

TRANSCONTINENTAL REALTY INVESTORS INC
Form 8-K
December 22, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

December 15, 2004

Date of Report (Date of Earliest Event Reported)

TRANSCONTINENTAL REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
**(State or Other Jurisdiction of Incorporation or
Organization)**

1-09240
(Commission File No.)

94-6565852
(I.R.S. Employer Identification No.)

1800 Valley View Lane, Suite 300, Dallas, Texas
(Address of Principal Executive Office)

75234
(Zip Code)

(469) 522-4200

(Registrant's Telephone Number, Including Area Code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

In 2004, Transcontinental Realty Investors, Inc. (TCI) sold a significant amount of its assets, the last sale of which was completed on December 15, 2004. The nature and amount of consideration given principally involved cash received, seller financing provided by TCI and/or debt assumed by purchaser, and the principle followed in determining the amount of such consideration was negotiations between TCI and the purchaser. The properties sold are as follows:

Date of Completion or Sale Date	Description of Asset or Property	Location	Units/Sq. Ft./Acres (in thousands)	Sales Price (in thousands)	Gain on Sale (in thousands)	% of TCI s Assets	Purchaser
10/15/04	In The Pines Apartments	Gainesville, FL	242 Units	\$ 11,300	\$ 5,136	0.54%	National Commercial Ventures, LLC
10/05/04	Durham Centre	Durham, NC	207,171 Sq. Ft.	21,300	(1)	2.01%	Edina Park Plaza Associates, L.P.(2)
10/19/04	One Steeplechase	Sterling, VA	103,376 Sq. Ft.	11,900	5,627	0.64%	Lincoln Property Management
11/09/04	Ambulatory Surgery Center	Sterling, VA	33,832 Sq. Ft.	8,675	202	0.96%	GMS, LLC & 1480 LLC
11/24/04	Venture Center	Atlanta, GA	38,272 Sq. Ft.	4,000	1,167	0.24%	Sabeti Investments, LLC
12/03/04	Centura Tower	Farmers Branch, TX	410,901 Sq. Ft.	88,500	36,570	5.57%	DCM Deutsche Capital Management AG
12/15/04	Corporate Pointe	Chantilly, VA	65,918 Sq. Ft.	9,000	5,239	0.40%	14100 Park Meadow Drive, LLC
				\$ 154,675	\$ 53,941	10.36%	

(1) Excludes a deferral in recognition of gain of \$4.1 million due to a related party sale.

(2) Edina Park Plaza Associates, L.P., of which the managing general partner is a subsidiary of American Realty Investors, Inc. (ARI), a related party. ARI is a significant stockholder in TCI.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

The unaudited pro forma statements of operations are presented for the nine months ended September 30, 2004 and the year ended December 31, 2003. The unaudited pro forma statements of operations present TCI's operations as if the transactions described above had occurred at January 1 of each of the periods presented. An unaudited pro forma balance sheet as of September 30, 2004, is also presented. The unaudited pro forma balance sheet presents the property sales described above, as if they had occurred at January 1, 2004.

The unaudited pro forma condensed combined financial statements should be read in conjunction with TCI's financial statements and related notes included in TCI's Report on Form 10-Q for the quarter ended September 30, 2004 and the Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2004

(Dollars in thousands)

	Ambulatory								Totals
	In The	Durham	One	Surgery	Venture	Centura	Corporate		
	Actual	Pines(1)	Centre(1)	Steeplechase(1)	Center(1)	Center(1)	Tower(1)	Pointe(1)	
ASSETS									
Real Estate held for Investment	\$ 800,244	\$	\$	\$	\$	\$	\$	\$	\$ 800,244
Less: Accumulated Depreciation	(81,408)								(81,408)
	718,836								718,836
Real Estate Held for Sale	100,407	(4,691)	(17,283)	(5,377)	(8,261)	(2,495)	(49,923)	(3,431)	8,946
Notes and Interest Receivable:									
Performing	40,709	1,000	17,833						59,542
Non-Performing	4,303								4,303
	45,012	1,000	17,833						63,845
Less: Allowances for Estimated Losses	(1,456)								(1,456)
	43,556	1,000	17,833						62,389
Investment in real estate entities	14,322								14,322
Marketable equity securities, at market value	5,782								5,782
Cash and cash equivalents	7,830	3,538	3,314	3,549	5,396	980	36,565	5,009	66,181
Other Assets	53,803	(1,456)	(953)	(2,220)	(731)	(416)	(10,515)	(2,505)	35,007
Total Assets	\$ 944,536	\$ (1,609)	\$ 2,911	\$ (4,048)	\$ (3,596)	\$ (1,931)	\$ (23,873)	\$ (927)	\$ 911,463
LIABILITIES AND EQUITY									
Notes and interest payable	\$ 599,364	\$	\$	\$	\$	\$	\$	\$	\$ 599,364
Liabilities related to assets held for sale	92,898	(5,212)		(7,654)	(1,012)	(2,554)	(50,000)	(3,623)	22,843
Other Liabilities	42,486	(253)	(2,045)	(393)	(7,558)	(775)	(20,542)	(60)	10,860
	734,748	(5,465)	(2,045)	(8,047)	(8,570)	(3,329)	(70,542)	(3,683)	633,067
Minority Interest	852								852
Stockholders' equity:									
Preferred Stock									
Common Stock	81								81
Paid-in capital	256,756								256,756

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Accumulated deficit	(46,124)	3,856	4,956	3,999	4,974	1,398	46,669	2,756	22,484
Accumulated other comprehensive loss	(1,777)								(1,777)
	208,936	3,856	4,956	3,999	4,974	1,398	46,669	2,756	277,544
Total Liabilities and Equity	\$ 944,536	\$ (1,609)	\$ 2,911	\$ (4,048)	\$ (3,596)	\$ (1,931)	\$ (23,873)	\$ (927)	\$ 911,463

(1) Assumes sale by TCI on January 1, 2004.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS ⁽¹⁾⁽²⁾

NINE MONTHS ENDED SEPTEMBER 30, 2004

(Dollars in thousands, except per share)

	<u>Actual</u>	<u>Apartments(3)</u>	<u>Commercial(4)</u>	<u>Proforma</u>
Property revenue:				
Rents	\$ 75,851	\$	\$	\$ 75,851
Property operations	49,361			49,361
	<u>26,490</u>			<u>26,490</u>
Operating income				
Land Operations:				
Sales	32,550			32,550
Cost of Sales	24,828			24,828
Deferred Gain on Sale	4,869			4,869
	<u>2,853</u>			<u>2,853</u>
Gain on Land Sales				
Other income (loss):				
Interest	2,180			2,180
Gain on foreign currency transaction	1,791			1,791
Equity in loss of equity investees	(1,707)			(1,707)
	<u>2,264</u>			<u>2,264</u>
Other expense:				
Interest	24,734			24,734
Depreciation	13,118			13,118
Provision for asset impairment	4,477			4,477
Advisory fee to affiliates	4,943	(27)	(523)	4,393
General and administrative	5,551			5,551
Minority interest	867			867
	<u>53,690</u>	<u>(27)</u>	<u>(523)</u>	<u>53,140</u>
Net income (loss) from continuing operations	<u>\$ (22,083)</u>	<u>\$ 27</u>	<u>\$ 523</u>	<u>\$ (21,533)</u>
Basic and Diluted Earnings Per Share:				
Net Loss from Continuing Operations	<u>\$ (2.72)</u>			<u>\$ (2.65)</u>
Weighted Average Common Shares Used in Computing Earnings				
Per Share	<u>8,113,669</u>			<u>8,113,669</u>

- (1) The proforma combined Statement of Operations assumes that each property was sold by TCI on January 1, 2004.
- (2) Operating results for properties are their actual operating results from January 1 to their respective dates of sale. Rents, property operations, interest expense and depreciation for all the non-land sales reported in this 8-K filing were excluded from the actual results of continuing operations at September 30, 2004.
- (3) Includes the In The Pines Apartments sold in October 2004.
- (4) Includes Durham Centre and One Steeplechase sold in October 2004, Ambulatory Surgery Center and Venture Center sold in November 2004, and Centura Tower and Corporate Pointe sold in December 2004.

TRANSCONTINENTAL REALTY INVESTORS, INC.

PROFORMA COMBINED STATEMENT OF OPERATIONS ⁽¹⁾⁽²⁾

YEAR ENDED DECEMBER 31, 2003

(Dollars in thousands, except per share)

	Previously Reported Dispositions on				
	Actual(3)	Form 8-K(4)	Apartments(5)	Commercial(6)	Proforma
Property revenue:					
Rents	\$ 114,422	\$ (11,668)	\$ (1,773)	\$ (13,961)	\$ 87,020
Property operations	73,603	(5,939)	(958)	(6,586)	60,120
Operating income	40,819	(5,729)	(815)	(7,375)	26,900
Land Operations:					
Sales	11,087	31,062			42,149
Cost of Sales	7,730	23,920			31,650
Deferred Gain on Sale	1,716	4,982			6,698
Gain on Land Sales	1,641	2,160			3,801
Other income (loss):					
Interest	6,683				6,683
Equity in loss of equity investees	(4,291)				(4,291)
Gain on debt extinguishment	4,392				4,392
Gain on condemnation award	4,800				4,800
	11,584				11,584
Other expense:					
Interest	38,943	(4,357)	(496)	(9,117)	24,973
Depreciation	21,199	(1,785)	(118)	(2,658)	16,638
Provision for asset impairment	4,713				4,713
Discount on sale of note receivable	104				104
Advisory fee to affiliates	4,935	(774)	(37)	(668)	3,456
General and administrative	9,149				9,149
Loss on foreign currency translation	3,309				3,309
Minority interest	(2,230)	1,064			(1,166)
	80,122	(5,852)	(651)	(12,443)	61,176
Net income (loss) from continuing operations	\$ (26,078)	2,283	\$ (164)	\$ 5,068	\$ (18,891)
Basic and Diluted Earnings Per Share:					
Net Loss from Continuing Operations	\$ (3.23)				\$ (2.33)
	8,078,108				8,078,108

Weighted Average Common Shares Used in
Computing Earnings Per Share

- (1) The proforma combined Statement of Operations assumes that each property was sold by TCI on January 1, 2003.
- (2) Operating results for properties are their actual operating results for 2003. Rents, property operations, interest expense and depreciation for non-land properties sold prior to April 1, 2004 were excluded from the actual results of continuing operations at December 31, 2003.
- (3) TCI's land operations were not separately disclosed in the Consolidated Statement of Operations in TCI's Report on Form 10-K for the year ending December 31, 2003.
- (4) Includes proforma results from asset dispositions filed on Form 8-K by TCI on August 24, 2004.
- (5) Includes the In The Pines Apartments sold in October 2004.
- (6) Includes Durham Centre and One Steeplechase sold in October 2004, Ambulatory Surgery Center and Venture Center sold in November 2004, and Centura Tower and Corporate Pointe sold in December 2004.

SIGNATURES

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 thereunto duly authorized.

TRANSCONTINENTAL REALTY INVESTORS, INC.

Date: December 22, 2004

By: /s/ Scott T. Lewis

Scott T. Lewis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Acting Principal Executive
Officer)