM 4. INTERNAL CONTROLS

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's Co-Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control these entities, the disclosure controls with respect to such entities are necessarily substantially more limited than those maintained with respect to the Company's consolidated subsidiaries.

The Co-Chief Executive Officers and Chief Financial Officer have, as of the end of the period covered by this quarterly report, evaluated the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) and have determined that such disclosure controls and procedures are adequate. In connection with the evaluation, no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) was identified that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

HOME PROPERTIES OF NEW YORK, INC.

Item 6. Exhibits and Reports or Form 8-K

(a) Exhibit 31.1 Section 302 Certifications of Chief Executive Officers

Exhibit 31.2 Section 302 Certification of Chief Financial Officer

Exhibit 32.1 Section 906 Certifications of Chief Executive Officers

Exhibit 32.2 Section 906 Certification of Chief Financial Officer

(b) Reports on Form 8-K:

- Form 8-K was filed on August 8, 2003, date of report August 8, 2003, as amended by Form 8-K/A filed on August 14, 2003, with respect to Items 7 and 12 disclosures regarding the Registrant's press release announcing its results for the second quarter of 2003 and the second quarter 2003 investor conference call.

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.

HOME PROPERTIES OF NEW YORK, INC.
(Registrant)

Date: August 14, 2003

By: /s/ Norman P. Leenhouts

Norman P. Leenhouts
Chairman and
Co-Chief Executive Officer

Date: August 14, 2003

By: /s/ David P. Gardner
David P. Gardner
Senior Vice President and
Chief Financial Officer