
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A**

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

For the fiscal year ended December 31, 2025

OR

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

Commission File Number 001-15663

American Realty Investors, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

75-2847135
(IRS Employer Identification Number)

1603 LBJ Freeway, Suite 800 Dallas TX
(Address of principal executive offices)

75234
(Zip Code)

(469) 522-4200
Registrant's Telephone Number, including area code
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ARL	NYSE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$20.5 million as of the last business day of the registrant's most recently completed second fiscal quarter based upon the price at which the common stock was last sold on that day.

As of March 10, 2026, there were 16,152,043 shares of common stock outstanding.

Documents Incorporated By Reference:

Consolidated Financial Statements of Income Opportunity Realty Investors, Inc.; Commission File No. 001-14784
Consolidated Financial Statements of Transcontinental Realty Investors, Inc.; Commission File No. 001-09240

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the “Form 10-K”) is to remove and replace incorrect Exhibits 31.1, 31.2 and 32.1 as originally filed which contain references to Forms other than the Form 10-K and to replace each of said Exhibits with corrected Exhibits 31.1, 31.2 and 32.1 which do reference the Form 10-K. No other changes have been or are being made to the Form 10-K.

The Registrant hereby amends the following items, Exhibits or other items to the Form 10-K as set forth below and as reflected in the substituted pages attached hereto, which replaces the same numbered or designated pages in the original filing:

- Exhibit 31.1 Section 302 Certification of Erik L. Johnson, Chief Executive Officer.
- Exhibit 31.2 Section 302 Certification of Alla Dzyuba, Chief Accounting Officer.
- Exhibit 32.1 Section 906 Certifications of Erik L. Johnson and Alla Dzyuba.

As herein amended, the Form 10-K as originally filed with these three substituted, the Form 10-K is hereby ratified and confirmed as filed. A copy of the complete Form 10-K, as amended with substituted pages is attached.

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FORWARD-LOOKING STATEMENTS

Certain Statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. The words “estimate,” “plan,” “intend,” “expect,” “anticipate,” “believe,” and similar expressions are intended to identify forward-looking statements. The forward-looking statements are found at various places throughout this Report and in the documents incorporated herein by reference. The Company disclaims any intention or obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our expectations are based upon reasonable assumptions, we can give no assurance that our goals will be achieved. Important factors that could cause our actual results to differ from estimates or projections contained in any forward-looking statements are described in Part I, Item 1A. “Risk Factors”.

PART I

ITEM 1. BUSINESS

General

American Realty Investors, Inc. (the “Company”), a Nevada Corporation, is a fully integrated externally managed real estate company. We operate high quality multifamily and commercial properties throughout the Southern United States. We also invest in mortgage notes receivable and in land that is either held for appreciation or development. As used herein, the terms “ARL”, “the Company”, “We”, “Our”, or “Us” refer to the Company.

Corporate Structure

As of December 31, 2025, we owned approximately 78.4% of the common stock of Transcontinental Realty Investors, Inc. (“TCI”) and substantially all of our operations are conducted through TCI, whose common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “TCI”. Accordingly, we include TCI’s financial results in our consolidated financial statements. In addition, as of December 31, 2025, TCI owned approximately 84.6% of the common stock of Income Opportunity Realty Investors, Inc. (“IOR”) a Nevada corporation, which is publicly listed and traded on the NYSE American under the symbol IOR.

Controlling Stockholder

Realty Advisors, Inc. (“RAI”), a Nevada corporation, owns approximately 90.8% of our common stock. As described in Part III, Item 13. “Certain Relationships and Related Transactions, and Director Independence”, our officers and directors also serve as officers and directors of TCI. TCI has business objectives similar to ours. Our officers and directors owe fiduciary duties to both TCI and us under applicable law. In determining whether a particular investment opportunity will be allocated to TCI or to us, management considers the respective investment objectives of each company, the ability to purchase and/or finance the asset and the appropriateness of a particular investment in light of each company’s existing real estate and mortgage notes receivable portfolio. To the extent that any particular investment opportunity is appropriate to more than one of the entities, the investment opportunity may be allocated to the entity which has had funds available for investment for the longest period of time, or, if appropriate, the investment may be shared among all or two of the entities.

Management

Our business is managed by Pillar Income Asset Management, Inc. (“Pillar”) in accordance with an Advisory Agreement and a Cash Management Agreement that are reviewed annually by our Board of Directors. Pillar is wholly-owned by RAI. Pillar’s duties include, but are not limited to, locating, evaluating and recommending real estate-related investment opportunities. Pillar also arranges our debt and equity financing with third party lenders and investors. In addition, Pillar serves as the contractual “Advisor” and “Cash Manager” to TCI and IOR. Pillar is compensated by us under an Advisory Agreement and a Cash Management Agreement that are more fully described in Part III, Item 10. “Directors, Executive Officers and Corporate Governance – The Advisor”. We have no employees. We rely upon the employees of Pillar to render services to us in accordance with the terms of the Advisory Agreement and the Cash Management Agreement.

In addition, as described in Part III, Item 13. “Certain Relationships and Related Transactions, and Director Independence”, we compete with related parties of Pillar having similar investment objectives related to the acquisition, development, disposition, leasing and financing of real estate and real estate-related investments. In resolving any potential conflicts of

interest which may arise, Pillar has informed us that it intends to exercise its best judgment as to what is fair and reasonable under the circumstances in accordance with applicable law.

Portfolio Composition

At December 31, 2025, our property portfolio consisted of:

- Thirteen multifamily properties in operation, comprising 2,128 units;
- Three multifamily properties in lease-up, comprising 672 units;
- One multifamily property under development, comprising 234 units;
- Commercial properties, consisting of four office buildings with an aggregate of approximately 1,001,549 rentable square feet; and
- Approximately 1,792 acres of developed and undeveloped land.

Recent Activity

Disposition Activities

- On March 25, 2025, we received \$3.5 million in proceeds from a condemnation settlement that provided for the conveyance of 11.2 acres from our holdings in Windmill Farms, resulting in a gain on sale of \$3.1 million.
- On October 10, 2025, we sold Villas at Bon Secour, a 200 unit multifamily property in Gulf Shores, Alabama, for \$28.0 million (See "Financing Activities"), resulting in a gain on sale of \$12.2 million.
- During the year ended December 31, 2025, we sold 72 single family lots from our holdings in Windmill Farms for \$3.3 million, resulting in a gain on sale of \$2.6 million.

Financing Activities

- On May 30, 2025, we paid off the \$10.8 million loan on 770 South Post Oak with cash on hand.
- On October 10, 2025, we paid off the \$18.8 million loan on Villas at Bon Secour in connection with the sale of the underlying property (See "Disposition Activities").

Development Activities

During the year ended December 31, 2025, we expended \$69.0 million in the construction of Alera, a 240 unit multifamily property in Lake Wales, Florida; Bandera Ridge, a 216 unit multifamily property in Temple, Texas; Merano, a 216 unit multifamily property in McKinney, Texas, and Mountain Creek, a 234 unit multifamily property in Dallas, Texas; which were funded in part by \$63.8 million in borrowing from our construction loans. We substantially completed the construction of Alera, Bandera Ridge and Merano in 2025, and expect to complete Mountain Creek in 2026.

Business Plan and Investment Policy

Our business strategy is to maximize long-term value for our stockholders by the acquisition, development and ownership of income-producing multifamily properties in the secondary markets of the Southern United States. We generally hold our investments in real estate for the long term. We seek to maximize the current income and the value of our real estate by maintaining high occupancy levels while charging competitive rents and controlling costs. In the past we have opportunistically acquired commercial properties for income and appreciation. In addition, we also opportunistically acquire land for future development. From time to time and when we believe it appropriate to do so, we sell land and income-producing properties. We also invest in mortgage receivables.

All of our multifamily properties and one of our commercial properties are managed third-party companies and three of our commercial properties are managed by Regis Realty Prime, LLC ("Regis"), collectively the "Management Companies". The Management Companies conduct all of the administrative functions associated with our property operations (including billing, collections, and response to tenant inquiries). Regis receives property management fees, construction management fees and leasing commissions in accordance with the terms of its property-level management agreement and is also entitled to receive real estate brokerage commissions in accordance with the terms of a non-exclusive brokerage agreement. Refer to Part III, Item 10. "Directors, Executive Officers and Corporate Governance – Property Management".

We also invest in notes receivables that are collateralized by investments in land and/or multifamily properties. These investments include notes receivables from Unified Housing Foundation, Inc. ("UHF"). Due to our ongoing relationship and significant investment in the performance of the collateral secured under the notes receivable, we consider UHF to be a related party.

We finance our business activities from operating cash flow, proceeds from the sale of land and income-producing properties, and debt, which is financing primarily in the form of property-specific, first-lien mortgage loans from commercial banks and institutional lenders. Most of the mortgage loans on our multifamily properties are insured with the Department of Housing and Urban Development ("HUD"). HUD backed mortgage loans generally provide for lower interest rates and longer term than conventional loans. However, HUD insured loans are subject to extensive regulations over the origination and transfers of mortgage loans and restrictions on the amount and timing of distribution of cash flows from the underlying real estate. When we sell properties, we may carry a portion of the sales price, generally in the form of a short-term interest bearing seller-financed note receivable, secured by the property being sold. We may also from time to time enter into partnerships or joint ventures with various investors to acquire land or income-producing properties, or to sell interests in some of our properties.

We have increased our portfolio of multifamily properties by partnering with third-party developers ("Developers") to construct the properties on our behalf. In these instances, we determined the location, design, construction budget and initial lease plan for a potential development project ("Development Project"). The cost of the Development Project included a development fee paid to the Developer. To ensure that a Development Project was constructed on plan, on time and on budget, we often entered into a convertible loan arrangement with the Developer, whereby we advanced the out-of-pocket capital to the developer at nominal rate of interest with an option to convert the loan into a 100% ownership interest in the entity that held the Development Project for a price equal to development cost.

We have also contracted Pillar as the Developer to construct multifamily properties on our behalf and to manage land development projects, including Windmill Farms. We believe direct involvement through Pillar enables us to achieve higher construction quality, greater control over construction schedules and cost savings.

Competition

The real estate business is highly competitive and we compete with numerous companies engaged in real estate activities (including certain entities described in Part III, Item 13. "Certain Relationships and Related Transactions, and Director Independence"), some of which have greater financial resources than us. We believe that success against such competition is dependent upon the geographic location of a property, the performance of property-level managers in areas such as leasing and marketing, collection of rents and control of operating expenses, the amount of new construction in the area and the maintenance and appearance of the property. Additional competitive factors include ease of access to a property, the adequacy of related facilities such as parking and other amenities, and sensitivity to market conditions in determining rent levels. With respect to multifamily properties, competition is also based upon the design and mix of the units and the ability to provide a community atmosphere for the residents. We believe that beyond general economic circumstances and trends, the degree to which properties are renovated or new properties are developed in the competing submarket are also competitive factors. Refer to Part I, Item 1A. "Risk Factors".

To the extent that we seek to sell any properties, the sales prices for the properties may be affected by competition from other real estate owners and financial institutions also attempting to sell properties in areas where our properties are located, as well as aggressive buyers attempting to dominate or penetrate a particular market.

Government Regulations

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas, fire and safety requirements, various environmental laws, HUD, the American Disabilities Act ("ADA") and rent control laws.

Segments

We operate two business segments: the acquisition, development, ownership and management of multifamily properties, and the acquisition, development, ownership and management of commercial properties; which are primarily office properties. The services for our commercial segment include primarily rental of office space and other tenant services, including parking and storage space rental. The services for our multifamily segment include primarily rental of apartments and other tenant services, including parking and storage space rental. See Note 5 to our consolidated financial statements in Item 8 of this Report for more information regarding our segments.

Human Capital

We have no employees. Employees of Pillar render services to us in accordance with the terms of the Advisory Agreement.

Available Information

We maintain a website at www.americanrealtyinvest.com. We make available through our website free of charge Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16, and amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such materials to the Securities and Exchange Commission. In addition, we have posted the charters for our Audit Committee, Compensation Committee, and Governance and Nominating Committee, as well as our Code of Business Conduct and Ethics, Corporate Governance Guidelines on Director Independence and other information on the website. These charters and principles are not incorporated in this Report by reference. We will also provide a copy of these documents free of charge to stockholders upon written request. We issue Annual Reports containing audited financial statements to our common stockholders.

ITEM 1A. RISK FACTORS

The following discusses those risk factors that we believe could have a material effect on our business, operations and financial condition. If any of these risks, as well as other risks and uncertainties that we have not yet identified or that we currently believe are not material, become realized, we could be materially adversely affected. In addition, the following risk factors may contain “forward looking statements” and should be read in conjunction with Management’s Discussion and Analysis of Financial condition and Results of Operations, and the financial statements and related notes in this Annual Report on Form 10-K. All investors should carefully consider the following risk factors in conjunction with the other information in this report before trading our securities.

FACTORS AFFECTING THE INDUSTRY

Our operating performance is subject to risks associated with the real estate industry.

Real estate investments are subject to various risks, fluctuations and cycles in value and demand, many of which are beyond our control. These events include, but are not limited to:

- adverse changes in international, national or local economic conditions;
- inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- adverse changes in financial conditions of actual or potential investors, buyers, sellers or tenants;
- inability to collect rent from tenants;
- competition from other real estate investors, including other real estate operating companies, publicly-traded real estate investment trusts (“REITs”) and institutional investment funds;
- reduced tenant demand for office space and residential units from matters such as: (i) trends in space utilization, (ii) changes in the relative popularity of our properties, (iii) the type of space we lease, (iv) purchasing versus leasing, (v) increasing crime or homelessness in our submarkets or (vi) economic recessions;
- increases in the supply of office space and residential units;
- fluctuations in interest rates and the availability of credit, which could adversely affect our ability to obtain financing on favorable terms or at all;
- increases in operating costs, including: (i) insurance costs, (ii) labor costs, (iii) energy prices, (iv) property taxes, and (v) costs of compliance with laws, regulations and governmental policies;
- utility disruptions;
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA;

- difficulty in operating properties effectively;
- acquiring undesirable properties; and
- inability to dispose of properties at appropriate times or at favorable prices.

We may not be able to compete successfully with other entities that operate in our industry.

We experience a great deal of competition in attracting tenants for the properties and in locating land to develop as well as properties to acquire.

In our effort to lease properties, we compete for tenants with a broad spectrum of other landlords in each of the markets. These competitors include, among others, publicly-held REITs, privately-held entities, individual property owners and tenants who wish to sublease their space. Some of these competitors may be able to offer prospective tenants more attractive financial terms than we are able to offer.

Real estate investments are illiquid, and we may not be able to sell properties if and when it is appropriate to do so.

Real estate generally cannot be sold quickly. We may not be able to dispose of properties promptly in response to economic or other conditions. In addition, provisions of the Internal Revenue Code may limit our ability to sell properties (without incurring significant tax costs) in some situations when it may be otherwise economically advantageous to do so, thereby adversely affecting returns to stockholders and adversely impacting our ability to meet our obligations.

Our business may be impacted as a result of any health emergency.

Epidemics, pandemics or other outbreaks of an illness, disease or virus, such as COVID-19, can severely disrupt general economic activities in a variety of ways that are difficult to predict. For example, governments and businesses may take actions to mitigate the public health crisis, including quarantines, stay-at-home orders, density limitations, social distancing measures, and/or restrictions on types of business that may continue to operate. The extent to which an outbreak could impact our business will depend on factors such as the duration and spread, its severity, the actions taken to contain the virus, the emergence and impact of future virus variants, and how quickly and to what extent normal economic and operating conditions resume. The impacts to our business could impact our financial condition, results of operations, cash flows, liquidity and our ability to meet our debt service obligations.

A shift toward remote or hybrid work could reduce demand for office space and adversely affect our office portfolio and financial performance.

The continued adoption of remote and hybrid work arrangements may reduce long-term demand for traditional office space. If tenants reduce their office footprints, do not renew leases, or seek more flexible terms, we could experience higher vacancy rates, lower rental income, increased leasing concessions, and longer lease-up periods across our office portfolio.

These conditions could negatively impact our net operating income, cash flows, and property values, potentially requiring additional capital expenditures, impairments of office assets, or dispositions at unfavorable prices. Declines in asset values or cash flows could also increase leverage, limit access to capital, or adversely affect our ability to refinance existing indebtedness. If these risks materialize, our business, financial condition, and results of operations could be materially adversely affected.

We face risks associated with and have been the target of security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

The phenomenon of cyber-attacks in general, and cyber-attacks against databases in particular, have become a risk to all companies. We are exposed to cyber-attacks, which may, depending on their success and strength, damage the privacy of the information stored in the databases as well as cause equipment failures, loss, discovery, use, corruption, destruction or appropriation of information, content and valuable technical information. In recent years, cyber-attacks against companies have increased in frequency, scope and potential damage. Malicious damage (such as the introduction of viruses and cyber-attacks) or a large-scale malfunction may adversely affect our business and results, including damage to our reputation, and our financial condition.

FACTORS AFFECTING OUR COMPANY

Adverse events concerning our existing tenants or negative market conditions affecting our existing tenants could have an adverse impact on our ability to attract new tenants, release space, collect rent or renew leases, and thus could adversely affect cash flow from operations and inhibit growth.

Our cash flow from operations depends in part on the ability to lease space to tenants on economically favorable terms. We could be adversely affected by various facts and events over which we have limited or no control, such as:

- lack of demand for space in areas where the properties are located;
- inability to retain existing tenants and attract new tenants;
- oversupply of or reduced demand for space and changes in market rental rates;
- defaults by tenants or failure to pay rent on a timely basis;
- the need to periodically renovate and repair marketable space;
- physical damage to properties;
- economic or physical decline of the areas where properties are located; and
- potential risk of functional obsolescence of properties over time.

If tenants do not renew their leases as they expire, we may not be able to rent the space. Furthermore, leases that are renewed, and some new leases for space that is re-let, may have terms that are less economically favorable than expiring lease terms, or may require us to incur significant costs, such as renovations, tenant improvements or lease transaction costs. Any of these events could adversely affect cash flow from operations and our ability to make distributions to shareholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance, and debt service payments, are not necessarily reduced or able to be recouped when circumstances cause a decrease in rental income from the properties.

Our reliance on third-party management companies to operate certain of our properties may harm our business.

We rely on third party property managers to manage the daily operations of our properties. These management companies are directly responsible for the day-to-day operation of our properties with limited supervision by us, and they often have potentially significant decision-making authority with respect to those properties. Thus any adversity experienced by our property managers could adversely impact the operation and profitability of our properties.

These third parties may fail to manage our properties effectively or in accordance with their agreements with us, may be negligent in their performance and may engage in unprofessional activity. If any of these events occur, we could incur losses or face liabilities from the injury to persons at our properties. In addition, disputes may arise between us and these third-party managers and operators, and we may incur significant expenses to resolve those disputes or terminate the relevant agreement with these third parties and locate and engage competent and cost-effective service providers to operate and manage the relevant properties, which in turn could adversely affect us, including damage to our relationships with such franchisers or we may be in breach of our management agreement.

Our property insurance coverage is limited, and any uninsured losses could cause us to lose part or all of our investment in our insured properties.

We carry property and general liability insurance on all of our properties with coverage limits that we deem adequate and appropriate under the circumstances (certain policies subject to deductibles) to insure against property restoration and liability claims, which include the cost of legal defense. There are, however, certain types of extraordinary losses that either may be uninsurable or are not generally insured because it is not economically feasible to insure against those losses. Should any uninsured loss occur, we could lose our investment in, and anticipated revenues from, a property, and these losses could have a material adverse effect on our operations. The occurrence of storm damage, flood or other natural disaster or personal injury on our properties in excess of our insured limits may materially and adversely affect our business, financial condition and results of operations.

We may experience increased operating costs which could adversely affect our financial results and the value of our properties.

Our properties are subject to increases in operating expenses such as insurance, cleaning, maintenance, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping, repairs, and maintenance of the properties. While some current tenants are obligated by their leases to reimburse us for a portion of these costs, there is no assurance that these tenants will make such payments or agree to pay these costs upon renewal or new tenants will agree to pay these costs. If operating expenses increase in our markets, we may not be able to increase rents or reimbursements in all of these markets to offset the increased expenses, without at the same time decreasing occupancy rates.

We face risks associated with property acquisitions.

We have acquired individual properties and various portfolios of properties in the past and intend to continue to do so. Acquisition activities are subject to the following risks:

- when we are able to locate a desired property, competition from other real estate investors may significantly increase the seller's offering price;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than original estimates;
- acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations, and results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with limited recourse, with respect to unknown liabilities. However, if an unknown liability was later asserted against the acquired properties, we might be required to pay substantial sums to settle it, which could adversely affect cash flow.

We engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we are subject to certain risks, including the following:

- we may not complete a development or redevelopment project on schedule or within budgeted amounts (as a result of risks beyond our control, such as weather, labor conditions, permitting issues, material shortages and price increases);
- we may be unable to lease the developed or redeveloped properties at budgeted rental rates or lease up the property within budgeted time frames;
- we may devote time and expend funds on development or redevelopment of properties that we may not complete;
- we may encounter delays or refusals in obtaining all necessary zoning, land use, and other required entitlements, and building, occupancy and other required governmental permits and authorizations, and our costs to comply with the conditions imposed by such permits and authorizations could increase;
- we may encounter delays, refusals and unforeseen cost increases resulting from third-party litigation or objections; and
- we may fail to obtain the financial results expected from properties we develop or redevelop.

Many of our properties are concentrated in our primary markets and we may suffer economic harm as a result of adverse conditions in those markets.

Our properties are located principally in specific geographic areas in the Southern United States. Our overall performance is largely dependent on economic conditions in this region.

We are leveraged and may not be able to meet our debt service obligations.

We had total indebtedness at December 31, 2025 of approximately \$277.6 million. Substantially all of our multifamily real estate has been pledged to secure debt. These borrowings increase the risk of loss because they represent a prior claim on assets and most require fixed payments regardless of profitability. Our leveraged position makes us vulnerable to declines in the general economy and may limit our ability to pursue other business opportunities in the future.

A significant portion of our debt is insured with HUD.

As of December 31, 2025, we had \$123.6 million in mortgage notes payable insured by HUD, which represented 58% of our mortgage notes payable. HUD insured loans allow Lenders to extend loans at a relatively lower interest rate for terms of up to 40 years for properties under new construction, or up to 35 years for acquisition or refinancing of existing properties. In return for lower interest rates and favorable terms, HUD loans involve extensive regulatory compliance.

While we hope to continue utilizing HUD insured loans in the future, should we not be able to access such loans, or should HUD cease to permit us to access or assume HUD insured debt, we would likely incur significantly increased interest costs and shorter term conventional loans (assuming we are able to obtain conventional loans) and possibly will need to utilize funds from disposal of investments or other properties to finance such activities.

An increase in interest rates would increase interest costs on variable rate debt and could adversely impact the ability to refinance existing debt.

We currently have, and may incur more, indebtedness that bears interest at variable rates. If interest rates increase, so may our interest costs, which could adversely affect cash flow and the ability to pay principal and interest on our debt and the ability to make distributions to shareholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures.

Unbudgeted capital expenditures or cost overruns could adversely affect business operations and cash flow.

If capital expenditures for ongoing or planned development projects or renovations exceed expectations, the additional cost of these expenditures could have an adverse effect on business operations and cash flow. In addition, we might not have access to funds on a timely basis to pay for the unexpected expenditures.

Properties may need to be sold from time to time for cash flow purposes.

Because of the lack of liquidity of real estate investments generally, our ability to respond to changing circumstances may be limited. Real estate investments generally cannot be sold quickly. In the event that we must sell assets to generate cash flow, we cannot predict whether there will be a market for those assets in the time period desired, or whether we will be able to sell the assets at a price that will allow us to fully recoup its investment. We may not be able to realize the full potential value of the assets and may incur costs related to the early extinguishment of the debt secured by such assets.

Ownership through partnerships and joint ventures could limit property performance.

We have in the past, and may in the future, develop and/or acquire properties in partnerships and joint ventures, including those in which we may own a preferred interest, when we believe circumstances warrant this type of investment. Investments in partnerships and joint ventures, including limited liability companies, involve risks such as the following:

- Our partners could become bankrupt, in which event we and any other remaining partners would generally remain liable for the liabilities of the venture;
- Our partners could have economic or other business interests or goals which are inconsistent with our business objectives;
- Our partners could be in a position to take action contrary to our instructions, requests or objectives, including our policies involving development of properties; and
- Governing agreements in partnerships and joint ventures often contain restrictions on the transfer of an interest or “by-sell” or other provisions which could result in the purchase or sale of the interest at a disadvantageous time or on disadvantageous terms.

We generally will seek to maintain sufficient control of partnerships or joint ventures to permit us to achieve our business objectives; however, in the event it fails to meet expectations or becomes insolvent, we could lose our investment in the partnership or joint venture.

We could incur more debt.

We operate with a policy of incurring indebtedness only when it is advisable in the opinion of our Board of Directors and management. We could incur additional indebtedness by borrowing under a line of credit, mortgaging properties we own, restructuring existing indebtedness, and/or issuing debt securities in public offerings or private transactions. The degree of indebtedness could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, or other corporate purposes and make us more vulnerable to a down turn in business or the economy in general.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

We rely on the information technology and systems maintained by Pillar and their employees to identify and manage material risks from cybersecurity threats. Pillar takes various actions, and incurs significant costs, to maintain and manage the operation and security of information technology and systems, including the data maintained in those systems. We believe that Pillar's Director of Information Technology and his associates endeavor to evaluate and address cyber risks in alignment with our business objectives, operational needs and industry-accepted standards, such as the National Institute of Standards and Technology and CIS Critical Security Controls frameworks. Since we rely on accounting, financial, operational, management and other information systems, including the Internet and third-party hosted services to conduct our operations, store personal and sensitive data, process financial information and results of operations for internal reporting purposes and comply with financial reporting, legal and tax requirements, we have processes and procedures in place to monitor the prevention, detection, mitigation and remediation of cybersecurity risks. These include, but are not limited to (i) maintaining a defined and practiced incident response plan; (ii) employing appropriate incident prevention and detection safeguards; (iii) maintaining a defined disaster recovery policy and employing disaster recovery software, where appropriate; (iv) educating, training and testing our user community on information security practices and identification of potential cybersecurity risks and threats; and (v) reviewing and evaluating new developments in the cyber threat landscape. Recognizing the complexity and evolving nature of cybersecurity risk, we engage with a range of external support in evaluating, monitoring and testing our cybersecurity management systems and related cyber risks.

The Audit Committee of the Board of Directors oversees cybersecurity matters, including the material risks related thereto, and regularly receives updates from Pillar's Director of Information Technology regarding the development and advancement of its cybersecurity strategy, as well as the related risks. In the event of a cybersecurity incident, a detailed incident response plan is in place for contacting authorities and informing key stakeholders, including management. We do not believe we are reasonably likely to be materially affected from cybersecurity threats, including as a result of previous incidents.

ITEM 2. PROPERTIES**Residential Properties in Operation**

Count	Property	Location	Year Constructed	Units	Occupancy
1	Blue Lake Villas	Waxahachie, TX	2002	186	89.8%
2	Blue Lake Villas Phase II	Waxahachie, TX	2004	70	95.7%
3	Chelsea	Beaumont, TX	1999	144	97.9%
4	Forest Grove	Bryan, TX	2020	84	91.7 %
5	Landing on Bayou Cane	Houma, LA	2005	240	92.5%
6	Legacy at Pleasant Grove	Texarkana, TX	2006	208	94.2%
7	Northside on Travis	Sherman, TX	2008	200	84.0%
8	Parc at Denham Springs	Denham Spring, LA	2007	224	94.6%
9	Parc at Denham Springs Phase II	Denham Springs, LA	2010	144	92.4%
10	Residences at Holland Lake	Weatherford, TX	2004	208	98.6%
11	Villas of Park West Phase I	Pueblo, CO	2005	148	96.6%
12	Villas of Park West Phase II	Pueblo, CO	2010	112	94.6%
13	Vista Ridge	Tupelo, MS	2009	160	94.4%
				<u>2,128</u>	

Residential Properties in Lease-Up

Count	Property	Location	Year Constructed	Units	Occupancy
1	Alera	Lake Wales, FL	2025	240	12.9%
2	Bandera Ridge	Temple, TX	2025	216	16.7%
3	Merano	McKinney, TX	2025	216	11.1%
				<u>672</u>	

Residential Properties in Construction

Count	Property	Location	Units
1	Mountain Creek	Dallas, TX	234
			<u>234</u>

Commercial Properties

Count	Property	Location	Year Constructed	Rentable Square Feet	Occupancy
1	770 South Post Oak	Houston, TX	1970	95,528	61.7%
2	Browning Place	Dallas, TX	1984	626,529	55.4%
3	Senlac	Dallas, TX	1971	2,812	100.0%
4	Stanford Center	Dallas, TX	2007	276,680	64.9%
				<u>1,001,549</u>	

The following table summarizes our commercial lease expirations as of December 31, 2025:

Year of Lease Expiration	Number of Leases Expiring	Square Foot ("SF") of Leases Expiring	% of Total Leased SF by Expiring Leases	Ending Rent/ SF of Expiring Leases	% of Total Rent Represented by Expiring Leases
2026	4	20,856	4 %	27.07	3.6 %
2027	7	17,224	3 %	25.59	2.8 %
2028	12	52,272	9 %	24.53	8.1 %
2029	8	102,764	17 %	16.79	10.9 %
2030	8	106,707	18 %	29.01	19.5 %
Thereafter	24	288,362	49 %	30.30	55.1 %
	<u>63</u>	<u>588,185</u>	<u>100 %</u>		<u>100.0 %</u>

Land Investments

Project	Location	Acres
Held for development		
Athens	Athens, AL	33
EQK Portage	Kent, OH	49
McKinney 36	Collin County, TX	18
Ocean Estates	Gulfport, MS	12
Willowick	Pensacola, FL	40
Mercer Crossing Commercial	Farmers Branch, TX	19
Windmill Farms	Kaufman County, TX	1,482
Other	Various	38
		1,691
Held subject to sales contract		
Windmill Farms	Kaufman County, TX	101
		1,792

ITEM 3. LEGAL PROCEEDINGS

We are defendants in litigation related to a property sale that was completed in 2008, which was tried to a jury in March 2023. On March 18, 2023, the jury in the case returned a “Plaintiff take nothing” verdict in our favor. The trial court granted the Plaintiffs a new trial, and we challenged that order by mandamus. On January 14, 2026, the Dallas Court of Appeals granted our petition and ordered the trial court to (1) vacate its new-trial order and (2) enter judgment in our favor on the jury’s verdict. We have tendered the proposed order and judgment and await their entry by the trial court.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

ARL's common stock is listed and traded on the NYSE under the symbol "ARL". The following table sets forth the high and low sales prices as reported in the consolidated reporting system of the NYSE for the quarters ended:

	2025		2024	
	High	Low	High	Low
First Quarter	\$ 16.18	\$ 10.25	\$ 25.96	\$ 16.94
Second Quarter	\$ 15.71	\$ 9.43	\$ 18.38	\$ 12.51
Third Quarter	\$ 17.00	\$ 12.52	\$ 22.77	\$ 13.21
Fourth Quarter	\$ 17.00	\$ 14.55	\$ 18.00	\$ 13.11

On March 10, 2026, the closing market price of our common stock on the NYSE was \$16.62 per share, and was held by 926 stockholders of record.

Our Board of Directors established a policy that dividend declarations on common stock would be determined on an annual basis following the end of each year. In accordance with that policy, the board determined not to pay any dividends on common stock in 2025, 2024 or 2023. Future dividends to common stockholders will be determined by the Board of Directors in light of conditions then existing, including our financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board.

We have a stock repurchase program that allows for the repurchase of up to 1,250,000 shares of our common stock. This repurchase program has no termination date. There were no shares repurchased in 2025 and the program has 19,465 shares remaining that can be repurchased as of December 31, 2025.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes in Part II, Item 8 of this Report. Our results of operations for the year ended December 31, 2025 were affected by a acquisitions and disposition, refinancing activity, development activity as discussed below.

Management's Overview

We are an externally advised and managed real estate investment company that owns a diverse portfolio of income-producing properties and land held for development throughout the Southern United States. Our portfolio of income-producing properties generally includes multifamily residential properties, office buildings and other commercial properties. Our investment strategy includes acquiring existing income-producing properties as well as developing new properties on land already owned or acquired for a specific development project.

Our operations are managed by Pillar in accordance with an Advisory Agreement and a Cash Management Agreement. Pillar's duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities. Pillar also arranges our debt and equity financing with third party lenders and investors. We rely upon the employees of Pillar to render services to us in accordance with the terms of the Advisory Agreement. Pillar is considered to be a related party due to its ownership by RAI.

The following is a summary of our recent disposition, financing and development activities:

Disposition Activities

- On December 13, 2024, we sold 30 single family lots from our holdings in Windmill Farms for \$1.4 million, resulting in a gain on sale of \$1.1 million.
- On March 25, 2025, we received \$3.5 million in proceeds from the condemnation settlement that provided for the conveyance of 11.2 acres from our holdings in Windmill Farms, resulting in a gain on sale of \$3.1 million.
- On October 10, 2025, we sold Villas at Bon Secour, a 200 unit multifamily property in Gulf Shores, Alabama, for \$28.0 million (See "Financing Activities"), resulting in a gain on sale of \$12.2 million.
- During the year ended December 31, 2025, we sold 72 lots from our holdings in Windmill Farms for \$3.3 million, resulting in a gain on sale of \$2.6 million.

Financing Activities

- On January 31, 2023, we paid off our \$67.5 million of Series C bonds.
- On February 28, 2023, we extended the maturity of our loan on Windmill Farms until February 28, 2024 at a revised interest rate of 7.75%.
- On March 15, 2023, we entered into a \$33.0 million construction loan to finance the development of Alera (See "Development Activities") that bears interest at the Secured Overnight Financing Rate ("SOFR") plus 3% and matures on March 15, 2026, with two one-year extension options.
- On May 4, 2023, we paid off the remaining \$14.0 million of our Series A Bonds and \$28.9 million of our Series B Bonds, which resulted in a loss on early extinguishment of debt of \$1.7 million.
- On August 28, 2023, we paid off our \$1.2 million loan on Athens.
- On November 6, 2023, we entered into a \$25.4 million construction loan to finance the development of Merano (See "Development Activities") that bears interest at prime plus 0.25% and matures on November 6, 2028.
- On December 15, 2023, we entered into a \$23.5 million construction loan to finance the development of Bandera Ridge (See "Development Activities") that bears interest at SOFR plus 3% and matures on December 15, 2028.
- On January 1, 2024, we amended our Cash Management agreement with Pillar. As a result, the interest rate on the related party receivable ("Pillar Receivable") changed from prime plus one to SOFR.
- On February 8, 2024, we extended the maturity of our loan on Windmill Farms to February 28, 2026 at an interest rate of 7.50%. We subsequently paid off the loan on November 24, 2025.
- On July 10, 2024, we replaced the existing loan on Forest Grove with a \$6.6 million loan that bears interest at SOFR plus 2.15% and matures on August 1, 2031.
- On October 21, 2024, we entered into a \$27.5 million construction loan to finance the development of Mountain Creek (See "Development Activities") that bears interest at SOFR plus 3.45% and matures on June 17, 2027.
- On May 30, 2025, we paid off the \$10.8 million loan on 770 South Post Oak with cash on hand.
- On October 10, 2025, we paid off the \$18.8 million loan on Villas at Bon Secour in connection with the sale of the underlying property (See "Disposition Activities"), resulting in a loss on early extinguishment of debt of \$0.3 million.

Development Activities

We have agreements to develop two parcels of land from our land holdings in Windmill Farms. The agreements provide for the development of 125 acres of raw land into approximately 470 land lots to be used for single family homes. During 2025, we spent \$1.8 million on reimbursable infrastructure investments.

During the year ended December 31, 2025, we expended \$69.0 million in the construction of four multifamily properties ("Development Projects"), which were funded in part by \$63.8 million in borrowing from our construction loans.

The following is a summary of the total projected and incurred costs (dollars in thousands) for the Development Projects as of December 31, 2025:

Project	Units	Location	Total Projected Cost	Total Project Cost Incurred
Alera	240	Lake Wales, FL	\$ 55,330	\$ 55,394
Bandera Ridge	216	Temple, TX	49,603	48,082
Merano	216	McKinney, TX	51,910	48,971
Mountain Creek	234	Dallas, TX	49,971	9,268
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 161,715</u>

As of December 31, 2025, we have substantially completed the construction of the units from Alera, Bandera Ridge and Merano, and expect to complete construction of Mountain Creek in 2026.

Other Developments

On March 23, 2023, we received \$18.0 million from our joint venture in Victory Abode Apartments, LLC ("VAA"), which represented the remaining distribution of proceeds from the sale of the 45 properties in September 2022 that had been held by VAA. We dissolved VAA in 2024.

We had been engaged in litigation with David Clapper and entities related to Mr. Clapper (collectively, "Clapper") since 1999. The matter originally involved a transaction in 1998 in which we were to acquire eight multifamily properties from the Clapper. Through the years, several rulings, both for and against us, were issued with a range of settlement from zero to \$148.0 million. On October 31, 2024, we executed a settlement agreement and paid \$23.4 million to resolve all claims.

On December 5, 2025, we sold our interest in Gruppa Florentino, Inc. ("Gruppa" or "Milano") for \$12.7 million, which resulted in gain on sale of \$2.3 million. The sales price was funded by a note receivable (See Note 9 - Notes Receivable) that is collateralized by the ownership interest in Milano. Concurrent with the sale of Milano, we invested \$1.3 million for a 20% ownership interest in Avanti Bene, Inc. ("Avanti"), a newly formed joint venture that invests in various emerging restaurant concepts. We account for our investment in Avanti under the equity method of accounting.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, capitalization of costs and fair value measurements. Our significant accounting policies are described in more detail in Note 2 - Summary of Significant Accounting Policies in our notes to the consolidated financial statements. However, the following policies are deemed to be critical.

Fair Value of Financial Instruments

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 an orderly transaction between willing market participants at the measurement date that is other than in a forced or liquidation sale, 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.

Related Parties

We apply ASC Topic 805, "Business Combinations", to evaluate business relationships. Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing our own separate interests, or affiliates of the entity.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, we may be potentially liable for removal or remediation costs, as well as certain other potential costs, relating to hazardous or toxic substances (including governmental fines and injuries to persons and property) where property-level managers have arranged for the removal, disposal or treatment of hazardous or toxic substances. In addition, certain environmental laws impose liability for release of asbestos-containing materials into the air, and third parties may seek recovery for personal injury associated with such materials.

We are not aware of any environmental liability relating to the above matters that would have a material adverse effect on our business, assets or results of operations.

Inflation

The effects of inflation on our operations are not quantifiable. Revenues from property operations tend to fluctuate proportionately with inflationary increases and decreases in housing costs. Fluctuations in the rate of inflation also affect sales values of properties and the ultimate gain to be realized from property sales. To the extent that inflation affects interest rates, our earnings from short-term investments, the cost of new financings and the cost of variable interest rate debt will be affected.

Results of Operations

Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting our properties described above, including those related to the Same Properties, Development Properties, Acquisition Properties and the Disposition Properties (each as defined below).

For purposes of the discussion below, we define "Same Properties" as all of our properties with the exception of those properties that have been recently constructed or are in lease-up ("Development Properties"), properties that have recently been acquired ("Acquisition Properties") and properties that have been disposed ("Disposition Properties"). A developed property is considered substantially completed or leased-up, when it achieves occupancy of 80% or more. We move a property in and out of Same Properties based on whether the property is substantially complete or in operation for the entirety of both periods of the comparison.

For the comparison of the year ended December 31, 2025 to the year ended December 31, 2024, the Development Properties were Alera, Bandera Ridge and Merano (See "Development Activities" in Management's Overview); and the Disposition Property was Villas at Bon Secour. There were no Acquisition Properties.

The following table (amounts in thousands) provides a summary of the results of operations of 2025 and 2024:

	For the Years Ended December 31,		
	2025	2024	Variance
Multifamily Segment			
Revenue	\$ 34,128	\$ 34,103	\$ 25
Operating expenses	(19,304)	(18,252)	(1,052)
	14,824	15,851	(1,027)
Commercial Segment			
Revenue	14,932	12,967	1,965
Operating expenses	(8,581)	(8,811)	230
	6,351	4,156	2,195
Segment operating income	21,175	20,007	1,168
Other non-segment items of income (expense)			
Depreciation and amortization	(12,577)	(12,276)	(301)
General, administrative and advisory	(15,981)	(14,620)	(1,361)
Interest income, net	7,812	12,135	(4,323)
Loss on early extinguishment of debt	(284)	—	(284)
Gain (loss) on real estate transactions	19,988	(23,989)	43,977
Income (loss) from joint ventures	119	1,449	(1,330)
Other (loss) income	(1,713)	3,855	(5,568)
Net income (loss)	\$ 18,539	\$ (13,439)	\$ 31,978

Comparison of the year ended December 31, 2025 to the year ended December 31, 2024:

Our \$32.0 million increase in net income in 2025 is primarily attributed to the following:

- Our multifamily segment had a \$1.0 million decrease in NOI, which was attributed to a decrease of \$1.3 million from the Development Properties and \$0.5 million from the Disposition Property offset in part by an increase of \$0.8 million from Same Properties. The decrease in NOI from the Disposition Property is primarily due to the lease-up of newly constructed properties in 2025 (See "Development Activities" in Management's Overview).
- The \$2.2 million increase in NOI from our commercial segment is primarily due to an increase in occupancy at Stanford Center.
- The \$1.4 million increase in general, administrative and advisory expenses is primarily due to a \$1.1 million increase in advisory fees and a \$0.4 million increase in pillar reimbursements. The increase in advisory fees is due to an increase in net income and asset value in 2025. The increase in value of assets is primarily due to the Development Projects (See "Development Activities" in Management's Overview).
- The \$4.3 million decrease in our interest income, net is due to a \$5.3 million decrease in interest income offset in part by a \$1.0 million decrease in interest expense. The decrease in interest income was primarily due to a decrease in funds available for investments and a decline in interest rates. Our decrease in interest expense is primarily due to the pay off of the loan on 770 South Post Oak in 2025 and the refinance of Forest Grove in 2024 (See "Financing Activities" in Management's Overview).
- The \$44.0 million increase in gain on sale or write down of assets, net is primarily due to \$23.4 million loss from Clapper in 2024 (See "Other Developments" in Management's Overview), the sale of Villas at Bon Secour in 2025 (See "Disposition Activities" in Management's Overview), an increase in dispositions of land at Windmill Farms (See "Disposition Activities" in Management's Overview) and decrease in write off of development costs.
- The increase in other expense is primarily due to an increase in income tax provision as a result of the sale of Villas at Bon Secour (See "Disposition Activities" in Management's Overview) in 2025 and a change in the estimate of tax liability in connection with the VAA properties sold in 2022.

Comparison of the year ended December 31, 2024 to the year ended December 31, 2023:

See Item 7 of Part II in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 21, 2025 for a discussion of our results of operations for the year ended December 31, 2024.

Liquidity and Capital Resources

Our principal sources of cash have been, and will continue to be, property operations; proceeds from land and income-producing property sales; collection of mortgage notes receivable; collections of receivables from related companies; refinancing of existing mortgage notes payable; and additional borrowings, including mortgage notes and bonds payable, and lines of credit.

Our principal liquidity needs are to fund normal recurring expenses; meet debt service and principal repayment obligations including balloon payments on maturing debt; fund capital expenditures, including tenant improvements and leasing costs; fund development costs not covered under construction loans; and fund possible property acquisitions.

We anticipate that our cash, cash equivalents and short-term investments as of December 31, 2025, along with cash that will be generated in 2026 from operations, notes receivable and construction loans will be sufficient to meet all of our cash requirements. We may also selectively sell land and income-producing assets, refinance or extend real estate debt and seek additional borrowings secured by real estate to meet our liquidity requirements. Although history cannot predict the future, historically, we have been successful at refinancing and extending a portion of our current maturity obligations.

Cash Flow Summary

The following summary discussion of our cash flows is based on the consolidated statements of cash flows in Part II, Item 8. "Consolidated Financial Statements and Supplementary Data" and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below (dollars in thousands):

	Year Ended December 31,		Variance
	2025	2024	
Net cash (used in) provided by operating activities	\$ (5,553)	\$ 1,089	\$ (6,642)
Net cash used in investing activities	\$ (33,055)	\$ (41,340)	\$ 8,285
Net cash provided by financing activities	\$ 27,546	\$ 1,659	\$ 25,887

The \$8.3 million increase in cash used in investing activities is primarily due to the \$33.5 million increase in proceeds from sale of assets offset in part by the \$21.6 million increase in development and renovation of real estate and the \$5.8 million increase in net purchase of short-term investments. The increase in proceeds from sale of assets is primarily due to the sale of Villas at Bon Secour in 2025 (See "Disposition Activities" in Management's Overview). The increase in development and renovation of real estate relates to the Development Projects (See "Development Activities" in Management's Overview). The increase in net redemption of short-term investments provided additional funds for the development and renovation of real estate and the repayment of the mortgage note on 770 South Post Oak in 2025.

The \$25.9 million increase in cash provided by financing activities was due to the \$48.7 million increase in borrowings on our construction loans in connection with our development projects (See "Development Activities" in Management's Overview) offset in part by a \$22.7 million increase in payments of mortgages and other notes payable (See "Financing Activities" in Management's Overview).

Funds From Operations ("FFO")

We use FFO in addition to net income to report our operating and financial results and consider FFO and FFO-diluted as supplemental measures for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts ("Nareit") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis. We also present FFO excluding the impact of the effects of foreign currency translation.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as we believe real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. We believe that such a presentation also provides investors with a meaningful measure of our operating results in comparison to the operating results of other real estate companies. In addition, we believe that FFO excluding gain (loss) from foreign currency transactions provide useful supplemental information regarding our performance as they show a more meaningful and consistent comparison of our operating performance and allows investors to more easily compare our results.

We believe that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. We also caution that FFO, as presented, may not be comparable to similarly titled measures reported by other real estate companies.

We compensate for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net income to FFO and FFO-diluted. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows in accordance with GAAP, as presented in our consolidated financial statements.

The following reconciles our net income attributable to FFO and FFO-basic and diluted, excluding loss from foreign currency transactions and loss on extinguishment of debt for the years ended December 31, 2025, 2024 and 2023 (dollars and shares in thousands):

	For the Year Ended December 31,		
	2025	2024	2023
Net income (loss) attributable to the Company	\$ 15,703	\$ (14,703)	\$ 3,968
Depreciation and amortization on consolidated assets	12,577	12,276	13,646
(Gain) loss on real estate transactions	(19,988)	23,989	1,923
Gain on sale of land	4,720	1,095	188
Depreciation and amortization on unconsolidated joint ventures at pro rata share	239	206	272
FFO-Basic and Diluted	13,251	22,863	19,997
Loss on early extinguishment of debt	284	—	1,710
Gain on foreign currency transactions	—	—	(993)
FFO-adjusted	<u>\$ 13,535</u>	<u>\$ 22,863</u>	<u>\$ 20,714</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Optional and not included.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of and
Stockholders of American Realty Investors, Inc.
Dallas, Texas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Realty Investors, Inc. and Subsidiaries as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of American Realty Investors, Inc. as of December 31, 2025 and 2024 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America.

Basis of Opinion

These consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of investment in real estate

Description of the Matter

The Company's net investment in real estate totaled \$602.4 million as of December 31, 2025. As discussed in Note 2 to the consolidated financial statements, the Company periodically assesses whether there has been any impairment in the carrying value of its properties and whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows for a real estate asset are less than its carrying amount, at which time the real estate asset is written down to its estimated fair value.

Auditing the Company's impairment assessment for real estate assets was complex because of the subjective auditor judgment necessary in evaluating management's identification of indicators of potential impairment. Our evaluation of management's identification of indicators of impairment included our related assessment of such indicators, either individually or in combination, in determining whether a triggering event has occurred that requires the Company to evaluate the recoverability of the real estate asset.

How We Addressed the Matter in Our Audit

We obtained an understanding of the Company's controls over the Company's real estate asset impairment assessment process. Our testing of the Company's impairment assessment included, among other procedures, evaluating significant judgments applied in determining whether indicators of impairment existed for the Company's real estate assets. Our procedures included obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments, including searching for significant tenant write-offs or upcoming lease expirations with little prospects for replacement tenants. We also searched for any significant declines in operating results of a real estate asset that could be due to a triggering event or an indicator of potential impairment.

Collectability of Notes Receivable

Description of the Matter

At December 31, 2025, the Company had notes receivable in the amount of \$142.4 million. The Company performs an assessment as to whether or not substantially all of the amounts due under these notes receivable is deemed probable of collection. Subsequently, for notes where the Company concludes that it is not probable that it will collect substantially all payments due under the note, the Company creates an allowance for any amounts not probable of collection.

Auditing the Company's collectability assessment is complex due to the judgment involved in the Company's determination of the collectability of these notes. The determination involves consideration of the terms of the note, whether or not the note is currently performing, and any security for the note.

How We Addressed the Matter in Our Audit

We obtained an understanding of the Company's controls over notes receivable and their collectability assessment. Our testing included among other things, confirming selected notes receivable, determining if the notes were performing according to their terms and testing the Company's evaluation of the underlying security interest if necessary.

Emphasis of Liquidity

As described in Note 18, management intends to sell income-producing assets, refinance real estate and obtain additional borrowings primarily secured by real estate to meet the Company's liquidity requirements.

Supplemental Information

The supplemental information contained in Schedules III and IV has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Security and Exchange Commission's rules. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

FARMER, FUQUA & HUFF, PC

Richardson, Texas

March 12, 2026

We have served as the Company's auditor since 2004.

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value amounts)

	December 31,	
	2025	2024
Assets:		
Real estate	\$ 602,431	\$ 557,388
Cash and cash equivalents	14,180	19,918
Restricted cash	15,233	20,557
Short-term investments	74,964	79,800
Notes receivable (including \$67,349 and \$71,365 at December 31, 2025 and 2024, respectively, from related parties)	142,439	138,349
Investment in unconsolidated joint ventures	1,270	10,246
Receivable from related parties	103,558	97,544
Other assets (including \$1,475 and \$1,855 at December 31, 2025 and 2024, respectively, from related parties)	143,250	109,000
Total assets	\$ 1,097,325	\$ 1,032,802
Liabilities and Equity		
Liabilities:		
Mortgages and other notes payable	\$ 214,367	\$ 185,398
Accounts payable and other liabilities (including \$30 and \$601 at December 31, 2025 and 2024, respectively, to related parties)	49,629	32,105
Accrued interest	3,811	3,238
Deferred revenue	9,791	9,791
Total liabilities	277,598	230,532
Equity:		
Shareholders' equity		
Preferred stock, Series A, \$2.00 par value, 15,000,000 shares authorized, 900,614 shares issued and outstanding	1,801	1,801
Common stock, \$0.01 par value, 100,000,000 shares authorized; 16,152,043 shares issued and outstanding	162	162
Additional paid-in capital	61,039	61,161
Retained earnings	554,402	538,699
Total shareholders' equity	617,404	601,823
Noncontrolling interest	202,323	200,447
Total equity	819,727	802,270
Total liabilities and equity	\$ 1,097,325	\$ 1,032,802

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

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	For the Years Ended December 31,		
	2025	2024	2023
Revenues:			
Rental revenues (including \$579, \$652 and \$882 for 2025, 2024 and 2023, respectively, from related parties)	\$ 46,366	\$ 44,763	\$ 47,023
Other income	3,648	2,555	3,477
Total revenue	50,014	47,318	50,500
Expenses:			
Property operating expenses (including \$353, \$346 and \$366 for 2025, 2024 and 2023, respectively, from related parties)	27,885	27,063	27,896
Depreciation and amortization	12,577	12,276	13,646
General and administrative (including \$4,262, \$3,871 and \$4,006 for 2025, 2024 and 2023, respectively, from related parties)	6,459	6,395	10,011
Advisory fee to related party	9,522	8,225	10,187
Total operating expenses	56,443	53,959	61,740
Net operating loss	(6,429)	(6,641)	(11,240)
Interest income (including \$7,478, \$8,985 and \$13,259 for 2025, 2024 and 2023, respectively, from related parties)	14,637	19,973	26,847
Interest expense	(6,825)	(7,838)	(9,502)
Gain on foreign currency transactions	—	—	993
Loss on early extinguishment of debt	(284)	—	(1,710)
Equity in income from unconsolidated joint ventures	119	1,449	3,242
Gain (loss) on real estate transactions	19,988	(23,989)	(1,923)
Income tax provision	(2,667)	3,607	(1,456)
Net income (loss)	18,539	(13,439)	5,251
Net income attributable to noncontrolling interest	(2,836)	(1,264)	(1,283)
Net income (loss) applicable to the Company	\$ 15,703	\$ (14,703)	\$ 3,968
Earnings per share			
Basic and diluted	\$ 0.97	\$ (0.91)	\$ 0.25
Weighted average common shares used in computing earnings per share			
Basic and diluted	16,152,043	16,152,043	16,152,043

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

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED STATEMENT OF EQUITY
(Dollars in thousands, except share amounts)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, January 1, 2023	\$ 1,801	\$ 162	\$ 62,090	\$ 549,434	\$ 613,487	\$ 198,681	\$ 812,168
Net income	—	—	—	3,968	3,968	1,283	5,251
Repurchase of treasury shares by IOR	—	—	—	—	—	(908)	(908)
Adjustment of noncontrolling interest	—	—	(452)	—	(452)	452	—
Balance, December 31, 2023	1,801	162	61,638	553,402	617,003	199,508	816,511
Net (loss) income	—	—	—	(14,703)	(14,703)	1,264	(13,439)
Repurchase of treasury shares by IOR	—	—	—	—	—	(802)	(802)
Adjustment to noncontrolling interest	—	—	(477)	—	(477)	477	—
Balance, December 31, 2024	1,801	162	61,161	538,699	601,823	200,447	802,270
Net income	—	—	—	15,703	15,703	2,836	18,539
Purchase of IOR shares	—	—	—	—	—	(1,082)	(1,082)
Adjustment to noncontrolling interest	—	—	(122)	—	(122)	122	—
Balance, December 31, 2025	<u>\$ 1,801</u>	<u>\$ 162</u>	<u>\$ 61,039</u>	<u>\$ 554,402</u>	<u>\$ 617,404</u>	<u>\$ 202,323</u>	<u>\$ 819,727</u>

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

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31,		
	2025	2024	2023
Cash Flow From Operating Activities:			
Net income (loss)	\$ 18,539	\$ (13,439)	\$ 5,251
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
(Gain) loss on real estate transactions	(19,988)	23,989	1,923
Gain on foreign currency transactions	—	—	(993)
Loss on early debt extinguishment	284	—	1,710
Depreciation and amortization	12,634	12,533	14,571
Provision for doubtful accounts	104	166	1,593
Equity in income from unconsolidated joint ventures	(119)	(1,449)	(3,242)
Distribution of income from unconsolidated joint ventures	—	1,263	—
Changes in assets and liabilities, net of acquisitions and dispositions:			
Other assets	(10,055)	(6,872)	(10,273)
Related party receivables	(6,014)	(1,011)	(11,081)
Accrued interest payable	573	605	(1,719)
Accounts payable and other liabilities	(1,511)	(14,696)	(28,794)
Net cash (used in) provided by operating activities	(5,553)	1,089	(31,054)
Cash Flow From Investing Activities:			
Collection of notes receivable	8,594	5,792	1,967
Originations and advances on notes receivable	—	—	(6,500)
Purchase of short-term investments	(84,569)	(59,097)	(91,007)
Redemption of short-term investments	89,405	69,745	120,346
Development and renovation of real estate	(79,492)	(57,933)	(18,462)
Deferred leasing costs	(519)	(1,189)	(1,128)
Proceeds from sale of assets	34,796	1,342	188
Contribution to unconsolidated joint venture	(1,270)	—	—
Distributions from unconsolidated joint ventures	—	—	21,409
Net cash (used in) provided by investing activities	(33,055)	(41,340)	26,813
Cash Flow From Financing Activities:			
Proceeds from mortgages and other notes payable	63,782	15,112	—
Payments on mortgages, other notes and bonds payable	(35,154)	(12,452)	(137,657)
Purchase IOR shares	(1,082)	(802)	(908)
Debt extinguishment costs	—	—	(435)
Deferred financing costs	—	(199)	(20)
Net cash provided by (used in) financing activities	27,546	1,659	(139,020)
Net decrease in cash and cash equivalents	(11,062)	(38,592)	(143,261)
Cash and cash equivalents, beginning of year	40,475	79,067	222,328
Cash and cash equivalents, end of year	\$ 29,413	\$ 40,475	\$ 79,067

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

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

1. Organization

As used herein, the terms “the Company”, “We”, “Our”, or “Us” refer to American Realty Investors, Inc., a Nevada corporation, which was formed in 1999. Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “ARL”. Over 90% of our stock is owned by related party entities.

Our primary business is the acquisition, development and ownership of income-producing residential and commercial real estate properties. In addition, we opportunistically acquire land for future development in in-fill or high-growth suburban markets. From time to time and when we believe it appropriate to do so, we will also sell land and income-producing properties. We generate revenues by leasing apartment units to residents, and leasing office, industrial and retail space. We also generate income from the sales of income-producing properties and land.

We own approximately 78.4% of the common stock of Transcontinental Realty Investors, Inc. (“TCI”) and substantially all of our operations are conducted through TCI, whose common stock is listed on the NYSE under the symbol “TCI”. Accordingly, we include TCI’s financial results in our consolidated financial statements.

At December 31, 2025, our property portfolio consisted of:

- Thirteen multifamily properties in operation, comprising 2,128 units;
- Three multifamily properties in lease-up, comprising 672 units;
- One multifamily property under development, comprising 234 units;
- Commercial properties, consisting of four office buildings with an aggregate of approximately 1,001,549 rentable square feet; and
- Approximately 1,792 acres of developed and undeveloped land.

Our day to day operations are managed by Pillar Income Asset Management, Inc. (“Pillar”). Their duties include, but are not limited to, locating, evaluating and recommending real estate-related investment opportunities and arranging debt and equity financing with third party lenders and investors. All of our employees are Pillar employees. Three of our commercial properties are managed by Regis Realty Prime, LLC (“Regis”). Regis provides leasing, construction management and brokerage services. All of our multifamily properties and one of our commercial properties are managed by outside management companies. Pillar and Regis are considered to be related parties (See Note 13 – Related Party Transactions).

2. Summary of Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America.

We consolidate entities in which we are considered to be the primary beneficiary of a variable interest entity (“VIE”) or have a majority of the voting interest of the entity. We have determined that we are a primary beneficiary of the VIE when we have (i) the power to direct the activities of a VIE that most significantly impacts its economic performance, and (ii) the obligations to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining whether we are the primary beneficiary, we consider qualitative and quantitative factors, including ownership interest, management representation, ability to control decision and other contractual rights. We account for entities in which we have less than a controlling financial interest or entities where we are not deemed to be the primary beneficiary under the equity method of accounting. Accordingly, we include our share of the net earnings or losses of these entities in our results of operations.

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the reported results of operation.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

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 remaining useful lives. Depreciation is computed on a straight-line basis over the useful lives of the properties (buildings and improvements—10 to 40 years; furniture, fixtures and equipment—5 to 10 years).

We assess whether an indicator of impairment in the value of our real estate exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis, with the carrying value of the related assets. We generally hold and operate our income producing real estate long-term, which decreases the likelihood of their carrying values not being recoverable. Real estate classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.

Cost capitalization

The cost of buildings and improvements includes the purchase price of property, legal fees and other acquisition costs. We also capitalize development costs including costs directly related to planning, developing, initial leasing and constructing a property as well as interest, property taxes, insurance, and other direct project costs incurred during the period of development. Capitalized costs also include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs.

We consider a construction project as substantially completed and held available for occupancy upon the receipt of certificates of occupancy, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed and (2) occupied or held available for occupancy, and we capitalize only those costs associated with the portion under construction.

Deferred leasing costs

We capitalize leasing costs on our commercial properties, which include commissions paid to outside brokers, legal costs incurred to negotiate and document a lease agreement. We allocate these costs to individual tenant leases and amortize them over the related lease term.

Short-Term Investments

We account for our investment in corporate bonds and demand notes (collectively "debt securities") as held-to-maturity securities as we have the intent and the ability to hold these securities until maturity. Accordingly, our debt securities are carried at their amortized cost. The discount on these debt securities is amortized into interest income on a straight-line basis over the term of the underlying notes, which approximate the effective interest method.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date that is other than in a forced or liquidation sale. In determining fair value we apply the following hierarchy:

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.

Related parties

Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, or affiliates of the entity.

Recognition of revenue

Rental revenue includes fixed minimum rents, reimbursement of operating costs and other leasing income. Rental revenue for residential property, which is generally leased for twelve months or less, is recorded when due from residents, whereas rental revenue for commercial properties, which is generally leased for more than twelve months, is recognized on a straight-line basis over the terms of the related leases.

Reimbursements of operating costs, as allowed under most of our commercial tenant leases, consist of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, and are recognized as revenue in the period in which the recoverable expenses are incurred. We record these reimbursements on a "gross" basis, since we generally are the primary obligor with respect to purchasing goods and services from third-party suppliers; we have discretion in selecting the supplier and have the credit risk with respect to paying the supplier.

An allowance for credit losses is recorded for all past due rents and operating expense reimbursements considered to be uncollectible.

Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, for which cost approximates fair value. Restricted cash includes cash balances held in escrow by financial institutions under the terms of certain secured notes payable and certain unsecured bonds payable.

Concentration of credit risk

We maintain our cash balances at commercial banks and through investment companies, the deposits that are insured by the Federal Deposit Insurance Corporation. At December 31, 2025 and 2024, the Company maintained balances in excess of the insured amount.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Income taxes

We are a “C” corporation for U.S. federal income tax purposes. However, we are included in the May Realty Holdings, Inc. (“MRHI”), consolidated group for tax purposes. We have a tax sharing agreement that specifies the manner in which the group will share the consolidated tax liability and also how certain tax attributes are to be treated among members of the group.

Comprehensive income (loss)

Net income and comprehensive income are the same for the years ended December 31, 2025, 2024 and 2023.

Use of estimates

In the preparation of consolidated financial statements in conformity with GAAP, it is necessary for management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expense for the year ended. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires entities to disclose additional information with respect to the effective tax rate reconciliation and to disclose the disaggregation by jurisdiction of income tax expense and income taxes paid. Our adoption of ASU 2023-09 on January 1, 2025 did not have a material impact on our disclosures in our financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”), and in January 2025, the FASB issued ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date (“ASU 2025-01”). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact of these standards on our consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements (“ASU 2025-11”). The amendments in the update clarify interim reporting disclosure requirements in ASC 270 and introduces a new disclose principal for reporting material events occurring after the most recent annual period. The update is effective for interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. We are current evaluating the the potential impact of adopting ASU 2025-11 on our consolidated financial statements.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

3. Earnings Per Share

Earnings per share (“EPS”) has been computed by dividing net income available to common shares, adjusted for preferred dividends, by the weighted-average number of common shares outstanding during the period.

The following table provides our basic and diluted EPS calculation:

	For the Year Ended December 31,		
	2025	2024	2023
Net income (loss)	\$ 18,539	\$ (13,439)	\$ 5,251
Net income attributable to noncontrolling interest	(2,836)	(1,264)	(1,283)
Net income (loss) applicable to the Company	<u>\$ 15,703</u>	<u>\$ (14,703)</u>	<u>\$ 3,968</u>
Weighted-average common shares outstanding - basic and diluted	<u>16,152,043</u>	<u>16,152,043</u>	<u>16,152,043</u>
EPS attributable to common shares - basic and diluted	<u>\$ 0.97</u>	<u>\$ (0.91)</u>	<u>\$ 0.25</u>

4. Supplemental Cash Flows Information

The following presents the schedule of interest paid and other supplemental cash flow information:

	For the Years Ended December 31,		
	2025	2024	2023
Cash paid for interest	\$ 5,562	\$ 6,353	\$ 11,014
Cash paid for income taxes	\$ 2,281	\$ 3,403	\$ 38,072
Cash, cash equivalents and restricted cash - beginning of year			
Cash and cash equivalents	\$ 19,918	\$ 36,740	\$ 113,445
Restricted cash	20,557	42,327	108,883
	<u>\$ 40,475</u>	<u>\$ 79,067</u>	<u>\$ 222,328</u>
Cash, cash equivalents and restricted cash - end of year			
Cash and cash equivalents	\$ 14,180	\$ 19,918	\$ 36,740
Restricted cash	15,233	20,557	42,327
	<u>\$ 29,413</u>	<u>\$ 40,475</u>	<u>\$ 79,067</u>
Payment on mortgages, other notes and bonds payable			
Mortgages and other notes payable	\$ 35,154	\$ 12,452	\$ 6,481
Bonds payable	—	—	131,176
	<u>\$ 35,154</u>	<u>\$ 12,452</u>	<u>\$ 137,657</u>

The following is a schedule of noncash investing and financing activities:

	For the Years Ended December 31,		
	2025	2024	2023
Accrued development cost	\$ 7,204	\$ 13,209	\$ 1,664
Note received in exchange for interest in unconsolidated joint venture	\$ 12,685	\$ —	\$ —
Property acquired in exchange for reduction of related party receivable	\$ —	\$ —	\$ 8,764

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

5. Operating Segments

Segment information is prepared on the same basis that our chief operating decision maker ("CODM") reviews information to assess performance and make resource allocation decisions. Our CODM is our President and Chief Executive Officer. We operate in two reportable segments: (i) the acquisition, development, ownership and management of multifamily properties ("Residential Segment") and (ii) the acquisition, ownership and management of commercial real estate properties ("Commercial Segment"). The services for our segments include rental of property and other tenant services, including parking and storage space rental. The key operating metric that the CODM utilizes to evaluate the segments is net operating income ("NOI"), which we defined as property revenue less direct property operating expenses. NOI excludes depreciation, interest income and expenses, general and administrative expenses, advisory fees and income taxes.

The following table presents our profit by reportable segment:

	For the Years Ended December 31,		
	2025	2024	2023
Residential Segment			
Revenues	\$ 34,128	\$ 34,103	\$ 34,962
Segment expenses			
Property tax and insurance	(11,003)	(10,679)	(9,776)
Repairs and maintenance	(3,885)	(3,970)	(4,317)
Other property expenses	(4,416)	(3,603)	(3,656)
NOI from residential segment	14,824	15,851	17,213
Commercial Segment			
Revenues	14,932	12,967	14,943
Segment expenses			
Property tax and insurance	(2,740)	(3,204)	(4,266)
Repairs and maintenance	(1,323)	(1,293)	(1,228)
Other property expenses	(4,518)	(4,314)	(4,653)
NOI from commercial segment	6,351	4,156	4,796
Total NOI from segments	\$ 21,175	\$ 20,007	\$ 22,009

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
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The following table reconciles NOI from reportable segments to net income (loss):

	For the Years Ended December 31,		
	2025	2024	2023
NOI from reportable segments	\$ 21,175	\$ 20,007	\$ 22,009
Other non-segment items of income (expense)			
Depreciation and amortization	(12,577)	(12,276)	(13,646)
General and administrative	(6,459)	(6,395)	(10,011)
Advisory fee to related party	(9,522)	(8,225)	(10,187)
Other income	954	248	595
Interest income	14,637	19,973	26,847
Interest expense	(6,825)	(7,838)	(9,502)
Gain on foreign currency transactions	—	—	993
Loss on early extinguishment of debt	(284)	—	(1,710)
Equity in income from unconsolidated joint ventures	119	1,449	3,242
Gain (loss) on real estate transactions	19,988	(23,989)	(1,923)
Income tax provision	(2,667)	3,607	(1,456)
Net income (loss)	<u>\$ 18,539</u>	<u>\$ (13,439)</u>	<u>\$ 5,251</u>

The table below reconciles the segment information to the corresponding amounts in the consolidated balance sheets:

	December 31,	
	2025	2024
Segment assets	\$ 571,503	\$ 523,792
Real estate	57,463	59,197
Investments in unconsolidated joint ventures	1,270	10,246
Notes receivable	142,439	138,349
Receivable from related parties	103,558	97,544
Cash, short-term investments and other non-segment assets	221,092	203,674
Total assets	<u>\$ 1,097,325</u>	<u>\$ 1,032,802</u>

6. Lease Revenue

We lease our multifamily properties and commercial properties under agreements that are classified as operating leases. Our multifamily leases generally include minimum rents and charges for ancillary services. Our commercial property leases generally included minimum rents and recoveries for property taxes and common area maintenance. Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases.

The following table summarizes the components of rental revenue for the years ended December 31, 2025, 2024 and 2023:

	For the Year Ended December 31,		
	2025	2024	2023
Fixed component	\$ 44,906	\$ 43,676	\$ 45,466
Variable component	1,460	1,087	1,557
Total rental revenue	<u>\$ 46,366</u>	<u>\$ 44,763</u>	<u>\$ 47,023</u>

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

The following table summarizes the future rental payments to us from under non-cancelable leases, which excludes multifamily properties, which typically have lease terms of one-year or less:

Year	Amount
2026	\$ 14,208
2027	13,914
2028	13,212
2029	10,768
2030	8,046
Thereafter	17,256
Total	<u>\$ 77,404</u>

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

7. Real Estate Activity

At December 31, 2025 and 2024, our real estate investment is comprised of the following:

	December 31,	
	2025	2024
Land	\$ 113,357	\$ 104,076
Building and improvements	500,292	375,430
Tenant improvements	20,388	16,629
Construction in progress	56,163	140,046
Total cost	690,200	636,181
Less accumulated depreciation	(87,769)	(78,793)
Total real estate	<u>\$ 602,431</u>	<u>\$ 557,388</u>

We incurred depreciation expense of \$11,851, \$11,662 and \$12,887 for the years ending December 31, 2025, 2024 and 2023, respectively.

Construction Activities

Construction in progress consists of the development of Windmill Farms and the costs associated with our ground-up development projects.

Windmill Farms is a collection of freshwater districts ("Districts") in Kaufman County Texas that is being developed into single family lots ("Lots"), multifamily properties and retail properties. In connection with the project, we develop the infrastructure in Windmill Farms, including roads, water and sewer, to facilitate the sale of Lots to home builders for construction of single family homes. We receive reimbursement of the infrastructure costs ("District Receivables") through the issuance of municipal bonds by the Districts. As of December 31, 2025, we have \$55,693 in District Receivables included in other assets (See Note 11 – Other Assets) and \$46,895 of Lot development costs included in construction in progress.

We have entered into several development agreements with Pillar (See Note 13 – Related Party Transactions) to develop multifamily properties ("Development Projects"). Each Development Project is funded in part by a construction loan (See Note 12 – Mortgages and Other Notes Payable).

The following is a summary of the total projected and incurred costs of the Development Projects as of December 31, 2025:

Project	Units	Location	Total Project Cost	Total Project Cost Incurred
Alera	240	Lake Wales, FL	\$ 55,330	\$ 55,394
Bandera Ridge	216	Temple, TX	49,603	48,082
Merano	216	McKinney, TX	51,910	48,971
Mountain Creek	234	Dallas, TX	49,971	9,268
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 161,715</u>

During the year ended December 31, 2025, we expended \$68,995 in the construction of the Development Projects, which was funded in part by \$63,781 in borrowing from our construction loans. As of December 31, 2025, we have substantially completed the construction of Alera, Bandera Ridge and Merano and transferred the costs associated with those projects to land and building improvements.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
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Disposition of assets

Gain (loss) on real estate transactions consists of the following:

	For the Year Ended December 31,		
	2025	2024	2023
Land(1)	\$ 4,720	\$ 1,095	\$ 188
Residential properties(2)	12,204	—	—
Other(3)	3,064	(25,084)	(2,111)
	<u>\$ 19,988</u>	<u>\$ (23,989)</u>	<u>\$ (1,923)</u>

- (1) Includes the sale of lots related to our investment in Windmill Farms and other land holdings.
- (2) On October 10, 2025, we sold Villas at Bon Secour, a 200 unit multifamily property in Gulf Shores, Alabama for \$28,000, resulting in a gain on sale of \$12,204. We used the proceeds to pay off the \$18,767 mortgage note payable on the property and for general corporate purposes.
- (3) Includes the sale of our joint venture interest in Milano (See Note 10 - Investment in Unconsolidated Joint Ventures) and the write-off of development costs. On October 31, 2024, we paid \$23,400 to resolve all claims and disputes with David Clapper and entities related to Mr. Clapper (collectively, "Clapper"). These claims originally involved a transaction in 1998 in which we were to acquire eight multifamily properties from Clapper.

8. Short-term Investments

The following is a summary of our short term investments as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
Corporate bonds, at par value	\$ 58,035	\$ 80,000
Demand notes	17,418	325
	<u>75,453</u>	<u>80,325</u>
Less discount	(489)	(525)
	<u>\$ 74,964</u>	<u>\$ 79,800</u>

The average interest rate on the investments was 4.27% and 5.20% at December 31, 2025 and December 31, 2024, respectively.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

9. Notes Receivable

The following table summarizes our notes receivables at December 31, 2025 and 2024:

Borrower / Project	Carrying Value		Interest Rate	Maturity Date
	2025	2024		
ABC Land and Development, Inc.	\$ 4,408	\$ 4,408	9.50 %	6/30/2026
ABC Paradise, LLC	1,210	1,210	9.50 %	6/30/2026
Autumn Breeze(1)	1,043	1,451	5.00 %	7/1/2028
Bellwether Ridge(1)	3,798	3,798	5.00 %	11/1/2026
Dominion at Mercer Crossing(2)	6,167	6,167	7.75 %	6/7/2028
Echo Station(3)(4)	9,881	10,120	4.24 %	12/31/2032
Forest Pines(1)	6,472	6,472	5.00 %	5/1/2027
Gruppa Florentina(6)	8,880	—	4.50 %	12/31/2037
Inwood on the Park(3)(4)	19,985	20,208	4.24 %	6/30/2028
Kensington Park(3)(4)	5,196	6,994	4.24 %	3/31/2027
Lake Shore Villas(3)(4)	4,852	5,855	4.24 %	12/31/2032
Prospectus Endeavors	496	496	6.00 %	10/23/2029
McKinney Ranch	3,926	3,926	6.00 %	9/15/2029
Ocean Estates II(3)(4)	3,591	3,615	4.24 %	5/31/2028
One Realco Land Holding, Inc.	1,728	1,728	9.50 %	6/30/2026
Parc at Ingleside(1)	3,759	3,759	5.00 %	11/1/2026
Parc at Opelika Phase II(1)(5)	3,190	3,190	10.00 %	1/13/2023
Parc at Windmill Farms(1)(5)	7,886	7,886	5.00 %	11/1/2022
Phillips Foundation for Better Living, Inc.(3)	—	107	4.24 %	3/31/2028
Plaza at Chase Oaks(3)(4)	11,303	11,772	4.24 %	3/31/2028
Plum Tree(1)	1,240	1,478	5.00 %	8/17/2028
Polk County Land	3,000	3,000	9.50 %	6/30/2026
Riverview on the Park Land, LLC	1,045	1,045	9.50 %	6/30/2026
Spartan Land	5,907	5,907	6.00 %	1/16/2027
Spyglass of Ennis(1)	4,705	4,705	5.00 %	11/1/2028
Steeple Crest(1)	6,230	6,358	5.00 %	8/1/2026
Timbers at The Park(3)(4)	11,072	11,146	4.24 %	12/31/2032
Tuscany Villas(3)(4)	1,469	1,548	4.24 %	4/30/2027
	<u>\$ 142,439</u>	<u>\$ 138,349</u>		

- (1) The note is convertible, at our option, into a 100% ownership interest in the underlying development property, and is collateralized by the underlying development property.
- (2) The note bears interest at prime plus 1%.
- (3) The borrower is determined to be a related party due to our significant investment in the performance of the collateral secured by the notes receivable.
- (4) Principal and interest payments on the notes from Unified Housing Foundation, Inc. (“UHF”) are funded from surplus cash flow from operations, sale or refinancing of the underlying properties and are cross collateralized to the extent that any surplus cash available from any of the properties underlying the notes.
- (5) We are working with the borrower to extend the maturity and/or exercise our conversion option.
- (6) On December 5, 2025, we received the note as payment for our interest in Milano (See Note 10 - Investment in Unconsolidated Joint Ventures). The note bears interest at 4.50% until December 31, 2026, then 6.00% until December 31, 2029, and then 7.00% until maturity. The note is collateralized by the equity interest in Milano.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
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10. Investment in Unconsolidated Joint Ventures

On March 23, 2023, we received \$17,976 from our joint venture in Victory Abode Apartments, LLC ("VAA"), which represented the remaining distribution of proceeds from the sale of the 45 properties in September 2022 that had been held by VAA. We dissolved VAA in 2024.

We had a 20% ownership interest in Gruppa Fiorentina, LLC ("Gruppa" or "Milano"), which operates several pizza parlors in Central and Northern California. Milano also has 23 franchised locations.

On December 5, 2025, we sold our interest in Gruppa for \$12,685, which resulted in gain on sale of \$2,318. The sales price was funded by a note receivable (See Note 9 - Notes Receivable) that is collateralize by the ownership interest in Milano.

Concurrent with the sale of Milano, we invested \$1,270 for a 20% ownership interest in Avanti Bene, Inc. ("Avanti"), a newly formed joined venture that invests in various emerging restaurant concepts. We account for our investment in Avanti under the equity method of accounting.

11. Other Assets

At December 31, 2025 and 2024, our other assets are comprised of the following:

	December 31,	
	2025	2024
Acquisition deposits	\$ 15,269	\$ 15,824
Windmill Farms infrastructure receivables (1)	55,693	54,518
Interest receivable	18,647	16,652
Tenant and other receivables	5,244	3,989
Prepaid expenses and other assets	8,380	12,312
Income tax receivable	39,040	—
Deferred tax assets	977	5,705
	<u>\$ 143,250</u>	<u>\$ 109,000</u>

- (1) Represents roads, sewer, and utility infrastructure costs in connection with our development of Windmill Farms (See Note 7 - Real Estate Activity). These costs are reimbursable through bonds issued by the municipality in accordance with underlying indemnity agreements.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

12. Mortgages and Other Notes Payable

Below is a summary of our notes and interest payable as of December 31, 2025 and 2024:

Property/ Entity	Carrying Value		Interest Rate	Maturity Date
	2025	2024		
770 South Post Oak(1)	\$ —	\$ 10,939	— %	6/1/2025
Alera(2)	29,243	8,554	6.87 %	3/15/2026
Bandera Ridge(3)	18,808	—	6.66 %	12/15/2028
Blue Lake Villas	9,146	9,327	3.15 %	11/1/2055
Blue Lake Villas Phase II	3,192	3,271	2.85 %	6/1/2052
Chelsea	7,686	7,878	3.36 %	12/1/2050
EQK Portage	3,350	3,350	5.00 %	11/13/2029
Forest Grove(4)	6,442	6,421	6.02 %	8/1/2031
Landing on Bayou Cane	13,872	14,162	3.52 %	9/1/2053
Legacy at Pleasant Grove	12,034	12,381	3.55 %	4/1/2048
Merano(5)	24,284	—	7.00 %	11/6/2028
New Concept Energy(7)	3,542	3,542	4.24 %	9/30/2027
Northside on Travis	10,849	11,125	2.50 %	2/1/2053
Parc at Denham Springs	15,683	16,048	3.75 %	4/1/2051
Parc at Denham Springs Phase II	15,223	15,419	4.05 %	2/1/2060
RCM HC Enterprises	5,086	5,086	5.00 %	12/31/2029
Residences at Holland Lake	10,006	10,219	3.60 %	3/1/2053
Villas at Bon Secour(6)	—	18,798	— %	9/1/2031
Villas of Park West Phase I	8,779	8,983	3.04 %	3/1/2053
Villas of Park West Phase II	7,977	8,158	3.18 %	3/1/2053
Vista Ridge	9,165	9,342	4.00 %	8/1/2053
Windmill Farms	—	2,395	— %	2/28/2026
	<u>\$ 214,367</u>	<u>\$ 185,398</u>		

- (1) On May 30, 2025, we paid off the loan with cash on hand.
- (2) The construction loan allows borrowings up to \$33,000 to finance the development of Alera (See Note 7 - Real Estate Activity), bears interest at the Secured Overnight Financing Rate ("SOFR") plus 3% and matures on March 15, 2026, with two one-year extension options.
- (3) The construction loan allows borrowings up to \$23,500 construction loan to finance the development of Bandera Ridge (See Note 7 - Real Estate Activity), bears interest at SOFR plus 3% and matures on December 15, 2028.
- (4) The loan that bears interest at SOFR plus 2.15% and matures on August 1, 2031.
- (5) The construction loan allows borrowings up to \$25,407 to finance the development of Merano (See Note 7 - Real Estate Activity), bears interest at prime plus 0.25% and matures on November 6, 2028.
- (6) On October 10, 2025, the loan was paid off in connection with the sale of the underlying property (See Note 7 - Real Estate Activity).
- (7) The loan bears interest at SOFR.

We have a construction loan to build Mountain Creek (See Note 7 - Real Estate Activity) that allows for borrowings of up to \$27,500, bears interest at SOFR plus 3.45% and matures on March 15, 2029. As of December 31, 2025, we have not borrowed on the loan.

As of December 31, 2025, we were in compliance with all of our loan covenants.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

All of the above mortgages and other notes payable are collateralized by the underlying property. In addition, we have guaranteed the loans on Alera, Bandera Ridge, Merano, and Mountain Creek.

Future principal payments due on our notes payable at December 31, 2025 are as follows:

Year	Amount
2026	\$ 2,809
2027	32,150
2028	3,008
2029	3,112
2030	3,220
Thereafter	170,639
	214,938
Deferred finance cost	(571)
	<u>\$ 214,367</u>

AMERICAN REALTY INVESTORS, INC.
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13. Related Party Transactions

We engage in certain business transactions with related parties, including but not limited to acquisitions and dispositions of real estate. Transactions involving related parties cannot be presumed to be carried out on an arm's length basis due to the absence of free market forces that naturally exist in business dealings between two or more unrelated entities. Related party transactions may not always be favorable to our business and may include terms, conditions and agreements that are not necessarily beneficial to or in our best interest.

Pillar and Regis are wholly owned by Realty Advisors, Inc. ("RAI"), a Nevada corporation, which owns approximately 90.8% of our common shares. Pillar is compensated for services in accordance with an Advisory Agreement. Regis receives property management fees and leasing commissions in accordance with the terms of its property-level management agreement. In addition, Regis is entitled to receive real estate brokerage commissions in accordance with the terms of a non-exclusive brokerage agreement.

Rental income includes \$579, \$652 and \$882 for the years ended December 31, 2025, 2024 and 2023, respectively, for office space leased to Pillar and Regis.

Property operating expense includes \$353, \$346 and \$366 for the years ended December 31, 2025, 2024 and 2023, respectively, for management fees on commercial properties payable to Regis.

General and administrative expense includes \$4,262, \$3,871 and \$4,006 for the years ended December 31, 2025, 2024 and 2023, respectively, for employee compensation and other reimbursable costs payable to Pillar.

Advisory fees paid to Pillar were \$9,522, \$8,225 and \$10,187 for the years ended December 31, 2025, 2024 and 2023, respectively. Development fees paid to Pillar were \$1,888 and \$2,236 for the years ended December 31, 2025 and 2024, respectively.

Notes receivable include amounts held by UHF (See Note 9 – Notes Receivable). UHF is deemed to be a related party due to our significant investment in the performance of the collateral secured by the notes receivable. In addition, we have a related party receivable from Pillar ("Pillar Receivable"), which represents amounts advanced to Pillar net of unreimbursed fees, expenses and costs as provided above. The Pillar Receivable bears interest in accordance with a cash management agreement. On January 1, 2024, an amendment to the cash management agreement changed the interest rate on the Pillar Receivable from prime plus one percent to SOFR. Interest income on the UHF notes and the Pillar Receivable was \$7,478, \$8,985 and \$13,259 for the years ended December 31, 2025, 2024 and 2023, respectively. Accrued interest on the UHF notes of \$1,475 and \$1,855 is included in other assets at December 31, 2025 and 2024, respectively.

14. Noncontrolling Interests

The noncontrolling interest represents the third party ownership interest in TCI and Income Opportunity Realty Investors, Inc. ("IOR"). At December 31, 2025, we owned 78.4% of TCI, which in turn owned 84.6% of IOR.

On December 16, 2024, TCI announced an offer ("Tender Offer") to purchase up to 100,000 shares of the outstanding common shares of IOR at a price of \$18 per share, subject to certain conditions. The Tender Offer was completed on January 29, 2025, which resulted in TCI's acquisition of 21,678 shares for a total purchase price of \$454. TCI subsequently purchased an additional 32,845 common share of IOR in the market during the remainder of the year for an additional cost of \$583.

We owned approximately 78.4% of TCI at December 31, 2025 and December 31, 2024, which in turn owned approximately 84.6% and 83.2% of IOR as of December 31, 2025 and December 31, 2024, respectively.

AMERICAN REALTY INVESTORS, INC.
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15. Stockholders' Equity

Dividends:

Our decision to declare dividends on common stock is determined on an annual basis following the end of each year. In accordance with that policy, no dividends on our common stock were declared for 2025, 2024, or 2023. Future dividends to common stockholders will be determined in light of conditions then existing, including our financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by our board of directors.

Preferred Stock:

We are authorized to issue up to 15,000,000 shares of Series A 10.0% Cumulative Convertible Preferred Stock with a par value of \$2.00 per share with a liquidation preference of \$10.00 per share plus accrued and unpaid dividends. Dividends are payable quarterly at the annual rate of \$1.00 per share, or \$.25 per share when declared. The Series A Preferred Stock may be converted into common stock at 90.0% of the average daily closing price of our common stock for the prior 20 trading days.

16. Deferred Income

In previous years, we sold properties to related parties where we have had continuing involvement in the form of management or financial assistance associated with the sale of the properties. Because of the continuing involvement associated with the sale, the sales criteria for the full accrual method was not met, and as such we deferred the gain recognition and accounted for the transaction by applying the finance, deposit, installment or cost recovery methods, as appropriate. The gains on these transactions have been deferred until the properties are sold to a non-related third party. As of December 31, 2025, we had deferred gain of \$9,791.

17. Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The expense (benefit) for income taxes consists of:

	Years Ended December 31,		
	2025	2024	2023
Current	\$ 1,907	\$ (3,607)	\$ 1,456
Deferred	760	—	—
	<u>\$ 2,667</u>	<u>\$ (3,607)</u>	<u>\$ 1,456</u>

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The reconciliation between our effective tax rate on income from operations and the statutory rate is as follows:

	Years Ended December 31,		
	2025	2024	2023
Income tax expense (benefit) at federal statutory rate	\$ 4,424	\$ (3,598)	\$ 1,293
State and local income taxes net of federal tax expense	1,053	147	163
Temporary tax differences			
Generation (use) of net operating loss carryforwards	(4,765)	—	—
Other basis/timing differences	496	—	—
Change in valuation allowance	1,459	(156)	—
Reported tax expense (benefit)	<u>\$ 2,667</u>	<u>\$ (3,607)</u>	<u>\$ 1,456</u>
Effective tax rate	12.7 %	23.6 %	24.9 %

We are subject to taxation in the United States and various states. As of December 31, 2025, our tax years for 2022 through 2025 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2025, we are no longer subject to U.S federal, state and local examinations by tax authorities for the years before 2022.

Components of the net deferred tax asset:

	December 31,	
	2025	2024
Basis difference in fixed assets	\$ 171	\$ 2,333
Deferred gain and net operating loss carryforward	806	3,372
	<u>\$ 977</u>	<u>\$ 5,705</u>

18. Commitments and Contingencies

We believe that we will generate excess cash from property operations in the next twelve months; such excess, however, might not be sufficient to discharge all of our obligations as they become due. We intend to sell income-producing assets, refinance real estate and obtain additional borrowings primarily secured by real estate to meet our liquidity requirements.

We are defendants in litigation related to a property sale that was completed in 2008, which was tried to a jury in March 2023. On March 18, 2023, the jury in the case returned a “Plaintiff take nothing” verdict in our favor. The trial court granted the Plaintiffs a new trial, and we challenged that order by mandamus. On January 14, 2026, the Dallas Court of Appeals granted our petition and ordered the trial court to (1) vacate its new-trial order and (2) enter judgment in our favor on the jury’s verdict. We have tendered the proposed order and judgment and await their entry by the trial court.

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19. Quarterly Results of Operations

The following is a tabulation of our quarterly results of operations for the years 2025 and 2024. Quarterly results presented may differ from those previously reported in our Form 10-Q due to the reclassification of the operations.

	2025 Quarter Ended			
	March 31,	June 30,	September 30,	December 31
Revenues	\$ 12,008	\$ 12,160	\$ 12,835	\$ 13,011
Net operating loss	(813)	(1,013)	(1,573)	(3,030)
Net income attributable to the Company	2,965	2,827	129	9,782
EPS - basic and diluted	\$ 0.18	\$ 0.18	\$ 0.01	\$ 0.60

	2024 Quarter Ended			
	March 31,	June 30,	September 30,	December 31
Revenues	\$ 11,899	\$ 11,773	\$ 11,607	\$ 12,039
Net operating loss	(1,517)	(1,277)	(2,063)	(1,784)
Net income (loss) attributable to the Company	1,751	1,167	(17,460)	(161)
EPS - basic and diluted	\$ 0.11	\$ 0.07	\$ (1.08)	\$ (0.01)

20. Subsequent Events

The date to which events occurring after December 31, 2025, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is March 12, 2026, which is the date of which the financial statements were available to be issued. There are no subsequent events that would require an adjustment to the financial statements.

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2025

Property/Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Amount Carried at End of Year			Accumulated Depreciation	Date of Construction	Date Acquired	
		Land	Buildings		Land	Building & Improvements	Total				
Multifamily											
Alera	\$ 29,243	\$ 5,140	\$ 50,235	\$ —	\$ 5,140	\$ 50,235	\$ 55,375	\$ 403	2025	2025	
Bandera Ridge	18,808	2,720	45,362	—	2,720	45,362	48,082	293	2025	2025	
Blue Lake Villas	9,146	6,920	27,680	225	6,920	27,905	34,825	2,232	2002	2022	
Blue Lake Villas Phase II	3,192	2,400	9,600	53	2,400	9,653	12,053	768	2004	2022	
Chelsea	7,686	1,225	11,230	62	1,231	11,286	12,517	2,095	1999	2018	
Forest Grove	6,442	1,440	10,234	64	1,440	10,298	11,738	1,451	2020	2020	
Landing on Bayou Cane	13,872	2,011	18,255	513	2,011	18,768	20,779	2,911	2005	2018	
Legacy at Pleasant Grove	12,034	2,005	18,109	176	2,033	18,257	20,290	5,616	2006	2018	
Merano	24,284	5,200	43,772	—	5,200	43,772	48,972	205	2025	2025	
Mountain Creek	—	—	—	9,268	3,510	5,758	9,268	—			
Northside on Travis	10,849	7,160	28,640	21	7,160	28,661	35,821	2,270	2008	2022	
Parc at Denham Springs	15,683	6,060	24,240	29	6,060	24,269	30,329	1,927	2007	2022	
Parc at Denham Springs Phase II	15,223	1,505	16,975	—	1,505	16,975	18,480	2,610	2010	2009	
Residences at Holland Lake	10,006	6,300	25,200	51	6,300	25,251	31,551	2,008	2004	2022	
Villas of Park West Phase I	8,779	8,200	32,800	109	8,200	32,909	41,109	2,613	2005	2022	
Villas of Park West Phase II	7,977	6,860	27,440	22	6,860	27,462	34,322	2,175	2010	2022	
Vista Ridge	9,165	1,339	13,398	6	1,339	13,404	14,743	4,306	2009	2018	
	202,389	66,485	403,170	10,599	70,029	410,225	480,254	33,883			
Commercial											
770 South Post Oak	—	1,763	16,312	1,998	1,763	18,310	20,073	5,148	1970	2015	
Browning Place	—	5,096	49,441	15,973	5,096	65,414	70,510	34,572	1984	2005	
Stanford Center	—	20,278	21,510	6,843	20,278	28,353	48,631	14,126	2007	2008	
Other	—	646	74	4,268	622	4,366	4,988	40			
	—	27,783	87,337	29,082	27,759	116,443	144,202	53,886			
Developed and Undeveloped Land											
Mercer Crossing	—	2,999	—	(166)	2,833	—	2,833	—		2018	
Windmill Farms	—	43,608	—	3,288	46,896	—	46,896	—		2006	
Other	8,436	19,608	—	(3,593)	16,015	—	16,015	—			
	8,436	66,215	—	(471)	65,744	—	65,744	—			
	\$ 210,825	\$ 160,483	\$ 490,507	\$ 39,210	\$ 163,532	\$ 526,668	\$690,200	\$ 87,769			

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
As of December 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Reconciliation of Real Estate			
Balance at January 1,	\$ 636,181	\$ 568,951	\$ 559,875
Additions	74,082	69,145	29,474
Deductions	(20,063)	(1,915)	(20,398)
Balance at December 31,	<u>\$ 690,200</u>	<u>\$ 636,181</u>	<u>\$ 568,951</u>
Reconciliation of Accumulated Depreciation			
Balance at January 1,	\$ 78,793	\$ 67,365	\$ 66,054
Additions	11,851	11,662	12,887
Deductions	(2,875)	(234)	(11,576)
Balance at December 31,	<u>\$ 87,769</u>	<u>\$ 78,793</u>	<u>\$ 67,365</u>

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

SCHEDULE IV - MORTGAGE LOANS
As of December 31, 2025

Description	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount	Carrying Value
ABC Land and Development, Inc.	9.50%	6/30/2026	No payments until maturity	\$ —	\$ 4,408	\$ 4,408
ABC Paradise, LLC	9.50%	6/30/2026	No payments until maturity	—	1,210	1,210
Autumn Breeze	5.00%	7/1/2028	No payments until maturity or conversion	23,563	1,043	1,043
Bellwether Ridge	5.00%	11/1/2026	No payments until maturity or conversion	17,109	3,798	3,798
Dominion at Mercer Crossing	7.75%	6/7/2028	No payments until maturity	37,572	6,167	6,167
Echo Station	4.24%	12/31/2032	Payments from excess property cash flows	12,656	9,881	9,881
Forest Pines	5.00%	5/1/2027	No payments until maturity or conversion	24,945	6,472	6,472
Gruppa Fiorentina	4.50%	12/31/2039	Periodic payments	—	8,880	8,880
Inwood on the Park	4.24%	6/30/2028	Payments from excess property cash flows	24,281	19,985	19,985
Kensington Park	4.24%	3/31/2027	Payments from excess property cash flows	14,415	5,196	5,196
Lake Shore Villas	4.24%	12/31/2032	Payments from excess property cash flows	20,411	4,852	4,852
Prospectus Endeavors	6.00%	10/23/2029	No payments until maturity	—	496	496
McKinney Ranch	6.00%	9/15/2029	No payments until maturity	—	3,926	3,926
Ocean Estates II	4.24%	5/31/2028	Payments from excess property cash flows	—	3,591	3,591
One Realco Land Holding, Inc.	9.50%	6/30/2026	No payments until maturity	—	1,728	1,728
Parc at Ingleside	5.00%	11/1/2026	No payments until maturity or conversion	23,875	3,759	3,759
Parc at Opelika Phase II	10.00%	1/13/2023	No payments until maturity or conversion	22,044	3,190	3,190
Parc at Windmill Farms	5.00%	11/1/2022	No payments until maturity or conversion	33,774	7,886	7,886
Phillips Foundation for Better Living, Inc.	4.24%	3/31/2028	Payments from excess property cash flows	—	—	—
Plaza at Chase Oaks	4.24%	3/31/2028	Payments from excess property cash flows	8,160	11,303	11,303
Plum Tree	5.00%	8/17/2028	No payments until maturity or conversion	16,882	1,240	1,240
Polk County Land	9.50%	6/30/2026	No payments until maturity	—	3,000	3,000
Riverview on the Park Land, LLC	9.50%	6/30/2026	No payments until maturity	—	1,045	1,045
Spartan Land	6.00%	1/16/2027	No payments until maturity	—	5,907	5,907
Spyglass of Ennis	5.00%	11/1/2028	No payments until maturity or conversion	21,589	4,705	4,705
Steeple Crest	5.00%	8/1/2026	No payments until maturity or conversion	10,544	6,230	6,230
Timbers at The Park	4.24%	12/31/2032	Payments from excess property cash flows	12,594	11,072	11,072
Tuscany Villas	4.24%	4/30/2027	Payments from excess property cash flows	1,403	1,469	1,469
				<u>\$ 325,817</u>	<u>\$ 142,439</u>	<u>\$ 142,439</u>

AMERICAN REALTY INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
SCHEDULE IV - MORTGAGE LOANS
As of December 31,

	2025	2024	2023
Balance at January 1,	\$ 138,349	\$ 144,142	\$ 139,609
Additions	12,685	—	6,500
Deductions	(8,595)	(5,793)	(1,967)
Balance at December 31,	<u>\$ 142,439</u>	<u>\$ 138,349</u>	<u>\$ 144,142</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention of overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on management’s assessments and those criteria, management has concluded that Company’s internal control over financial reporting was effective as of December 31, 2025.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial report. Management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management’s report in this annual report.

Changes in Internal Control over Financial Reporting

In preparation for management’s report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There were no changes in our internal controls over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The affairs of the Company are managed by our Board of Directors ("Directors"). The Directors are elected at the annual meeting of stockholders or appointed by the incumbent Board and serve until the next annual meeting of stockholders or until a successor has been elected or approved.

An objective is for a majority of our Board to be independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence which conform to, or are more exacting than, the independence requirements in the New York Stock Exchange ("NYSE") listing rules. The independence guidelines are set forth in our "Corporate Governance Guidelines". The text of this document has been posted on our website at www.americanrealtyinvest.com ("Investor Relations Website") and is available in print to any shareholder who requests it. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination.

We have adopted a code of conduct that applies to all Directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Stockholders may find our code of conduct on our website by going to our Investor Relations Website. We will post any amendments to the code of conduct, as well as any waivers that are required to be disclosed by the rules of the Security Exchange Commission (the "SEC") or the NYSE on our website.

Our Board of Directors has adopted charters for our Audit, Compensation and Governance and Nominating Committees of the Board of Directors. Stockholders may find these documents on our website by going to our Investor Relations Website. You may also obtain a printed copy of the materials referred to by contacting us at the following address:

American Realty Investors, Inc.
Attn: Investor Relations
1603 LBJ Freeway, Suite 800
Dallas, Texas 75234
Telephone: 469-522-4200

All members of the Audit Committee and Nominating and Corporate Governance Committees must be independent directors. Members of the Audit Committee must also satisfy additional independence requirements, which provide (i) that they may not accept, directly or indirectly, any consulting, advisory, or compensatory fee from the Company or any of its subsidiaries other than their director's compensation (other than in their capacity as a member of the Audit Committee, the Board of Directors, or any other committee of the Board), and (ii) no member of the Audit Committee may be an "affiliated person" of the Company or any of its subsidiaries, as defined by the SEC.

Our current Directors are listed below, together with their ages, terms of service, all positions and offices with us and our current advisor, Pillar, their principal occupations, business experience and directorships with other companies during the last five years or more. The designation "affiliated", when used below with respect to a director, means that the director is an officer, director or employee of Pillar, an officer of the Company, or an officer or director of a related party of the Company. The designation "independent", when used below with respect to a Director, means that the Director is neither an officer of the Company nor a director, officer or employee of Pillar but may be a director of the Company, although the Company may have certain business or professional relationships with such Director as discussed in Item 13. Certain Relationships and Related Transactions, and Director Independence.

HENRY A. BUTLER, age 75, Director, Independent, since November 2005 and Chairman of the Board since May 2009

Retired (since April 30, 2019); Mr. Butler served as Vice President for Pillar from April 2011 to April 30, 2019. Mr. Butler has been a Director of the Company since November 2005 and Chairman of the Board since May 2009. He also served as Chairman of the Board since May 2009 and as a Director since November 2005 of TCI, and Chairman of the Board since May 2011 and a Director since February 2011 of IOR.

WILLIAM J. HOGAN, age 68, Director, Independent, since February 2020

Retired (since December 31, 2020); Registered Representative and Investment Advisor Representative from January 2013 to December 2020 by Cetera Advisor Networks LLC, a general securities and investment advisory firm, with an office in San Antonio, Texas. From November 2009 through December 2012, Mr. Hogan was a registered representative, employed by Financial Network Investment Corp. in San Antonio, Texas. He holds Series 7 (General Securities Representative), Series 63 (Uniform Securities Agent State Law) and Series 65 (Investment Advisor) licenses issued by Financial Industry Regulatory Authority ("FINRA"). Mr. Hogan has also served as a Director of TCI since February 2020.

ROBERT A. JAKUSZEWSKI, age 63, Director, Independent, since November 2005

Mr. Jakuszewski has been Business Development Manager of Ivy Rehab since May 2025. He was a Territory Manager for Artesa Labs from April 2015 to May 2025, a Medical Specialist from January 2014 to April 2015 for VAYA Pharma, Inc., Senior Medical Liaison from January 2013 to July 2013 for Vein Clinics of America, and the Vice President of Sales and Marketing from September 1998 to December 2012 for New Horizons Communications, Inc. Mr. Jakuszewski has also served as a Director of TCI since November 2005 and a Director of IOR since March 2004.

FERNANDO V. LARA CELIS, age 59, Director, Independent, since October 2023

Mr. Lara is an entrepreneur and the former General Manager and President of FYA Project, LLC, a Schlotzsky's Deli Franchisee (Restaurant and Fast Food) which owned and operated nine locations in the North Dallas, Texas area. He is also the General Manager and President of UDF de Mexico S.de R.L. de C.V., a Dallas Texas based independent contractor which manages real estate projects Loma Bonita and La Laguna in Tampico, Mexico. Prior to 2006, Mr. Lara was employed by the Mexico State Superior Control Authority in Veracruz, Mexico as a General Auditor and/or Information Manager. He has also served as a Director of TCI and IOR since October 2023. Mr. Lara joined the board on October 11, 2023 to replace Raymond D. Roberts, Sr., who had resigned from the board.

TED R. MUNSELLE, age 70, Director, Independent, since February 2004

Mr. Munselle has been Vice President and Chief Financial Officer of Landmark Nurseries, Inc. since October 1998. On February 17, 2012, he was appointed as a member of the Board of Directors for Spindletop Oil & Gas Company and as Chairman of their Audit Committee. Spindletop's stock is traded on the Over-the-Counter (OTC) market. He has also served as Director of TCI since February 2004 and Director of IOR since May 2009. Mr. Munselle is qualified as an Audit Committee financial expert within the meaning of SEC regulations and the Board of Directors has determined that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE. Mr. Munselle is a Certified Public Accountant.

Board Meetings and Committees

The Board of Directors held five meetings during 2025. For such year, no incumbent director attended fewer than 75% of the aggregate of (1) the total number of meetings held by the Board during the period for which he or she had been a director and (2) the total number of meetings held by all committees of the Board on which he or she served during the period that he served. Under our Corporate Governance Guidelines, each Director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the stockholders of the Company, the Board and Committees of which he is a member. The Board of Directors has standing Audit, Compensation and Governance and Nominating Committees.

The members of the Board of Directors on the date of this Report and the Committees of the Board on which they serve are identified below:

Director	Audit Committee	Governance and Nominating Committee	Compensation Committee
Henry A. Butler			
William J. Hogan	X	X	X
Robert A. Jakuszewski	X	Chair	X
Fernando V. Lara Celis	X	X	Chair
Ted R. Munselle	Chair	X	X

Audit Committee

The Audit Committee is responsible for review and oversight of our operating and accounting procedures. Our Audit Committee charter is available on our Investor Relations Website. The Audit Committee is an “audit committee” for purposes of Section 3(a)(58) of the Exchange Act. All of the current members of the Audit Committee are independent within the meaning of the SEC Regulations, the listing standards of the NYSE and our Corporate Governance Guidelines. Mr. Ted R. Munselle, the chairman of our Audit Committee, is qualified as an Audit Committee financial expert within the meaning of SEC Regulations, and the Board has determined that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE. All of the members of the Audit Committee meet the experience requirements of the listing standards of the NYSE. The Audit Committee met five times during 2025.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for developing and implementing policies and practices relating to corporate governance, including reviewing and monitoring implementation of our Corporate Governance Guidelines. In addition, the Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Committee also prepares and supervises the Board’s annual review of director independence and the Board’s performance self-evaluation. The Charter of the Governance and Nominating Committee is available on our Investor Relations Website. The Governance and Nominating Committee met two times during 2025.

Compensation Committee

The Compensation Committee is responsible for overseeing the policies of the Company relating to compensation to be paid by the Company to our principal executive officer and any other officers designated by the Board and make recommendations to the Board with respect to such policies, produce necessary reports and executive compensation for inclusion in our Proxy Statement in accordance with applicable rules and regulations and to monitor the development and implementation of succession plans for the principal executive officers and other key executives and make recommendations to the Board with respect to such plans. The charter of our Compensation Committee is available on our Investor Relations Website. All of the members of the Compensation Committee are independent within the meaning of the listing standards of the NYSE and our Corporate Governance Guidelines. The Compensation Committee is to be comprised of at least two directors who are independent of Management and the Company. The Compensation Committee met two times during 2025.

Presiding Director

The primary responsibility of our presiding director is to preside over periodic executive sessions of the Board in which any Management directors and other members of Management do not participate. The presiding director also advises the Chairman of the Board and, as appropriate, Committee Chairs with respect to agendas and information needs relating to Board and Committee meetings, provides advice with respect to the selection of Committee Chairs and performs other duties that the Board may from time to time delegate to assist the Board in fulfillment of its responsibilities.

The day following the annual meeting of stockholders held December 10, 2025 for all stockholders of record dated November 3, 2025, the full Board met and re-appointed Ted R. Munselle as Presiding Director, to serve in such position until the Company’s next annual meeting of stockholders to be held subsequently in 2026.

Determination of Directors' Independence

Our Corporate Governance Guidelines ("Guidelines") meet or exceed the new listing standards adopted during that year by the NYSE. The full text of our Guidelines can be found on our Investor Relations Website.

Pursuant to the Guidelines, the Board undertook its annual review of director independence in May 2025 and during this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and related parties, including those reported under Certain Relationships and Related Transactions below. The Board also examined transactions and relationship between directors or their related parties and members of our senior management or their related parties. As provided in the Guidelines, the purpose of such review was to determine whether such relationships or transactions were inconsistent with the determination that the director is independent.

As a result of these reviews, the Board affirmatively determined of the then directors, Messrs. Butler, Hogan, Jakuszewski Lara and Munselle, are each independent of the Company and its Management under the standards set forth in the Corporate Governance Guidelines.

Executive Officers

Executive officers of the Company are listed below, all of whom are employed by Pillar. None of the executive officers receive any direct remuneration from the Company nor do any hold any options granted by the Company. Their positions with the Company are not subject to a vote of stockholders. In addition to the following executive officers, the Company has several vice presidents and assistant secretaries who are not listed herein. The ages, terms of service and all positions and offices with the Company, Pillar, other related entities, other principal occupations, business experience and directorships with other publicly-held companies during the last five years or more are set forth below. No family relationships exist among any of the executive officers or directors of the Company.

ERIK L. JOHNSON, 58

Mr. Johnson has served as President and Chief Executive Officer of the Company since May 2024. Previously, he served as the Interim Chief Executive Officer from April 2023 and as Executive Vice President and Chief Financial Officer from August 2020. Prior to joining the Company, he served as Vice President of Financial Reporting at Macerich (NYSE: MAC) and has served as the Chief Accounting Officer of North American Scientific, Inc. He began his career as an auditor with PricewaterhouseCoopers and is a CPA. Mr. Johnson also serves as President and Chief Executive Officer of Pillar, TCI and IOR.

LOUIS J. CORNA, 78

Mr. Corna has served as Executive Vice President, General Counsel/Tax Counsel and Secretary of the Company, TCI and IOR since February 2004. He has also been Executive Vice President since March 2011 and Secretary since December 2010 of Pillar. Mr. Corna was also a Director and Vice President from June 2004 to December 2010 and Secretary from January 2005 to December 2010 of First Equity Properties, Inc. He is also a CPA.

ALLA DZYUBA, 48

Mrs. Dzyuba has served as the Senior Vice President and Chief Accounting Officer of the Company since July 2019. She also serves as Senior Vice President and Chief Accounting Officer of TCI and IOR. Mrs. Dzyuba has over twenty-two years of real estate accounting and financial reporting experience, including six years of broker-dealer regulatory reporting experience.

Code of Ethics

We have adopted a code of ethics entitled “Code of Business Conduct and Ethics” that applies to all directors, officers, and employees (including those of our Advisor). In addition, we have adopted a code of ethics entitled “Code of Ethics for Senior Financial Officers” that applies to the principal executive officer, president, principal financial officer, chief financial officer, chief accounting officer, and controller. The text of these documents has been posted on our Investor Relations Website and are available in print to any stockholder who requests them.

Compliance with Section 16(a) of the Exchange Act

Under the securities laws of the United States, the directors, executive officers, and any persons holding more than 10% of our shares of Common stock are required to report their share ownership and any changes in that ownership to the SEC. Specific due dates for these reports have been established and we are required to report any failure to file by these dates. All of these filing requirements were satisfied by our directors, executive officers, and 10% holders during the fiscal year ending December 31, 2025. In making these statements, we have relied on the written representations of our incumbent directors and executive officers, 10% holders and copies of the reports that they have filed with the SEC. In December 2021, the Board of Directors adopted the Company's Insider Trading Policy, a copy of which is available on our website at www.americanrealtyinvest.com, at Investor Relations.

The Advisor

Pillar has been our Advisor and Cash Manager since April 30, 2011 in accordance with an Advisory Agreement and a Cash Management Agreement. On May 7, 2024, the Advisory Agreement was amended and restated to clarify and revised several separate fees into a single gross asset value fee and a net income fee plus certain specified allocated reimbursements. The Amended Agreement, did not change any duties or responsibilities of either Pillar or the Company.

Although the Board of Directors is directly responsible for managing the affairs of the Company, and for setting the policies which guide it, our day-to-day operations are performed by Pillar, as the contractual advisor, under the supervision of the Board. Pillar's duties include, but are not limited to asset management, accounting, legal, capital market, administrative and executive services. Capital market services include locating, evaluating and recommending real estate and real estate-related investment opportunities and arranging debt and equity financing for the Company with third party lenders and investors. Additionally, Pillar serves as a consultant to the Board with regard to their decisions in connection with our business plan and investment policy. Pillar also serves as an Advisor and Cash Manager to TCI and IOR.

Pillar, a Nevada corporation, is owned by Realty Advisors, Inc. ("RAI"), a Nevada corporation, which is owned by May Realty Holdings, Inc. ("MRHI"), a Delaware corporation, which is owned by and/or for the benefit of, the children and grandchildren of the late Gene E. Phillips.

Under the Advisory Agreement, Pillar is required to annually formulate and submit, for Board approval, a budget and business plan containing a twelve-month forecast of operations and cash flow, a general plan for asset sales and purchases, lending, foreclosure and borrowing activity, and other investments. Pillar is required to report quarterly to the Board on the Company's performance against the business plan. In addition, all transactions with Pillar require prior Board approval, unless they are explicitly provided for in the approved business plan or are made pursuant to authority expressly delegated to Pillar by the Board.

The Advisory Agreement also requires prior Board approval for the retention of all consultants and third party professionals, other than legal counsel. The Advisory Agreement provides that Pillar shall be deemed to be in a fiduciary relationship to our stockholders; contains a broad standard governing Pillar's liability for losses incurred by us; and contains guidelines for Pillar's allocation of investment opportunities as among itself, the Company and other entities it advises.

The Advisory Agreement provides for Pillar to receive, as compensation for basic management and advisory services, a gross asset fee ("GAV Fee") of 0.0625% per month (0.75% per annum) of the average of the gross asset value (total assets less allowance for amortization, depreciation or depletion and valuation reserves) and excludes receivables from Pillar. In addition, Pillar receives an annual net income fee ("Net Income Fee") equal to 7.5% of our adjusted net income, which is defined as our net income before the effect of income tax and interest on any receivables from the Advisor. The GAV Fee and the Net Income Fee are collectively referred to herein as the Advisory Fee.

The Advisory Agreement further provides that Pillar shall bear the cost of certain employee expenses; rent and other office expenses of both Pillar and us (unless we maintains office space separate from that of Pillar); costs not directly identifiable to our business; and miscellaneous administrative expenses relating to the performance by Pillar of its duties under the Advisory Agreement.

We do not have any employees and rely upon Pillar for employee related services, including but not limited to asset management, legal services, accounting services, capital markets, administrative and executive services. We reimburse the Advisor on a monthly basis, for our pro-rata portion (as reasonably agreed to between the Advisor and a majority of the Company's Independent Directors) of all expenses related to (i) employment of the Advisor's personnel who are actively engaged in the services to the Company ("Service Employees") and (ii) the reasonable travel and other out-of-pocket costs of the Service Employees. Such expenses shall include, but are not limited to, salary, wages, payroll taxes and the cost of employee benefit plans.

We have entered into Development Agreements with Pillar in connection with certain ground-up development projects. These agreements provide for a development fee of 4% of the hard cost associated with the project and are paid out over the construction period.

We have a Cash Management Agreement with Pillar that provides that our funds may be delivered to Pillar which has a deposit liability to us and is responsible for payment of all payables and investment of all excess funds which earned interest at the Secured Overnight Financing Rate ("SOFR"), as set quarterly on the first day of each calendar quarter. Borrowings from Pillar for our benefit bear the same interest rate. The term of the Cash Management Agreement is coterminous with the Advisory Agreement, and is automatically renewed each year unless terminated with the Advisory Agreement. We believe that the terms of the Advisory Agreement are at least as fair as terms that could be obtained from unaffiliated third parties.

Situations may develop in which our interests are in conflict with those of one or more directors or officers in their individual capacities, or of Pillar, or of their respective related parties. In addition to services performed for us, as described above, Pillar actively provides similar services as agent for, and advisor to, other real estate enterprises, including persons and entities involved in real estate development and financing, including TCI and IOR. The Advisory Agreement provides that Pillar may also serve as advisor to other entities.

As advisor, Pillar is a fiduciary of our public investors. In determining to which entity a particular investment opportunity will be allocated, Pillar will consider the respective investment objectives of each entity and the appropriateness of a particular investment in light of each such entity's existing mortgage note and real estate portfolios and business plan. To the extent any particular investment opportunity is appropriate to more than one such entity, such investment opportunity will be allocated to the entity that has had funds available for investment for the longest period of time, or, if appropriate, the investment may be shared among various entities. Refer to Part III, Item 13 "Certain Relationships and Related Transactions, and Director Independence.

Pillar may assign the Advisory Agreement with our prior consent.

The principal executive officers of Pillar are set forth below:

Name	Officers
Erik L. Johnson	President and Chief Executive Officer
Louis J. Corna	Executive Vice President and Secretary
Gina H. Kay	Executive Vice President and Chief Accounting Officer

Mr. Johnson is one of two directors of Pillar.

Property Management

Regis manages three of our commercial properties for a fee of 3.0% or less of the monthly gross rents collected on the commercial properties it manages in accordance with the terms of its property-level management agreement.

ITEM 11. EXECUTIVE COMPENSATION

We have no employees, payroll or benefit plans and pay no compensation to our executive officers. Our executive officers are also officers and employees of Pillar, our Advisor, and are compensated by Pillar. Such executive officers perform a variety of services for Pillar and the amount of their compensation is determined solely by Pillar. Under the terms of the Advisory Agreement, we do reimburse Pillar for certain expenses - See Item 10, “Directors, Executive Officers and Corporate Governance” for a more detailed discussion of the compensation payable to Pillar by us.

The only remuneration paid by us is to our directors who are not officers or employees of Pillar or its related companies. The Independent Directors (1) review our business plan to determine that it is in the best interest of our stockholders, (2) review the advisory contract, (3) supervise the performance of the advisor and review the reasonableness of the compensation paid to the advisor in terms of the nature and quality of services performed, (4) review the reasonableness of our total fees and expenses and (5) select, when necessary, a qualified independent real estate appraiser to appraise properties acquired.

Except for Henry A. Butler, who is paid a fee per meeting attended, each non-affiliated Director is entitled to receive an annual retainer of \$20,000, with the Chairman of the Audit Committee to receive an additional annual fee of \$500. Directors who are also employees of the Company or its advisor receive no additional compensation for service as a Director.

During the year ended December 31, 2025, \$90,238 was paid to non-employee Directors in total Directors’ fees. The fees paid to the directors are as follows: Henry A. Butler \$9,738; William J. Hogan, \$20,000; Robert A. Jakuszewski, \$20,000; Fernando V. Lara Celis, \$20,000; and Ted R. Munselle, \$20,500.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

The following table sets forth the ownership of our common stock, both beneficially and of record, both individually and in the aggregate, for those persons or entities known to be beneficial owners of more than 5.0% of the outstanding shares of our common stock as of the close of business on March 10, 2026.

	Amount and Nature of Beneficial Ownership*	Approximate Percent of Class**
May Realty Holdings, Inc. 1603 LBJ Freeway, Suite 800 Dallas, Texas 75234	14,669,820	90.8 %
Realty Advisors, Inc. 1603 LBJ Freeway, Suite 800 Dallas, Texas 75234	14,669,820	90.8 %

* “Beneficial Ownership” means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security, or any combination thereof.

** Percentage is based upon 16,152,043 shares of Common stock outstanding at March 10, 2026.

RAI is owned by MRHI, which is owned by and/or for the benefit of, the children and grandchildren of the late Gene E. Phillips.

Security Ownership of Management.

The following table sets forth the ownership of our common stock, both beneficially and of record, both individually and in the aggregate, for our directors and executive officers as of the close of business on March 10, 2026.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership*	Approximate Percent of Class**
Henry A. Butler	—	— %
Louis J. Corna	—	— %
Alla Dzyuba	—	— %
William J. Hogan	—	— %
Robert A. Jakuszcwski	—	— %
Erik L. Johnson	—	— %
Fernando V. Lara Celis	—	— %
Ted R. Munselle	—	— %
All Directors and Executive Officers as a group (8 individuals)	—	— %

* Beneficial Ownership” means the sole power to vote, or to direct the voting of, a security or investment power with respect to a security, or any combination thereof.

** Percentages are based upon 16,152,043 shares of Common Stock outstanding at March 10, 2026.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policies with Respect to Certain Activities

Article 14 of our Articles of Incorporation provides that we shall not, directly or indirectly, contract or engage in any transaction with (1) any director, officer or employee of the Company, (2) any director, officer or employee of the advisor, (3) the advisor, or (4) any affiliate or associate (as such terms are defined in Rule 12b-2 under the Exchange Act of any of the aforementioned persons, unless (a) the material facts as to the relationship among or financial interest of the relevant individuals or persons and as to the contract or transaction are disclosed to or are known by our Board of Directors or the appropriate committee thereof and (b) our Board of Directors or committee thereof determines that such contract or transaction is fair to the Company and simultaneously authorizes or ratifies such contract or transaction by the affirmative vote of a majority of our independent directors entitled to vote thereon.

Article 14 defines an “Independent Director” (for purposes of that Article) as one who is neither an officer or employee of the Company, nor a director, officer or employee of our advisor.

Our policy is to have such contracts or transactions approved or ratified by a majority of the disinterested Directors with full knowledge of the character of such transactions, as being fair and reasonable to the stockholders at the time of such approval or ratification under the circumstances then prevailing. Such Directors also consider the fairness of such transactions to the Company. We believe that, to date, such transactions have represented the best investments available at the time and they were at least as advantageous to us as other investments that could have been obtained.

We may enter into future transactions with entities, the officers, directors, or stockholders of which are also officers, directors, or stockholders of the Company, if such transactions would be beneficial to our operations and consistent with our then-current investment objectives and policies, subject to approval by a majority of disinterested Directors as discussed above.

We do not prohibit its officers, directors, stockholders, or related parties from engaging in business activities of the types conducted by the Company.

Certain Business Relationships

Pillar has been our Advisor and Cash Manager since April 30, 2011. Although the Board of Directors is directly responsible for managing our affairs, and for setting the policies which guide it, our day-to-day operations are performed by Pillar, as the contractual advisor, under the supervision of the Board. Pillar’s duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities and arranging debt and equity financing for the Company with third party lenders and investors. Additionally, Pillar serves as a consultant to the Board with regard to their decisions in connection with our business plan and investment policy. Pillar also serves as an Advisor and Cash Manager to TCI and IOR. As the contractual advisor, Pillar is compensated under an Advisory Agreement that is more fully described in Part III, Item 10. “Directors, Executive Officers and Corporate Governance – The Advisor”. We have no employees and as such, employees of Pillar render services to us in accordance with the terms of the Advisory Agreement.

All of our directors also serve as Directors of TCI, and with the exception of Mr. Hogan, serve as Directors of IOR. Our executive officers also serve as executive officers of TCI and IOR. As such, they owe fiduciary duties to that entity as well as to Pillar under applicable law. TCI and IOR have the same relationship with Pillar, as does the Company.

Regis manages three of our commercial properties for a fee of 3.0% or less of the monthly gross rents collected on the commercial properties it manages in accordance with the terms of its property-level management agreement.

Pillar and Regis are owned by RAI, which is owned by MRHI.

We are part of a tax sharing and compensating agreement with respect to federal income taxes among ARL, TCI and IOR and their subsidiaries. In accordance with the agreement, our expense (benefit) in each year is calculated based on the amount of losses absorbed by taxable income multiplied by the maximum statutory tax rate of 21%.

Related Party Transactions

The Company has historically engaged in and may continue to engage in certain business transactions with related parties, including but not limited to asset acquisition and dispositions. Transactions involving related parties cannot be presumed to be carried out on an arm's length basis due to the absence of free market forces that naturally exist in business dealings between two or more unrelated entities. Related party transactions may not always be favorable to our business and may include terms, conditions and agreements that are not necessarily beneficial to or in the best interest of our company.

In 2025, we paid Pillar advisory fees of \$9.5 million and cost reimbursements of \$4.3 million and paid Regis property management fees of \$0.4 million.

In connection with our ongoing development projects, we paid development fees of \$1.9 million to Pillar in 2025.

As of December 31, 2025, we had notes and interest receivables of \$67.3 million and \$1.5 million, respectively, due from related parties. Refer to Note 9 – Notes Receivable of our consolidated financial statements. During the current period, we recognized interest income of \$3.0 million, received \$4.0 million principal payments and received interest payments of \$3.4 million from these related party notes receivables.

We received rental revenue of \$0.6 million for the year ended December 31, 2025 for office space leased to Pillar and Regis.

From time to time, we have made advances and/or borrowings to/from Pillar in accordance with our Cash Management Agreement. These borrowings bear interest at SOFR, as set quarterly on the first day of each calendar quarter. At December 31, 2025, we had a receivable from related parties of \$103.6 million and recognized interest income of \$4.5 million during the current period.

Director Independence

See "Determination of Director Independence" under Item 10 above to which reference is made.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

For the years ended December 31, 2025 and 2024, we were billed by Farmer, Fuqua and Huff, L.P. for services in the following categories:

Audit Fees. Fees for audit services were \$124,500 and \$122,625 for the years ended December 31, 2025 and 2024, respectively. These are fees for professional services performed by the principal auditor for the audit of the Company's annual financial statements and review of financial statements included in the Company's 10-Q filings and services that are normally provided in connection with statutory and regulatory filing or engagement.

Tax Fees. No fees for tax services were paid for the years ended December 31, 2025 and 2024. These are fees for professional services performed by the principal auditor with respect to tax compliance, tax planning, tax consultation, returns preparation and review of returns. The review of tax returns includes the Company and its consolidated subsidiaries.

Audit-Related Fees. No fees for audit-related services were paid for the years ended December 31, 2025 and 2024. These are fees for assurance and related services performed by the principal auditor that are reasonably related to the performance of the audit or review of the Company's financial statements. These services include attestations by the principal auditor that are not required by statute or regulation and consulting on financial accounting/reporting standards.

All Other Fees. No other fees were paid for the years ended December 31, 2025 and 2024. These are fees for other permissible work performed by the principal auditor that do not meet the above category descriptions.

All services rendered by the principal auditors are permissible under applicable laws and regulations and were pre-approved by either the Board of Directors or the Audit Committee, as required by law. The fees paid to the principal auditors for the services described in the above table fall under the categories listed below:

These services are actively monitored (as to both spending level and work content) by the Audit Committee to maintain the appropriate objectivity and independence in the principal auditor's core work, which is the audit of the Company's consolidated financial statements.

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate our independent auditors, to pre-approve their performance of audit services and permitted non-audit services, to approve all audit and non-audit fees, and to set guidelines for permitted non-audit services and fees. All fees for 2025 and 2024 were pre-approved by the Audit Committee or were within the pre-approved guidelines for permitted non-audit services and fees established by the Audit Committee, and there were no instances of waiver of approved requirements or guidelines during the same periods.

Our Audit Committee has adopted a pre-approval policy of audit and non-audit services (the “Policy”), which sets forth the procedures and conditions pursuant to which services to be performed by the independent auditor are to be pre-approved. Consistent with the SEC rules establishing two different approaches to pre-approving non-prohibited services, the Policy of the Audit Committee covers Pre-approval of audit services, audit-related services, international administration tax services, non-U.S. income tax compliance services, pension and benefit plan consulting and compliance services, and U.S. tax compliance and planning. At the beginning of each fiscal year, the Audit Committee will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and will approve or reject each service, taking into account whether services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor’s independence from management. Typically, in addition to the generally pre-approved services, other services would include due diligence for an acquisition that may or may not have been known at the beginning of the year. The Audit Committee has also delegated to any member of the Audit Committee designated by the Board or the financial expert member of the Audit Committee responsibilities to pre-approve services to be performed by the independent auditor not exceeding \$25,000 in value or cost per engagement of audit and non-audit services, and such authority may only be exercised when the Audit Committee is not in session.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. *Financial Statements*

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2025 and 2024
Consolidated Statements of Operations for the Years Ended December 31, 2025, 2024, and 2023
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2025, 2024, and 2023
Consolidated Statements of Cash Flows for the Years Ended December 31, 2025, 2024, and 2023
Notes to Financial Statements

2. *Financial Statement Schedules*

Schedule III—Real Estate and Accumulated Depreciation
Schedule IV—Mortgage Loan Receivables on Real Estate

(b) *Exhibits*

The following documents are filed as Exhibits to this Report:

Exhibit Number	Description
3.1	Certificate of Restatement of Articles of Incorporation of American Realty Investors, Inc., dated August 3, 2000 (incorporated by reference to Exhibit 3.0 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
3.2	Certificate of Correction of Restated Articles of Incorporation of American Realty Investors, Inc., dated August 29, 2000 (incorporate by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
3.3	Articles of Amendment to the Restated Articles of Incorporation of American Realty Investors, Inc. decreasing the number of authorized shares of and eliminating Series B Cumulative Convertible Preferred Stock dated August 26, 2003 (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
3.4	Articles of Amendment to the Restated Articles of Incorporation of American Realty Investors, Inc. decreasing the number of authorized shares of and eliminating Series I Cumulative Preferred Stock dated October 1, 2003 (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
3.5	By-laws of American Realty Investors, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-4, filed on December 30, 1999).
4.1	Certificate of Designations, Preferences and Relative Participating or Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof of Series F Redeemable Preferred Stock of American Realty Investors, Inc., dated June 11, 2001 (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).
4.2	Certificate of Withdrawal of Preferred Stock, Decreasing the Number of Authorized Shares of and Eliminating Series F Redeemable Preferred Stock, dated June 18, 2002 (incorporated by reference to Exhibit 3.0 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
4.3	Certificate of Designation, Preferences and Rights of the Series I Cumulative Preferred Stock of American Realty Investors, Inc., dated February 3, 2003 (incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).
4.4	<u>Certificate of Designation for Nevada Profit Corporations designating the Series J 8% Cumulative Convertible Preferred Stock as filed with the Secretary of State of Nevada on March 16, 2006 (incorporated by reference to Registrant current report on Form 8-K for event of March 16, 2006).</u>
10.1	<u>Amended and Restated Advisory Agreement between American Realty Investors, Inc. and Pillar Income Asset Management, Inc., dated May 7, 2024 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, dated May 7, 2024).</u>
14.0	<u>Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.0 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004).</u>
19	<u>Insider Trading Policy (incorporated by reference to Exhibit 19 to the Registrants Annual Report on on Form 10-K for the year ended December 31, 2024).</u>
21.1 *	<u>Subsidiaries of the Registrant.</u>
31.1 *	<u>Section 302 Certification of Erik L. Johnson, Chief Executive Officer.</u>
31.2*	<u>Section 302 Certification of Alla Dzyuba, Chief Accounting Officer.</u>
32.1 *	<u>Section 906 Certifications of Erik L. Johnson and Alla Dzyuba.</u>

Exhibit Number	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

ITEM 16. FORM 10-K SUMMARY

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN REALTY INVESTORS, INC.

Dated: March 12, 2026

By: /s/ ERIK L. JOHNSON

Erik L. Johnson

President and Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ HENRY A. BUTLER</u> Henry A. Butler	Chairman of the Board and Director	March 12, 2026
<u>/s/ WILLIAM J. HOGAN</u> William J. Hogan	Director	March 12, 2026
<u>/s/ ROBERT A. JAKUSZEWSKI</u> Robert A. Jakuszewski	Director	March 12, 2026
<u>/s/ FERNANDO V. LARA CELIS</u> Fernando V. Lara Celis	Director	March 12, 2026
<u>/s/ TED R. MUNSELLE</u> Ted R. Munselle	Director	March 12, 2026
<u>/s/ ERIK L. JOHNSON</u> Erik L. Johnson	President and Chief Executive Officer (Principal Executive Officer)	March 12, 2026
<u>/s/ ALLA DZYUBA</u> Alla Dzyuba	Senior Vice President and Chief Accounting Officer (Principal Financial Officer)	March 12, 2026

Subsidiaries of the Registrant

770 South Post Oak, Inc.
AMG Chelsea, LLC
Apts at Merano, LLC
Apts at Mountain Creek, LLC
ART Fiorentina, Inc.
Bell Tower II Apts, LLC
Browning Place, LLC
Blue Lake Properties, Ltd.
Blue Lake Properties II, Ltd.
EQK Bridgeview Plaza, LLC
EQK Portage, LLC
FBH of Vista Ridge, LLC
FL Lake Wales Apts, LLC
Forest Pines Bryan 84, LLC
Holland Lake Partners, Ltd.
Income Opportunity Realty Investors, Inc.
LPG Apartments, LP
Northside on Travis, Ltd.
Parc at Denham Springs, LP
Parc at Denham Springs II, LP
Southern Properties Capital, Ltd.
Stanford GL, LLC
TCI Commercial, LLC
TCI DC, Inc.
TCI Land, LLC
TCI New Development, LLC
TCI Park West I, LLC
TCI Stanford, LLC
The Landing Apartments Houma, LLC
Transcontinental Realty Investors, Inc.
Villas at Park West I, LP
Villas at Park West II, LP

SECTION 302 CERTIFICATION

I, Erik L. Johnson, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2025 of American Realty Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officers(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 12, 2026

By: /s/ ERIK L. JOHNSON

Erik L. Johnson

President and Chief Executive Officer

SECTION 302 CERTIFICATION

I, Alla Dzyuba, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2025 of American Realty Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officers(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 12, 2026

By: /s/ ALLA DZYUBA

Alla Dzyuba

Senior Vice President and Chief Accounting Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of American Realty Investors, Inc., a Nevada corporation (the “Company”) hereby certifies that:

- (i) The Company’s Annual Report on Form 10-K for the year ended December 31, 2025 fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025 fairly presents in all material respects, the financial condition and results of operations of the Company.

Dated: March 12, 2026

By: /s/ ERIK L. JOHNSON

Erik L. Johnson
President and Chief Executive Officer

/s/ ALLA DZYUBA

Alla Dzyuba
Senior Vice President and Chief Accounting Officer