

AMERICAN REALTY INVESTORS INC
Form 10-Q
November 13, 2009
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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 September 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)

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)

11,237,066
(Outstanding at November 6, 2009)

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	September 30, 2009	December 31, 2008
	(dollars in thousands, except share and par value amounts)	
Assets		
Real estate, at cost	\$ 1,728,106	\$ 1,712,506
Real estate held for sale at cost, net of depreciation (\$2,209 for 2009 and \$640 for 2008)	5,375	10,333
Real estate subject to sales contracts at cost, net of depreciation (\$13,545 for 2009 and \$12,226 for 2008)	53,780	55,100
Less accumulated depreciation	(191,384)	(164,537)
Total real estate	1,595,877	1,613,402
Notes and interest receivable		
Performing (including \$76,762 in 2009 and \$38,384 in 2008 from affiliates and related parties)	100,499	68,845
Non-performing (including \$0 in 2009 and \$12,837 in 2008 from affiliates and related parties)	3,135	20,032
Less allowance for estimated losses	(11,836)	(11,874)
Total notes and interest receivable	91,798	77,003
Cash and cash equivalents	1,825	6,042
Restricted cash	-	271
Investments in securities	-	2,775
Investments in unconsolidated subsidiaries and investees	15,765	27,113
Other assets (including \$191 in 2009 and \$526 in 2008 from affiliates and related parties)	106,570	115,547
Total assets	\$ 1,811,835	\$ 1,842,153
Liabilities and Shareholders Equity		
Liabilities:		
Notes and interest payable (including \$0 for 2009 and \$9,103 in 2008 to affiliates and related parties)	\$1,336,237	\$1,311,935
Notes related to assets held-for-sale	4,646	7,722
Notes related to subject to sales contracts	62,021	62,972
Stock-secured notes payable	13,923	14,026
Affiliate payables	2,819	23,018
Accounts payable and other liabilities (including \$36,431 in 2009 and \$0 in 2008 from affiliates and related parties)	149,756	124,902
	1,569,402	1,544,575
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

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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	91,646	92,609
Retained earnings	73,266	119,599
Accumulated other comprehensive income	2,185	4,331
Total American Realty Investors, Inc. shareholders' equity	166,236	215,678
Non-controlling interest	76,197	81,900
Total equity	242,433	297,578
Total liabilities and equity	\$ 1,811,835	\$ 1,842,153

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

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AMERICAN REALTY INVESTORS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
(dollars in thousands, except share and per share amounts)				
Revenues:				
Rental and other property revenues (including \$917 and \$1,010 for three months and \$2,797 and \$2,721 for nine months 2009 and 2008 respectively from affiliates and related parties)	\$ 46,939	\$ 46,367	\$ 141,244	\$ 135,421
Expenses:				
Property operating expenses (including \$2,115 and \$2,198 for three months and \$6,415 and \$6,533 for nine months 2009 and 2008 respectively from affiliates and related parties)	27,791	29,905	82,122	88,463
Depreciation and amortization	6,851	5,875	22,991	19,340
General and administrative (including \$1,510 and \$1,395 for three months and \$4,153 and \$3,380 for nine months 2009 and 2008 respectively from affiliates and related parties)	4,694	3,107	9,709	10,876
Advisory fee to affiliate	3,090	3,847	11,706	11,742
Total operating expenses	42,426	42,734	126,528	130,421
Operating income	4,513	3,633	14,716	5,000
Other income (expense):				
Interest income (including \$2,028 and \$1,566 for three months and \$2,399 and \$4,794 for nine months 2009 and 2008 respectively from affiliates and related parties)	583	2,389	4,279	7,824
Other income (including \$391 and \$85 for three months and \$1,070 and \$1,043 for nine months 2009 and 2008 respectively from affiliates and related parties)	77	2,546	4,148	4,612
Mortgage and loan interest (including \$682 and \$1,065 for three months and \$1,817 and \$1,610 for nine months 2009 and 2008 respectively from affiliates and related parties)	(22,126)	(21,071)	(66,707)	(65,794)
Earnings from unconsolidated subsidiaries and investees	410	(2,399)	43	2,576
Gain on foreign currency translation	464	(480)	542	(480)
Provision on impairment of notes receivable and real estate assets	-	-	(30,639)	(12,000)
Litigation settlement	(1,438)	(66)	(1,120)	785
Total other expenses	(22,030)	(19,081)	(89,454)	(62,477)
Loss before gain on land sales, non-controlling interest, and taxes	(17,517)	(15,448)	(74,738)	(57,477)
Gain on land sales	3,397	1,172	11,605	5,337
Loss from continuing operations before tax	(14,120)	(14,276)	(63,133)	(52,140)
Income tax benefit	1,056	1,615	3,421	34,818
Net loss from continuing operations	(13,064)	(12,661)	(59,712)	(17,322)

Discontinued operations:

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Income (loss) from discontinued operations	(11)	4,945	162	(14,678)
Gain on sale of real estate from discontinued operations	3,027	245	10,141	115,379
Income tax expense from discontinued operations	(1,056)	(1,816)	(3,606)	(35,245)
Net income (loss)	(11,104)	(9,287)	(53,015)	48,134
Less: net income (loss) attributable to non-controlling interests	1,527	1,459	8,548	(8,001)
Net income (loss) attributable to American Realty Investors, Inc.	(9,577)	(7,828)	(44,467)	40,133
Preferred dividend requirement	(622)	(623)	(1,866)	(1,869)
Net income (loss) applicable to common shares	\$ (10,199)	\$ (8,451)	\$ (46,333)	\$ 38,264
Earnings per share - basic				
Loss from continuing operations	\$ (1.09)	\$ (1.12)	\$ (5.54)	\$ (1.68)
Discontinued operations	0.17	0.32	1.41	5.32
Net income (loss) applicable to common shares	\$ (0.92)	\$ (0.80)	\$ (4.13)	\$ 3.64
Earnings per share - diluted				
Loss from continuing operations	\$ (1.09)	\$ (1.12)	\$ (5.54)	\$ (1.68)
Discontinued operations	0.17	0.32	1.41	5.32
Net income (loss) applicable to common shares	\$ (0.92)	\$ (0.80)	\$ (4.13)	\$ 3.64
Weighted average common share used in computing earnings per share	11,237,066	10,575,107	11,237,066	10,490,041
Weighted average common share used in computing diluted earnings per share	11,237,066	10,575,107	11,237,066	10,490,041
Amounts attributable to American Realty Investors, Inc.				
Loss from continuing operations	\$ (11,536)	\$ (11,202)	\$ (60,342)	\$ (15,747)
Income from discontinued operations	1,959	3,374	15,875	55,880
Net income (loss)	\$ (9,577)	\$ (7,828)	\$ (44,467)	\$ 40,133

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

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AMERICAN REALTY INVESTORS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

For the Nine Months Ended September 30, 2009

(unaudited)

(dollars in thousands)

		Series A					Accumulated
Total	Comprehensive	Preferred	Common	Treasury	Paid-in	Retained	Other
			Stock				Comprehensive