

AMERICAN REALTY INVESTORS INC

Form SC 13D/A

April 09, 2008

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 13D**  
**Under the Securities Exchange Act of 1934**  
**(Amendment No. 7)**  
**AMERICAN REALTY INVESTORS, INC.**

(Name of Issuer)

Common Stock, \$0.01 par value

(Title of Class of Securities)

029174-10-9

(CUSIP Number)

Louis J. Corna

1800 Valley View Lane, Suite 300

Dallas, Texas 75234

(469) 522-4281

(469) 522-4360 (Facsimile)

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

March 31, 2008

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rules 13d-1(b)(3) or (4), check the following box .

NOTE: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 029174-10-9

1 NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Basic Capital Management, Inc., FEI No. 75-2261065

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- (a)
- (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER 6,703,045

NUMBER OF

8 SHARES BENEFICIALLY OWNED BY

8 SHARED VOTING POWER -0-

9 EACH SOLE DISPOSITIVE POWER 6,703,045

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON 6,703,045

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE  
INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 59.75%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  
CO

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CUSIP No. 029174-10-9

**1** NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)

The Gene E. Phillips Children s Trust, I.D. No. 13-6599759

**2** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- (a)
- (b)

**3** SEC USE ONLY

**4** SOURCE OF FUNDS (SEE INSTRUCTIONS)

OO

**5** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
2(d) OR 2(e)

**6** CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

SOLE VOTING POWER 27,602

**7**

NUMBER OF

SHARES SHARED VOTING POWER -0-  
**8** BENEFICIALLY OWNED BY

EACH SOLE DISPOSITIVE POWER 27,602

**9**

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 27,602

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

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CUSIP No. 029174-10-9

**1** NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)

Transcontinental Realty Investors, Inc., FEI No. 94-656582

**2** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- (a)
- (b)

**3** SEC USE ONLY

**4** SOURCE OF FUNDS (SEE INSTRUCTIONS)

OO

**5** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
2(d) OR 2(e)

**6** CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

SOLE VOTING POWER 746,972

**7**

NUMBER OF

SHARES BENEFICIALLY OWNED BY **8** SHARED VOTING POWER -0-

EACH **9** SOLE DISPOSITIVE POWER 746,972

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON 746,972

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE  
INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 6.66%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  
CO

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CUSIP No. 029174-10-9

1 NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)

Prime Income Asset Management, Inc., FEI No. 04-3763526

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- (a)
- (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER 1,437,208

NUMBER OF

8 SHARES  
BENEFICIALLY  
OWNED BY

SHARED VOTING POWER -0-

9 EACH SOLE DISPOSITIVE POWER 1,437,208

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON 1,671,658

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE  
INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 14.90%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  
CO

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CUSIP No. 029174-10-9

1 NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)

Realty Advisors, Inc., FEI No. 75-2332715

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER -0-

NUMBER OF

8 SHARES BENEFICIALLY OWNED BY

SHARED VOTING POWER -0-

9 EACH SOLE DISPOSITIVE POWER -0-

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON 8,402,305

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE  
INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 74.90%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  
CO

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CUSIP No. 029174-10-9

1 NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)

One Realco Stock Holdings, Inc., FEI No. 75-2846650

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- (a)
- (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER 234,450

NUMBER OF

8 SHARES BENEFICIALLY OWNED BY

8 SHARED VOTING POWER -0-

9 EACH SOLE DISPOSITIVE POWER 234,450

REPORTING  
PERSON

WITH SHARED DISPOSITIVE POWER -0-  
10

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON 234,450

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE  
INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 2.09%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  
CO

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**Item 1. Security and Issuer**

This Amendment No. 7 to Statement on Schedule 13D (this Amendment No. 7 ) relates to shares of Common Stock, par value \$0.01 per share (the Shares ) of American Realty Investors, Inc., a Nevada corporation (the Issuer or ARL ), and further amends the original Statement on Schedule 13D as amended by Amendment Nos. 1, 2, 3, 4 and 5 thereto (the Amended Statement ) previously filed with the Securities and Exchange Commission (the Commission ) by the Reporting Persons described below. The principal executive offices of the Issuer are located at 1800 Valley View Lane, Suite 300, Dallas, Texas 75234. The Shares are currently listed and traded on the New York Stock Exchange, Inc. The CUSIP number of the Shares is 029174-10-9.

This Amendment No. 7 to Schedule 13D is being filed to reflect termination of an agreement between one of the Reporting Persons to purchase up to 53,160 Shares from three entities previously reported. See Item 6 below.

**Item 2. Identity and Background**

Item 2 of the Amended Statement is hereby further amended as follows:

This Amendment No. 7 is filed on behalf of Basic Capital Management, Inc., a Nevada corporation ( BCM ), the Gene E. Phillips Children s Trust, a trust formed under the laws of the state of Texas (the GEP Trust ), Transcontinental Realty Investors, Inc., a Nevada corporation ( TCI ), Realty Advisors, Inc., a Nevada corporation ( RAI ), Prime Income Asset Management, Inc., a Nevada corporation ( Prime ) and One Realco Stock Holdings, Inc., a Nevada corporation ( ORS Holdings ), which is a wholly-owned subsidiary of Prime. Each of the Reporting Persons (except ORS Holdings) has its principal executive offices located at 1800 Valley View Lane, Suite 300, Dallas, Texas 75234. ORS Holdings principal office is located at 555 Republic Drive, Suite 490, Plano, Texas 75074. All of BCM, GEP Trust, TCI, RAI, Prime and ORS Holdings are collectively referred to as the Reporting Persons. The Reporting Persons may be deemed to constitute a person within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended, because BCM is owned by RAI which is beneficially owned by a trust established for the benefit of Gene E. Phillips children. RAI also owns 80% of the voting equity securities of Prime. Prime owns all of the voting securities of ORS Holdings. The executive officers of TCI are also executive officers of BCM and Prime. Mr. Phillips son, Ryan T. Phillips, serves as a director of BCM, Prime and RAI and is a beneficiary of the GEP Trust. The executive officers of ARL are also executive officers of BCM, Prime and TCI. Prime Income Asset Management, LLC, a Nevada corporation ( PIAMLLC ), the sole member of which is Prime, also serves as the contractual advisor to ARL and TCI.

**Item 5. Interest in Securities of Issuer**

The Amended Statement is hereby further amended as follows:

(a) According to the latest information available from the Issuer, as of March 31, 2008, the total number of issued and outstanding Shares was 11,217,914 Shares. As of March 31, 2008, the Reporting Persons own and hold directly and beneficially the following Shares:

<b>Name</b>	<b>No. of Shares Owned Directly</b>	<b>Approximate Percent of Class</b>
BCM	6,703,045	59.75%
GEP Trust	27,602	0.20%
TCI	746,972	6.66%
RAI	-0-	0.00%
Prime	1,437,208	12.81%
ORS Holdings	234,450	2.09%
	9,149,227	81.56%

Pursuant to Rule 13d-3 under the Exchange Act, each of the directors of BCM may be deemed to beneficially own the number of Shares owned by BCM described above; each of the directors of ORS Holdings may be deemed to beneficially own the number of Shares owned by ORS Holdings described above; each of the directors of Prime may be deemed to beneficially own the number of Shares owned by Prime by ORS Holdings described above; each of the directors of RAI may be deemed to beneficially own the number of Shares owned by BCM, Prime and ORS Holdings described above; each of the directors of TCI may be deemed to beneficially own the number of Shares owned by TCI described above; Ryan T. Phillips as a beneficiary of the GEP Trust may be deemed to beneficially own the Shares held directly by the GEP Trust. Those individuals and the number of Shares deemed beneficially owned pursuant to Rule 13d-3, and the approximate percent of the class, as well as the relationship, are set forth in the following table:

<b>Name of Director</b>	<b>Entity</b>	<b>No. of Shares Beneficially Owned</b>	<b>Percent of Class</b>
	BCM, ORS Holdings, Prime, RAI and GEP Trust		
Ryan T. Phillips	GEP Trust	8,402,305	74.90%
Donald W. Phillips	GEP Trust	27,602	0.2%
	BCM, ORS Holdings, Prime and RAI		
Mickey Ned Phillips	RAI	8,374,703	74.65%
Ted P. Stokely	TCI	746,972	6.66%
Henry A. Butler	TCI	746,972	6.66%
Sharon Hunt	TCI	746,972	6.66%
Robert A. Jakuszewski	TCI	746,972	6.66%
Ted R. Munselle	TCI	746,972	6.66%
	ORS Holdings		
Louis J. Corna	Holdings	234,450	2.09%
Total Shares beneficially owned by Reporting Persons and individuals listed above:		9,149,277	81.56%



(b) Each of the directors of BCM share voting and dispositive power over the 6,703,045 Shares held by BCM. Each of the directors of Prime share voting and dispositive power over the 1,437,208 Shares held by Prime. Each of the directors of ORS Holdings share voting and dispositive power over the 234,450 Shares held by ORS Holdings. Each of the directors of TCI have shared voting and dispositive power over the 746,972 Shares held by TCI. The Trustee of the GEP Trust has complete voting and dispositive power over the 27,602 Shares held by the GEP Trust.

(c) During the sixty calendar days ended March 31, 2008, the Reporting Persons and their respective executive officers and directors did not engage in any transaction involving the Shares or any other equity interests derivative thereof.

(d) No person other than the Reporting Persons or their respective Board of Directors or Trustees is known to have the right to receive or the power to direct receipt of dividends from, or proceeds of sale of, the Shares of ARL Common Stock held by BCM, TCI, Prime and the GEP Trust.

(e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

Item 6 of the Amended Statement is hereby further amended to read as follows:

BCM pledged 1,872,486 Shares, TCI pledged 50,000 Shares, ORS Holdings has pledged 39,450 Shares (a total of 3,399,144 Shares including 1,437,208 Shares previously dividdened to RAI and contributed to the capital of Prime) to Consolidated National Corporation pursuant to loan agreements with such lender.

BCM has also pledged 145,627 Shares to First Enterprise Bank as an accommodation pledge on behalf of Bordeaux Investments Two, LLC for a loan from such bank to Bordeaux Investments Two, LLC.

Of the balance of the Shares owned by BCM, 2,614,694 are held in bank and brokerage accounts along with other securities owned by BCM. As such, those 2,614,694 Shares may be deemed to be collateral for any borrowings made from time to time pursuant to the customary margin or other account arrangements with such banks and/or brokers. Such arrangements are standard involving margin securities of up to a specified percentage of market value of the Shares, as well as other securities in such account, bear interest at varying rates and contain only standard default and similar provisions, the operation of which should not give any other person immediate voting power or investment power over the Shares.

Each of the loans pursuant to which Shares have been pledged by BCM bear interest at varying rates and contain only standard default and similar provisions, the operation of which should not give any other person immediate voting power or investment power over the Shares.

Effective February 1, 2006, Prime acquired all of the issued and outstanding stock (1,000 shares) of ORS Holdings from One Realco Corporation for \$2,125.30 per share (a total of \$2,125,300) as payment of the redemption price of 21,253 shares of Preferred Stock of One Realco Corporation.

All 746,972 Shares owned by TCI may be deemed to be collateral for borrowings pursuant to margin or other account arrangements with Sinex Securities LLC relating to a brokerage account of TCI, which is a stock margin account maintained by TCI with such broker pursuant to customary brokerage account arrangements. Such standard arrangements involve margin securities of up to a specified percentage of the market value of the Shares, as well as other securities in such account, bear interest at varying rates and contain only standard default and similar provisions, the operation of which should not give any other person immediate voting power or investment power over the Shares.

On December 30, 2006, Prime executed a written Stock Purchase Agreement (the Purchase Agreement ) dated December 30, 2006 among Loeb Partners Corporation ( Loeb ), GJD Partners, LP ( GJDP ), and Value Equity Advisors, Inc. Pension Plan f/b/o George D Angelo ( VEAP; all of Loeb, GJDP and VEAP are collectively called the Sellers ). Pursuant to the Purchase Agreement, Prime was to purchase over a period of time through March 31, 2008 from the Sellers an aggregate of 53,160 Shares (approximately 0.49% of the Shares outstanding) for cash at a price of \$9.50 per Share. Such purchase was to occur on February 28, 2007, but the parties agreed to various extensions of the purchase date.

The number of Shares to be sold by each of the Sellers to Prime is GJDP (31,000 Shares), VEAP (8,000 Shares) and Loeb (14,160 Shares). Under the Purchase Agreement, the Sellers agreed to a standstill arrangement for a period of one year after the closing actually occurs. Prior to March 31, 2008, each of the Sellers sold all Shares held by them in the open market at prices equal to or exceeding \$9.50 per Share and informed Prime of that fact. All parties to the Purchase Agreement agreed to its termination without liability; Prime is no longer obligated to purchase any Shares from the Sellers.

Except as set forth in the preceding paragraphs, the Reporting Persons do not have any contracts, arrangements, understandings or relationships (legal or otherwise) with any person with respect to any securities of the Issuer, including but not limited to, transfer or voting of any of the securities, finders fees, joint ventures, loan or option arrangements, puts or calls, guaranties of profits, divisions of profits, divisions of profits or loss, or the giving or withholding of proxies.

**SIGNATURES**

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certify that the information set forth in this Amendment No. 7 to Statement on Schedule 13D is true, complete and correct.

Dated: April 4, 2008

REALTY ADVISORS, INC.

By: /s/ Louis J. Corna

Louis J. Corna, Secretary

BASIC CAPITAL MANAGEMENT,  
INC.

By: /s/ Louis J. Corna

Louis J. Corna, Executive Vice  
President and Secretary

GENE E. PHILLIPS CHILDREN S  
TRUST

By: /s/ Donald W. Phillips

Donald W. Phillips, Trustee

TRANSCONTINENTAL REALTY  
INVESTORS, INC.

By: /s/ Louis J. Corna

Louis J. Corna, Executive Vice  
President and Secretary

ONE REALCO STOCK HOLDINGS,  
INC.

By: /s/ Louis J. Corna

Louis J. Corna, Executive Vice  
President and Secretary

PRIME INCOME ASSET  
MANAGEMENT, INC.

By: /s/ Louis J. Corna

Louis J. Corna, Executive Vice  
President and Secretary