

AMERICAN REALTY INVESTORS INC  
Form 10-Q  
August 16, 2010  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2010

or

**.. 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 001-15663

**AMERICAN REALTY INVESTORS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Nevada  
(State or Other Jurisdiction of)

75-2847135  
(I.R.S. Employer)

Incorporation or Organization)

1800 Valley View Lane, Suite 300, Dallas, Texas 75234

Identification No.)

(Address of principal executive offices)

(Zip Code)

(469) 522-4200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)\* Yes No.

\* The registrant has not yet been phased into the interactive data requirements

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a Smaller reporting Company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value  
(Class)

11,484,318  
(Outstanding at August 1, 2010)

**Table of Contents**

**AMERICAN REALTY INVESTORS, INC.**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets at June 30, 2010 (unaudited) and December 31, 2009</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (unaudited)</u>	4
<u>Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2010 (unaudited)</u>	5
<u>Consolidated Statements of Comprehensive Income (loss) for the six months ended June 30, 2010 and 2009 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 4T. <u>Controls and Procedures</u>	30
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
Item 6. <u>Exhibits</u>	32
<u>SIGNATURES</u>	33

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****AMERICAN REALTY INVESTORS, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
	<b>(dollars in thousands, except share and par value amounts)</b>	
<b>Assets</b>		
Real estate, at cost	\$ 1,656,063	\$ 1,718,837
Real estate held for sale at cost, net of depreciation (\$1,252 for 2010 and \$1,252 for 2009)	5,147	5,147
Real estate subject to sales contracts at cost, net of depreciation (\$27,436 for 2010 and \$13,985 for 2009)	82,757	53,341
Less accumulated depreciation	(192,453)	(195,804)
<b>Total real estate</b>	<b>1,551,514</b>	<b>1,581,521</b>
<b>Notes and interest receivable</b>		
Performing (including \$72,879 in 2010 and \$73,696 in 2009 from affiliates and related parties)	91,242	91,872
Non-performing	3,105	3,108
Less allowance for estimated losses	(11,836)	(11,836)
<b>Total notes and interest receivable</b>	<b>82,511</b>	<b>83,144</b>
Cash and cash equivalents	4,885	4,887
Investments in unconsolidated subsidiaries and investees	12,748	13,149
Other assets (including \$185 in 2010 and \$175 in 2009 from affiliates and related parties)	113,699	123,353
<b>Total assets</b>	<b>\$ 1,765,357</b>	<b>\$ 1,806,054</b>
<b>Liabilities and Shareholders Equity</b>		
<b>Liabilities:</b>		
Notes and interest payable	\$ 1,265,484	\$ 1,327,188
Notes related to assets held-for-sale	4,969	5,002
Notes related to subject to sales contracts	100,324	61,886
Stock-secured notes payable	23,449	24,853
Affiliate payables	32,397	20,574
Deferred revenue (including \$67,352 in 2010 and \$62,337 in 2009 from sales to related parties)	75,098	70,083
Accounts payable and other liabilities (including \$1,026 in 2010 and \$199 in 2009 to affiliates and related parties)	87,105	85,119
	1,588,826	1,594,705
<b>Commitments and contingencies:</b>		
<b>Shareholders equity:</b>		
Preferred stock, \$2.00 par value, authorized 15,000,000 shares, issued and outstanding Series A, 3,390,913 shares in 2010 and in 2009 (liquidation preference \$33,909), including 900,000 shares in 2010 and 2009 held by subsidiaries	4,979	4,979
Common stock, \$.01 par value, authorized 100,000,000 shares; issued 11,874,138, and outstanding 11,499,138 and 11,514,038 shares in 2010 and in 2009	114	114

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Treasury stock at cost; 375,000 and 360,100 shares in 2010 and 2009 and 276,972 shares held by TCI (consolidated) as of 2010 and 2009	(6,074)	(5,954)
Paid-in capital	91,077	91,081
Retained earnings	20,067	46,971
Accumulated other comprehensive income (loss)	(1,960)	2,186
Total American Realty Investors, Inc. shareholders' equity	108,203	139,377
Non-controlling interest	68,328	71,972
Total equity	176,531	211,349
Total liabilities and equity	\$ 1,765,357	\$ 1,806,054

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

## AMERICAN REALTY INVESTORS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	2010	June 30, 2009	2010	June 30, 2009
(dollars in thousands, except share and per share amounts)				
<b>Revenues:</b>				
Rental and other property revenues (including \$781 and \$980 for the three months and \$1,495 and \$1,684 for the six months ended 2010 and 2009 respectively from affiliates and related parties)	\$ 41,601	\$ 44,389	\$ 85,921	\$ 89,697
<b>Expenses:</b>				
Property operating expenses (including \$562 and \$709 for the three months and \$1,148 and \$1,461 for the six months ended 2010 and 2009 respectively from affiliates and related parties)	26,756	23,063	52,824	51,589
Depreciation and amortization	7,949	7,946	15,330	15,476
General and administrative (including \$1,193 and \$1,542 for the three months and \$2,419 and \$3,257 for the six months ended 2010 and 2009 respectively from affiliates and related parties)	2,724	2,084	5,319	4,917
Provision on impairment of notes receivable and real estate assets	-	30,260	-	30,639
Advisory fee to affiliate	3,993	3,839	8,046	7,685
Total operating expenses	41,422	67,192	81,519	110,306
Operating income (loss)	179	(22,803)	4,402	(20,609)
<b>Other income (expense):</b>				
Interest income (including \$1,064 and (\$628) for the three months and \$2,212 and \$1,198 for the six months ended 2010 and 2009 respectively from affiliates and related parties)	1,326	302	2,828	2,944
Other income	1,023	554	1,888	3,850
Mortgage and loan interest (including \$890 and \$822 for the three months and \$1,735 and \$965 for the six months ended 2010 and 2009 respectively from affiliates and related parties)	(22,480)	(22,305)	(42,865)	(42,699)
Earnings from unconsolidated subsidiaries and investees	(71)	(197)	(93)	(197)
Gain on foreign currency translation	906	604	233	78
Litigation settlement	-	(162)	-	318
Total other expenses	(19,296)	(21,204)	(38,009)	(35,706)
Loss before gain on land sales, non-controlling interest, and taxes	(19,117)	(44,007)	(33,607)	(56,315)
Gain (loss) on land sales	(4,121)	8,040	(4,115)	8,208
Loss from continuing operations before tax	(23,238)	(35,967)	(37,722)	(48,107)
Income tax benefit	2,081	820	2,842	2,168
Net loss from continuing operations	(21,157)	(35,147)	(34,880)	(45,939)
Discontinued operations:				
Income (loss) from discontinued operations	286	182	649	(738)
Gain on sale of real estate from discontinued operations	5,660	2,161	5,660	6,932

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Income tax expense from discontinued operations	(2,081)	(820)	(2,208)	(2,168)
Net income from discontinued operations	3,865	1,523	4,101	4,026
Net loss	(17,292)	(33,624)	(30,779)	(41,913)
Net loss attributable to non-controlling interests	3,543	5,338	5,119	7,023
Net loss attributable to American Realty Investors, Inc.	(13,749)	(28,286)	(25,660)	(34,890)
Preferred dividend requirement	(622)	(622)	(1,244)	(1,244)
Net loss applicable to common shares	\$ (14,371)	\$ (28,908)	\$ (26,904)	\$ (36,134)
<b>Earnings per share - basic</b>				
Loss from continuing operations	\$ (1.58)	\$ (2.64)	\$ (2.69)	\$ (3.49)
Discontinued operations	0.34	0.13	0.36	0.35
Net loss applicable to common shares	\$ (1.24)	\$ (2.51)	\$ (2.33)	\$ (3.14)
<b>Earnings per share - diluted</b>				
Loss from continuing operations	\$ (1.58)	\$ (2.64)	\$ (2.69)	\$ (3.49)
Discontinued operations	0.34	0.13	0.36	0.35
Net loss applicable to common shares	\$ (1.24)	\$ (2.51)	\$ (2.33)	\$ (3.14)
Weighted average common share used in computing earnings per share	11,510,322	11,514,038	11,512,169	11,514,038
Weighted average common share used in computing diluted earnings per share	11,510,322	11,514,038	11,512,169	11,514,038
<b>Amounts attributable to American Realty Investors, Inc.</b>				
Loss from continuing operations	\$ (17,614)	\$ (29,809)	\$ (29,761)	\$ (38,916)
Income from discontinued operations	3,865	1,523	4,101	4,026
Net loss	\$ (13,749)	\$ (28,286)	\$ (25,660)	\$ (34,890)

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**AMERICAN REALTY INVESTORS, INC.**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

**For the Six Months Ended June 30, 2010**

**(unaudited)**

**(dollars in thousands)**

**Series A**

**Preferred**

**Accumulated**

**Other**

**Comprehensive**