

TRANSCONTINENTAL REALTY INVESTORS INC

Form 8-K

February 04, 2008

**UNITED STATES
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
Date of Report (Date of earliest event reported): January 25, 2008
TRANSCONTINENTAL REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

001-09240

94-6565852

(State or other
jurisdiction of incorporation)

(Commission
File No.)

(I.R.S. Employer
Identification No.)

**1800 Valley View Lane, Suite 300
Dallas, Texas**

75234

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **469-522-4200**

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:

- 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))

Item 2.01. Completion of Acquisition or Disposition of Assets

In April 2002, Transcontinental Realty Investors, Inc. (the Company or the Issuer or TCI) transferred twelve apartment properties to partnerships controlled by Metra Capital LLC (Metra). The properties included the 75 unit Apple Lane Apartments in Lawrence, Kansas, the 195 unit Arbor Pointe Apartments in Odessa, Texas, the 264 unit Fairway View Estates Apartments in El Paso, Texas, the 152 unit Fairways Apartments in Longview, Texas, the 166 unit Fountain Lake Apartments in Texas City, Texas, the 172 unit Fountains at Waterford Apartments in Midland, Texas, the 122 unit Harper s Fairy Apartments in Lafayette, Louisiana, the 108 unit Oak Park IV Apartments in Clute, Texas, the 131 unit Quail Oaks Apartments in Balch Springs, Texas, the 300 unit Sunchase Apartments in Odessa, Texas, the 180 unit Timbers Apartments in Tyler, Texas and the 112 unit Willow Creek Apartments in El Paso, Texas (collectively the Metra Properties) for a transfer price for the Metra Properties totaling \$37.6 million, of which the Company received net cash of \$10.5 million after paying off the existing debt of \$18 million and various closing costs. At the time of the transaction, certain of the parties to the transaction were related parties and the Company had received certain nonrecourse nonconvertible preferred stock of one of the purchasers. Due to the related party nature of the transaction as well as the Company retaining a right to approve the ultimate sale price of the Metra Properties by the resulting partnership and a process by which the Company effectively guaranteed a preferential return to certain investors, management determined that the transaction should be classified as a financing transaction and not a sale in accordance with SFAS 66 Accounting for Sales of Real Estate.

During August 2004, certain entities including the Company instituted an action in Texas state court against other parties to the transaction described above over the process as well as distribution questions. During April 2005, a resolution of the litigation occurred settling all liabilities remaining from the original partnership arrangements which included a return of investor equity, prepayment of prospective asset management fees and miscellaneous fees and transactions by the Company and other plaintiffs as a payment of a preferential return along with the delegation of management to another entity. Of the payment made, the Company then recognized expenses of \$462,000 and a reduction in liabilities of \$2.1 million during the second quarter of 2005.

On January 25, 2008, the resulting partnerships sold all of the remaining Metra Properties consisting of four properties partially owned by the resulting Midland Odessa Properties, Inc. (MOPI) and ten other properties owned by the Company to Today Realty, Inc., an independent third party. No material relationship exists between the Company, any of its affiliates or any director or officer of the Company or any associate of any such director or officer of the Company and Today Realty, Inc., other than in respect to the transaction. As the Metra Properties continued to have been carried on the books of the Company, the transaction has now been accounted for as a sale resulting in payment to the Company of an aggregate consideration of \$89.9 million. The formula or principal followed in determining the amount of the consideration was negotiation between the parties. With the corresponding sale, \$20.4 million in real property assets was removed from the balance sheet of the Company as well as \$53.1 million in aggregate liabilities. The Company received approximately \$30.8 million in net cash proceeds from the sale.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly-caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly-authorized.

Dated: January 31, 2008

TRANSCONTINENTAL REALTY
INVESTORS, INC.

By: /s/ Steven A. Abney
Steven A. Abney, Executive Vice
President and Chief Financial Officer

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