

AMERICAN REALTY INVESTORS INC

Form 8-K/A

September 23, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 8-K/A**

**AMENDMENT NO. 1**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**August 11, 2003**

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

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# AMERICAN REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in its Charter)

**Nevada**  
(State of Incorporation)

**1-15663**  
(Commission File No.)

**75-2847135**  
(IRS Employer Identification No.)

**1800 Valley View Lane, Suite 300, Dallas, TX**  
(Address of Principal Executive Offices)

**75234-8922**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code:**

**(469) 522-4200**

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

In 2003, American Realty Investors, Inc. ( ARI ) has sold a significant amount of its properties, as follows:

| Sale Date | Property                       | Location          | Acres/Units<br>Rooms/Sq. Ft. | Sales Price<br>(\$ In Thousands) | Gain/(Loss)<br>\$ In Thousands | % Of ARI s<br>Assets | Purchaser  |
|-----------|--------------------------------|-------------------|------------------------------|----------------------------------|--------------------------------|----------------------|--|
| 01/17/03  | Seville                        | Tallahassee, FL   | 62                           | \$ 2,795                         | \$ 489                         | 0.24%                | Seville Apartments, LLC  |
| 01/21/03  | Bay Anchor                     | Panama City, FL   | 12                           | 369                              | 143                            | 0.02%                | Bay Anchor, LLC  |
| 02/14/03  | Rolling Hills                  | Tallahassee, FL   | 134                          | 5,061                            | 1,182                          | 0.43%                | Rolling Hills Apartments, LLC                                    |
| 02/28/03  | Northside Villas               | Tallahassee, FL   | 81                           | 5,575                            | 915                            | 0.54%                | Northside Villas, LLC  |
| 03/20/03  | Georgetown                     | Panama City, FL   | 44                           | 1,175                            | 72                             | 0.15%                | Georgetown Apartments of Panama City, Ltd.                       |
| 05/02/03  | Greenbriar                     | Tallahassee, FL   | 50                           | 1,700                            | 1,025                          | 0.08%                | Greenbriar Partners, LLC   |
| 05/30/03  | Regency                        | Lincoln, NE       | 106                          | 4,880                            | 2,815                          | 0.19%                | Regency Associates, LP   |
| 06/11/03  | Lake Chateau                   | Thomasville, GA   | 98                           | 1,600                            | 147                            | 0.20%                | Abbey Lake Partners, LLC   |
| 06/24/03  | Pinecrest                      | North Augusta, SC | 120                          | 2,707                            | (304)                          | 0.41%                | Augusta Plans and Management, Inc.                               |
| 08/21/03  | Landings & Marina              | Pensacola, FL     | 52                           | 1,825                            | 490                            | 0.18%                | Landings of Pensacola, LLC                                       |
| 08/11/03  | Encino Executive Plaza         | Encino, CA        | 177,211 Sq. Ft.              | 37,040                           | (2)                            | 5.44%                | 16501 Ventura, LLC   |
| 03/11/03  | Grand Hotel Sofia              | Sofia, Bulgaria   | 136 Rooms                    | 24,750                           | (88)                           | 3.45%                | GORT Securities Limited  |
| 05/01/03  | Clarion KC Airport Hotel       | Kansas City, MO   | 196 Rooms                    | 5,312                            | (101)                          | 0.74%                | One Realco Hotel Investors, Inc.                                 |
| 08/22/03  | Williamsburg Hospitality House | Williamsburg, VA  | 296 Rooms                    | 19,500                           | 0                              | 2.72%                | One Realco Hotel Investors, Inc.                                 |
| 02/26/03  | Katrina                        | Palm Desert, CA   | 89.3                         | 8,550                            | (40)                           | 1.15%                | La Quinta Village Business Center, LLC; Lost Horse Mountain, LLC |
| 03/26/03  | Mason Goodrich                 | Houston, TX       | 8.0                          | 210                              | (149)                          | 0.05%                | Donald C. Carter   |
| 06/20/03  | Mason Goodrich                 | Houston, TX       | 1.6                          | 209                              | 113                            | 0.01%                | Psychiatric Enterprises, Ltd.                                    |
| 06/27/03  | Mason Goodrich                 | Houston, TX       | 7.7                          | 900                              | 466                            | 0.05%                | MCTK Partners Investments, LP                                    |
| 07/30/03  | Vista Ridge                    | Lewisville, TX    | 14.5                         | 2,250                            | 622                            | 0.21%                | Don Valk   |
|           |                                |                   |                              | \$ 126,408                       | \$ 7,795                       | 16.26%               |  |

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

Proforma statements of operations are presented for the year ended December 31, 2002, and the six months ended June 30, 2003. 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, 2003, is also presented. The proforma balance sheet presents the property sales described above, as if they had occurred at January 1, 2003.

## AMERICAN REALTY INVESTORS, INC.

## PROFORMA COMBINED CONSOLIDATED BALANCE SHEET

JUNE 30, 2003

|   | Actual <sup>(1)</sup> | Landings &<br>Marina <sup>(2)</sup> | Encino <sup>(2)</sup> | Williamsburg <sup>(2)</sup> | Vista Ridge <sup>(2)</sup> | Totals              |
|---|-----------------------|-------------------------------------|-----------------------|-----------------------------|----------------------------|---------------------|
| (dollars in thousands)                                |                       |                                     |                       |                             |                            |                     |
| <b>ASSETS</b>   |                       |                                     |                       |                             |                            |                     |
| Real Estate Held for Investment                       | \$ 1,065,063          | \$ (1,299)                          | \$                    | \$ (22,774)                 | \$                         | \$ 1,040,990        |
| Less: Accumulated Depreciation                        | (177,008)             | 42                                  |                       | 3,717                       |                            | (173,249)           |
|   | 888,055               | (1,257)                             |                       | (19,057)                    |                            | 867,741             |
| Real Estate Held for Sale                             | 215,431               |                                     | (35,716)              |                             | (1,479)                    | 178,236             |
| Notes and Interest Receivable                         |                       |                                     |                       |                             |                            |                     |
| Performing  | 69,183                |                                     |                       |                             |                            | 69,183              |
| Non-Performing  | 7,937                 |                                     |                       |                             |                            | 7,937               |
|   | 77,120                |                                     |                       |                             |                            | 77,120              |
| Less: Allowance for Estimated Losses                  | (4,833)               |                                     |                       |                             |                            | (4,833)             |
|   | 72,287                |                                     |                       |                             |                            | 72,287              |
| Net Pizza Parlor Equipment                            | 8,598                 |                                     |                       |                             |                            | 8,598               |
| Marketable Equity Securities, at<br>Market Value      | 5,081                 |                                     |                       |                             |                            | 5,081               |
| Cash and Cash Equivalents                             | 4,949                 | (2)                                 | (431)                 | (312)                       |                            | 4,204               |
| Investments in Equity Investees                       | 4,721                 |                                     |                       |                             |                            | 4,721               |
| Goodwill, Net of Accumulated<br>Amortization          | 11,858                |                                     |                       |                             |                            | 11,858              |
| Other Intangibles, Net of Accumulated<br>Amortization | 1,553                 |                                     |                       |                             |                            | 1,553               |
| Other Assets  | 74,554                | (38)                                | 9,457                 | 2,416                       | 548                        | 86,937              |
| <b>Total Assets</b>                                   | <b>\$ 1,287,087</b>   | <b>\$ (1,297)</b>                   | <b>\$ (26,690)</b>    | <b>\$ (16,953)</b>          | <b>\$ (931)</b>            | <b>\$ 1,241,216</b> |
| <b>LIABILITIES AND EQUITY</b>                         |                       |                                     |                       |                             |                            |                     |
| Notes and Interest Payable                            | \$ 873,181            | \$ (1,165)                          | \$                    | \$ (12,332)                 | \$ (1,361)                 | \$ 858,323          |
| Liabilities Related to Assets Held for<br>Sale        | 179,724               |                                     | (33,179)              |                             |                            | 146,545             |
| Margin Borrowings                                     | 5,900                 |                                     |                       |                             |                            | 5,900               |
| Other Liabilities                                     | 107,295               | (17)                                | (1,140)               | (3,415)                     | (28)                       | 102,695             |
|   | 1,166,100             | (1,182)                             | (34,319)              | (15,747)                    | (1,389)                    | 1,113,463           |
| Minority Interest                                     | 57,119                |                                     |                       |                             |                            | 57,119              |
| Stockholders' Equity                                  |                       |                                     |                       |                             |                            |                     |
| Preferred Stock                                       | 4,754                 |                                     |                       |                             |                            | 4,754               |
| Common Stock  | 114                   |                                     |                       |                             |                            | 114                 |
| Paid-In Capital                                       | 92,833                |                                     |                       |                             |                            | 92,833              |

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|                                     |                     |                   |                    |                    |                 |                     |
|-------------------------------------|---------------------|-------------------|--------------------|--------------------|-----------------|---------------------|
| Accumulated (Deficit)               | (23,909)            | (115)             | 7,629              | (1,206)            | 458             | (17,143)            |
| Treasury Stock                      | (9,924)             |                   |                    |                    |                 | (9,924)             |
|                                     | <u>63,868</u>       | <u>(115)</u>      | <u>7,629</u>       | <u>(1,206)</u>     | <u>458</u>      | <u>70,634</u>       |
| <b>Total Liabilities and Equity</b> | <b>\$ 1,287,087</b> | <b>\$ (1,297)</b> | <b>\$ (26,690)</b> | <b>\$ (16,953)</b> | <b>\$ (931)</b> | <b>\$ 1,241,216</b> |

(1) Includes properties sold prior to June 30, 2003.

(2) Assumes sale by ARI on January 1, 2003.

## AMERICAN REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS <sup>(1) (2)</sup>

SIX MONTHS ENDED JUNE 30, 2003

|  | Actual        | Apartments <sup>(3)</sup> | Commercial <sup>(4)</sup> | Hotel <sup>(5)</sup> | Land <sup>(6)</sup> | Proforma      |
|--|---------------|---------------------------|---------------------------|----------------------|---------------------|---------------|
| (dollars in thousands, except per share)     |               |                           |                           |                      |                     |               |
| <b>Revenue</b>                               |               |                           |                           |                      |                     |               |
| Rents  | \$ 72,413     | \$ (162)                  | \$                        | \$ (3,271)           | \$                  | \$ 68,980     |
| Property Operations                          | 49,648        | (84)                      |                           | (2,655)              |                     | 46,909        |
|  | <u>22,765</u> | <u>(78)</u>               |                           | <u>(616)</u>         |                     | <u>22,071</u> |
| <b>Land Operations</b>                       |               |                           |                           |                      |                     |               |
| Sales  | 12,103        |                           |                           |                      | 2,250               | 14,353        |
| Cost of Sales                                | 11,070        |                           |                           |                      | 1,628               | 12,698        |
| Recognition of Previously Deferred Gain      | 19,897        |                           |                           |                      |                     | 19,897        |
|  | <u>20,930</u> |                           |                           |                      | <u>622</u>          | <u>21,552</u> |
| <b>Pizza Parlor Operations</b>               |               |                           |                           |                      |                     |               |
| Sales  | 15,937        |                           |                           |                      |                     | 15,937        |
| Cost of Sales                                | 12,765        |                           |                           |                      |                     | 12,765        |
|  | <u>3,172</u>  |                           |                           |                      |                     | <u>3,172</u>  |
| Gross Margin                                 | 3,172         |                           |                           |                      |                     | 3,172         |
| Income from Operations                       | 46,867        | (78)                      |                           | (616)                | 622                 | 46,795        |
| <b>Other Income</b>                          |               |                           |                           |                      |                     |               |
| Interest and Other                           | 5,888         |                           |                           |                      |                     | 5,888         |
| Equity (Loss) in Equity Investees            | (4,075)       |                           |                           |                      |                     | (4,075)       |
|  | <u>1,813</u>  |                           |                           |                      |                     | <u>1,813</u>  |
| <b>Other Expense</b>                         |               |                           |                           |                      |                     |               |
| Interest                                     | 31,793        | (46)                      |                           | (754)                |                     | 30,993        |
| Depreciation                                 | 9,789         | (16)                      |                           | (371)                |                     | 9,402         |
| Discount on Sale of Notes Receivable         | 1,558         |                           |                           |                      |                     | 1,558         |
| General and Administrative                   | 10,694        |                           |                           |                      |                     | 10,694        |
| Advisory Fees                                | 4,728         | (36)                      | (185)                     | (142)                | (13)                | 4,352         |
| Write-Down of Assets Held for Sale           | 2,352         |                           |                           |                      |                     | 2,352         |
| Minority Interest                            | 1,270         |                           |                           |                      |                     | 1,270         |
|  | <u>62,184</u> | <u>(98)</u>               | <u>(185)</u>              | <u>(1,267)</u>       | <u>(13)</u>         | <u>60,621</u> |
| Net Income (Loss) from Continuing Operations | \$ (13,504)   | \$ 20                     | \$ 185                    | \$ 651               | \$ 635              | \$ (12,013)   |
| <b>Basic and Diluted Earnings Per Share</b>  |               |                           |                           |                      |                     |               |
| Net Loss from Continuing Operations          | \$ (1.23)     |                           |                           |                      |                     | \$ (1.10)     |
| <b>Weighted Average Common Shares Used</b>   |               |                           |                           |                      |                     |               |
| in Computing Earnings Per Share              | \$ 10,945,928 |                           |                           |                      |                     | \$ 10,945,928 |

- (1) The Proforma Combined Statement Of Operations assumes that each property was sold by ARI on January 1, 2003.
- (2) Operating results for sold properties are their actual operating results from January 1 to their respective dates of sale. Rents, property operations, interest expense and depreciation for non-land properties sold prior to August 15, 2003 were excluded from the actual results of continuing operations at June 30, 2003.
- (3) Includes the Seville and Bay Anchor Apartments sold in January 2003, Rolling Hills and Northside Villas apartments sold in February 2003, Georgetown Apartments sold in March 2003, Greenbriar and Regency Apartments sold in May 2003, Lake Chateau and Pinecrest Apartments sold in June 2003, and Landings & Marina Apartments sold in August 2003.
- (4) Includes the Encino Executive Plaza sold in August 2003.
- (5) Includes the Grand Hotel Sofia sold in March 2003, the Clarion Kansas City Airport Hotel sold in May 2003, and the Williamsburg Hospitality House sold in August 2003.
- (6) Includes the partial sale of the Katrina land parcel in February 2003, the partial sale of the Mason Goodrich land parcel in March and June 2003, and the partial sale of the Vista Ridge land parcel in July 2003.



## AMERICAN REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS <sup>(1) (2)</sup>

## YEAR ENDED DECEMBER 31, 2002

|   | Actual        | Apartments <sup>(3)</sup> | Commercial <sup>(4)</sup> | Hotel <sup>(5)</sup> | Land <sup>(6)</sup> | Proforma      |
|---|---------------|---------------------------|---------------------------|----------------------|---------------------|---------------|
| (dollars in thousands, except per share)        |               |                           |                           |                      |                     |               |
| Revenue   |               |                           |                           |                      |                     |               |
| Rents   | \$ 89,543     | \$ (2,450)                | \$ (3,848)                | \$ (11,498)          | \$                  | \$ 71,747     |
| Property Operations                             | 67,701        | (1,461)                   | (2,222)                   | (8,168)              |                     | 55,850        |
|   | 21,842        | (989)                     | (1,626)                   | (3,330)              |                     | 15,897        |
| Land Operations                                 |               |                           |                           |                      |                     |               |
| Sales   | 127,750       |                           |                           |                      | 12,119              | 139,869       |
| Cost of Sales                                   | 75,718        |                           |                           |                      | 11,106              | 86,824        |
| Deferral of gains on Current Period Sales       | 36,135        |                           |                           |                      |                     | 36,135        |
| Recognition of Previously Deferred Gain         | 830           |                           |                           |                      |                     | 830           |
| Gain on Land Sales                              | 16,727        |                           |                           |                      | 1,013               | 17,740        |
| Pizza Parlor Operations                         |               |                           |                           |                      |                     |               |
| Sales   | 36,741        |                           |                           |                      |                     | 36,741        |
| Cost of Sales                                   | 29,991        |                           |                           |                      |                     | 29,991        |
| Gross Margin                                    | 6,750         |                           |                           |                      |                     | 6,750         |
| Income from Operations                          | 45,319        | (989)                     | (1,626)                   | (3,330)              | 1,013               | 40,387        |
| Other Income                                    |               |                           |                           |                      |                     |               |
| Interest and Other                              | 8,590         |                           |                           |                      |                     | 8,590         |
| Equity (Loss) in Equity Investees               | (20,914)      |                           |                           |                      |                     | (20,914)      |
| Loss on Sale of Investments in Equity Investees | (286)         |                           |                           |                      |                     | (286)         |
|   | (12,610)      |                           |                           |                      |                     | (12,610)      |
| Other Expense                                   |               |                           |                           |                      |                     |               |
| Interest  | 57,689        | (695)                     | (2,621)                   | (1,873)              |                     | 52,500        |
| Depreciation                                    | 10,234        | (233)                     | (1,138)                   | (951)                |                     | 7,912         |
| General and Administrative                      | 12,479        |                           |                           |                      |                     | 12,479        |
| Advisory Fees                                   | 5,899         | (145)                     | (316)                     | (359)                | (78)                | 5,001         |
| Litigation Settlement                           | 916           |                           |                           |                      |                     | 916           |
| Write-Down of Assets Held for Sale              | 4,171         |                           |                           |                      |                     | 4,171         |
| Minority Interest                               | 1,346         |                           |                           |                      |                     | 1,346         |
|   | 92,734        | (1,073)                   | (4,075)                   | (3,183)              | (78)                | 84,325        |
| Net Income (Loss) from Continuing Operations    | \$ (60,025)   | \$ 84                     | \$ 2,449                  | \$ (147)             | \$ 1,091            | \$ (56,548)   |
| Basic and Diluted Earnings Per Share            |               |                           |                           |                      |                     |               |
| Net Loss from Continuing Operations             | \$ (5.28)     |                           |                           |                      |                     | \$ (4.97)     |
| Weighted Average Common Shares Used             | \$ 11,375,127 |                           |                           |                      |                     | \$ 11,375,127 |

in Computing Earnings Per Share

- (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 for 2002. Rents, property operations, interest expense and depreciation for non-land properties sold prior to April 1, 2003 were excluded from the actual results of continuing operations at December 31, 2002.
- (3) Includes the Seville and Bay Anchor Apartments sold in January 2003, Rolling Hills and Northside Villas apartments sold in February 2003, Georgetown Apartments sold in March 2003, Greenbriar and Regency Apartments sold in May 2003, Lake Chateau and Pinecrest Apartments sold in June 2003, and Landings & Marina Apartments sold in August 2003.
- (4) Includes the Encino Executive Plaza sold in August 2003.
- (5) Includes the Grand Hotel Sofia sold in March 2003, the Clarion Kansas City Airport Hotel sold in May 2003, and the Williamsburg Hospitality House sold in August 2003.
- (6) Includes the partial sale of the Katrina land parcel in February 2003, the partial sale of the Mason Goodrich land parcel in March and June 2003, and the partial sale of the Vista Ridge land parcel in July 2003.

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 hereto duly authorized.

AMERICAN REALTY INVESTORS, INC.

September , 2003

Date

By:

/s/ Ronald E. Kimbrough

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Ronald E. Kimbrough

Executive Vice President and Chief Financial

Officer (Principal Financial and Accounting

Officer and Acting Principal Executive Officer)