

AMERICAN REALTY INVESTORS INC
Form 10-Q
August 14, 2009
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, 2009

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) Identification No.)
1800 Valley View Lane, Suite 300, Dallas, Texas 75234

(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)	11,237,066 (Outstanding at August 5, 2009)
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Table of Contents

AMERICAN REALTY INVESTORS, INC.

FORM 10-Q

TABLE OF CONTENTS

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets at June 30, 2009 (unaudited) and December 31, 2008</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008 (unaudited)</u>	4
<u>Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2009 (unaudited)</u>	5
<u>Consolidated Statements of Comprehensive Income (Loss) for the six months ended June 30, 2009 and 2008 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008 (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>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4T. <u>Controls and Procedures</u>	27
PART II. <u>OTHER INFORMATION</u>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6. <u>Exhibits</u>	29
<u>SIGNATURES</u>	30

Table of Contents**PART I. FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS
AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2009	December 31, 2008
	(dollars in thousands, except share and par value amounts)	
Assets		
Real estate, at cost	\$ 1,700,896	\$ 1,712,506
Real estate held for sale at cost, net of depreciation (\$0 for 2009 and \$640 for 2008)	-	10,333
Real estate subject to sales contracts at cost, net of depreciation (\$13,105 for 2009 and \$12,226 for 2008)	54,220	55,100
Less accumulated depreciation	(178,930)	(164,537)
Total real estate	1,576,186	1,613,402
Notes and interest receivable		
Performing (including \$49,461 in 2009 and \$38,384 in 2008 from affiliates and related parties)	79,596	68,845
Non-performing (including \$0 in 2009 and \$12,837 in 2008 from affiliates and related parties)	3,262	20,032
Less allowance for estimated losses	(10,044)	(11,874)
Total notes and interest receivable	72,814	77,003
Cash and cash equivalents	3,764	6,042
Restricted cash	-	271
Investments in securities	-	2,775
Investments in unconsolidated subsidiaries and investees	26,941	27,113
Other assets (including \$5,609 in 2009 and \$526 in 2008 from affiliates and related parties)	108,156	115,547
Total assets	\$ 1,787,861	\$ 1,842,153
Liabilities and Shareholders Equity		
Liabilities:		
Notes and interest payable (including \$9,386 in 2009 and \$9,103 in 2008 to affiliates and related parties)	\$1,324,289	\$1,311,935
Notes related to assets held-for-sale	-	7,722
Notes related to subject to sales contracts	62,155	62,972
Stock-secured notes payable	14,020	14,026
Accounts payable and other liabilities (including \$28,042 in 2009 and \$23,018 in 2008 to affiliates and related parties)	136,723	147,920
	1,537,187	1,544,575

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Commitments and contingencies:

Shareholders' equity:		
Preferred Stock, \$2.00 par value, authorized 15,000,000 shares, issued and outstanding Series A, 3,390,913 shares in 2009 and in 2008 (liquidation preference \$33,909), including 900,000 shares in 2009 and 2008 held by subsidiaries	4,979	4,979
Common Stock, \$.01 par value, authorized 100,000,000 shares; issued 11,874,138 shares in 2009 and in 2008	114	114
Treasury stock at cost; 637,072 shares in 2009 and 2008, which includes 276,972 shares held by TCI (consolidated) as of 2009 and 2008.	(5,954)	(5,954)
Paid-in capital	91,946	92,609
Retained earnings	83,465	119,599
Accumulated other comprehensive income	2,185	4,331
Total American Realty Investors shareholders' equity	176,735	215,678
Non-controlling interest	73,939	81,900
Total equity	250,674	297,578
Total liabilities and equity	\$ 1,787,861	1,842,153

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	
	2009	June 30, 2008	2009	June 30, 2008
(dollars in thousands, except share and per share amounts)				
Revenues:				
Rental and other property revenues (including \$1,019 and \$111 for three months and \$2,108 and \$369 for six months 2009 and 2008 respectively from affiliates and related parties)	\$ 46,340	\$ 45,388	\$ 93,471	\$ 89,610
Expenses:				
Property operating expenses (including \$2,162 and \$2,117 for three months and \$4,300 and \$4,335 for six months 2009 and 2008 respectively from affiliates and related parties)	23,660	28,221	54,039	58,602
Depreciation and amortization	8,209	6,664	16,001	13,494
General and administrative (including \$1,230 and \$874 for three months and \$2,643 and \$1,985 for six months 2009 and 2008 respectively from affiliates and related parties)	2,120	3,701	5,262	7,610
Advisory fee to affiliate	3,838	3,921	7,685	7,895
Total operating expenses	37,827	42,507	82,987	87,601
Operating income	8,513	2,881	10,484	2,009
Other income (expense):				
Interest income (including \$(995) and \$1,840 for three months and \$526 and \$3,013 for six months 2009 and 2008 respectively from affiliates and related parties)	(64)	1,619	2,265	3,719
Other income (including \$366 and \$81 for three months and \$679 and \$958 for six months 2009 and 2008 respectively from affiliates and related parties)	493	2,054	5,036	3,782
Mortgage and loan interest including \$765 and \$287 for three months and \$1,418 and \$545 for six months 2009 and 2008 respectively from affiliates and related parties)	(23,009)	(22,187)	(44,087)	(44,773)
Earnings (loss) from unconsolidated subsidiaries and investees	(197)	(416)	(197)	4,970
Gain on foreign currency translation	604	-	78	-
Provision on impairment of note receivables and real estate assets	(30,260)	-	(30,639)	(12,000)
Litigation settlement	301	4	301	-
Total other expenses	(52,132)	(18,926)	(67,243)	(44,302)

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Loss before gain on land sales, non-controlling interest, and taxes	(43,619)	(16,045)	(56,759)	(42,293)
Gain on land sales	8,040	2,890	8,208	4,165
Loss from continuing operations before tax	(35,579)	(13,155)	(48,551)	(38,128)
Income tax benefit (expense)	684	(541)	2,230	33,507
Net loss from continuing operations	(34,895)	(13,696)	(46,321)	(4,621)
Discontinued operations:				
Loss from discontinued operations	(206)	(5,591)	(150)	(19,684)
Gain on sale of real estate from discontinued operations	2,161	3,764	6,932	115,134
Income tax benefit (expense) from discontinued operations	(684)	640	(2,374)	(33,408)
Net income (loss)	(33,624)	(14,883)	(41,913)	57,421
Less: net income (loss) attributable to non-controlling interests	5,338	2,417	7,023	(9,460)
Net income (loss) attributable to American Realty Investors, Inc.	(28,286)	(12,466)	(34,890)	47,961
Preferred dividend requirement	(622)	(623)	(1,244)	(1,246)
Net income (loss) applicable to common shares	\$ (28,908)	\$ (13,089)	\$ (36,134)	\$ 46,715
Earnings per share - basic				
Loss from continuing operations	\$ (2.69)	\$ (1.14)	\$ (3.60)	\$ (0.56)
Discontinued operations	0.12	(0.11)	0.38	5.02
Net income (loss) applicable to common shares	\$ (2.57)	\$ (1.25)	\$ (3.22)	\$ 4.46
Earnings per share - diluted				
Loss from continuing operations	\$ (2.69)	\$ (1.14)	\$ (3.60)	\$ (0.56)
Discontinued operations	0.12	(0.11)	0.38	5.02
Net income (loss) applicable to common shares	\$ (2.57)	\$ (1.25)	\$ (3.22)	\$ 4.46
Weighted average common share used in computing earnings per share	11,237,066	10,443,041	11,237,066	10,447,041
Weighted average common share used in computing diluted earnings per share	11,237,066	10,443,041	11,237,066	10,447,041