

TRANSCONTINENTAL REALTY INVESTORS INC

Form 10-Q

November 14, 2011

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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, 2011

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 001-09240

**TRANSCONTINENTAL REALTY INVESTORS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Nevada  
(State or Other Jurisdiction of  
Incorporation or Organization)  
94-6565852  
(I.R.S. Employer  
Identification No.)  
1603 Lyndon B. Johnson Freeway, Suite 800, Dallas, Texas 75234  
(Address of principal executive offices)  
(Zip Code)  
(469) 522-4200  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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 the definitions 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)	8,413,469 (Outstanding at November 5, 2011)
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**FORM 10-Q**

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****TRANSCONTINENTAL REALTY INVESTORS, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
	<b>(dollars in thousands, except share and par value amounts)</b>	
<b>Assets</b>		
Real estate, at cost	\$ 1,038,350	\$ 1,074,635
Real estate subject to sales contracts at cost, net of depreciation (\$39,606 for 2011 and \$58,579 for 2010)	82,546	232,495
Less accumulated depreciation	(110,034)	(94,016)
Total real estate	1,010,862	1,213,114
Notes and interest receivable		
Performing (including \$58,450 in 2011 and \$66,011 in 2010 from affiliates and related parties)	58,895	71,766
Non-performing	1,432	-
Less allowance for estimated losses (including \$2,097 in 2011 and \$3,061 in 2010 from affiliates and related parties)	(3,777)	(4,741)
Total notes and interest receivable	56,550	67,025
Cash and cash equivalents	7,741	11,259
Investments in unconsolidated subsidiaries and investees	8,015	8,146
Other assets	68,413	85,217
Total assets	\$ 1,151,581	\$ 1,384,761
<b>Liabilities and Shareholders Equity</b>		
Liabilities:		
Notes and interest payable	\$ 797,400	\$ 831,322
Notes related to subject to sales contracts	64,412	190,693
Affiliate payables	32,742	47,261
Deferred gain (from sales to related parties)	80,709	82,841
Accounts payable and other liabilities (including \$1,735 in 2011 and \$1,466 in 2010 from affiliates and related parties)	44,157	49,196
	1,019,420	1,201,313
Shareholders equity:		

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Preferred stock, Series C: \$.01 par value, authorized 10,000,000 shares, issued and outstanding 30,000 shares in 2011 and 2010 respectively (liquidation preference \$100 per share). Series D: \$.01 par value, authorized, issued and outstanding 100,000 shares in 2011 and 2010 respectively.

	1	1
Common stock, \$.01 par value, authorized 10,000,000 shares; issued 8,413,669 and 8,113,669 for 2011 and 2010 and outstanding 8,413,469 and 8,113,469 for 2011 and 2010 respectively.	84	81
Treasury stock at cost; 200 shares in 2011 and 2010	(2)	(2)
Paid-in capital	274,165	271,682
Retained earnings	(155,425)	(101,914)
<b>Total Transcontinental Realty Investors, Inc. shareholders' equity</b>	<b>118,823</b>	<b>169,848</b>
Non-controlling interest	13,338	13,600
<b>Total equity</b>	<b>132,161</b>	<b>183,448</b>
<b>Total liabilities and equity</b>	<b>\$ 1,151,581</b>	<b>\$ 1,384,761</b>

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

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

	<b>For the Three Months Ended September 30, 2011</b>		<b>For the Nine Months Ended September 30, 2011</b>	
	<b>2010</b>		<b>2010</b>	
	<b>(dollars in thousands, except share and per share amounts)</b>			
<b>Revenues:</b>				
Rental and other property revenues (including \$17 and \$450 for the three months and \$50 and \$1,363 for the nine months ended 2011 and 2010 respectively from affiliates and related parties)	\$ 31,302	\$ 28,124	\$ 89,796	\$ 85,441
<b>Expenses:</b>				
Property operating expenses (including \$245 and \$331 for the three months and \$882 and \$970 for the nine months ended 2011 and 2010 respectively from affiliates and related parties)	17,206	16,098	48,253	49,062
Depreciation and amortization	5,812	5,817	17,069	17,284
General and administrative (including \$720 and \$471 for the three months and \$2,467 and \$2,148 for the nine months ended 2011 and 2010 respectively from affiliates and related parties)	2,798	1,338	7,452	4,955
Provision on impairment of notes receivable and real estate assets	-	-	26,247	-
Advisory fee to affiliate	2,441	3,054	7,688	9,112
<b>Total operating expenses</b>	<b>28,257</b>	<b>26,307</b>	<b>106,709</b>	<b>80,413</b>
Operating income (loss)	3,045	1,817	(16,913)	5,028
<b>Other income (expense):</b>				
Interest income (including \$483 and \$458 for the three months and \$1,534 and \$1,679 for the nine months ended 2011 and 2010 respectively from affiliates and related parties)	497	669	1,627	2,360
Other income	113	640	1,878	1,554
Mortgage and loan interest (including \$47 and \$698 for the three months and \$1,614 and \$2,419 for the nine months ended 2011 and 2010 respectively from affiliates and related parties)	(12,525)	(13,267)	(39,553)	(42,307)
Loss on the sale of investments	(32)	-	(483)	-
Earnings from unconsolidated subsidiaries and investees	250	(10)	378	(122)
<b>Total other expenses</b>	<b>(11,697)</b>	<b>(11,968)</b>	<b>(36,153)</b>	<b>(38,515)</b>
Loss before gain on land sales, non-controlling interest, and tax	(8,652)	(10,151)	(53,066)	(33,487)
Gain (loss) on land sales	4,626	(371)	6,707	(6,005)
Loss from continuing operations before tax	(4,026)	(10,522)	(46,359)	(39,492)
Income tax benefit (expense)	(1,007)	(486)	2,683	117

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Net loss from continuing operations	(5,033)	(11,008)	(43,676)	(39,375)
<b>Discontinued operations:</b>				
Income (loss) from discontinued operations	6	(2,504)	(7,302)	(3,950)
Gain (loss) on sale of real estate from discontinued operations	2,872	3,893	(365)	3,754
Income tax benefit (expense) from discontinued operations	1,007	486	(2,683)	(69)
Net income (loss) from discontinued operations	3,885	1,875	(10,350)	(265)
Net loss	(1,148)	(9,133)	(54,026)	(39,640)
Net loss attributable to non-controlling interest	384	178	515	18
Net loss attributable to Transcontinental Realty Investors, Inc.	(764)	(8,955)	(53,511)	(39,622)
Preferred dividend requirement	(279)	(269)	(831)	(797)
Net loss applicable to common shares	\$ (1,043)	\$ (9,224)	\$ (54,342)	\$ (40,419)
<b>Earnings per share - basic</b>				
Loss from continuing operations	\$ (0.59)	\$ (1.37)	\$ (5.26)	\$ (4.95)
Income (loss) from discontinued operations	0.46	0.23	(1.24)	(0.03)
Net loss applicable to common shares	\$ (0.13)	\$ (1.14)	\$ (6.50)	\$ (4.98)
<b>Earnings per share - diluted</b>				
Loss from continuing operations	\$ (0.59)	\$ (1.37)	\$ (5.26)	\$ (4.95)
Income (loss) from discontinued operations	0.46	0.23	(1.24)	(0.03)
Net loss applicable to common shares	\$ (0.13)	\$ (1.14)	\$ (6.50)	\$ (4.98)
Weighted average common share used in computing earnings per share	8,413,469	8,113,495	8,356,326	8,113,610
Weighted average common share used in computing diluted earnings per share	8,413,469	8,113,495	8,356,326	8,113,610
<b>Amounts attributable to Transcontinental Realty Investors, Inc.</b>				
Loss from continuing operations	\$ (4,649)	\$ (10,830)	\$ (43,161)	\$ (39,357)
Income (loss) from discontinued operations	3,885	1,875	(10,350)	(265)
Net loss	\$ (764)	\$ (8,955)	\$ (53,511)	\$ (39,622)

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

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## TRANSCONTINENTAL REALTY INVESTORS, INC.

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 2011

(unaudited)

(dollars in thousands)

	Total	Comprehensive Loss	Preferred Stock	Common Stock Shares	Common Stock Amount	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest
<b>Balance, December 31, 2010</b>	\$ 183,448	\$ (105,122)	\$ 1	8,113,669	\$ 81	\$ (2)	\$ 271,682	\$ (101,914)	\$ -	\$ 13,600
Series C preferred stock dividends (7.0% per year)	(158)	-	-	-	-	-	(158)	-	-	-
Series D preferred stock dividends (8.5% per year)	(673)	-	-	-	-	-	(673)	-	-	-
Net loss	(54,026)	(54,026)	-	-	-	-	-	(53,511)	-	(515)
Issuance of common stock	1,530	-	-	300,000	3	-	1,527	-	-	-
Sale of controlling interest	2,047	-	-	-	-	-	1,787	-	-	260
Distributions to non-controlling interests	(7)	-	-	-	-	-	-	-	-	(7)
<b>Balance, September 30, 2011</b>	\$ 132,161	\$ (159,148)	\$ 1	8,413,669	\$ 84	\$ (2)	\$ 274,165	\$ (155,425)	\$ -	\$ 13,338

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



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**TRANSCONTINENTAL REALTY INVESTORS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(unaudited)**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(dollars in thousands)</b>	
Net loss	\$ (54,026)	\$ (39,640)
Other comprehensive income (loss)	-	-
<b>Total other comprehensive income (loss)</b>	<b>-</b>	<b>-</b>
Comprehensive loss	(54,026)	(39,640)
Comprehensive loss attributable to non-controlling interest	515	18
Comprehensive loss attributable to Transcontinental Realty Investors, Inc.	\$ (53,511)	\$ (39,622)

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

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	<b>For the Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(dollars in thousands)</b>	
<b>Cash Flow From Operating Activities:</b>		
Net loss	\$ (54,026)	\$ (39,640)
Adjustments to reconcile net loss applicable to common shares to net cash used in operating activities:		
(Gain) loss on sale of land	(6,707)	6,005
(Gain) loss on sale of income producing properties	365	(3,754)
Depreciation and amortization	18,891	21,649
Provision on impairment of notes receivable and real estate assets	31,503	-
Amortization of deferred borrowing costs	2,071	1,577
Earnings from unconsolidated subsidiaries and investees	(378)	122
(Increase) decrease in assets:		
Accrued interest receivable	15	(343)
Other assets	(964)	8,561
Prepaid expense	2,312	815
Escrow	7,624	5,537
Earnest money	1,385	900
Rent receivables	3,712	(1,726)
Increase (decrease) in liabilities:		
Accrued interest payable	3,786	1,239
Affiliate payables	(14,519)	(2,055)
Other liabilities	(6,791)	(4,324)
Net cash used in operating activities	(11,721)	(5,437)
<b>Cash Flow From Investing Activities:</b>		
Proceeds from notes receivable	12,849	1,443
Originations or advances on notes receivable	(1,425)	(22,339)
Acquisition of land held for development	-	(4,937)
Acquisition of income producing properties	(13,002)	-
Proceeds from sale of income producing properties	106,940	146,131
Proceeds from sale of land	107,365	15,674
Proceeds from sale of investment in unconsolidated real estate entities	(9)	-
Proceeds from sale of investments	592	-
Investment in unconsolidated real estate entities	(306)	395
Improvement of land held for development	(1,270)	(1,820)
Improvement of income producing properties	(2,069)	(2,017)
Sales of controlling interest	2,047	22
Construction and development of new properties	(39,927)	(23,801)
Net cash provided by investing activities	171,785	108,751
<b>Cash Flow From Financing Activities:</b>		
Proceeds from notes payable	101,434	122,248

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Recurring amortization of principal on notes payable	(11,321)	(9,484)
Payments on maturing notes payable	(116,913)	(115,254)
Debt assumption by buyer	(147,742)	(97,772)
Deferred financing costs	(299)	(2,876)
Distributions to non-controlling interests	7	(7)
Common stock issuance	1,530	-
Preferred stock dividends - Series C	(158)	(159)
Preferred stock dividends - Series D	(673)	(638)
<b>Net cash used in financing activities</b>	<b>(163,582)</b>	<b>(103,942)</b>
Net decrease in cash and cash equivalents	(3,518)	(628)
Cash and cash equivalents, beginning of period	11,259	5,665
Cash and cash equivalents, end of period	\$ 7,741	\$ 5,037

**Supplemental disclosures of cash flow information:**

Cash paid for interest	\$ 38,651	\$ 47,339
Cash received for income taxes, net of payments	\$ -	\$ (48)

**Schedule of noncash investing and financing activities:**

Notes receivable received from affiliate	\$ -	\$ 21,859
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The accompanying notes are an integral part of these consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Organization**

As used herein, the terms TCI, the Company, we, our or us refer to Transcontinental Realty Investors, Inc., a Nevada corporation. TCI is the successor to a California business trust which was organized on September 6, 1983, and commenced operations on January 31, 1984. Effective March 31, 2003, TCI's financial results were consolidated in American Realty Investors, Inc. (ARL) Form 10-K and related consolidated financial statements.

The Company is headquartered in Dallas, Texas and its common stock trades on the New York Stock Exchange under the symbol NYSE: TCI. Subsidiaries of ARL own approximately 82.7% of the Company's common stock. TCI is a C corporation for U.S. federal income tax purposes and files an annual consolidated income tax return with ARL, whose common stock trades on the New York Stock Exchange under the symbol NYSE: ARL.

TCI owns approximately 82.7% of the common stock of Income Opportunity Realty Investors, Inc. (IOT). Effective July 17, 2009, IOT's financial results were consolidated with those of ARL and TCI and their subsidiaries. Shares of IOT are traded on the American Stock Exchange under the symbol AMEX: IOT.

TCI invests in real estate through direct ownership, leases and partnerships and it also invests in mortgage loans on real estate. Prior to April 30, 2011, Prime Income Asset Management, LLC (Prime) was the Company's external Advisor and Cash Manager. Prime also served as an Advisor and Cash Manager to ARL and IOT. Effective April 30, 2011, Pillar Income Asset Management, Inc. (Pillar) became the Company's external Advisor and Cash Manager under the same terms as the previous agreement with Prime. Pillar also serves as an Advisor and Cash Manager to ARL and IOT. Prior to December 31, 2010, Triad Realty Services, L.P. (Triad) managed the Company's commercial properties and Regis Realty I, LLC (Regis Realty) provided brokerage services. Triad and Regis Realty are affiliates of Prime. Effective January 1, 2011, Regis Realty Prime, LLC (Regis), an affiliate of Prime, manages our commercial properties and provides brokerage services under the same terms as the previous agreements with Triad and Regis Realty for a term of five years. TCI engages third-party companies to lease and manage its apartment properties. We have no employees.

**Properties**

We own or had interests in a total property portfolio of 68 income producing properties as of September 30, 2011. The properties consisted of:

19 commercial buildings totaling 3.9 million leasable square feet, consisting of 11 office buildings, five industrial properties, and three retail properties;

49 apartment communities totaling 9,027 units; excluding apartments being developed; and

1,856 acres of developed and undeveloped land.

We are involved in the construction of one apartment complex as of September 30, 2011. In addition, we invest in several tracts of land and are at various stages of predevelopment on many of these properties. We partner with several third-party developers to construct residential projects. The third-party developer typically takes a general partner and majority limited partner interest in the development partnership while we take a minority limited partner interest. We are required to fund the equity contributions. The third-party developer is responsible for obtaining financing, for hiring a general contractor and for the overall management and delivery of the project, and is compensated with a fee equal to a certain percentage of the construction costs.

**Basis of presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with

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accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring matters) considered necessary for a fair presentation have been included. The results of operations for the nine months ended September 30, 2011, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

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The year-end Consolidated Balance Sheet at December 31, 2010, was derived from the audited financial statements at that date, but does not include all of the information and disclosures required by GAAP for complete financial statements. For further information, refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. Certain 2010 financial statement amounts have been reclassified to conform to the 2011 presentation, including adjustments for discontinued operations.

### **Principles of consolidation**

The accompanying Consolidated Financial Statements include the accounts of the Company, its subsidiaries, generally all of which are wholly-owned, and all entities in which we have a controlling interest. Arrangements that are not controlled through voting or similar rights are accounted for as a Variable Interest Entity (VIE), in accordance with the provisions and guidance of ASC Topic 810 Consolidation, whereby we have determined that we are a primary beneficiary of the VIE and meet certain criteria of a sole general partner or managing member as identified in accordance with Emerging Issues Task Force (EITF) Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights (EITF 04-5). VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders as a group lack adequate decision making ability, the obligation to absorb expected losses or residual returns of the entity, or have voting rights that are not proportional to their economic interests. The primary beneficiary generally is the entity that provides financial support and bears a majority of the financial risks, authorizes certain capital transactions, or makes operating decisions that materially affect the entity's financial results. All significant intercompany balances and transactions have been eliminated in consolidation.

In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including, but not limited to: the amount and characteristics of our investment; the obligation or likelihood for us or other investors to provide financial support; our and the other investors' ability to control or significantly influence key decisions for the VIE; and the similarity with and significance to the business activities of us and the other investors. Significant judgments related to these determinations include estimates about the current future fair values and performance of real estate held by these VIEs and general market conditions.

For entities in which we have less than a controlling financial interest or entities where we are not deemed to be the primary beneficiary, the entities are accounted for using the equity method of accounting. Accordingly, our share of the net earnings or losses of these entities is included in consolidated net income. Our investments in ARL and Garden Centura, L.P. are accounted for under the equity method.

During the second quarter of 2011, we evaluated the non-controlling equity interests and made certain reclassifications among equity accounts to correctly reflect non-controlling interest. In connection with that evaluation, we reclassified approximately \$6.3 million of deferred gain to non-controlling interest related to the 2009 acquisition of the controlling interest in IOT, a consolidated entity. These amounts have been reclassified for all periods presented in the consolidated financial.

### **Real estate, depreciation, and impairment**

Real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Major replacements and betterments are capitalized and depreciated over their estimated useful lives. Depreciation is computed on a straight-line basis over the useful lives of the properties (buildings and improvements 10-40 years; furniture, fixtures and equipment 5-10 years). The Company continually evaluates the recoverability of the carrying value of its real estate assets using the methodology prescribed in ASC Topic 360, Property, Plant and Equipment. Factors considered by management in evaluating impairment of its existing real estate assets held for investment include significant declines in property operating profits, annually recurring property operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Under ASC Topic 360, a real estate asset held for investment is not considered impaired if the undiscounted, estimated future cash flows of an asset (both the annual estimated cash flow from future operations and the estimated cash flow from the theoretical sale of the asset) over its estimated holding period are in excess of the asset's net book value at the balance sheet date. If any real estate asset held for investment is considered impaired, a loss is provided to reduce the carrying value of the asset to its estimated fair value.

### **Real estate held for sale**

We periodically classify real estate assets as held for sale. An asset is classified as held for sale after the approval of our board of directors and after an active program to sell the asset has commenced. Upon the classification of a real estate asset as held for sale, the carrying value of the asset is reduced to the lower of its net book value or its estimated fair value, less costs

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to sell the asset. Subsequent to the classification of assets as held for sale, no further depreciation expense is recorded. Real estate assets held for sale are stated separately on the accompanying Consolidated Balance Sheets. Upon a decision to no longer market as an asset for sale, the asset is classified as an operating asset and depreciation expense is reinstated. The operating results of real estate assets held for sale and sold are reported as discontinued operations in the accompanying statements of operations. Income from discontinued operations includes the revenues and expenses, including depreciation and interest expense, associated with the assets. This classification of operating results as discontinued operations applies retroactively for all periods presented. Additionally, gains and losses on assets designated as held for sale are classified as part of discontinued operations.

### **Cost capitalization**

Costs related to planning, developing, leasing and constructing a property are capitalized and classified as Real Estate in the Consolidated Balance Sheets. We capitalize interest to qualifying assets under development based on average accumulated expenditures outstanding during the period. In capitalizing interest to qualifying assets, we first use the interest incurred on specific project debt, if any, and next use the weighted average interest rate of non-project specific debt. We capitalize interest, real estate taxes and certain operating expenses until building construction is substantially complete and the building is ready for its intended use, but no later than one year from the cessation of major construction activity.

We capitalize leasing costs which include commissions paid to outside brokers, legal costs incurred to negotiate and document a lease agreement and any internal costs that may be applicable. We allocate these costs to individual tenant leases and amortize them over the related lease term.

### **Fair value measurement**

We apply the guidance in ASC Topic 820, *Fair Value Measurements and Disclosures*, to the valuation of real estate assets. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows:

- Level 1 Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets.
- Level 2 Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Unobservable inputs that are significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### **Newly issued accounting pronouncements**

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our consolidated statements, including that which we have not yet adopted. We do not believe that any such guidance will have a material effect on our financial position or results of operations.

### **NOTE 2. REAL ESTATE ACTIVITY**

The highlights of our significant real estate transactions for the nine months ended September 30, 2011 are listed below:

On January 4, 2011, we recognized the December 23, 2010 sale of 18.84 acres of land known as Archon land located in Las Colinas, Texas to FRE Real Estate, Inc., a related party under common control, for a sales price of \$5.5 million. The buyer assumed the existing mortgage of \$4.0 million secured by the property. We recorded a gain of \$0.1 million when ownership of the property transferred to the existing lender.

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The Company had a 75.0% limited partner interest in Woodmont TCI Group X, LP, a partnership that owned 7.19 acres of land known as Galleria West Lofts land located in Dallas, Texas. The partnership was consolidated in accordance with ASC 810. On January 4, 2011 the partnership transferred ownership of the property to the existing lender and there was no gain or loss recorded on the transfer.



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The Company had a 75.0% limited partner interest in Woodmont TCI Group XI, LP, a partnership that owned 1.97 acres of land known as Galleria West Hotel land located in Dallas, Texas. The partnership was consolidated in accordance with ASC 810. On January 4, 2011 the partnership transferred ownership of the property to the existing lender and there was no gain or loss recorded on the transfer.

On January 4, 2011, we recognized the December 23, 2010 sale of 9.96 acres of land known as Limestone Canyon II land located in Austin, Texas to FRE Real Estate, Inc., a related party under common control, for a sales price of \$0.6 million. We recorded a gain on sale of \$0.2 million when ownership of the property transferred to the existing lender.

On January 4, 2011, we recognized the January 3, 2011 sale of 72.14 acres of land known as Manhattan land located in Farmers Branch, Texas to ABCLD Income, LLC, a related party under common control, for a sales price of \$4.1 million. The buyer assumed the existing mortgage of \$2.4 million secured by the property. We recorded the sale when ownership of the property transferred to the existing lender.

On January 4, 2011, we recognized the December 23, 2010 sale of Teleport Blvd., a 6,833 square foot building and 3.70 acres of land located in Irving, Texas, to FRE Real Estate, Inc., a related party under common control, for a sales price of \$0.7 million. We recorded a gain on sale of \$0.4 million when ownership of the property transferred to the existing lender.

On January 4, 2011, we recognized the December 23, 2010 sale of Westgrove Air Plaza, a 79,652 square foot building located in Addison, Texas, to FRE Real Estate, Inc., a related party under common control, for a sales price of \$4.5 million. The buyer assumed the existing mortgage of \$2.3 million secured by the property. When ownership transferred to the existing lender, we recorded a gain on sale of \$3.3 million.

On January 26, 2011, we sold 100% of our common stock in TCI Willowbrook Village, Inc. to TX LTS Investments, Inc., a related party under common control, for a sales price of \$7.8 million. This entity owns a 179,741 square foot retail shopping center located in Coldwater, Michigan known as Willowbrook Village. We provided \$2.2 million in seller-financing with a five-year note receivable. The note accrues interest at 6% and is payable at maturity on January 26, 2016. The buyer assumed the existing mortgage of \$5.6 million, secured by the property. We have deferred the recognition of the sale in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost. On October 12, 2011, ownership of the property was transferred to the lender for credit against the loan balance. Any impairment necessary related to the inability to recover our original investment has been realized in 2011 and the sale that was deferred will be recognized in the fourth quarter, when ownership transferred to a third party.

The Company had a 75.0% limited partner interest in Woodmont TCI Group XIII, LP, a partnership that owned 8.91 acres of land known as Las Colinas Station land located in Irving, Texas. The partnership was consolidated in accordance with ASC 810. On February 4, 2011 the partnership transferred ownership of the property to the existing lender and there was no gain or loss recorded on the transfer.

The Company had a 75.0% limited partner interest in Woodmont TCI Group IX, LP, a partnership that owned 15.0 acres of land known as Galleria East Center Retail land located in Dallas, Texas. The partnership was consolidated in accordance with ASC 810. On February 4, 2011 the partnership transferred ownership of the property to the existing lender and there was no gain or loss recorded on the transfer.

On March 23, 2011, we sold 82.20 acres of land known as Denton Coonrod land located in Denton, Texas and 23.24 acres of land known as Cooks Lane land located in Tarrant County, Texas to Cross County National Associates, LP, a related party under common control, for a sales price of \$2.9 million. We provided \$1.6 million in seller-financing with a five-year note receivable. The note accrues interest at 6% and is payable at maturity on March 23, 2016. The buyer assumed the existing mortgage of \$1.3 million, secured by the property. We have deferred the recognition of the sale in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost.

On March 23, 2011, we sold our membership interest in 1340 Poydras Corp. to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$23.5 million. This entity owns a 378,895 square foot building located in New Orleans, Louisiana known as Amoco. The buyer assumed the existing mortgage of \$19.5 million, secured by the property. This transaction was rescinded as of the original transaction date and ownership transferred back to TCI.

On March 23, 2011, we sold our investment in TCI Courtyard, Inc. to One Realco Corporation, a related party under common control, for a sales price of \$11.2 million. This entity owns Quail Hollow at the Lakes apartments, a 200-unit complex located in Holland, Ohio. The buyer assumed the existing mortgage of \$11.2 million, secured by the property. We have deferred the recognition of the sale in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost.



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On April 1, 2011, we purchased 100% of the general and limited partnership interest in Garden Whispering Pines, LP, which owns Whispering Pines apartments, a 320-unit complex located in Topeka, Kansas, from ARL, a related party under common control, for \$11.0 million. We assumed the current mortgage of \$9.5 million.

On April 1, 2011, we purchased 100% of the membership interest in EQK Sesame Square, LLC, which owns Sesame Square, a 20,715 square-foot office building located in Anchorage, Alaska, from ARL, a related party under common control, for \$2.0 million. We assumed the current mortgage of \$1.1 million.

On April 5, 2011, we recognized the July 30, 2009 sale of 13.22 acres of land known as Hackberry land located in Irving, Texas to One Realco Land Holdings, Inc., a related party under common control, for a sales price of \$3.9 million. The buyer assumed the existing mortgage of \$3.9 million secured by the property. We recorded a gain on sale of \$2.4 million when ownership of the property transferred to the existing lender.

On April 5, 2011, we recognized the July 30, 2009 sale of 14.43 acres of land known as Fortune Drive land located in Irving, Texas to One Realco Land Holdings, Inc., a related party under common control, for a sales price of \$1.7 million. The buyer assumed the existing mortgage of \$1.1 million secured by the property. We recorded a loss on sale of \$0.4 million when ownership of the property transferred to the existing lender.

On April 5, 2011, we recognized the December 23, 2010 sale of 10.69 acres of land known as Temple land, located in Irving, Texas to FRE Real Estate, Inc., a related party under common control, for a sales price of \$0.4 million. We recorded a loss on sale of \$0.1 million when ownership of the property transferred to the existing lender.

On April 5, 2011, we recognized the July 30, 2009 sale of 7.11 acres of land known as Pac Trust land located in Irving, Texas to One Realco Land Holdings, Inc., a related party under common control, for a sales price of \$1.4 million. The buyer assumed the existing mortgage of \$1.4 million secured by the property. We recorded a loss on sale of \$0.2 million when ownership of the property transferred to the existing lender.

The Company had a 75.0% limited partner interest in Woodmont TCI Group III, LP, a partnership that owned 5.87 acres of land known as Polo Estates at Bent Tree land located in Dallas, Texas. The partnership was consolidated in accordance with ASC 810. On April 5, 2011 the partnership transferred ownership of the property to the existing lender and we recorded a gain on sale of \$3.0 million.

On April 5, 2011, we recognized the March 30, 2011 sale of 87.62 acres of land known as Wilmer 88 land located in Dallas, Texas, 24.91 acres of land known as Crowley land located in Dallas, Texas and 30.07 acres of land known as Creekside land located in Fort Worth, Texas to T Sorrento, Inc., a related party under common control, for a sales price of \$4.4 million. The buyer assumed the existing mortgage of \$2.4 million secured by the property. We recorded a loss on sale of \$2.0 million when ownership of the property transferred to the existing lender.

On June 7, 2011, we recognized the June 2, 2011 sale of Alpenloan, a 28,594 square foot building and 8.16 acres of land, located in Dallas, Texas to One Realco Retail, Inc., a related party under common control, for a sales price of \$0.4 million. We recorded a loss on sale of \$0.9 million when ownership of the property transferred to the existing lender.

On June 7, 2011, we recognized the June 2, 2011 sale of 5.34 acres of land known as Archon land located in Irving, Texas and 1.31 acres of land known as Ackerley land located in Dallas, Texas to One Realco Retail, Inc., a related party under common control, for a sales price of \$0.7 million. The buyer assumed the existing mortgage of \$0.7 million secured by the property. We recorded a loss on sale of \$0.7 million when ownership of the property transferred to the existing lender.

On June 7, 2011, we recognized the December 22, 2010 sale of Fenton Center, a 707,559 square foot building and 4.70 acres of land, located in Dallas, Texas to ABCLD Properties, LLC, a related party under common control, for a sales price of \$67.0 million. We recorded a loss on sale of \$7.0 million when ownership of the property transferred to the existing lender.

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On June 7, 2011, we recognized the December 23, 2010 sale of 27.11 acres of land known as Kinwest land located in Irving, Texas to FRE Real Estate, Inc., a related party under common control, for a sales price of \$4.1 million. The buyer assumed the existing mortgage of \$4.0 million secured by the property. We recorded a gain on sale of \$1.1 million when ownership of the property transferred to the existing lender.

On June 7, 2011, we recognized the December 23, 2010 sale of 20.85 acres of land known as McKinney Ranch land located in McKinney, Texas to Fenton Real Estate, Inc., a related party under common control, for a sales price of \$5.4 million. The buyer assumed the existing mortgage of \$5.4 million secured by the property. We recorded a gain on sale of \$0.8 million when ownership of the property transferred to the existing lender.

On June 7, 2011, we recognized the December 23, 2010 sale of 109.85 acres of land known as Payne North land located in Irving, Texas to FRE Real Estate, Inc., a related party under common control, for a sales price of \$14.1 million. The buyer assumed the existing mortgage of \$12.0 million secured by the property. We recorded a loss on sale of \$1.9 million when ownership of the property transferred to the existing lender.

On July 1, 2011, we sold 12.72 acres of land known as Centurion 12 land located in Fort Worth, Texas for a sales price of \$1.1 million. We recorded a loss on sale of \$0.3 million on the land parcel.

On July 5, 2011, we recognized the September 21, 2010 sale of 13.0 acres of land with a 29,784 square foot storage warehouse known as Eagle Crest located in Farmers Branch, Texas, to Warren Road Farm, Inc., a related party under common control, for a sales price of \$3.8 million. The buyer assumed the existing mortgage of \$2.4 million secured by the property. When ownership transferred to the existing lender, we recorded a gain on sale of \$1.2 million.

On July 5, 2011, we recognized the March 28, 2011 sale of One Hickory Center, a 97,361 square-foot office building and Two Hickory Center, a 96,539 square-foot office building, both located in Dallas, Texas, to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$19.5 million. The buyer assumed the existing mortgage of \$19.4 million secured by the property. We recorded a loss on sale of \$0.8 million when ownership transferred to the existing lender.

On July 5, 2011, we recognized the December 23, 2010 sale of 6.6 acres of land known as Three Hickory land located in Farmers Branch, Texas, to Fenton Real Estate, Inc., a related party under common control, for a sales price of \$1.3 million. There was no gain or loss recorded when ownership transferred to the existing lender.

On July 5, 2011, we recognized the September 21, 2010 sale of 245.95 acres of land known as Windmill Farms-Harlan land located in Kaufman County, Texas, to Warren Road Farm, a related party under common control, for a sales price of \$6.7 million. The buyer assumed the existing mortgage of \$5.5 million secured by the property. We recorded a loss on sale of \$0.4 million when ownership transferred to the existing lender.

On August 2, 2011, we recognized the March 23, 2011 sale of 10.08 acres of land known as Centura land located in Dallas, Texas, to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$13.0 million. The buyer assumed the existing mortgage of \$7.2 million secured by the property. We recorded a loss on sale of \$0.1 million when ownership transferred to the existing lender.

On August 2, 2011, we recognized the April 25, 2011 sale of seven land parcels, comprising approximately 2,713.68 acres of undeveloped land known as Diplomat land, Kaufman Cogen land, Kaufman Stagliano land, Kaufman Taylor land, Payne South land, Senlac VHP land and Valley Ranch land located in Dallas County, Texas, to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$24.0 million. The buyer assumed the existing mortgage of \$8.1 million secured by the property. We recorded a gain on sale of \$0.1 million when ownership transferred to the existing lender.

On August 2, 2011, we recognized the March 23, 2011 sale of Parkway North, a 69,009 square-foot office building located in Dallas, Texas, to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$4.7 million. The buyer assumed the existing mortgage of \$2.9 million secured by the property. We recorded a loss on sale of \$0.4 million when ownership transferred to the existing lender.

On August 2, 2011, we recognized the December 23, 2010 sale of Signature Athletic Club, a 58,910 square-foot office building located in Dallas, Texas, to ABCLD Real Estate, LLC, a related party under common control, for a sales price of \$2.1 million. The buyer assumed the existing mortgage of \$1.3 million secured by the property. We recorded a gain on sale of \$0.1 million when ownership transferred to the existing lender.

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The Company had a 75.0% limited partner interest in Woodmont TCI Group XII, LP, a partnership that owned 16.18 acres of land known as Las Colinas Village land located in Irving, Texas. The partnership was consolidated in accordance with ASC 810. On August 2, 2011 the partnership transferred ownership of the property to the existing lender and we recorded a gain on sale of \$11.1 million.

On August 31, 2011, we sold 100% of our membership interests in TCI Luna Ventures, LLC to ABCLD Income, LLC, a related party under common control, for a sales price of \$2.0 million. This entity owns 26.71 acres of undeveloped land located in Dallas, Texas, known as Luna Ventures land. We provided \$0.9 million in seller-financing with a five-year note receivable. The note accrues interest at 6% and is payable at maturity on August 31, 2016. The buyer assumed the existing mortgage of \$1.1 million, secured by the property. We have deferred the recognition of the sale in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost.

On September 1, 2011, we sold seven land parcels, comprising approximately 107.73 acres of undeveloped land located in Austin, Texas, Dallas County, Texas, Denton County, Texas and Tarrant County, Texas, known as Andrew B land, Andrew C land, DeSoto Ranch land, Mansfield land, Pioneer Crossing land, Senlac land and Sheffield land, to TCI Luna Ventures, LLC, a related party under common control, for a sales price of \$10.6 million. We provided \$6.4 million in seller financing with a five-year note receivable. The note accrues interest at 6% and is payable at maturity on September 1, 2016. The buyer assumed the existing mortgage of \$4.2 million, secured by the property. We have deferred the recognition of the sale in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost.

On September 27, 2011, we sold a 256-unit apartment complex known as Spyglass apartments, located in Dallas, Texas, for a sales price of \$21.6 million. We recorded a gain on sale of \$5.7 million on the apartment sale.

In December 2010, TCI sold five properties, which consisted of two commercial buildings comprising an aggregate of 0.6 million square feet and approximately 52.91 acres of undeveloped land to FRE Real Estate, Inc., a related party under common control, for an aggregate sales price of \$37.4 million. During the first three months of 2011, many of these transactions were rescinded as of the original transaction date and were subsequently sold to related parties under the same ownership as FRE Real Estate, Inc. For the properties that were sold to a third party or ownership was transferred back to the lender for credit against the loan balance, the sales was recognized during the first six months of 2011 and have been disclosed in Note 2. Real Estate Activity . We have deferred the recognition of the sales in accordance with ASC 360-20 due to our continuing involvement, inadequate initial investment and questionable recovery of investment cost.

We continue to invest in the development of apartment projects. During the nine months ended September 30, 2011, we have expended \$39.9 million on the construction of various apartment complexes and capitalized \$2.4 million of interest costs.

The properties that we have sold to a related party under common control and have deferred the recognition of the sale are treated as subject to sales contract on the Consolidated Balance Sheets. These properties were sold to a related party in order to help facilitate an appropriate debt or organizational restructure and may or may not be transferred back to the seller upon resolution. These properties have mortgages that are secured by the property and many have corporate guarantees. According to the loan documents, we are currently in default on these mortgages primarily due to lack of payment although we are actively involved in discussions with every lender in order to settle or cure the default situation. We have reviewed each asset and taken impairment to the extent we feel the value of the property was less than our current basis.

### **NOTE 3. NOTES AND INTEREST RECEIVABLE**

A portion of our assets are invested in mortgage notes receivable, principally secured by real estate. We may originate mortgage loans in conjunction with providing purchase money financing of property sales. Notes receivable are generally collateralized by real estate or interests in real estate and personal guarantees of the borrower and, unless noted otherwise, are so secured. Management intends to service and hold for investment the mortgage notes in our portfolio. A majority of the notes receivable provide for principal to be paid at maturity. Our mortgage notes receivable consist of first, wraparound and junior mortgage loans (dollars in thousands):

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<b>Borrower</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount</b>	<b>Security</b>
<b>Performing loans:</b>				
ABC Land & Development, Inc. <sup>(1)</sup>	10/15	10.00%	\$ 272	Marina Landing (256 Unit Apartment Complex)
Garden Centura, L.P. <sup>(1)</sup>	N/A	7.00%	3,967	Excess cash flow from partnership
Miscellaneous non-related party notes	Various	Various	389	Various secured interest
Miscellaneous related party notes <sup>(1)</sup>	Various	Various	393	Various secured interest
Ocean Beach Partners, L.P. <sup>(1)</sup>				Folsom Land (36 acres in Farmers Branch, TX)
Unified Housing Foundation, Inc. (Lakeshore Villas) <sup>(1)</sup>	12/11	7.00%	3,279	Unsecured
Unified Housing Foundation, Inc. (Lakeshore Villas) <sup>(1)</sup>	12/27	5.25%	2,000	Membership interest in Housing for Seniors of Humble, LLC
Unified Housing Foundation, Inc. (Cliffs of El Dorado) <sup>(1)</sup>	12/27	5.25%	6,363	100% Interest in Unified Housing of McKinney, LLC
Unified Housing Foundation, Inc. (Echo Station) <sup>(1)</sup>	12/27	5.25%	2,990	100% Interest in Unified Housing of Temple, LLC
Unified Housing Foundation, Inc. (Limestone Canyon) <sup>(1)</sup>	12/27	5.25%	1,481	100% Interest in Unified Housing of Austin, LLC
Unified Housing Foundation, Inc. (Limestone Canyon) <sup>(1)</sup>	12/27	5.25%	4,663	100% Interest in Unified Housing of Austin, LLC
Unified Housing Foundation, Inc. (Limestone Canyon) <sup>(1)</sup>	07/15	5.25%	3,057	100% Interest in Unified Housing of Austin, LLC
Unified Housing Foundation, Inc. (Limestone Ranch) <sup>(1)</sup>	12/27	5.25%	6,000	100% Interest in Unified Housing of Vista Ridge, LLC
Unified Housing Foundation, Inc. (Limestone Ranch) <sup>(1)</sup>	12/27	5.25%	6,000	100% Interest in Unified Housing of Vista Ridge, LLC
Unified Housing Foundation, Inc. (Limestone Ranch) <sup>(1)</sup>	07/15	5.25%	2,250	100% Interest in Unified Housing of Vista Ridge, LLC
Unified Housing Foundation, Inc. (Parkside Crossing) <sup>(1)</sup>	12/27	5.25%	1,936	100% Interest in Unified Housing of Parkside Crossing, LLC
Unified Housing Foundation, Inc. (Sendero Ridge) <sup>(1)</sup>	12/27	5.25%	1,936	100% Interest in Unified Housing of Sendero Ridge, LLC
Unified Housing Foundation, Inc. (Sendero Ridge) <sup>(1)</sup>	12/27	5.25%	4,812	100% Interest in Unified Housing of Sendero Ridge, LLC
Unified Housing Foundation, Inc. (Sendero Ridge) <sup>(1)</sup>	07/15	5.25%	5,174	100% Interest in Unified Housing of Sendero Ridge, LLC
Unified Housing Foundation, Inc. (Timbers of Terrell) <sup>(1)</sup>	12/27	5.25%	1,323	100% Interest in Unified Housing of Terrell, LLC
Unified Housing Foundation, Inc. (Tivoli) <sup>(1)</sup>	12/27	5.25%	1,323	100% Interest in Unified Housing of Terrell, LLC
Unified Housing Foundation, Inc. (Tivoli) <sup>(1)</sup>	12/27	5.25%	7,966	100% Interest in Unified Housing of Tivoli, LLC
Accrued interest			580	
<b>Total Performing</b>			<b>\$ 58,895</b>	
<b>Non-Performing loans:</b>				
Dallas Fund XVII LP <sup>(2)</sup>	10/09	9.00%	\$ 1,432	Assignment of partnership interest
<b>Total Non-Performing</b>			<b>\$ 1,432</b>	
Allowance for estimated losses			(3,777)	
<b>Total</b>			<b>\$ 56,550</b>	

<sup>(1)</sup> Related party notes

<sup>(2)</sup> Note matured and an allowance for estimated losses at full value of note

**NOTE 4. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES AND INVESTEEES**

Investments in unconsolidated subsidiaries, jointly owned companies and other investees in which we have a 20% to 50% interest or otherwise exercise significant influence are carried at cost, adjusted for the Company's proportionate share of their undistributed earnings or losses, via the equity method of accounting. ARL is our parent company and is considered as an unconsolidated subsidiary.

Investments accounted for via the equity method consists of the following:

**Percentage Ownership**

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	at September 30, 2011	at September 30, 2010
American Realty Investors, Inc. <sup>(1)</sup>	2.07%	2.47%
Garden Centura, L.P. <sup>(2)</sup>	5.00%	5.00%

<sup>(1)</sup> Unconsolidated subsidiary

<sup>(2)</sup> Other investees

Our interest in the common stock of ARL and our partnership interest in Garden Centura, L.P., in the amount of 2.07% and 5.0%, respectively, are accounted for under the equity method because we exercise significant influence over the operations and financial activities. Accordingly, the investments are carried at cost, adjusted for the companies' proportionate share of earnings or losses. The following is a summary of the financial position and results of operations from our unconsolidated subsidiaries and investees (dollars in thousands):

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	<b>Unconsolidated Subsidiaries</b>	<b>Other Investees</b>	<b>Total</b>
<b>For the Nine Months Ended September 30, 2011</b>			
Real estate, net of accumulated depreciation	\$ 155,462	\$ 72,622	\$ 228,084
Notes receivable	23,239	-	23,239
Other assets	192,185	4,755	196,940
Notes payable	(168,746)	(47,578)	(216,324)
Other liabilities	(121,964)	(2,543)	(124,507)
Shareholders' equity/partners capital	(80,176)	(27,256)	(107,432)
Revenue	\$ 11,356	\$ 5,465	\$ 16,821
Depreciation	(640)	(2,352)	(2,992)
Operating expenses	(1,459)	(2,944)	(4,403)
Gain on land sales	23,465	-	23,465
Gain on sale of investment	91	-	91
Interest expense	(7,902)	(1,745)	(9,647)
Gain (loss) from continuing operations	\$ 24,911	\$ (1,576)	\$ 23,335
Income from discontinued operations	9,699	-	9,699
Net income (loss)	\$ 34,610	\$ (1,576)	\$ 33,034
Company's proportionate share of earnings	\$ 473	\$ (79)	\$ 394

	<b>Unconsolidated Subsidiaries</b>	<b>Other Investees</b>	<b>Total</b>
<b>For the Nine Months Ended September 30, 2010</b>			
Real estate, net of accumulated depreciation	\$ 243,090	\$ 75,240	\$ 318,330
Notes Receivable	45,032	-	45,032
Other assets	163,231	6,213	169,444
Notes payable	(231,901)	(48,366)	(280,267)
Other liabilities	(120,424)	(2,408)	(122,832)
Shareholders' equity/partners capital	(99,028)	(30,679)	(129,707)
Rents and interest and other income	\$ 24,277	\$ 5,992	\$ 30,269
Depreciation	(1,933)	(2,324)	(4,257)
Operating expenses	(22,706)	(2,906)	(25,612)
Gain on land sales	1,519	-	1,519
Interest expense	(12,635)	(2,706)	(15,341)