

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 8-K/A

AMERICAN REALTY INVESTORS INC  
Form 8-K/A  
October 10, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

August 30, 2002

-----  
Date of Report (Date of Earliest Event Reported)

AMERICAN REALTY INVESTORS, INC.

-----  
(Exact Name of Registrant as Specified in its Charter)

|  |                          |                                      |
|--|--------------------------|--------------------------------------|
| Nevada                                   | 1-15663                  | 75-2847135                           |
| -----                                    | -----                    | -----                                |
| (State of Incorporation)                 | (Commission<br>File No.) | (IRS Employer<br>Identification No.) |
| 1800 Valley View Lane, Suite 300,        | Dallas, TX               | 75234                                |
| -----                                    | -----                    | -----                                |
| (Address of Principal Executive Offices) |                          | (Zip Code)                           |

Registrant's Telephone Number, Including Area Code: (469) 522-4200  
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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

In 2002, American Realty Investors, Inc. ("ARI") has sold a significant amount of its properties, as follows:

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| Sale Date  | Property           | Location           | Units/<br>Sq.Ft./Acres | Sales Price            | Gain/<br>on |
|------------|--------------------|--------------------|------------------------|------------------------|-------------|
|            |                    |                    |                        | (dollars in Thousands) |             |
| Apartments |                    |                    |                        |                        |             |
| 01/18/02   | Villas             | Plano, TX          | 208 Units              | \$ 8,525               | \$          |
| 03/20/02   | Mallard Lake       | Greensboro, NC     | 336 Units              | 14,400                 |             |
| 05/02/02   | Stonebridge        | Florissant, MO     | 100 Units              | 4,340                  |             |
| 06/13/02   | Oak Hill           | Tallahassee, FL    | 92 Units               | 3,200                  |             |
| 06/24/02   | Regency on Kennedy | Tampa, FL          | 78 Units               | 3,200                  |             |
| 07/11/02   | Woodsong           | Smyrna, GA         | 190 Units              | 9,200                  |             |
| 07/31/02   | Valley Hi          | Tallahassee, FL    | 54 Units               | 1,452                  |             |
| 07/31/02   | White Pines        | Tallahassee, FL    | 85 Units               | 764                    |             |
| 08/30/02   | Morning Star       | Tallahassee, FL    | 82 Units               | 2,217                  |             |
| 08/30/02   | Stonegate          | Tallahassee, FL    | 83 Units               | 1,785                  |             |
| Commercial |                    |                    |                        |                        |             |
| 03/08/02   | Oaktree Village    | Lubbock, TX        | 45,623 Sq.Ft.          | 912                    |             |
| 06/26/02   | Centura Tower      | Farmers Branch, TX | 410,901 Sq.Ft.         | 50,000                 |             |
| Land       |                    |                    |                        |                        |             |
| 01/11/02   | Thompson II        | Dallas County, TX  | 0.2 Acres              | 21                     |             |
| 02/26/02   | Katrina            | Palm Desert, CA    | 2.1 Acres              | 1,323                  |             |
| 03/08/02   | Lakeshore Villas   | Harris County, TX  | 16.9 Acres             | 1,499                  |             |
| 03/08/02   | Rasor              | Plano, TX          | 24.5 Acres             | 1,211                  |             |
| 03/08/02   | Vista Ridge        | Lewisville, TX     | 10.0 Acres             | 1,525                  |             |
| 04/10/02   | Mason Goodrich     | Houston, TX        | 7.9 Acres              | 672                    |             |
| 05/03/02   | Mason Goodrich     | Houston, TX        | 10.3 Acres             | 1,444                  |             |
| 06/13/02   | Hollywood Casino   | Farmers Branch, TX | 42.8 Acres             | 16,987                 |             |
| 06/26/02   | Marine Creek       | Ft. Worth, TX      | 54.2 Acres             | 3,700                  |             |
| 06/26/02   | Mason Goodrich     | Houston, TX        | 18.0 Acres             | 2,790                  |             |
| 06/26/02   | Monterrey          | Riverside, CA      | 65.0 Acres             | 4,625                  |             |
| 06/26/02   | Nashville          | Nashville, TN      | 16.6 Acres             | 1,890                  |             |
| 08/07/02   | Elm Fork           | Denton County, TX  | 14.5 Acres             | 2,745                  |             |
| 08/16/02   | Elm Fork           | Denton County, TX  | 14.2 Acres             | 1,526                  |             |
|            |                    |                    |                        | \$ 141,953             | \$          |
|            |                    |                    |                        | =====                  | ==          |

| Sale Date  | Purchaser  |
|------------|--|
| Apartments |  |
| 01/18/02   | First Guaranty Exchange Company  |
| 03/20/02   | Grand Lagoon Associates, Ltd., Park Avenue Associates, Ltd., Governor's Square Associates, Ltd., IG Ashford Regency Partners, L.P.; ISV Greenbriar Associates, Ltd., ART Westwood Associates, Ltd. |
| 05/02/02   | Florissant Townhomes, Inc.   |
| 06/13/02   | Oak Hill Apartments, LLC   |
| 06/24/02   | Regency Property Group, LLC  |
| 07/11/02   | Woodsong Apartments Partners, L.P.   |
| 07/31/02   | Villas San Carlo, LLC  |
| 07/31/02   | Villas San Carlo, LLC  |
| 08/30/02   | Villas San Carlo II, LLC   |
| 08/30/02   | Villas San Carlo II, LLC   |
| Commercial |  |

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03/08/02 Transcontinental Realty Investors, Inc. ("TCI")  
 06/26/02 TCI

Land

01/11/02 City of Dallas, Texas  
 02/26/02 BP West Coast Products, LLC  
 03/08/02 TCI  
 03/08/02 TCI  
 03/08/02 Lewisville Independent School District  
 04/10/02 Glen R. Ginter, DDS  
 05/03/02 Metropolitan Transit Authority  
 06/13/02 TCI  
 06/26/02 TCI  
 06/26/02 TCI  
 06/26/02 TCI  
 06/26/02 TCI  
 08/07/02 Lewisville Independent School District  
 08/16/02 Alta Carrollton, L.P.

- (1) The accounting treatment of this transaction has been changed from that described in the March 31, 2002 and June 30, 2002 ARI Quarterly Reports on Form 10-Q, eliminating the gain. Both Quarterly Reports on Form 10-Q will be amended.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

Proforma statements of operations are presented for the year ended December 31, 2001, and the six months ended June 30, 2002. The proforma statements of operations present ARI's operations as if the transactions described above had occurred at January 1 of each of the periods presented. A proforma balance sheet as of June 30, 2002, is also presented. The proforma balance sheet presents the property sales described above, as if they had occurred at January 1, 2002.

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AMERICAN REALTY INVESTORS, INC.  
 PROFORMA COMBINED CONSOLIDATED BALANCE SHEET  
 JUNE 30, 2002

|                                       | Actual/ (1) /<br>----- | Woodsong/ (2) /<br>----- | Valley Hi/<br>----- |
|---------------------------------------|------------------------|--------------------------|---------------------|
| Assets                                |                        |                          |                     |
| Real estate held for investment ..... | \$ 442,583             | \$ (4,703)               | \$ (926             |
| Less - accumulated depreciation ..... | (112,614)              | 3,455                    | 94                  |
|                                       | -----                  | -----                    | -----               |
|                                       | 329,969                | (1,248)                  | (832                |
| Real estate held for sale .....       | 195,881                | --                       | --                  |

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|   |            |             |         |
|---|------------|-------------|---------|
| Notes and interest receivable                       |            |             |         |
| Performing .....                                    | 28,206     | --          | --      |
| Non-performing .....                                | 7,516      | --          | --      |
| Less - allowance for losses .....                   | (2,577)    | --          | --      |
|   | -----      | -----       | -----   |
|   | 33,145     | --          | --      |
| Net pizza parlor equipment .....                    | 7,373      | --          | --      |
| Marketable equity securities, at market value ..... | 90         | --          | --      |
| Cash and cash equivalents .....                     | 2,631      | (39)        | (4)     |
| Investments in equity investees .....               | 81,170     | --          | --      |
| Intangibles, net of accumulated amortization .....  | 15,565     | --          | --      |
| Other assets .....                                  | 36,839     | (9,408)     | 783     |
|   | -----      | -----       | -----   |
|   | \$ 702,663 | \$ (10,695) | \$ (53) |
|   | =====      | =====       | =====   |

|   | Stonegate/(2)/ | Elm<br>Fork/(2)/ | Profor   |
|---|----------------|------------------|----------|
|   | -----          | -----            | -----    |
| Assets  |                |                  |          |
| Real estate held for investment .....               | \$ (1,886)     | \$ --            | \$ 432,9 |
| Less - accumulated depreciation .....               | 180            | --               | (108,6   |
|   | -----          | -----            | -----    |
|   | (1,706)        | --               | 324,3    |
| Real estate held for sale .....                     | --             | (1,850)          | 194,0    |
| Notes and interest receivable                       |                |                  |          |
| Performing .....                                    | --             | --               | 28,2     |
| Non-performing .....                                | --             | --               | 7,5      |
| Less - allowance for losses .....                   | --             | --               | (2,5     |
|   | -----          | -----            | -----    |
|   | --             | --               | 33,1     |
| Net pizza parlor equipment .....                    | --             | --               | 7,3      |
| Marketable equity securities, at market value ..... | --             | --               | --       |
| Cash and cash equivalents .....                     | (3)            | --               | 2,5      |
| Investments in equity investees .....               | --             | --               | 81,1     |
| Intangibles, net of accumulated amortization .....  | --             | --               | 15,5     |
| Other assets .....                                  | 603            | 12               | 29,2     |
|   | -----          | -----            | -----    |
|   | \$ (1,106)     | \$ (1,838)       | \$ 687,5 |
|   | =====          | =====            | =====    |

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|   | -----      | -----       | -----   |
|---|------------|-------------|---------|
| Liabilities and Equity                      |            |             |         |
| Notes and interest payable .....            | \$ 532,557 | \$ (8,302)  | \$ --   |
| Margin borrowings .....                     | 26,005     | --          | --      |
| Other liabilities .....                     | 58,087     | (82)        | (23)    |
|   | -----      | -----       | -----   |
|   | 616,649    | (8,384)     | (23)    |
| Minority interest .....                     | 22,193     | --          | --      |
| Stockholders' Equity                        |            |             |         |
| Preferred stock .....                       | 4,950      | --          | --      |
| Common stock .....                          | 114        | --          | --      |
| Paid-in capital .....                       | 112,184    | --          | --      |
| Accumulated (deficit) .....                 | (56,161)   | (2,311)     | (30)    |
| Accumulated other comprehensive income .... | 2,734      | --          | --      |
|   | -----      | -----       | -----   |
|   | 63,821     | (2,311)     | (30)    |
|   | -----      | -----       | -----   |
|   | \$ 702,663 | \$ (10,695) | \$ (53) |
|   | =====      | =====       | =====   |

|   | Stonegate/ (2) /<br>----- | Elm<br>Fork/ (2) /<br>----- | Proforma<br>----- |
|---|---------------------------|-----------------------------|-------------------|
| Liabilities and Equity                      |                           |                             |                   |
| Notes and interest payable .....            | \$ (1,036)                | \$ (3,498)                  | \$ 518,522        |
| Margin borrowings .....                     | --                        | --                          | 26,005            |
| Other liabilities .....                     | (42)                      | --                          | 57,875            |
|   | -----                     | -----                       | -----             |
|   | (1,078)                   | (3,498)                     | 602,402           |
| Minority interest .....                     | --                        | --                          | 22,193            |
| Stockholders' Equity                        |                           |                             |                   |
| Preferred stock .....                       | --                        | --                          | 4,950             |
| Common stock .....                          | --                        | --                          | 114               |
| Paid-in capital .....                       | --                        | --                          | 112,184           |
| Accumulated (deficit) .....                 | (28)                      | 1,660                       | (57,009)          |
| Accumulated other comprehensive income .... | --                        | --                          | 2,734             |
|   | -----                     | -----                       | -----             |
|   | (28)                      | 1,660                       | 62,973            |
|   | -----                     | -----                       | -----             |
|   | \$ (1,106)                | \$ (1,838)                  | \$ 687,568        |
|   | =====                     | =====                       | =====             |

(1) Includes properties sold prior to June 30, 2002. Reflects the change in accounting treatment of the Mallard Lake transaction. See ITEM 2. "ACQUISITION OR DISPOSITION OF ASSETS."

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(2) Assumes sale by ARI on January 1, 2002.

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AMERICAN REALTY INVESTORS, INC.  
 PROFORMA COMBINED STATEMENT OF OPERATIONS / (1) (2) /  
 SIX MONTHS ENDED JUNE 30, 2002

|  | Actual / (3) / | Apartments / (4) / | Commercial / (5) /     | Land / (6) |
|--|----------------|--------------------|------------------------|------------|
|  | -----          | -----              | -----                  | -----      |
| Property revenue   |                |                    |                        |            |
|  |                |                    | (dollars in thousands) |            |
| Rents .....  | \$ 56,842      | \$ (2,682)         | \$ (3,116)             | \$ --      |
| Property operations expenses .....                                 | 39,800         | (1,226)            | (1,812)                | (1,973)    |
|  | -----          | -----              | -----                  | -----      |
|  | 17,042         | (1,456)            | (1,304)                | 1,973      |
| Land operations  |                |                    |                        |            |
| Sales .....  | 20,701         | --                 | --                     | 4,270      |
| Cost of sales .....  | 17,338         | --                 | --                     | 2,164      |
|  | -----          | -----              | -----                  | -----      |
|  | 3,363          | --                 | --                     | 2,106      |
| Pizza parlor operations  |                |                    |                        |            |
| Sales .....  | 18,276         | --                 | --                     | --         |
| Cost of sales .....  | 14,747         | --                 | --                     | --         |
|  | -----          | -----              | -----                  | -----      |
|  | 3,529          | --                 | --                     | --         |
| Income from operations .....                                       | 23,934         | (1,456)            | (1,304)                | 4,079      |
| Other income   |                |                    |                        |            |
| Interest and other .....   | 1,397          | --                 | 47                     | (45)       |
| Equity in loss of investees .....                                  | (9,233)        | --                 | --                     | --         |
| Loss on sale of investments in<br>equity investees .....           | (531)          | --                 | --                     | --         |
| Other .....  | 326            | --                 | --                     | --         |
|  | -----          | -----              | -----                  | -----      |
|  | (8,041)        | --                 | 47                     | (45)       |
| Other expense  |                |                    |                        |            |
| Interest .....   | 36,269         | (1,032)            | (3,553)                | (4,124)    |
| Depreciation and amortization .....                                | 7,909          | (258)              | (1,282)                | --         |
| General and administrative .....                                   | 6,481          | --                 | --                     | (4)        |
| Advisory fee to affiliate .....                                    | 3,252          | (21)               | (32)                   | (17)       |
| Minority interest .....  | 1,560          | --                 | --                     | --         |
|  | -----          | -----              | -----                  | -----      |
|  | 55,471         | (1,311)            | (4,867)                | (4,145)    |
| Net income (loss) from continuing<br>operations .....              | (39,578)       | (145)              | 3,610                  | 8,179      |
| Discontinued operations:   |                |                    |                        |            |
| Income (loss) from operations .....                                | (42)           | 59                 | (17)                   | --         |
| Gain on sale of real estate .....                                  | 7,765          | 7,939              | --                     | --         |
| Equity in gain on sale of real<br>estate by equity investees ..... | 8,280          | --                 | --                     | --         |
|  | -----          | -----              | -----                  | -----      |
| Net income (loss) from   |                |                    |                        |            |

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|  |             |          |          |          |
|--|-------------|----------|----------|----------|
| discontinued operations .....                          | 16,003      | 7,998    | (17)     | --       |
| Net income (loss) .....                                | (23,575)    | 7,853    | 3,593    | 8,179    |
| Preferred dividend requirement .....                   | (1,200)     | --       | --       | --       |
|  | -----       | -----    | -----    | -----    |
| Net income (loss) applicable to<br>Common shares ..... | \$ (24,775) | \$ 7,853 | \$ 3,593 | \$ 8,179 |
|  | =====       | =====    | =====    | =====    |

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AMERICAN REALTY INVESTORS, INC.  
PROFORMA COMBINED STATEMENT OF OPERATIONS - Continued / (1) (2) /  
SIX MONTHS ENDED JUNE 30, 2002

|  | Actual / (3) /         | Apartments / (4) / | Commercial / (5) / |
|--|------------------------|--------------------|--------------------|
|  | -----                  | -----              | -----              |
|  | (dollars in thousands) |                    |                    |
| Earnings per share   |                        |                    |                    |
| Net loss from continued operations .....                                     | \$ (3.58)              |                    |                    |
| Discontinued operations .....  | 1.40                   |                    |                    |
|  | -----                  |                    |                    |
| Net loss.....  | \$ (2.18)              |                    |                    |
|  | =====                  |                    |                    |
| Weighted average Common shares<br>used in computing earnings per share ..... | 11,375,127             |                    |                    |
|  | =====                  |                    |                    |

- 
- (1) The Proforma Combined Statement of Operations assumes that each property was sold by ARI on January 1, 2002.
  - (2) Operating results for sold properties are their actual operating results from January 1 to their respective date of sale.
  - (3) Reflects the change in accounting treatment of the Mallard Lake transaction. See ITEM 2. "ACQUISITION OR DISPOSITION OF ASSETS."
  - (4) Includes the Villas Apartments sold in January 2002; Mallard Lakes Apartments sold in March 2002; Stonebridge Apartments sold in May 2002; Oak Hill and Regency on Kennedy Apartments sold in June 2002; Woodsong, Valley Hi and White Pines Apartments sold in July 2002; and Morning Star and Stonegate Apartments sold in August 2002.
  - (5) Includes the Oaktree Village Shopping Center sold in March 2002 and the Centura Tower Office Building sold in June 2002.
  - (6) Includes the partial sale of the Thompson II land parcel in January 2002; the partial sale of the Katrina land parcel in February 2002; the sale of the Razor land parcel and the partial sale of the Lakeshore Villas and Vista Ridge land parcels in March 2002; the partial sale of the Mason Goodrich land parcel in April 2002; the partial sale of the Mason Goodrich land parcel in May 2002; the sale of the Hollywood Casino, Marine Creek and

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Monterrey land parcels and the partial sale of the Mason Goodrich and Nashville land parcels in June 2002; and the partial sale of the Elm Fork land parcel in August 2002.

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AMERICAN REALTY INVESTORS, INC.  
 PROFORMA COMBINED STATEMENT OF OPERATIONS / (1) (2) /  
 YEAR ENDED DECEMBER 31, 2001

|                                      | Actual     | Apartments/(3)/ | Commercial/(4)/       | Land  |
|--------------------------------------|------------|-----------------|-----------------------|-------|
|                                      |            |                 | dollars in thousands) |       |
| Property revenue                     |            |                 |                       |       |
| Rents .....                          | \$ 129,300 | \$ (8,296)      | \$ (4,473)            | \$    |
| Property operations expenses .....   | 93,185     | (4,263)         | (3,473)               | (2,6  |
|                                      | 36,115     | (4,033)         | (1,000)               | 2,6   |
| Land operations                      |            |                 |                       |       |
| Sales .....                          | 45,290     | --              | --                    | 41,5  |
| Cost of sales .....                  | 36,083     | --              | --                    | 36,9  |
|                                      | 9,207      | --              | --                    | 4,6   |
| Pizza parlor operations              |            |                 |                       |       |
| Sales .....                          | 34,211     | --              | --                    |       |
| Cost of sales .....                  | 27,934     | --              | --                    |       |
|                                      | 6,277      | --              | --                    |       |
| Oil and gas operations               |            |                 |                       |       |
| Sales .....                          | 59         | --              | --                    |       |
| Operating expenses .....             | 269        | --              | --                    |       |
|                                      | (210)      | --              | --                    |       |
| Income from operations .....         | 51,389     | (4,033)         | (1,000)               | 7,2   |
| Other income                         |            |                 |                       |       |
| Interest and other .....             | 2,448      | (160)           | (2)                   |       |
| Equity in loss of investees .....    | 8,803      | --              | --                    |       |
| Gain on sale of real estate .....    | 74,207     | 15,701          | --                    |       |
|                                      | 85,458     | 15,541          | (2)                   |       |
| Other expense                        |            |                 |                       |       |
| Interest .....                       | 77,048     | (2,502)         | (5,958)               | (11,9 |
| Depreciation and amortization ....   | 17,707     | (677)           | (2,431)               |       |
| General and administrative .....     | 12,743     | --              | --                    |       |
| Advisory fee to affiliate .....      | 6,715      | (254)           | (384)                 | (1    |
| Net income fee to affiliate .....    | 166        | 1,494           | 777                   | 1,9   |
| Incentive fees to affiliate .....    | 3,827      | 485             | (470)                 |       |
| Litigation settlement .....          | 100        | --              | --                    |       |
| Provision for loss .....             | 2,500      | --              | --                    |       |
| Minority interest .....              | 972        | --              | --                    |       |
|                                      | 121,778    | (1,454)         | (8,466)               | (10,1 |
| Net income .....                     | 15,069     | 12,962          | 7,464                 | 17,4  |
| Preferred dividend requirement ..... | (2,485)    | --              | --                    |       |

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|  |            |           |          |         |
|--|------------|-----------|----------|---------|
| Net income applicable to Common shares .....                           | \$ 12,584  | \$ 12,962 | \$ 7,464 | \$ 17,4 |
|  | =====      | =====     | =====    | =====   |
| Earnings per share   |            |           |          |         |
| Net income .....   | \$ 1.07    |           |          |         |
|  | =====      |           |          |         |
| Weighted average Common shares used in computing earnings per share .. | 11,714,374 |           |          |         |
|  | =====      |           |          |         |

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AMERICAN REALTY INVESTORS, INC.  
NOTES TO PROFORMA COMBINED  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2001

- (1) The Proforma Combined Statement of Operations assumes that each property was sold by ARI on January 1, 2001.
- (2) Operating results for sold properties are their actual operating results for 2001.
- (3) Includes the Villas Apartments sold in January 2002; Mallard Lakes Apartments sold in March 2002; Stonebridge Apartments sold in May 2002; Oak Hill and Regency on Kennedy Apartments sold in June 2002; Woodsong, Valley Hi and White Pines Apartments sold in July 2002; and Morning Star and Stonegate Apartments sold in August 2002.
- (4) Includes the Oaktree Village Shopping Center sold in March 2002 and the Centura Tower Office Building sold in June 2002.
- (5) Includes the partial sale of the Thompson II land parcel in January 2002; the partial sale of the Katrina land parcel in February 2002; the sale of the Razor land parcel and the partial sale of the Lakeshore Villas and Vista Ridge land parcels in March 2002; the partial sale of the Mason Goodrich land parcel in April 2002; the partial sale of the Mason Goodrich land parcel in May 2002; the sale of the Hollywood Casino, Marine Creek and Monterrey land parcels and the partial sale of the Mason Goodrich and Nashville land parcels in June 2002; and the partial sale of the Elm Fork land parcel in August 2002.

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SIGNATURE

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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 hereto duly authorized.

AMERICAN REALTY INVESTORS, INC.

Date: October 10, 2002

By: /s/ Ronald E. Kimbrough

-----  
-----  
Ronald E. Kimbrough  
Executive Vice President and Chief  
Financial Officer (Principal  
Financial and Accounting Officer and  
Acting Principal Executive Officer)