

TRANSCONTINENTAL REALTY INVESTORS INC  
Form 8-K  
August 16, 2005

**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: August 16, 2005

(Date of Earliest Event Reported)

**TRANSCONTINENTAL REALTY INVESTORS, INC.**

(Exact Name of Registrant as Specified in its Charter)

**001-09240**

**94-6565852**

**Nevada**

(State or other

(Commission

(I.R.S. Employer

jurisdiction of incorporation)

File No.)

Identification No.)

**1800 Valley View Lane, Suite 300**

Dallas, Texas 75234

(Address of principal executive offices)

**469-522-4200**

(Registrant's telephone number, including area code)

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:

- G Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- G Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- G Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- G Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Section 2 B Financial Information

### Item 2.02. Results of Operations and Financial Condition

On August 16, 2005, Transcontinental Realty Investors, Inc. (A TCI@ or the A Company@ ) announced its operational results for the quarter ended June 30, 2005. A copy of the announcement is attached as Exhibit A 99.1.@

The information furnished pursuant to Item 2.02 in this Form 8-K, including Exhibit A 99.1@ attached hereto, shall not be deemed to be A filed@ for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, unless we specifically incorporate it by reference in a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934. We undertake no duty or obligation to publicly-update or revise the information furnished pursuant to Item 2.02 of this Current Report on Form 8-K.

## Section 9 B Financial Statements and Exhibits

### Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

The following exhibit is furnished with this Report:

Exhibit Designation	Description of Exhibit
99.1*	Press Release dated August 16, 2005

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\*Furnished herewith.

**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: August 16, 2005      TRANSCONTINENTAL REALTY INVESTORS, INC.

By: /s/ Ted P. Stokely

Ted P. Stokely

Chairman of the Board

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Total Current Liabilities

13,532,206

21,201,655

Note Payable (Note 14)

41,468

-

Due to shareholder (Note 13)

956,577

835,694

**Total Liabilities**

14,530,251

22,037,349

**STOCKHOLDERS' DEFICIT**

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Preferred stock, \$.001 par value; 100,000,000 shares authorized

no shares issued and outstanding

-

-

Common stock, \$.001 par value; 100,000,000 shares authorized

36,785,136 and 34,554,771 shares issued and outstanding (Note 15)

36,733

34,605

Additional paid-in capital

23,886,704

20,940,517

Prepaid share-based fees (Note 16)

(1,832,154

)

(2,781,743

)

Prepaid share-based compensation (Note 16)

(27,125

)

(678,125

)

Beneficial reduction of share-based liability (Note 17)

13,528,016

4,898,109

Deficit accumulated during the development stage

(49,686,455

)

(44,139,978

)

**Total Stockholders' Deficit**

) (14,094,281

) (21,726,614

**TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT**

\$ 435,970

\$ 310,734

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

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (Restated)  
(WITH CUMULATIVE TOTALS SINCE INCEPTION)  
(Unaudited)**

	For the Three Months Ended March 31, 2007	For the Nine Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For the Nine Months Ended March 31, 2006	Cumulative Totals December 30, 2002 through March 31, 2007
<b>SALES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>COST OF SALES</b>	-	-	-	-	-
<b>GROSS PROFIT</b>	-	-	-	-	-
<b>OPERATING EXPENSES</b>					
Accounting and auditing	8,050	230,686	2,993	21,370	328,591
Administration	656	3,340	9,770	12,755	153,857
Advertising, promotion, consulting and travel (Note 18)	192,099	996,991	601,952	2,453,759	7,942,535
Beneficial share-based fee (Note 19)	139,272	417,816	139,272	417,816	2,427,304
Board compensation (Note 20)		58,590	206,460	348,750	1,330,830
Depreciation (Note 5)	4,616	10,713	2,133	3,685	57,327
Financing cost - standby equity agreement (Note 2 )	-	-	-	-	7,320,000
Legal fees (Note 21)	126,380	715,779	824,234	1,606,339	6,138,510
Insurance	11,145	47,370	19,360	31,362	94,235
Interest	17,299	33,225	1,116,206	1,893,829	167,391
Office expense	33,340	103,089	45,600	104,176	313,098
Officers' compensation (Note 22)	215,250	833,250	1,713,168	3,150,524	11,418,613
Payroll taxes	3,319	39,565	29,794	48,023	84,608
Rent	5,956	17,910	7,714	15,179	98,655
Research and development (Note 23)	-	238,395	788,577	2,028,428	5,187,964
Salaries and wages-administration	19,835	101,058	70,526	135,093	531,645
Salaries and wages-engineering	25,000	75,000	65,900	91,712	191,712

Impairment of intangible asset	-	-	-	-	3,701,347
<b>Total Operating Expenses</b>	802,217	3,922,777	5,643,659	12,362,800	47,488,222
<b>NET LOSS BEFORE OTHER INCOME (EXPENSE)</b>	(802,217)	(3,922,777)	(5,643,659)	(12,362,800)	(47,488,222)
<b>OTHER INCOME (EXPENSE)</b>					
Bank interest	(76)	(76)	-	70	(5)
Write off of worthless inventory	-	-	-	-	(266,519)
Refunds	4,000	(20,903)	-	2,587	(18,316)
Lawsuit settlements	-	-	(1,805,429)	(1,805,429)	(1,805,429)
Impairment of property and equipment	-	-	-	-	(107,964)
<b>Total Other Income (Expense)</b>	3,924	(20,979)	(1,805,429)	(1,802,772)	(2,198,233)
<b>NET LOSS BEFORE PROVISION FOR INCOME TAXES</b>	(798,293)	(3,943,756)	(7,449,088)	(14,165,572)	(49,686,455)
Provision for income taxes (Note 24)	-	-	-	-	-
<b>NET LOSS APPLICABLE TO COMMON SHARES</b>	\$ (798,293)	\$ (3,943,756)	\$ (7,449,088)	\$ (14,165,572)	\$ (49,686,455)
<b>NET LOSS PER SHARE -BASIC (Note 4)</b>	\$ (.04)	\$ (.04)	\$ (.08)	\$ (.28)	
<b>NET LOSS PER FULLY DILUTED SHARES (Note 4)</b>	\$ (.04)	\$ (.04)	\$ (.08)	\$ (.28)	

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

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2007 (Restated)  
(Unaudited)**

Description	Prepaid Shares & Beneficial Reduction Common		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance, June 30, 2006-restated (Note 2)	\$ 9,428,959	\$ 35,004	\$ 20,988,208	\$ (45,747,259)	\$ (15,295,088)
Issuance of shares for services		73	566,814		566,887
Reduction in prepaid shares	400,148				400,148
Beneficial reduction in option value outstanding	1,039,334				1,039,334
Issuance of stock for cash	-	1,017	1,674,883		1,675,900
Net loss for the three months ended September 30, 2006				(1,801,086)	(1,801,086)
Balance, September 30, 2006	\$ 10,868,441	\$ 36,094	\$ 23,229,905	\$ (47,548,345)	\$ (13,413,905)
Issuance of stock for cash	-	179	192,322		192,500
Issuance of stock for services		50	99,950		100,000
Reduction in prepaid shares	400,148				400,148
Net loss for the three months ended December 31, 2006				(1,339,817)	(1,339,817)
	\$ 11,268,589	\$ 36,323	\$ 23,522,177	\$ (48,888,162)	\$ (14,061,074)



Balance, December 31, 2006							
Issuance of stock for cash	145		144,855				145,000
Issuance of stock for services	265		219,672				219,938
Reduction in prepaid shares		400,148					400,148
Net loss for the three months ended March 31, 2007						(798,293)	(798,293)
Balance March 31, 2007	\$ 11,668,737	\$ 36,733	\$ 23,886,704	\$ (49,686,455)	\$		(14,094,281)

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

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY**  
**(FORMERLY AERO MARINE ENGINE, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (Restated)**  
**(WITH CUMULATIVE TOTALS SINCE INCEPTION)**  
**(Unaudited)**

	<b>Three Months Ended March 31, 2007</b>	<b>Nine Months Ended March 31, 2007</b>	<b>Three Months Ended March 31, 2006 (Restated)</b>	<b>Nine Months Ended March 31, 2006 (Restated) See Note 2</b>	<b>Cumulative Totals December 30, 2002 through March 31, 2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss)	\$ (798,293)	\$ (3,939,196)	\$ (2,846,655)	\$ 6,280,798	\$ (49,686,455)
Adjustments to reconcile net loss to net cash used in operating activities:					
Common stock issued for services	620,086	1,323,194	135,850	665,450	10,273,413
Options issued for services	-	119,500		22,750	4,350,300
Options issued as compensation	-	-			7,847,510
Warrants issued for services	-	-	150,000	150,000	6,024,218
Depreciation and amortization	4,616	10,712	2,133	5,767	57,326
Shares issued for lawsuit settlements	-	-	-	-	1,805,428
Impairment of property and equipment	0 -	0 -	-	-	107,964
Impairment of goodwill and intangibles	0-	0-	888,109	888,109	3,701,347
Write-off of inventory	-	-	-	-	266,519
<b>Changes in assets and liabilities</b>					
(Increase) in prepaid expenses and other current assets	-	24,000	171,339	(250,379)	(48,670)
Increase in accounts payable and accrued expenses	151,092	1,248,024	431,845	1,009,840	1,232,361
Total adjustments	775,794	2,725,430	1,779,276	2,491,537	35,617,716
<b>Net cash (used in) operating activities</b>	<b>(22,499)</b>	<b>(1,213,766)</b>	<b>(1,067,379)</b>	<b>3,789,261</b>	<b>(14,068,739)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Bank interest	-	-	-	-	71
Acquisition of intangible assets	-	(515)	-	(179,574)	(243,849)
Acquisitions of fixed assets	-	(119,001)	(3,065)	(22,637)	(164,833)

<b>Net cash (used in) investing activities</b>	-	(119,516)	(3,065)	(202,211)	(408,601)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the sale of stock	145,000	2,013,400	365,993	365,993	6,501,170
Proceeds from standby equity distribution agreement	-	-	250,000	3,600,000	4,000,000
Liability for stock to be issued	(150,000)	(557,252)	-	(400,000)	190,326
Conversion of shareholder debt to equity	-	-	-	-	975,000
Proceeds from note payable	(6,134)	50,266	250,000	250,000	1,295,266
Advances from shareholders	41,000	227,712	250,000	250,000	3,014,826
Payments on shareholder loan	(33,237)	(452,772)	(153,527)	(186,092)	(2,044,249)
Advances (payments to) related company-net	-	-	-	(10,000)	301,339
Exercise of stock options	-	-	64,311	114,390	244,981
<b>Net cash provided by financing activities</b>	(3,371)	1,281,354	1,026,777	3,984,291	14,478,659
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(25,870)	(51,928)	(43,667)	(7,181)	1,319
<b>CASH AND CASH EQUIVALENTS - Beginning period</b>	27,189	53,247	43,846	7,360	-
<b>CASH AND CASH EQUIVALENTS - End Period</b>	\$ 1,319	\$ 1,319	\$ 179	\$ 179	\$ 1,319

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

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006  
(Unaudited)**

**NOTE 1            GOING CONCERN UNCERTAINTY**

As shown in the accompanying financial statements, as is typical of companies going through the development stage, the Company incurred net losses for the three months ended March 31, 2007 and 2006 and for the period December 30, 2002 to March 31, 2007.

*The Company is currently in the development stage, and there is no guarantee whether the Company will be able to generate enough revenue and/or raise capital to support current operations and generate anticipated sales.*

This raises substantial doubt about the Company's ability to continue as a going concern. Management believes that the Company's capital requirements will depend on many factors including the success of the Company's product development efforts. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

**NOTE 2            BASIS OF PRESENTATION AND RESTATEMENT**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Dyna-Cam, Aero Marine Engine Corp. All significant inter-company accounts and transactions are eliminated.

These consolidated financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented. In addition, the consolidated financial statements for the three months ended September 30, 2005 have been restated to reflect the following changes in accounting principles and changes due to corrections of errors.

**RESTATEMENT TO REFLECT CHANGE IN ACCOUNTING PRINCIPLE**

Effective for the reporting periods after December 15, 2005, Companies are required to account for issuance of share-based payments in accordance with Statement of Financial Standard No. 123. This statement requires companies to value issuance of common stock, stock options and stock warrants at 'fair value' upon the completion of services rendered. For public companies, this fair value is arrived at by using an 'econometric model' to take into consideration variability of stock price, tax-free interest rate and time-value of money. Common stock issued for compensation or services are valued at the publicly disclosed price at the date of valuation. Compensation expense, Attorney expense, Advertising and Promotion expense have been retroactively adjusted to reflect this valuation principle for three months ended September 30, 2005. In accordance with Standard of Financial Accounting Standards No. 154 the following changes are disclosed below:

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006  
(Unaudited)**

**NOTE 2            BASIS OF PRESENTATION AND RESTATEMENT (CONTINUED)****Income Statement for the three months ended March 31, 2006:**

	As Originally Reported	As Adjusted	Effect of Change
Sales	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-
Compensation	150,129	1,919,628	1,769,499
Professional and consulting	806,647	824,234	17,587
Advertising and promotions	-	601,952	601,952
Rent	7,347	7,714	367
Research and development	813,577	854,477	40,900
General and administrative	1,050,956	317,315	(733,641)
Depreciation	2,133	2,133	-
Total Expenses	2,830,789	4,527,453	1,696,664
Lawsuit settlement	-	(1,805,429)	(1,805,429)
Interest income	-	-	-
Interest expense	(15,866)	(1,116,206)	(1,100,340)
Net income (loss)	\$ (2,846,655)	\$ (7,449,088)	\$ (4,602,433)
Per Share Basic	(.08)	.07	.12
Per Share Fully Diluted	(.08)	.07	.12

In addition to the cumulative effects of the change in accounting principle above, stockholders' deficit for the year ending June 30, 2005 has been increased to reflect the discovery of an error. Previous management incorrectly recognized compensation expense of \$3,350,000 for stock options that were never issued. Other balance sheet accounts have been adjusted to reflect other immaterial but non-routine items.

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006  
(Unaudited)**

## NOTE 2

**BASIS OF PRESENTATION AND RESTATEMENT (CONTINUED)**

**Balance Sheet  
March 31, 2006**

	As Originally Reported	As Adjusted	Effect of Change
<b>Assets</b>			
Cash	\$ 179	\$ 5,880	\$ 5,701
Deposit	22,670	22,670	-
Prepaid expenses	272,710	-	(272,710)
Total current assets	295,559	28,550	(267,009)
Property and equipment-net	38,011	38,861	850
Deferred financing costs	1,725,000	-	(1,725,000)
Intangible assets-net	243,324	243,324	-
Total Assets	\$ 2,301,894	\$ 310,734	\$ (1,991,160)