

TRANSCONTINENTAL REALTY INVESTORS INC
Form 8-K
December 22, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

December 15, 2004

Date of Report (Date of Earliest Event Reported)

TRANSCONTINENTAL REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
**(State or Other Jurisdiction of Incorporation or
Organization)**

1-09240
(Commission File No.)

94-6565852
(I.R.S. Employer Identification No.)

1800 Valley View Lane, Suite 300, Dallas, Texas
(Address of Principal Executive Office)

75234
(Zip Code)

(469) 522-4200

(Registrant's Telephone Number, Including Area Code)

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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))
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ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

In 2004, Transcontinental Realty Investors, Inc. (TCI) sold a significant amount of its assets, the last sale of which was completed on December 15, 2004. The nature and amount of consideration given principally involved cash received, seller financing provided by TCI and/or debt assumed by purchaser, and the principle followed in determining the amount of such consideration was negotiations between TCI and the purchaser. The properties sold are as follows:

| Date of Completion or Sale Date | Description of Asset or Property | Location | Units/Sq. Ft./Acres (in thousands) | Sales Price (in thousands) | Gain on Sale (in thousands) | % of TCI s Assets | Purchaser |
|---------------------------------|----------------------------------|--------------------|------------------------------------|----------------------------|-----------------------------|-------------------|--------------------------------------|
| 10/15/04 | In The Pines Apartments | Gainesville, FL | 242 Units | \$ 11,300 | \$ 5,136 | 0.54% | National Commercial Ventures, LLC |
| 10/05/04 | Durham Centre | Durham, NC | 207,171 Sq. Ft. | 21,300 | (1) | 2.01% | Edina Park Plaza Associates, L.P.(2) |
| 10/19/04 | One Steeplechase | Sterling, VA | 103,376 Sq. Ft. | 11,900 | 5,627 | 0.64% | Lincoln Property Management |
| 11/09/04 | Ambulatory Surgery Center | Sterling, VA | 33,832 Sq. Ft. | 8,675 | 202 | 0.96% | GMS, LLC & 1480 LLC |
| 11/24/04 | Venture Center | Atlanta, GA | 38,272 Sq. Ft. | 4,000 | 1,167 | 0.24% | Sabeti Investments, LLC |
| 12/03/04 | Centura Tower | Farmers Branch, TX | 410,901 Sq. Ft. | 88,500 | 36,570 | 5.57% | DCM Deutsche Capital Management AG |
| 12/15/04 | Corporate Pointe | Chantilly, VA | 65,918 Sq. Ft. | 9,000 | 5,239 | 0.40% | 14100 Park Meadow Drive, LLC |
| | | | | \$ 154,675 | \$ 53,941 | 10.36% | |

(1) Excludes a deferral in recognition of gain of \$4.1 million due to a related party sale.

(2) Edina Park Plaza Associates, L.P., of which the managing general partner is a subsidiary of American Realty Investors, Inc. (ARI), a related party. ARI is a significant stockholder in TCI.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

The unaudited pro forma statements of operations are presented for the nine months ended September 30, 2004 and the year ended December 31, 2003. The unaudited pro forma statements of operations present TCI's operations as if the transactions described above had occurred at January 1 of each of the periods presented. An unaudited pro forma balance sheet as of September 30, 2004, is also presented. The unaudited pro forma balance sheet presents the property sales described above, as if they had occurred at January 1, 2004.

The unaudited pro forma condensed combined financial statements should be read in conjunction with TCI's financial statements and related notes included in TCI's Report on Form 10-Q for the quarter ended September 30, 2004 and the Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2004

(Dollars in thousands)

| | Ambulatory | | | | | | | | Totals |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|--------------------|-----------------|-------------------|
| | In The | Durham | One | Surgery | Venture | Centura | Corporate | | |
| | Actual | Pines(1) | Centre(1) | Steeplechase(1) | Center(1) | Center(1) | Tower(1) | Pointe(1) | |
| ASSETS | | | | | | | | | |
| Real Estate held for Investment | \$ 800,244 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 800,244 |
| Less: Accumulated Depreciation | (81,408) | | | | | | | | (81,408) |
| | 718,836 | | | | | | | | 718,836 |
| Real Estate Held for Sale | 100,407 | (4,691) | (17,283) | (5,377) | (8,261) | (2,495) | (49,923) | (3,431) | 8,946 |
| Notes and Interest Receivable: | | | | | | | | | |
| Performing | 40,709 | 1,000 | 17,833 | | | | | | 59,542 |
| Non-Performing | 4,303 | | | | | | | | 4,303 |
| | 45,012 | 1,000 | 17,833 | | | | | | 63,845 |
| Less: Allowances for Estimated Losses | (1,456) | | | | | | | | (1,456) |
| | 43,556 | 1,000 | 17,833 | | | | | | 62,389 |
| Investment in real estate entities | 14,322 | | | | | | | | 14,322 |
| Marketable equity securities, at market value | 5,782 | | | | | | | | 5,782 |
| Cash and cash equivalents | 7,830 | 3,538 | 3,314 | 3,549 | 5,396 | 980 | 36,565 | 5,009 | 66,181 |
| Other Assets | 53,803 | (1,456) | (953) | (2,220) | (731) | (416) | (10,515) | (2,505) | 35,007 |
| Total Assets | \$ 944,536 | \$ (1,609) | \$ 2,911 | \$ (4,048) | \$ (3,596) | \$ (1,931) | \$ (23,873) | \$ (927) | \$ 911,463 |
| LIABILITIES AND EQUITY | | | | | | | | | |
| Notes and interest payable | \$ 599,364 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 599,364 |
| Liabilities related to assets held for sale | 92,898 | (5,212) | | (7,654) | (1,012) | (2,554) | (50,000) | (3,623) | 22,843 |
| Other Liabilities | 42,486 | (253) | (2,045) | (393) | (7,558) | (775) | (20,542) | (60) | 10,860 |
| | 734,748 | (5,465) | (2,045) | (8,047) | (8,570) | (3,329) | (70,542) | (3,683) | 633,067 |
| Minority Interest | 852 | | | | | | | | 852 |
| Stockholders' equity: | | | | | | | | | |
| Preferred Stock | | | | | | | | | |
| Common Stock | 81 | | | | | | | | 81 |
| Paid-in capital | 256,756 | | | | | | | | 256,756 |

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| | | | | | | | | | |
|--------------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|--------------------|-----------------|-------------------|
| Accumulated deficit | (46,124) | 3,856 | 4,956 | 3,999 | 4,974 | 1,398 | 46,669 | 2,756 | 22,484 |
| Accumulated other comprehensive loss | (1,777) | | | | | | | | (1,777) |
| | 208,936 | 3,856 | 4,956 | 3,999 | 4,974 | 1,398 | 46,669 | 2,756 | 277,544 |
| Total Liabilities and Equity | \$ 944,536 | \$ (1,609) | \$ 2,911 | \$ (4,048) | \$ (3,596) | \$ (1,931) | \$ (23,873) | \$ (927) | \$ 911,463 |

(1) Assumes sale by TCI on January 1, 2004.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS ⁽¹⁾⁽²⁾

NINE MONTHS ENDED SEPTEMBER 30, 2004

(Dollars in thousands, except per share)

| | <u>Actual</u> | <u>Apartments(3)</u> | <u>Commercial(4)</u> | <u>Proforma</u> |
|--|--------------------|----------------------|----------------------|--------------------|
| Property revenue: | | | | |
| Rents | \$ 75,851 | \$ | \$ | \$ 75,851 |
| Property operations | 49,361 | | | 49,361 |
| Operating income | 26,490 | | | 26,490 |
| Land Operations: | | | | |
| Sales | 32,550 | | | 32,550 |
| Cost of Sales | 24,828 | | | 24,828 |
| Deferred Gain on Sale | 4,869 | | | 4,869 |
| Gain on Land Sales | 2,853 | | | 2,853 |
| Other income (loss): | | | | |
| Interest | 2,180 | | | 2,180 |
| Gain on foreign currency transaction | 1,791 | | | 1,791 |
| Equity in loss of equity investees | (1,707) | | | (1,707) |
| | 2,264 | | | 2,264 |
| Other expense: | | | | |
| Interest | 24,734 | | | 24,734 |
| Depreciation | 13,118 | | | 13,118 |
| Provision for asset impairment | 4,477 | | | 4,477 |
| Advisory fee to affiliates | 4,943 | (27) | (523) | 4,393 |
| General and administrative | 5,551 | | | 5,551 |
| Minority interest | 867 | | | 867 |
| | 53,690 | (27) | (523) | 53,140 |
| Net income (loss) from continuing operations | \$ (22,083) | \$ 27 | \$ 523 | \$ (21,533) |
| Basic and Diluted Earnings Per Share: | | | | |
| Net Loss from Continuing Operations | \$ (2.72) | | | \$ (2.65) |
| Weighted Average Common Shares Used in Computing Earnings | | | | |
| Per Share | 8,113,669 | | | 8,113,669 |

- (1) The proforma combined Statement of Operations assumes that each property was sold by TCI on January 1, 2004.
- (2) Operating results for properties are their actual operating results from January 1 to their respective dates of sale. Rents, property operations, interest expense and depreciation for all the non-land sales reported in this 8-K filing were excluded from the actual results of continuing operations at September 30, 2004.
- (3) Includes the In The Pines Apartments sold in October 2004.
- (4) Includes Durham Centre and One Steeplechase sold in October 2004, Ambulatory Surgery Center and Venture Center sold in November 2004, and Centura Tower and Corporate Pointe sold in December 2004.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS ⁽¹⁾⁽²⁾

YEAR ENDED DECEMBER 31, 2003

(Dollars in thousands, except per share)

| | Previously Reported Dispositions on | | | | |
|---|---|----------------|-----------------|-----------------|--------------------|
| | Actual(3) | Form 8-K(4) | Apartments(5) | Commercial(6) | Proforma |
| Property revenue: | | | | | |
| Rents | \$ 114,422 | \$ (11,668) | \$ (1,773) | \$ (13,961) | \$ 87,020 |
| Property operations | 73,603 | (5,939) | (958) | (6,586) | 60,120 |
| Operating income | 40,819 | (5,729) | (815) | (7,375) | 26,900 |
| Land Operations: | | | | | |
| Sales | 11,087 | 31,062 | | | 42,149 |
| Cost of Sales | 7,730 | 23,920 | | | 31,650 |
| Deferred Gain on Sale | 1,716 | 4,982 | | | 6,698 |
| Gain on Land Sales | 1,641 | 2,160 | | | 3,801 |
| Other income (loss): | | | | | |
| Interest | 6,683 | | | | 6,683 |
| Equity in loss of equity investees | (4,291) | | | | (4,291) |
| Gain on debt extinguishment | 4,392 | | | | 4,392 |
| Gain on condemnation award | 4,800 | | | | 4,800 |
| | 11,584 | | | | 11,584 |
| Other expense: | | | | | |
| Interest | 38,943 | (4,357) | (496) | (9,117) | 24,973 |
| Depreciation | 21,199 | (1,785) | (118) | (2,658) | 16,638 |
| Provision for asset impairment | 4,713 | | | | 4,713 |
| Discount on sale of note receivable | 104 | | | | 104 |
| Advisory fee to affiliates | 4,935 | (774) | (37) | (668) | 3,456 |
| General and administrative | 9,149 | | | | 9,149 |
| Loss on foreign currency translation | 3,309 | | | | 3,309 |
| Minority interest | (2,230) | 1,064 | | | (1,166) |
| | 80,122 | (5,852) | (651) | (12,443) | 61,176 |
| Net income (loss) from continuing operations | \$ (26,078) | 2,283 | \$ (164) | \$ 5,068 | \$ (18,891) |
| Basic and Diluted Earnings Per Share: | | | | | |
| Net Loss from Continuing Operations | \$ (3.23) | | | | \$ (2.33) |
| | 8,078,108 | | | | 8,078,108 |

Weighted Average Common Shares Used in
Computing Earnings Per Share

- (1) The proforma combined Statement of Operations assumes that each property was sold by TCI on January 1, 2003.
- (2) Operating results for properties are their actual operating results for 2003. Rents, property operations, interest expense and depreciation for non-land properties sold prior to April 1, 2004 were excluded from the actual results of continuing operations at December 31, 2003.
- (3) TCI's land operations were not separately disclosed in the Consolidated Statement of Operations in TCI's Report on Form 10-K for the year ending December 31, 2003.
- (4) Includes proforma results from asset dispositions filed on Form 8-K by TCI on August 24, 2004.
- (5) Includes the In The Pines Apartments sold in October 2004.
- (6) Includes Durham Centre and One Steeplechase sold in October 2004, Ambulatory Surgery Center and Venture Center sold in November 2004, and Centura Tower and Corporate Pointe sold in December 2004.

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.

TRANSCONTINENTAL REALTY INVESTORS, INC.

Date: December 22, 2004

By: /s/ Scott T. Lewis

Scott T. Lewis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Acting Principal Executive
Officer)