

AMERICAN REALTY INVESTORS INC

Form 10-Q

August 14, 2007

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, 2007**

**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)**

**Nevada**  
**(State or Other Jurisdiction of**

**Incorporation or Organization)**

**1800 Valley View Lane, Suite 300**

**Dallas, Texas 75234**

**(Address of principal executive offices)**

**(Zip Code)**

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

**Identification No.)**

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

(469) 522-4200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE**

**PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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)

**10,136,193**  
(Outstanding at August 3, 2007)

---

**Table of Contents**

**AMERICAN REALTY INVESTORS, INC.**

**FORM 10-Q**

**TABLE OF CONTENTS**

<b>PART I. FINANCIAL INFORMATION</b>	<b>PAGE</b>
Item 1. Financial Statements	
<u>Consolidated Balance Sheets at June 30, 2007 (unaudited) and December 31, 2006</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2007 and 2006 (unaudited)</u>	4
<u>Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2007 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4. <u>Controls and Procedures</u>	27
<b>PART II. OTHER INFORMATION</b>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6. <u>Exhibits</u>	29
<u>SIGNATURE PAGES</u>	30

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

	June 30,	December 31,
	2007	2006
	(dollars in thousands)	
	(unaudited)	
<b>Assets</b>		
Real estate held for investment	\$ 1,503,291	\$ 1,249,833
Less accumulated depreciation	(185,046)	(178,029)
	1,318,245	1,071,804
Real estate held for sale, net of depreciation	42,153	134,593
Real estate subject to sales contract	65,174	66,027
Notes and interest receivable		
Performing (\$29,523 in 2007 and \$28,541 in 2006 from affiliates)	58,262	50,668
Non-performing	23,253	2,963
	81,515	53,631
Less allowance for estimated losses	(1,003)	(1,000)
	80,512	52,631
Marketable securities, at market value	11,226	9,038
Cash and cash equivalents	5,470	7,035
Restricted cash	4,168	6,000
Investments in equity investees	31,260	25,056
Other assets (\$45,972 in 2007 and \$52,793 in 2006 from affiliate)	139,847	121,487
	\$ 1,698,055	\$ 1,493,671
<b>Liabilities and Stockholders Equity</b>		
Liabilities:		
Notes payable (\$8,036 in 2007 and \$7,499 in 2006 to affiliates)	\$ 1,265,046	\$ 1,022,370
Liabilities related to assets held for sale	57,685	43,579
Liabilities subject to sales contract	32,224	58,816
Stock-secured notes payable	22,546	22,452
Accounts payable and other liabilities (\$1,058 in 2007 and \$5,839 in 2006 to affiliates)	117,734	107,771
	1,495,235	1,254,988
Commitments and contingencies		
Minority interest	61,548	78,194
Stockholders equity:		
Common Stock; \$.01 par value, authorized 100,000,000 shares, issued 11,592,272 shares in 2007 and 2006	114	114

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

Preferred Stock; \$2.00 par value, authorized 50,000,000 shares, issued and outstanding Series A 3,389,560 shares in 2007 and 2006 (liquidation preference \$33,909), including 900,000 shares in 2007 and 2006 held by subsidiaries	4,979	4,979
Additional paid-in capital	106,624	93,378
Treasury stock, at cost, 1,453,657 and 1,443,272 shares in 2007 and 2006, respectively	(15,588)	(15,146)
Retained earnings	43,236	75,380
Accumulated other comprehensive income	1,907	1,784
	141,272	160,489
	\$ 1,698,055	\$ 1,493,671

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		For the Six Months	
	Ended June 30, 2007	2006	Ended June 30, 2007	2006
	(dollars in thousands)		(dollars in thousands)	
Property revenue:				
Rental and other property revenues (\$352 in 2007 and \$517 in 2006 from affiliates)	\$ 52,111	\$ 43,129	\$ 103,218	\$ 86,880
Expenses:				
Property operating expenses (\$4,419 in 2007 and \$3,306 in 2006 to affiliates)	33,702	30,161	66,205	58,114
Depreciation and amortization	7,585	6,219	14,383	12,304
General and administrative (\$1,761 in 2007 and \$2,550 in 2006 to affiliates)	3,773	1,901	8,513	4,831
Advisory fee to affiliate	3,834	3,230	7,133	6,310
Total operating expenses	48,894	41,511	96,234	81,559
Operating income	3,217	1,618	6,984	5,321
Other income (expense):				
Interest income from notes receivable (\$816 in 2007 and \$828 in 2006 from affiliates)	1,477	2,093	3,031	3,238
Gain (loss) on foreign currency transaction	(135)	2	(4)	4
Other income (\$2,767 in 2007 and \$2,085 in 2006 from affiliate)	1,726	405	4,270	2,013
Mortgage and loan interest (\$363 in 2007 and \$232 in 2006 to affiliates)	(25,027)	(19,434)	(50,420)	(37,219)
Net income fee to affiliate			705	
Litigation settlement		1,434	24	1,804
Total other income (expense)	(21,959)	(15,500)	(42,394)	(30,160)
Loss before gain on land sales, minority interest and equity in income of unconsolidated real estate entities	(18,742)	(13,882)	(35,410)	(24,839)
Gain on land sales		10,668	4,897	13,408
Minority interest	(281)	(798)	(505)	32
Equity in income of unconsolidated real estate entities		86		261
Loss from continuing operations	(19,023)	(3,926)	(31,018)	(11,138)
Income tax benefit (expense)	(1,196)	1,545	42	1,343
Net loss from continuing operations	(20,219)	(2,381)	(30,976)	(9,795)
Income (loss) from discontinued operations	(3,417)	4,414	120	3,837
Income tax benefit (expense)	1,196	(1,545)	(42)	(1,343)
Net income (loss) from discontinued operations	(2,221)	2,869	78	2,494
Net income (loss)	(22,440)	488	(30,898)	(7,301)
Preferred dividend requirement	(624)	(631)	(1,246)	(1,245)

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

Net loss applicable to common shares	\$ (23,064)	\$ (143)	\$ (32,144)	\$ (8,546)
--------------------------------------	-------------	----------	-------------	------------

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS Continued****(unaudited)**

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2007	2006	2007	2006
	(dollars in thousands)		(dollars in thousands)	
<b>Basic earnings per share:</b>				
Loss from continuing operations	\$ (2.06)	\$ (0.30)	\$ (3.18)	\$ (1.09)
Income (loss) from discontinued operations	(0.22)	0.28	0.01	0.25
Net loss applicable to common shares	\$ (2.28)	\$ (0.02)	\$ (3.17)	\$ (0.84)
<b>Diluted earnings per share:</b>				
Loss from continuing operations	\$ (2.06)	\$ (0.30)	\$ (3.18)	\$ (1.09)
Income (loss) from discontinued operations	(0.22)	0.28	0.01	0.25
Net loss applicable to common shares	\$ (2.28)	\$ (0.02)	\$ (3.17)	\$ (0.84)
<b>Weighted average common shares used in computing earnings per share:</b>				
Basic	10,141,525	10,149,000	10,141,525	10,149,000
Diluted	10,141,525	10,149,000	10,141,525	10,149,000

Series A Cumulative Convertible Preferred Stock (3,389,560 and 3,391,000 shares of Preferred Stock convertible into common stock estimated to be 2,957,000 common shares) and options to purchase 70,750 shares of ARI's common stock were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2007 and 2006, because the effect of their inclusion would be antidilutive.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

## AMERICAN REALTY INVESTORS, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Six Months Ended June 30, 2007

(dollars in thousands)

(unaudited)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Retained Comprehensive Income/(Loss)		Stockholders Equity
	Shares	Amount	Shares	Amount		Shares	Amount	Earnings	Income/(Loss)	
<b>Balance, January 1, 2007</b>	11,592,272	\$ 114	3,389,560	\$ 4,979	\$ 93,378	1,443,272	\$ (15,146)	\$ 75,380	1,784	\$ 160,489
Unrealized loss on foreign currency translation									(668)	(668)
Unrealized gain on marketable securities									791	791
Net loss								(30,898)		(30,898)
Acquisition of minority interest					13,246					13,246
Repurchase of common stock						10,385	(442)			(442)
Series A preferred stock cash dividend (\$1.00 per share)								(1,246)		(1,246)
<b>Balance, June 30, 2007</b>	11,592,272	\$ 114	3,389,560	\$ 4,979	\$ 106,624	1,453,657	\$ (15,588)	\$ 43,236	\$ 1,907	\$ 141,272

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	<b>For the Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(dollars in thousands)</b>	
<b>Cash Flows From Operating Activities:</b>		
Loss from continuing operations	\$ (30,976)	\$ (9,795)
Adjustments to reconcile net income to net cash used in operating activities		
Gain on sale of land	(5,794)	(1,080)
Depreciation and amortization	14,225	13,617
Amortization of deferred borrowing costs	2,762	970
Income tax benefit expense	(42)	(1,343)
Equity in (income) loss of investees		261
Gain (loss) on foreign currency transaction	4	(4)
(Increase) decrease in assets:		
Accrued interest receivable		(1,932)
Other assets	(39,073)	(2,874)
Investments	(1,410)	
Notes receivable	(22,868)	
Prepaid expense	(2,575)	
Escrows	1,472	
Rents receivable	(1,577)	
Increase (decrease) in liabilities:		
Notes payable	(15,813)	
Accrued interest payable	(202)	(1,403)
Minority interest	(50)	(3,719)
Other liabilities	11,748	(5,790)
<b>Net cash used in operating activities</b>	<b>(90,169)</b>	<b>(13,092)</b>
<b>Cash Flows From Investing Activities:</b>		
Collections on notes receivable	13,489	14,831
Proceeds from sale of notes receivable		6,749
Funding of notes receivable		(2,211)
Acquisition of land held for development	(14,506)	(39,359)
Real estate improvements	(12,783)	(9,942)
Real estate construction and development	(91,682)	
Proceeds from sales of income-producing properties	41,431	
Proceeds from sale of land	4,531	16,342
Acquisition of income producing properties	(112,193)	(7,496)
Investment in joint venture	(3,659)	
Improvement of land held for sale	(2,869)	
Improvement of income producing properties	(8,094)	
Acquisition of minority interests	(1,301)	
Payments made for marketable securities	(697)	
Distributions to equity investees	(1,524)	
Earnest money/escrow deposits	5,310	(988)
<b>Net cash provided by (used in) investing activities</b>	<b>(184,547)</b>	<b>(22,074)</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.



**Table of Contents****AMERICAN REALTY INVESTORS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS** Continued

(unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(dollars in thousands)</b>	
<b>Cash Flows From Financing Activities:</b>		
Proceeds from notes payable	289,962	89,623
Construction and development financing	84,243	
Recurring amortization of principal on notes payable	(6,632)	
Other payments on notes payable	(62,997)	
Increase in due from affiliates	28,186	
Payments on maturing notes payable	(1,122)	
Payments on notes payable related to asset sales and refinancings	(34,040)	(40,179)
Deferred borrowing costs	(11,848)	(2,499)
Net advances from (payments to) affiliates	(10,346)	
Restricted cash	1,832	
Dividends paid to shareholders	(455)	
Purchase of treasury stock	(485)	
Preferred dividends paid	(1,246)	(321)
<b>Net cash (used in) provided by financing activities</b>	<b>275,052</b>	<b>46,624</b>
<b>Discontinued Operations:</b>		
Cash used in operating activities	(1,060)	(12,423)
Cash used in financing activities — payment of notes payable	(29,012)	
Cash provided by investing activities	28,171	3,444
<b>Net cash provided (used) by discontinued operations</b>	<b>(1,901)</b>	<b>(8,979)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,565)</b>	<b>2,479</b>
Cash and cash equivalents, beginning of period	7,035	13,904
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,470</b>	<b>\$ 16,383</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 50,335	\$ 32,260
<b>Schedule of Non-Cash Investing and Financing Activities:</b>		
Increase in minority interest related to acquisition of real estate		14,835
Notes payable assumed from buyer upon sale of real estate		42,156
Note payable assumed by affiliate		4,000
Unrealized loss foreign currency translation	(380)	(194)
Unrealized gain on marketable securities	503	864
Note receivable received from affiliate	22,111	

The accompanying notes are an integral part of these Consolidated Financial Statements.



**Table of Contents**

**AMERICAN REALTY INVESTORS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

American Realty Investors, Inc. a Nevada corporation ( ARI , The Company , We , Our or Us ) was organized in 1999. In 2002, the Company, through mergers into wholly-owned subsidiaries acquired several entities. In 2003, the Company acquired 82.2% of the outstanding shares of Transcontinental Realty Investors, Inc. ( TCI ) a Nevada Corporation which is traded on the New York Stock Exchange, Inc. ( NYSE ) under the ticker symbol TCI . TCI 's operations are fully consolidated in our financial statements.

We are an externally advised real estate investment company and have no employees. We own a diverse portfolio of residential apartment communities, office buildings, hotels and other commercial properties. At June 30, 2007, the Company owned approximately 14,000 units in 77 residential apartment communities, 33 commercial properties comprising 5.3 million rentable square feet and ten hotels containing a total of 1,235 rooms. We own 10,900 acres of undeveloped land and have over 2,500 apartment units in 14 projects under construction. The Company currently owns operating properties or land in 20 states as well as in Poland and the U.S. Virgin Islands. American Realty Investors, Inc. is headquartered in Dallas, Texas and its common stock trades on the New York Stock Exchange under the symbol ARL . Prime Income Asset Management, LLC ( Prime ) is the Company 's external advisor. Regis Property Management, LLC, an affiliate of Prime, manages the Company 's commercial properties. Regis Hotel I, LLC, another Prime affiliate, manages the Company 's hotel investments. ARI engages various third-party companies to lease and manage its apartment properties. In addition, we have a 20% interest in Milano Restaurants International Corporation.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statement for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year. The year end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosure required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the Company 's financial statements and notes thereto contained in the Company 's Annual Report on Form 10-K for its fiscal year ended December 31, 2006.

*Newly issued accounting standards.* In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 ( FIN No. 48 ). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in a company 's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 was effective for fiscal years beginning after December 15, 2006. FIN No. 48, which was adopted by the Company effective January 1, 2007, did not have a material impact on the Company 's cash flows, results of operations, financial position or liquidity.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ( SFAS No. 157 ). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS No. 157 to have a material impact on the Company 's cash flows, results of operations, financial position or liquidity.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 ( SFAS No. 159 ). SFAS No. 159 permits entities to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating and assessing the impact of this statement.

**NOTE 2. REAL ESTATE**

At June 30, 2007, ARI 's real estate consisted of the following:

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

	Cost	Accumulated Depreciation
Apartments	\$ 422,584	\$ 59,446
Apartments under construction	128,658	
Commercial buildings	443,402	100,974
Hotels	88,650	24,439
Land held for development	419,997	187
<b>Total</b>	<b>\$ 1,503,291</b>	<b>\$ 185,046</b>

In 2007, ARI purchased the following properties:

Property	Location	Acres/ Sq. Ft./Units	Purchase Price	Net Cash Paid	Debt Incurred	Debt Paid	Interest Rate	Maturity Date
<b>First Quarter</b>								
<b>Land</b>								
Audubon Terrace	Natchez, MS	48.2 Acres	\$ 285	\$ 504	\$	\$	%	
Keller Springs	Addison, TX	5.6 Acres	2,526	539	2,021		9.25 <sup>(1)</sup>	2/08
			2,811	1,043	2,021			
<b>Buildings</b>								
Parkwest I	Farmers Branch, TX	383,114 Sq. Ft.	40,604	1,587	35,000	5,750	6.06	1/09
Parkwest II	Farmers Branch, TX	707,559 Sq. Ft.	69,694	8,106	62,000		9.32 <sup>(1)</sup>	1/13
			110,298	9,693	97,000	5,750		
			113,109	10,736	99,021	5,750		
<b>Second Quarter</b>								
<b>Land</b>								
Hines Meridian	Las Colinas, TX	40.1 Acres	7,900	2,998	5,000		9.25 <sup>(1)</sup>	6/10
Senlac Land	Farmers Branch, TX	4.0 Acres	1,003					
Waco Land	Waco, TX	151.0 Acres	2,000	453	1,300		9.25 <sup>(1)</sup>	4/10
William Sprowles	Irving, TX	1.2 Acres	210	277				
			11,113	3,728	6,300			
<b>Apartments</b>								
Thornwood	Midland, TX	109 Units	1,895		1,638	1,638		
			13,008	3,728	7,938	1,638		
			\$ 126,117	\$ 7,976	\$ 106,959	\$ 7,388		

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

In 2006, ARI purchased the following properties:

Property	Location	Acres/Units	Purchase Price	Net Cash Paid	Debt Incurred	Interest Rate	Maturity Date
<b>First Quarter</b>							
<b>Land</b>							
Circle C Ranch	Austin, TX	1,092.0 Acres	\$ 21,000	\$	\$ 21,000	8.75% <sup>(1)</sup>	03/08
Pioneer Crossing	Austin, TX	38.5 Acres	614	614	1,515	8.75 <sup>(1)</sup>	06/08
Southwood 1394	Tallahassee, FL	14.5 Acres	1,150	477	748	8.50 <sup>(1)</sup>	02/08
Valley Ranch 20	Farmers Branch, TX	20.0 Acres	4,673	1,892	3,038	8.50 <sup>(1)</sup>	02/08
Polo Estates at Bent Tree	Dallas, TX	5.9 Acres	3,833	1,014	3,000	8.25 <sup>(1)</sup>	01/08
Polo Estates at Park Forest	Dallas, TX	9.3 Acres	4,560	1,868	2,964	8.00	12/07
			35,830	5,865	32,265		
<b>Apartments</b>							
Anderson Estates	Oxford, MS	48 Units	1,144 <sup>(2)</sup>	148	996	9.50 <sup>(1)</sup>	12/20
David Jordan Phase II	Greenwood, MS	32 Units	743 <sup>(2)</sup>	98	645	8.50 <sup>(1)</sup>	04/19
David Jordan Phase III	Greenwood, MS	40 Units	812 <sup>(2)</sup>	122	690	8.75 <sup>(1)</sup>	07/22
Leflore Estates	Greenwood, MS	104 Units	2,114 <sup>(2)</sup>	337	1,777	7.00	02/22
Monticello III Estates	Monticello, AR	32 Units	644 <sup>(2)</sup>	96	548	7.00	01/22
Riverwalk Phase I	Greenwood, MS	32 Units	455 <sup>(2)</sup>	99	356	8.50	02/19
Riverwalk Phase II	Greenwood, MS	72 Units	1,584 <sup>(2)</sup>	226	1,358	8.25 <sup>(1)</sup>	02/19
			7,496	1,126	6,370		
			43,326	6,991	38,635		
<b>Second Quarter</b>							
<b>Land</b>							
Forney Land	Forney, TX	34.8 Acres	3,945	3,926			
Parc at Clarksville	Clarksville, TN	10.4 Acres	541		547	8.00	08/06 <sup>(3)</sup>
Senlac Hutton	Farmers Branch, TX	5.9 Acres	1,050	949			
Waco 42	Waco, TX	42.8 Acres	531	112	398	8.00	05/09
			6,067	4,987	945		
			\$ 49,393	\$ 11,978	\$ 39,580		

(1) Variable interest rate.

(2) Net of minority interest and other liabilities assumed.

(3) ARI is negotiating with Lender to extend this loan.

In January 2007, the Company acquired four office buildings containing approximately 1,090,000 rentable square feet and a 4.7 acre tract of undeveloped land located in Farmers Branch, TX, known as Park West. The properties were acquired for a total purchase price of \$110 million plus closing costs. The acquisition was financed with a two year, \$62 million loan from a commercial bank and a six year, \$35 million loan from

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

a life insurance company. The combined weighted average interest rate at closing was approximately 8.15%. The loans are collateralized by the properties and guaranteed by ARI.

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

On May 8, 2007, we purchased 40.1 acres of land in Las Colinas, Texas known as Hines Meridian for \$7.9 million. The acquisition was financed with \$3.0 million cash and a new note for \$5.0 million. The note accrues interest at 9.25%, is payable in installments of interest only for 12 months, then installments of principal and interest for 23 months and one final payment of all accrued, unpaid interest and the outstanding principal balance on maturity in May 2010.

In 2007, ARI sold the following properties:

Property	Location	Acres/ Sq. Ft./Units	Sales Price	Net Cash Received/Paid	Debt Discharged	Gain On Sale
<b>First Quarter</b>						
<b>Land</b>						
Grapevine Yards	Grapevine, TX	4.6 Acres	\$ 2,928	\$ 1,015	\$ 1,758	\$ 1,040
McKinney Ranch Land	McKinney, TX	15.1 Acres	2,785	793	1,850	1,122
Metro Center Land	Nashville, TN	22.4 Acres	3,896	706	2,985	2,728
			9,609	2,514	6,593	4,890
<b>Apartments</b>						
Bluffs at Vista Ridge	Lewisville, TX	272 Units	24,650	3,126	15,518	3,648
Mediterranean Villa	San Antonio, TX	140 Units	4,110	1,039	2,598	744
			28,760	4,165	18,116	4,392
			38,369	6,679	24,709	9,282
<b>Second Quarter</b>						
<b>Land</b>						
Denton Coonrod	Denton, TX	82.2 Acres	1,895		1,637	
Palm Desert	Palm Desert, CA	1.2 Acres	900			
			2,795		1,637	
<b>Buildings</b>						
Durham Center	Durham, NC	207,171 Sq. Ft.	19,200	3,409	10,638	(2,368)
			21,995	3,409	12,275	(2,368)
			\$ 60,364	\$ 10,088	\$ 36,984	\$ 6,914

In 2006, ARI sold the following properties:

Property	Location	Acres/Units	Sales Price	Net Cash Received/Paid	Debt Discharged	Gain
----------	----------	-------------	----------------	---------------------------	--------------------	------

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

On Sale

**First Quarter**

<b>Land</b>						
Hollywood Casino	Farmers Branch, TX	10.5 Acres	\$ 3,225	\$ 1,297	\$	\$ 331
Vineyards II	Grapevine, TX	1.5 Acres	1,272	429	745	578
			4,497	1,726	745	909

**Second Quarter**

<b>Land</b>						
Elm Fork	Carrollton, TX	27.6 Acres	3,500	(827)	2,800	1,596
Elm Fork	Carrollton, TX	8.5 Acres	1,674	(755)	1,135	1,030
McKinney Ranch Land	McKinney, TX	123.9 Acres	16,591	6,004	10,051	3,389
McKinney Ranch Land	McKinney, TX	44.5 Acres	10,289	10,031		5,301
Nashville	Nashville, TN	16.4 Acres	2,512		2,416	1,700
Nashville	Nashville, TN	2.4 Acres	462		429	323
Stagliano	Farmers Branch, TX	3.1 Acres	1,373	187		715
			36,401	14,640	16,831	14,054

**Apartments**

Plantation Apartments	Tulsa, OK	138 Units	2,750	638	2,191	432
Willo-Wick Apartments	Pensacola, FL	152 Units	6,500	2,806	2,827	2,860
			9,250	3,444	5,018	3,292
			45,651	18,084	21,849	17,346
			\$ 50,148	\$ 19,810	\$ 22,594	\$ 18,255

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

At June 30, 2007, ARI had the following apartment properties under construction:

Property	Location	Units	Amount Expended	Additional Amount to Expend	Construction Loan Funding
<b>Apartments</b>					
Bolivar Homes	Cleveland, MS	65 Units	\$ 2,481	\$ 6,128	\$ 1,619
Broadway Estates	Greenville, MS	104 Units	2,066	6,291	1,190
Lago Vista	Farmers Branch, TX	212 Units	15,831	10,619	6,691
Legends of El Paso	El Paso, TX	240 Units	17,812	4,079	15,166
Longfellow Arms	Longview, TX	216 Units	5,025	3,286	4,046
Mason Park	Houston, TX	312 Units	1,991	17,409	1,567
Mission Oaks	San Antonio, TX	228 Units	15,980		13,688
Parc at Clarksville	Clarksville, TN	206 Units	11,437	2,455	10,659
Parc at Maumelle	Maumelle, AR	240 Units	19,701		15,847
Parc at Metro Center	Nashville, TN	144 Units	12,578		9,927
Parc at Rogers	Rogers, AR	152 Units	12,048	8,777	10,589
Pecan Pointe	Temple, TX	232 Units	8,158	8,679	7,095
Sunflower Estates	Indianola, MS	65 Units	1,494	6,936	902
Yazoo Estates	Yazoo City, MS	96 Units	2,056	6,289	1,176
Total		2,512 Units	\$ 128,658	\$ 80,948	\$ 100,162

**NOTE 3. NOTES AND INTEREST RECEIVABLE**

Borrower	Maturity Date	Interest Rate	Amount	Security
<b>Performing loans:</b>				
400 St. Paul	10/08	8.00%	\$ 3,612	Office building, Dallas, TX
Basic Capital Management <sup>(1)</sup>	4/08	9.25 <sup>(3)</sup>	1,252	Industrial building, Arlington, TX
Basic Capital Management <sup>(1)</sup>	4/08	9.25 <sup>(3)</sup>	1,523	Retail building, Cary, NC
Carrollton TH, LP	3/09	15.00	1,728	27.5 acres Elm Fork Ranch, Carrollton, TX
Dallas Fund XVII LP <sup>(2)</sup>	10/06	9.00	3,907	Partnership interests and lawsuit proceeds
Garden Centura LP	N/A	7.00	6,372	Excess cash flow from partnership
Miscellaneous related party notes	Various	Various	8,514	Various security interests
One Realco <sup>(2)</sup>	2/07	9.25 <sup>(3)</sup>	9,949	Subordinate pledge of One Realco Stock
Pioneer Austin Development	10/08	10.00	3,178	33 acres undeveloped land, Austin, TX
Realty Advisors	11/08	9.25 <sup>(3)</sup>	5,633	850 shares of ARI stock owned by BCM
Unified Housing of Harvest Hill	10/13	12.00	7,034	Surplus cash note
Accrued interest			5,560	
Total			\$ 58,262	

(1) Related party.

(2) Currently negotiating extension of this note.

(3) Variable rate.

**NOTE 4. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES**

ARI's investment in real estate entities at June 30, 2007 was as follows:

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

Investee	Percentage of Ownership at June 30, 2007	Carrying Value of Investment at June 30, 2007	Market Value <sup>(1)</sup> of Investment at June 30, 2007
IORI	24.8%	\$6,370	\$4,079
Garden Centura, L.P. <sup>(2)</sup>	5.0	1,944	4,404
Gruppa Fiorentina, LLC ( Gruppa <sup>(2)</sup> )	20.0	4,750	N/A
Other <sup>(2)</sup>		18,196	N/A
		\$31,260	

(1) Based on stock closing price on June 30, 2007 and is not necessarily indicative of the fair market value of the investee's net assets.

(2) No readily determinable market value.

Set forth below are summarized results of operations of IORI and Garden Centura for the six months ended June 30, 2007 and 2006:

	2007	2006
Revenues	\$ 11,087	\$ 66,802
Equity in loss of partnership		81
Property operating expenses	(5,442)	(52,499)
Depreciation	(1,760)	(5,341)
Interest	(5,226)	(16,474)
Income before gain on sale of real estate	(1,341)	(7,431)
Gain on sale of real estate		4,314
Net loss	\$ (1,341)	\$ (3,117)

**NOTE 5. MARKETABLE EQUITY SECURITIES**

ARI owns equity securities of Realty Korea CR-REIT Co., Ltd. No. 1 representing approximately a 9.2% ownership interest. This investment is considered an available for sale security. ARI recognized an unrealized gain of \$791,000 for the six month period ending June 30, 2007 due to an increase in market price.

**NOTE 6. NOTES PAYABLE**

On February 23, 2007, ARI received \$4.9 million in proceeds from a \$5.0 million loan with a commercial bank. The note accrues interest at prime plus 1% which is payable monthly, commencing April 1, 2007, until maturity in February 2008. At maturity all accrued and unpaid interest and outstanding principal are due. The loan is secured by 235.0 acres in Farmers Branch, Texas, known as Mercer Crossing and 97.3 acres in Austin, Texas, known as Pioneer Crossing.

On March 16, 2007, ARI refinanced the note secured by Piccadilly Shaw Hotel through a commercial bank. The Company received \$6.5 million in proceeds, paid down a \$5.2 million note and acquired new debt of \$12.8 million. The note accrues interest at 8%. The note is payable in monthly principal payments of \$16,234 plus accrued interest. The payments commence April 1, 2007 and are payable through maturity, in February 2012. At maturity, all accrued and unpaid interest and outstanding principal are due.

## Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

On March 16, 2007, ARI refinanced the note secured by Piccadilly Airport Hotel through a commercial bank. The Company received \$6.8 million in proceeds, paid down a \$4.5 million note and acquired new debt of \$12.2 million. The note accrues interest at 8%. The note is payable in monthly principal payments of \$16,994 plus accrued interest. The payments commence April 1, 2007 and are payable through maturity, in February 2012. At maturity, all accrued and unpaid interest and outstanding principal are due.

On March 22, 2007, ARI entered into a promissory note with an unrelated individual lender. The Company received \$6.5 million in proceeds and acquired \$6.5 million in debt. The note accrues interest at 12.5%, and matures April 26, 2007, at which time all accrued and unpaid interest and outstanding principal are due.

In 2007, ARI obtained mortgage financing on the following:

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

	Location	Acres/Rooms Sq. Ft./Units	Debt Incurred	Debt Discharged	Net Cash Received/Paid	Interest Rate	Maturity Date
<b>First Quarter</b>							
<b>Land</b>							
Crowley & Wilmer Land	Crowley & Wilmer, TX	142.6 Acres	\$ 3,390	\$	\$ 2,633	10.00% <sup>(1)</sup>	7/07
Grapevine Vineyard	Grapevine, TX	6.2 Acres	1,758	265	1,385	9.75 <sup>(1)</sup>	7/07
Manhattan Land	Farmers Branch, TX	112.0 Acres	7,000		6,620	10.00 <sup>(1)</sup>	1/08
Payne I Land	Irving, TX	109.8 Acres	6,500		6,500	12.00 <sup>(1)</sup>	
Pioneer Crossing	Austin, TX	97.3 Acres	5,000		4,916 <sup>(2)</sup>	9.25 <sup>(1)</sup>	2/08
			23,648	265	22,054		
<b>Hotels</b>							
City Suites Hotel	Chicago, IL	45 Rooms	7,300	3,551	3,700	8.25	2/12
Piccadilly Airport Hotel	Fresno, CA	185 Rooms	12,200	4,478	6,778	8.00	2/12
Piccadilly Chateau Hotel	Fresno, CA	78 Rooms	3,700	1,884	1,436	8.00	2/12
Piccadilly Shaw Hotel	Fresno, CA	194 Rooms	12,800	5,200	6,451	8.00	2/12
The Majestic Hotel	Chicago, IL	55 Rooms	6,000	3,100	2,866	7.76	3/10
Willows Surf Hotel	Chicago, IL	52 Rooms	5,160		1,529	7.76	3/10
			47,160	18,213	22,760		
			70,808	18,478	44,814		
<b>Second Quarter</b>							
<b>Apartments</b>							
Arbor Pointe	Odessa, TX	194 Units	5,088	1,799	4,988	7.03	7/37
Autumn Chase	Midland, TX	64 Units	2,400	1,131	705	9.25 <sup>(1)</sup>	9/07
Courtyard	Midland, TX	133 Units	3,440	1,315	2,057	7.03	7/37
Coventry Point	Midland, TX	120 Units	3,120	1,137	1,858	7.03	7/37
Fountains at Waterford	Midland, TX	172 Units	5,920	1,525	252	7.03	7/37
Hunters Glen	Midland, TX	212 Units	4,462	2,448	938	9.25 <sup>(1)</sup>	9/07
Southgate	Odessa, TX	180 Units	4,614	1,867	2,671	7.03	7/37
Sunchase	Odessa, TX	300 Units	7,328	3,128	7,196	7.03	7/37
Sunset	Odessa, TX	240 Units	5,531	2,958	1,285	9.25 <sup>(1)</sup>	9/07
Thornwood	Midland, TX	109 Units	2,784	1,098	1,582	7.03	7/37
Westwood Square	Odessa, TX	79 Units	936	496	418	7.03	7/37
Whispering Pines	Topeka, KS	320 Units	8,300	7,076	970	7.00 <sup>(1)</sup>	4/08
			53,923	25,978	24,920		
<b>Land</b>							
Mercer Crossing	Farmers Branch, TX	235.0 Acres	3,000			9.25 <sup>(1)</sup>	5/08
Pioneer Crossing	Austin, TX	257.0 Acres	12,000		11,209	10.25	5/08
Polo Estates at Park Forest	Dallas, TX	9.3 Acres	3,107	2,982	76	9.25 <sup>(1)</sup>	12/07
Various tracts	Dallas, TX	35.9 Acres	4,193		6,019	12.50	4/09
			22,300	2,982	17,304		
<b>Commercial</b>							

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

Hickory IV	Farmers Branch, TX	221,000 Sq. Ft.	26,000	12,178	13,153	8.67 <sup>(1)</sup>	6/10
			102,223	41,138	55,377		
			\$ 173,031	\$ 59,616	\$ 100,191		

In 2006, ARI financed/refinanced or obtained second mortgage financing on the following:

	Location	Acre/ Sq. Ft./Units	Debt Incurred	Debt Discharged	Net Cash Received/Paid	Interest Rate	Maturity Date
<b>First Quarter</b>							
<b>Apartments</b>							
Hunters Glen	Midland, TX	212 Units	\$ 2,475	\$ 1,804	\$ 421	7.23% <sup>(1)</sup>	2/09
<b>Land</b>							
Nashville	Nashville, TN	100.9 Acres	2,500		2,500 <sup>(2)</sup>	12.50 <sup>(1)</sup>	5/06 <sup>(4)</sup>
Palmer Lane	Austin, TX	367.4 Acres	14,000	14,300	(893)	8.50	8/07
Pioneer Crossing	Austin, TX	235.0 Acres	11,750 <sup>(3)</sup>	4,000		12.50 <sup>(1)</sup>	4/07 <sup>(4)</sup>
West End	Dallas, TX	5.3 Acres	9,000	2,000	6,079	8.00	3/07 <sup>(4)</sup>
			37,250	20,300	7,686		
			39,725	22,104	8,107		
<b>Second Quarter</b>							
<b>Land</b>							
Nashville Land	Nashville, TN	82.2 Acres	6,500	2,776	3,561	7.50	7/08
<b>Office Buildings</b>							
University Square	Anchorage, AK	20,215 Sq. Ft.	1,360	1,079	257	8.25	5/16
			7,860	3,855	3,818		
			\$ 47,585	\$ 25,959	\$ 11,925		

(1) Variable rate.

(2) Cash received by affiliate, increasing ARI's affiliate receivable.

(3) Various affiliate notes extended and collateralized by ARI, increasing ARI affiliate receivable.

(4) ARI is negotiating with Lender to extend this loan.

**Table of Contents**

**AMERICAN REALTY INVESTORS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

On April 30, 2007, we refinanced the existing mortgage of \$7.1 million on Whispering Pines Apartments, a 320 unit apartment complex located in Topeka, Kansas, with a new note for \$8.3 million and received \$1.0 million in cash. The new note accrues interest at 7.0% with interest only payments due monthly and all unpaid accrued interest and the not balance payable on maturity, in April 2008.

On May 3, 2007, we obtained a \$12 million loan secured by 257.0 acres of land in Austin, Texas known as Pioneer Crossing. The note accrues interest 10.25%, is payable in monthly installments of interest only and all accrued and unpaid interest and the remaining principal balance are due on maturity in May 2008.

On May 31, 2007, we refinanced the existing mortgage of \$12.2 million on Hickory IV, a 221,000 square foot commercial building located in Farmers Branch, Texas for \$26.0 million. The note accrues interest at LIBOR plus 3.75% with interest only payments due monthly and all unpaid accrued interest and the outstanding principal payable on maturity in May 2009.

On June 6, 2007 we refinanced \$12.4 million in existing mortgages on eight apartment complexes; Arbor Pointe, Courtyard, Coventry Pointe, Fountains at Waterford, Southgate, Sunchase, Thornwood, and Westwood apartments consisting of 1,287 units located throughout Midland and Odessa, Texas for new loans totaling \$33.2 million receiving \$21.0 million in cash and paid down property debt and defeasance costs totaling \$4.1 million. The loans accrue interest at 7.03% is payable in monthly installments of interest and principal, and all accrued and unpaid interest and the outstanding principal balance are due on maturity, July 2037.

On June 28, 2007 we refinanced the existing notes of \$6.5 million on three apartment complexes; Autumn Chase, Hunters Glen and Sunset apartments consisting of 516 units in total located throughout Midland and Odessa, Texas for new loans totaling \$12.4 million, receiving \$3.0 million in cash. The loans accrue interest at prime plus 25 points with interest only payments due monthly and all unpaid accrued interest and the outstanding principal balance payable on maturity in September 2007.

**NOTE 7. STOCK-SECURED NOTES PAYABLE**

ARI has margin arrangements with various financial institutions and brokerage firms, which provide for borrowings of up to 50.0% of the market value of marketable equity securities. ARI also has other notes payable secured by stock. The borrowings under such margin arrangements and notes are secured by the equity securities of IORI and TCI, and ARI's trading portfolio securities and bear interest rates ranging from 9.5% to 24.0% per annum. Stock-secured notes payable and margin borrowings totaled \$22.5 million at June 30, 2007 and December 31, 2006.

**NOTE 8. RELATED PARTY TRANSACTIONS**

The following table reconciles the beginning and ending balances of accounts receivable from and (accounts payable to) affiliates as of June 30, 2007.

**Table of Contents****AMERICAN REALTY INVESTORS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued**

Balance, January 1, 2007	\$ 44,739
Cash transfers to affiliates	122,672
Cash transfers from affiliates	(60,255)
Advances through receipt of financing proceeds	(57,366)
Payables clearing through affiliates	(3,972)
 Balance, June 30, 2007	 \$ 45,818

At June 30, 2007, ARI's other assets include \$248,000 due from affiliates for rent and interest. Also at June 30, 2007, ARI owed \$1.2 million to Regis Property Management for management fees and sales commissions.

**NOTE 9. OPERATING SEGMENTS**

Significant differences among the accounting policies of the operating segments as compared to the Consolidated Financial Statements principally involve the calculation and allocation of administrative and other expenses. Management evaluates the performance of each of the operating segments and allocates resources to them based on their net operating income and cash flow. Excluded from operating segment assets are assets of \$295.7 million in 2007 and \$221.2 million in 2006. There are no intersegment revenues and expenses, and ARI conducted all of its business within the United States, with the exception of Hotel Akademia (Poland), which began operations in 2002.

Presented below are ARI's reportable segments' operating income for the three and six months ended June 30, 2007 and 2006, and segment assets at June 30, 2007 and 2006.

	For the Three Months Ended		Commercial				Receivables/					
	June 30, 2007		Properties	Apartments	Hotels	Land	Other	Total				
Operating revenue	\$	17,738	\$	23,739	\$	10,400	\$	247	\$	(13)	\$	52,111
Operating expenses		11,200		13,547		6,877		1,523		555		33,702
Depreciation		3,594		3,129		850		14		(2)		7,585
Mortgage and loan interest		6,349		9,942		1,454		6,580		702		25,027
Interest income				(5)				59		1,423		1,477
Gain on land sales*												
 Segment operating income (loss)	\$	(3,405)	\$	(2,884)	\$	1,219	\$	(7,811)	\$	155	\$	(12,726)
 Capital expenditures	\$	3,168	\$	509	\$	1,320	\$	3,369	\$		\$	7,055
Assets		342,428		491,796		64,211		419,810				1,318,245
<b>Property Sales:</b>												
Sales price	\$	19,200	\$		\$		\$		\$		\$	19,200
Cost of sale		16,832										16,832
Recognized prior deferred gain												
 Gain on sale**	\$	2,368	\$		\$		\$		\$		\$	2,368

	For the Three Months Ended		Commercial	Apartments	Hotels	Land	Receivables/	Total
--	----------------------------	--	------------	------------	--------	------	--------------	-------

Edgar Filing: AMERICAN REALTY INVESTORS INC - Form 10-Q

June 30, 2006	Properties				Other	
Operating revenue	\$ 13,263	\$ 21,820	\$ 7,639	\$ 185	\$ 222	\$ 43,129
Operating expenses	9,858	12,763	5,740	1,784	16	30,161
Depreciation	3,146	2,549	520	2	2	6,219
Mortgage and loan interest	3,734	7,556	760	5,895	1,489	19,434
Interest income					2,093	2,093
Gain on land sales*				10,668		10,668
<b>Segment operating income (loss)</b>	<b>\$ (3,475)</b>	<b>\$ (1,048)</b>	<b>\$ 619</b>	<b>\$ 3,172</b>	<b>\$ 808</b>	<b>\$ 76</b>
Capital expenditures	\$ 4,056	\$ 2,413	\$ 99	\$ 1,655		\$ 8,223
Assets	155,110	360,269	78,359	330,601		924,339
<b>Property Sales:</b>						
Sales price	\$	\$	\$	\$ 60,351	\$	\$ 60,351
Cost of sale				46,347		46,347
Recognized prior deferred gain				3,336		3,336
Gain on sale**	\$	\$	\$	\$ 10,668	\$	\$ 10,668

