

INCOME OPPORTUNITY REALTY INVESTORS INC /TX/

Form 10-Q

August 14, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

or

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

For the transition period from to

Commission File Number 001-14784

INCOME OPPORTUNITY REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

75-2615944
(I.R.S. Employer
Identification No.)

1800 Valley View Lane, Suite 300

Dallas, Texas 75234

(Address of principal executive offices)

(Zip Code)

(469) 522-4200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of Large accelerated filer, Accelerated filer, and Smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if smaller reporting company)

Smaller reporting company

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$.01 par value

4,162,574

(Class)

(Outstanding at July 31, 2008)

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INCOME OPPORTUNITY REALTY INVESTORS, INC.

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

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
Assets		
Real estate held for investment	\$ 39,514	\$ 43,027
Less accumulated depreciation	(2,373)	(2,456)
	37,141	40,571
Real estate held for sale		17,032
Notes and interest receivable from affiliates	28,000	27,441
Investment in real estate partnerships	99	532
Cash and cash equivalents	392	267
Receivables from affiliates	42,279	27,801
Other assets	4,258	2,663
	\$ 112,169	\$ 116,307
Liabilities and Shareholders Equity		
Liabilities:		
Notes and interest payable	\$ 43,423	\$ 44,354
Liabilities related to assets held for sale	975	25,152
Other liabilities	3,869	2,057
	48,267	71,563
Commitments and contingencies		
Minority interest		677
Shareholders equity:		
Common stock, \$.01 par value, authorized 10,000,000 shares; issued and outstanding 4,162,574 and 4,162,774 shares at 2008 and 2007, respectively.	42	42
Treasury stock	(39)	(37)
Paid-in capital	61,955	61,955
Accumulated earnings (deficit)	1,944	(17,893)
	63,902	44,067
	\$ 112,169	\$ 116,307

The notes are an integral part of the consolidated financial statements.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2008	2007	2008	2007
	(dollars in thousands)		(dollars in thousands)	
Property revenue				
Rents and other property revenues	\$ 304	\$ 363	\$ 629	\$ 699
Operating expenses:				
Property operations	125	189	900	436
Depreciation	60	57	123	114
General and administrative	169	168	414	283
Advisory fee to affiliate	222	367	449	578
Total operating expenses	576	781	1,886	1,411
Operating income (loss)	(272)	(418)	(1,257)	(712)
Other income (expense):				
Interest income (including \$836 and \$80 for the three months ended, \$1,534 and \$1,179 for the six months ended 2008 and 2007 respectively from affiliates and related parties)	836	1,247	1,534	2,215
Other income	230		230	
Mortgage and loan interest	(981)	(1,040)	(1,863)	(1,995)
Net income fee	182		182	(5)
Total other income	267	207	83	215
Income (loss) before gain on land sales, equity in earnings of investees and minority interest	(5)	(211)	(1,174)	(497)
Minority interests		(6)		(44)
Equity in investees	(432)	(15)	(432)	(15)
Income tax (benefit) expense	121	(184)	7,505	(115)
Net income (loss) from continuing operations	(316)	(416)	5,899	(671)
Discontinued operations	309	(719)	21,443	(329)
Income tax (benefit) expense	(121)	184	(7,505)	115
Net income (loss) from discontinued operations	188	(535)	13,938	(214)
Net income (loss) applicable to common shares	\$ (128)	\$ (951)	\$ 19,837	\$ (885)
Earnings per share				
Net income (loss) from continuing operations	(0.08)	(0.10)	1.42	(0.16)
Net income (loss) from discontinued operations	0.05	(0.13)	3.35	(0.05)
Net income (loss) applicable to common shares	\$ (0.03)	\$ (0.23)	\$ 4.77	\$ (0.21)
	4,162,574	4,166,525	4,162,674	4,166,525

Weighted average common shares used in computing earnings per share

The notes are an integral part of the consolidated financial statements.

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**INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**

For the Six Months Ended June 30, 2008

(dollars in thousands)

(Unaudited)

	Common Stock		Treasury Stock		Paid-in	Accumulated	Shareholders
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2007	4,168,035	\$ 42	5,261	\$ (37)	\$ 61,955	\$ (17,893)	\$ 44,067
Purchase of treasury stock			200	(2)			(2)
Net income						19,837	19,837
Balance, June 30, 2008	4,168,035	\$ 42	\$ 5,461	\$ (39)	\$ 61,955	\$ 1,944	\$ 63,902

The notes are an integral part of the consolidated financial statements.

Table of Contents**INCOME OPPORTUNITY REALTY INVESTORS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	For the Six Months Ended June 30,	
	2008	2007
	(dollars in thousands)	
Cash Flows From Operating Activities		
Net income applicable to common shareholders	\$ 19,837	\$ (885)
Adjustments to reconcile net income applicable to common shares to net cash used in operating activities		
Gain on sale of income producing properties	(29,789)	
Loss on equity partnerships		
Change in investment	433	
Depreciation and amortization	172	710
(Increase) decrease in assets		
Accrued interest receivable	(559)	(848)
Other assets	2,084	850
Increase (decrease) in liabilities		
Accrued interest payable	108	(16)
Minority interests	(677)	59
Other liabilities	1,812	(592)
Net cash used in operating activities of continuing operations	(6,579)	(722)
Cash Flows From Investing Activities		
Proceeds from sale of real estate	46,399	
Acquisition of real estate		(24)
Net cash (used in) provided by investing activities	46,399	(24)
Cash Flows From Financing Activities		
Payments on notes payable	(25,215)	(7,322)
Proceeds from notes payables		15,413
Stock buyback	(2)	(23)
Advances from (to) advisors and affiliates	(14,478)	(7,204)
Finance fees paid		(161)
Net cash (used in) provided by financing activities of continuing operations	(39,695)	703
Net increase (decrease) in cash and cash equivalents	125	(43)
Cash and cash equivalents, beginning of year	267	80
Cash and cash equivalents, end of year	\$ 392	\$ 37

Supplemental disclosure of noncash investing and financing activities

Cash paid for interest expense	2,120	3,866
Cash paid for income taxes		

The notes are an integral part of the consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Income Opportunity Realty Investors, Inc. (IORI , we , us , our or the Company) a Nevada corporation, is the successor to a California business trust organized on December 14, 1984. The Company invests in equity interests in real estate through acquisitions, leases and partnerships and in mortgage loans.

The Company is headquartered in Dallas, Texas and its common stock trades on the American Stock Exchange under the symbol IOT. Syntek West, Inc. (SWI) owns approximately 60% of the Company s outstanding stock. SWI serves as the Company s external advisor. We are an externally advised and managed real estate company. We have no employees.

Properties

At June 30, 2008, the Company owned or had interests in a portfolio of four properties: one apartment complex, and three commercial buildings consisting of an office building, a shopping center, and a warehouse. The commercial properties have an aggregate 202,000 square feet of leasable space. The one apartment complex, Falcon Point, which was damaged by a tornado in May 2008, is currently not rentable and is included in discontinued operations.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair statement of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year. The year end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosure required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the Company s financial statements and notes thereto contained in the Company s Annual Report in the Company s Form 10-K for its fiscal year ended December 31, 2007.

Dollar amounts in tables are in thousands, except per share amounts.

Certain balances from 2007 have been reclassified to conform to the 2008 presentation.

Newly issued accounting standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. (SFAS No. 157). SFAS No. 157 defines fair value and establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value. SFAS No. 157 also expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. SFAS No. 157 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. The levels of the SFAS No. 157 fair value hierarchy are described as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

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Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

SFAS No. 157 became effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FASB also removed certain leasing transactions from the scope of SFAS No. 157. On January 1, 2008, the Company adopted SFAS No. 157. The Company currently does not have any non-financial assets or non-financial liabilities that are required to be measured under SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits entities to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 became effective for fiscal years beginning after November 15, 2007. On January 1, 2008, the Company adopted SFAS No. 159 and has currently not elected to measure any financial instruments or other items (not currently required to be measured at fair value) at fair value.

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In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS 141R), *Business Combinations*. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combinations. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing accounting principles until January 1, 2009. The Company expects SFAS 141R will affect the Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, term and size of the acquisitions, if any, the Company consummates after the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. Effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS No. 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, and will impact the recording of minority interest. The Company is currently evaluating the effects the adoption of SFAS No. 160 will have on its financial position and results of operations.

NOTE 2. REAL ESTATE ACTIVITY

On January 25, 2008 we sold six apartment complexes which were located in Midland, Texas in a single transaction. We sold the properties for an aggregate sales price of \$50.0 million, receiving \$20.7 million in cash after paying off \$25.1 million in existing debt. We recorded a \$29.4 million gain on sale as follows:

Property	Location	Number of Units	Sales Price	Net Cash Received	Outstanding Debt	Gain on Sale
Brighton Court	Midland, TX	60 Units	\$ 5,886	\$ 230	\$ 2,727	\$ 2,862
Del Mar	Midland, TX	92 Units	7,235	4,852	2,613	4,303
Enclave	Midland, TX	68 Units	7,068	4,687	2,765	4,138
Meridian	Midland, TX	230 Units	17,197	5,872	10,800	10,772
Signature Place	Midland, TX	57 Units	5,563	3,210	1,477	3,160
Sinclair Place	Midland, TX	114 Units	6,614	1,805	4,611	4,554
			\$ 49,563	\$ 20,656	\$ 24,993	\$ 29,789

On May 30, 2008, a tornado struck the Falcon Point apartments, a 218 unit complex, located in Indianapolis, Indiana. The severity of the damage resulted in the condemnation of the property. The transaction has been accounted for in accordance with Financial Accounting Standards Board interpretation No. 30, *Accounting for Involuntary Conversions of Non-monetary Assets to Monetary Assets*. We recorded a receivable of approximately \$3.2 million for the anticipated insurance proceeds of which \$3.0 million was received subsequent to quarter end. The anticipated proceeds were equivalent to the book value of the asset, and thus no gain or loss was recorded. The severity of the damage resulted in the immediate condemnation of the property. The Company terminated all existing leases and discontinued all operations at the complex. There were no operations at the property for the month of June. The previous five months of operations have been reclassified as discontinued operations. It is our intention to dispose of the property.

NOTE 3. DISCONTINUED OPERATIONS

The Company applies the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lesser of (1) book value or (2) fair value less cost to sell. In addition, it requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions.

On January 25, 2008, the Company sold the following properties which were located in Midland, Texas:

Brighton Court, a 60 unit apartment complex;

Del Mar, a 92 unit apartment complex;

Enclave, a 68 unit apartment complex;

Meridian, a 230 unit apartment complex;

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Signature Place, a 57 unit apartment complex; and

Sinclair Place, a 114 unit apartment complex.

On May 30, 2008, Falcon Point, a 218 unit apartment complex located in Indianapolis, Indiana was condemned due to damage incurred by a tornado. Since the Company intends to dispose of the property, it has been included in discontinued operations.

The following table summarizes income from discontinued operations from seven properties and the related realized gains on sales of real estate associated with those operations for the three and six months ended June 30, 2008 and 2007.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue				
Rental	\$ 166	\$ 1,835	\$ 982	\$ 3,570
Property operations	240	909	945	1,769
	(74)	926	37	1,801
Expenses				
Interest	(7)	(1,501)	(2,558)	(1,843)
General and administrative	(12)	(3)	(867)	(6)
Depreciation	(20)	(141)	(49)	(281)
	(39)	(1,645)	(3,474)	(2,130)
Net loss from discontinued operations before gains on sale of real estate	(113)	(719)	(3,437)	(329)
Gain on sale of discontinued operations	422		29,789	
Net Sales fee to affiliate			(4,909)	
Income (loss) from discontinued operations	309	(719)	21,443	(329)
Tax benefit	(121)	184	(7,505)	115
Income (loss) from discontinued operations	\$ 188	\$ (535)	\$ 13,938	\$ (214)

The Company's application of SFAS No. 144 results in the presentation of the net operating results of these qualifying properties sold or held for sale during 2008 as income from discontinued operations. The application of SFAS No. 144 does not have an impact on net income available to common shareholders. SFAS No. 144 only impacts the presentation of these properties within the Consolidated Statements of Operations.

NOTE 4. NOTES AND INTEREST RECEIVABLE

The notes receivable consists of eight notes aggregating \$28.0 million, including accrued interest. The notes accrue interest at 10.0% to 12.0% with maturity dates ranging from August 2008 to December 2013. The notes are primarily excess cash flow notes.

Borrower	Maturity	Principal Balance	Interest Rate
Housing for Seniors of Humble, LLC	12/27/09	\$ 2,000	11.50%
Housing for Seniors of Humble, LLC	12/27/09	6,363	11.50%
Unified Housing Foundation, Inc. (Marquis at VR)	12/10/13	2,734	12.00%
Unified Housing Foundation, Inc. (Echo Station)	12/26/13	1,668	12.00%
Unified Housing Foundation, Inc.	09/15/10	2,990	10.00%
Unified Housing Foundation, Inc. (Parkside Crossing)	12/29/13	1,936	12.00%

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Unified Housing Foundation, Inc. (Timbers of Terrell)	12/18/08	1,323	12.00%
Centura Land Mortgage (due from Transcontinental Realty Investors, Inc a related party)	08/22/08	7,000	Prime + 2.00%
Accrued Interest		1,986	
			\$ 28,000

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The following table lists the mortgage notes payable as of June 30, 2008;

Project	Maturity	Principal Balance
2010 Valley View	10/03/08	\$ 2,111
Accrued Interest		593
Centura Land	08/28/08	7,000
Eagle Crest	11/01/11	2,415
Parkway Center	06/01/36	2,652
Travelers Land *	08/10/08	28,652
		\$ 43,423

* This mortgage note represents the allocation of a note with an aggregate outstanding balance of \$37.3 million as of June 30, 2008. The remaining balance of this note \$8.7 million is held on the books of Transcontinental Realty Investors, Inc., an affiliated entity. As a joint grantor of the mortgage loan, we have joint and several liability of the obligations and liabilities of the loan in its entirety, which include but are not limited to payment of all unpaid and accrued interest and principal for the entire outstanding loan balance.

NOTE 6. ADVISORY AGREEMENT

The Company has an Advisory Agreement with Syntek West, Inc. (SWI), wherein SWI is responsible for the Company's day-to-day operations. SWI must formulate and submit to IORI's Board of Directors for approval an annual budget and business plan containing a twelve month forecast of operations and cash flow with a general plan for asset sales and purchases, borrowing activity and other investments. SWI reports to the Board quarterly on IORI's performance against the business plan. The Advisory Agreement further places SWI in a fiduciary relationship to IORI's stockholders and contains a broad standard governing SWI's liability for any losses incurred by IORI.

SWI receives, as compensation for its management and advice, monthly advisory fees based on 0.0625% of IORI's assets annually as well as specific fees for assisting IORI in obtaining financing and completing acquisitions. If IORI's operating expenses exceed limits specified in the Advisory Agreement SWI is obligated to refund a portion of the advisory fees.

Effective July 1, 2005, the Company and SWI entered into a Cash Management Agreement to further define the administration of the Company's day-to-day investment operations, relationship contacts, flow of funds and deposit and borrowing of funds. Under the Cash Management Agreement, all funds of the Company are delivered to SWI which has a deposit liability to the Company and is responsible for investment of all excess funds, which earn interest at the *Wall Street Journal* Prime Rate plus one percent per annum, set quarterly on the first day of each calendar quarter. Borrowings for the benefit of the Company bear the same interest rate. The Cash Management Agreement and the Advisory Agreement are automatically renewed each year unless terminated by SWI and IORI.

SWI also receives a Net Income Fee calculated as 7.50% of IORI's net income.

Revenues, fees, interest on cash advances and cost reimbursements to SWI:

	For the Six Months Ended	
	June 30,	
	2008	2007
Advisory fee	\$ 449	\$ 417
Net sales fee	3,100	
Net income fee	1,627	55
Income on cash advances from IORI	(1,346)	(20)

\$ 3,830 \$ 452

Table of Contents**NOTE 7. RECEIVABLE FROM AND PAYABLE TO AFFILIATES**

From time to time, IORI and its affiliates and related parties have made unsecured advances to each other. In addition, IORI and its affiliates have entered into transactions involving the purchase, sale, and financing of property. The table below reflects the various transactions between IORI, SWI, and TCI.

	SWI	TCI	Total
Balance, December 31, 2007	\$ 25,961	\$ 1,841	\$ 27,802
Cash receipts	(2,315)		(2,315)
Cash payments	22,720		22,720
Other additions	7,800	296	8,096
Other repayments	(14,024)		(14,024)
Balance, June 30, 2008	\$ 40,142	\$ 2,137	\$ 42,279

NOTE 8. OPERATING SEGMENTS

The Company's segments are based on the Company's method of internal reporting which classifies its operations by property type. The Company's segments are commercial, apartments, land and other. Significant differences between and among the accounting policies of the operating segments as compared to the Consolidated Financial Statements principally involve the calculation and allocation of administrative expenses. Management evaluates the performance of each of the operating segments and allocates resources to them based on their operating income and cash flow. There are no intersegment revenues and expenses and IORI conducted all of its business within the United States.

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Presented below is operating segment information for the three and six months ended June 30, 2008 and 2007 (dollars in thousands):

Three Months Ended 6/30/2008	Commercial Properties	Apartments	Land	Other	Total
Operating revenue	\$ 304	\$	\$	\$	\$ 304
Operating expenses	155		1	(31)	125
Depreciation and amortization	60				60
Mortgage and loan interest	142		821	18	981
Interest income				836	836
Gain on land sales					
Segment operating income (loss)	\$ (53)	\$	\$ (822)	\$ 849	\$ (26)

Capital expenditures					
Assets	13,742		23,270	129	37,141

Property Sales

Sales price	\$	\$	\$	\$	\$
Cost of sale					
Deferred current gain					
Recognized prior deferred gain					
Gain on sale	\$	\$	\$	\$	\$

Three Months Ended 6/30/2007	Commercial Properties	Apartments	Land	Other	Total
Operating revenue	\$ 338	\$	\$	\$ 25	\$ 363
Operating expenses	112		75	2	189
Depreciation and amortization	57				57
Mortgage and loan interest	139		885	16	1,040
Interest income				1,247	1,247
Gain on land sales					
Segment operating income (loss)	\$ 30	\$	\$ (960)	\$ 1,254	\$ 324

Capital expenditures	24				24
Assets	46,022	11,977			57,999

Property Sales

Sales price	\$	\$	\$	\$	\$
Cost of sale					
Deferred current gain					
Recognized prior deferred gain					
Gain on sale	\$	\$	\$	\$	\$

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The tables below reconcile the segment information to the corresponding amounts in the Consolidated Statements of Operations and Consolidated Balance Sheet:

Three Months Ended	6/30/2008	6/30/2007
Segment operating income (loss)	\$ (26)	\$ 324
Other non-segment items of income (expense)		
General and administrative	(169)	(168)
Advisory fee	(222)	(367)
Net income fee to affiliate	182	
Other income	230	
Equity in earnings of investees	(432)	(15)
Deferred tax	121	(184)
Minority interest		(6)
Income (loss) from continuing operations	\$ (316)	\$ (416)

SEGMENT ASSET RECONCILIATION TO TOTAL ASSETS

Three Months Ended	6/30/2008	6/30/2007
Segment assets	\$ 37,141	\$ 57,999
Investments in real estate partnerships	99	500
Other assets and receivables	74,929	56,781
Assets held for sale		
Total assets	\$ 112,169	\$ 115,280

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Six Months Ended 6/30/2008	Commercial Properties	Apartments	Land	Other	Total
Operating revenue	\$ 629	\$	\$	\$	\$ 629
Operating expenses	513		320	67	900
Depreciation and amortization	123				123
Mortgage and loan interest	282		1,544	37	1,863
Interest income				1,534	1,534
Gain on land sales					
Segment operating income (loss)	\$ (289)	\$	\$ (1,864)	\$ 1,430	\$ (723)
Capital expenditures					
Assets	13,742		23,270	129	37,141
Property Sales					
Sales price	\$	\$ 49,563	\$	\$	\$ 49,563
Cost of sale		19,774			19,774
Deferred current gain					
Recognized prior deferred gain					
Gain on sale	\$	\$ 29,789	\$	\$	\$ 29,789

Six Months Ended 6/30/2007	Commercial Properties	Apartments	Land	Other	Total
Operating revenue	\$ 673	\$	\$	\$ 26	\$ 699
Operating expenses	298		150	(12)	436
Depreciation and amortization	114				114
Mortgage and loan interest	281		1,350	364	1,995
Interest income				2,215	2,215
Gain on land sales					
Segment operating income (loss)	\$ (20)	\$	\$ (1,500)	\$ 1,889	\$ 369
Capital expenditures	24				24
Assets	46,022	11,977			57,999
Property Sales					
Sales price	\$	\$	\$	\$	\$
Cost of sale					
Deferred current gain					
Recognized prior deferred gain					
Gain on sale	\$	\$	\$	\$	\$

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The tables below reconcile the segment information to the corresponding amounts in the Consolidated Statements of Operations and Consolidated Balance Sheet:

Six Months Ended	6/30/2008	6/30/2007
Segment operating income (loss)	\$ (723)	\$ 369
Other non-segment items of income (expense)		
General and administrative	(414)	(283)
Advisory fee	(449)	(583)
Net income fee to affiliate	182	
Other income	230	
Equity in earnings of investees	(432)	(15)
Deferred tax	7,505	(115)
Minority interest		(44)
Income (loss) from continuing operations	\$ 5,899	\$ (671)

SEGMENT ASSET RECONCILIATION TO TOTAL ASSETS

Six Months Ended	6/30/2008	6/30/2007
Segment assets	\$ 37,141	\$ 57,999
Investments in real estate partnerships	99	500
Other assets and receivables	74,929	56,781
Assets held for sale		
Total assets	\$ 112,169	\$ 115,280

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation. IORI is also involved in various lawsuits arising in the ordinary course of business. Management is of the opinion that the outcome of these lawsuits will have no material impact on the Company's financial condition, results of operations or liquidity.

NOTE 10. SUBSEQUENT EVENTS

In July 2008, we received \$3.0 million in insurance proceeds related to the tornado damage incurred on the Falcon Point apartments. We used a portion of the proceeds to pay off the existing \$950,000 mortgage secured by the property.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
WARNING CONCERNING FORWARD-LOOKING STATEMENTS**

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

This Report on Form 10-Q may contain forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations. We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. When used, the words anticipate, believe, expect, intend, may, might, plan, estimate, project, should, will, result and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that, while forward-looking statements reflect our good faith beliefs when we make

them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

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Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the factors listed and described at Item 1A Risk Factors in the Company's Annual Report on Form 10-K, which investors should review. See additional risk factors previously described in the Company's Form 10-K for the fiscal year ended December 31, 2007, Part II, Item 1A Risk Factors.

Other sections of this report may also include suggested factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for management to predict all such matters; nor can we assess the impact of all such matters on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the Securities and Exchange Commission (SEC) and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise.

Overview

IORI invests in equity interests in real estate through acquisitions, leases, partnerships and in mortgage loans. IORI is the successor to a California business trust organized on December 14, 1984, which commenced operations on April 10, 1985.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements. From time-to-time, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Real Estate Held for Investment

Real estate held for investment is carried at cost. Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. (SFAS No. 144), requires that a property be considered impaired if the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the property. If impairment exists, an impairment loss is recognized, by a charge against earnings, equal to the amount by which the carrying amount of the property exceeds the fair value less cost to sell the property. If impairment of a property is recognized, the carrying amount of the property is reduced by the amount of the impairment, and a new cost for the property is established. Such new cost is depreciated over the property's remaining useful life. Depreciation is provided by the straight-line method over estimated useful lives, which range from five to 40 years.

We review the carrying values of our properties at least annually or whenever events or a change in circumstances indicate that impairment may exist. Impairment is considered to exist if, in the case of a property, the future cash flow from the property (undiscounted and without interest) is less than the carrying amount of the property. If impairment is found to exist, a provision for loss is recorded by a charge against earnings. The property review generally includes selective property inspections, discussions with the manager of the property, visits to selected properties in the area and a review of the following: (1) the property's current rents compared to market rents, (2) the property's expenses, (3) the property's maintenance requirements, and (4) the property's cash flows.

Real Estate Held-for-Sale

Foreclosed real estate is initially recorded at new cost, defined as the lower of original cost or fair value minus estimated costs of sale. SFAS No. 144 also requires that properties held-for-sale be reported at the lower of carrying amount or fair value less costs of sale. If a reduction in a held-for-sale property's carrying amount to fair value less costs of sale is required, a provision for loss is recognized by a charge against earnings. Subsequent revisions, either upward or downward, to a held-for-sale property's estimated fair value less costs of sale are recorded as an adjustment to the property's carrying amount, but not in excess of the property's carrying amount when originally classified as held-for-sale. A corresponding charge against or credit to earnings is recognized. Properties held for sale are not depreciated.

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Investments in Equity Investees

IORI may be considered to have the ability to exercise significant influence over the operating and investment policies of certain of its investees. Those investees are accounted for using the equity method. Under the equity method, an initial investment, recorded at cost, is increased by a proportionate share of the investee's operating income and any additional investment and decreased by a proportionate share of the investee's operating losses and distributions received.

Recognition of Rental Income

Rental income for commercial property leases is recognized on a straight-line basis over the respective lease terms. Rental income for residential property leases is recorded when due from residents and is recognized monthly as earned, which is not materially different than on a straight-line basis as lease terms are generally for periods of one year or less.

Revenue Recognition on the Sale of Real Estate

Sales of real estate are recognized when and to the extent permitted by Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*. (SFAS No. 66), as amended by SFAS No. 144. Until the requirements of SFAS No. 66 for full profit recognition have been met, transactions are accounted for using the deposit, installment, cost recovery or financing method, whichever is appropriate. When IORI provides seller financing, gain is not recognized at the time of sale unless the buyer's initial investment and continuing investment are deemed to be adequate as determined by SFAS No. 66 guidelines.

Non-Performing Notes Receivable

IORI considers a note receivable to be non-performing when the maturity date has passed without principal repayment and the borrower is not making interest payments. Any new note receivable that results from a modification or extension of a note considered non-performing will also be considered non-performing, without regard to the borrower's adherence to payment terms.

Interest Recognition on Notes Receivable

Interest income is not recognized on notes receivable that have been delinquent for 60 days or more. In addition, accrued but unpaid interest income is only recognized to the extent that the net realizable value of the underlying collateral exceeds the carrying value of the receivable.

Allowance for Estimated Losses

A valuation allowance is provided for estimated losses on notes receivable considered to be impaired. Impairment is considered to exist when it is probable that all amounts due under the terms of the note will not be collected. Valuation allowances are provided for estimated losses on notes receivable to the extent that the investment in the note exceeds management's estimate of the fair value of the collateral securing such note.

Fair Value of Financial Instruments

The following assumptions were used in estimating the fair value of its notes receivable, marketable equity securities, and notes payable. For performing notes receivable, the fair value was estimated by discounting future cash flows using current interest rates for similar loans. For non-performing notes receivable, the estimated fair value of IORI's interest in the collateral property was used. For marketable equity securities, fair value was based on the year-end closing market price of each security. For notes payable, the fair value was estimated using current rates for mortgages with similar terms and maturities.

Liquidity and Capital Resources

General

Our principal liquidity needs are:

meeting debt service requirements including balloon payments;

funding normal recurring expenses;

funding capital expenditures; and

funding new property acquisitions.

Our primary source of cash is from the refinancing of existing mortgages, rents, receivables, and sale of assets. In 2008, we will refinance debt obligations as they become due and generate excess cash from operations and sale of properties. However, if refinancing and excess cash from operations does not prove to be sufficient to satisfy all our obligations as they mature, we may sell income-producing real estate, refinance real estate, and incur additional borrowings secured by real estate to meet our cash requirements. We anticipate that our cash from the sale of properties in the first quarter will be sufficient to meet our liquidity needs.

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Cash flow summary

The following summary discussion of our cash flows is based on the consolidated statement of cash flows from Item 1 Financial Statements and is not meant to be an all inclusive discussion of the changes in our cash flows for the periods presented.

Cash and equivalents totaled \$392,000 and \$37,000 at June 30, 2008 and 2007, respectively. For the six months ended June 30, 2008, cash used in operating activities was \$(6.6) million, cash provided by investing activities was \$46.4 million and cash used in financing activities was \$(39.7) million.

Cash used in operating activities of \$(6.6) million primarily relates to \$(4.9) million paid to our advisor for sales fees related to the sale of the Midland, Texas properties. We used an additional \$(1.7) million cash in our operating activities related to day to day operations.

Cash provided by investing activities of \$46.4 million is from the proceeds on the sale of the Midland, Texas properties. We received \$46.4 million from the sale of six properties located in Midland, Texas.

Cash used in financing activities of \$(39.7) million is due to the pay off of \$(25.2) million on the notes payable related to the sale of the Midland, Texas properties, and the transfer of excess cash of \$(14.5) million to our advisor per the advisory agreement.

We did not pay quarterly dividends in 2008 or 2007.

Results of Operations

Our current operations consist of one apartment complex and three commercial buildings which include an office building, a shopping center and a commercial warehouse. The apartment complex, Falcon Point, was reclassified to discontinued operations in May 2008 after the Company's decision to terminate the operations at the property subsequent to damages incurred from a tornado. The complex is currently non-operational and not generating revenues.

We reported a net income applicable to common shares of \$19.8 million or \$4.77 per common share for the six months ended June 30, 2008 as compared to a net (loss) applicable to common shares of \$(885,000) or \$(0.21) per common share for the same period ended 2007. Our net (loss) applicable to common shares for the three months ended June 30, 2008 was \$(128,000) or \$(0.03) per common share as compared net (loss) applicable to common shares of \$(951,000) or \$(0.23) per common share for the same period ended 2007.

Results of operations for the three months ended June 30, 2008 as compared to the same period ended 2007;

Property Revenue

Rental and other property revenues decreased by \$59,000 for the three months ended June 30, 2008 as compared to the same period ended 2007. The decrease is due an overall decrease in occupancy within our commercial portfolio.

Operating expenses

Property operations expense decreased by \$64,000 for the three months ended June 30, 2008 as compared to the same period ended 2007. The decrease is due an overall decrease in occupancy within our commercial portfolio.

Depreciation has remained relatively consistent from period to period. We depreciate our buildings based on useful life of 40 years using the straight line method.

General and administrative expenses were \$169,000 for the three months ended June 30, 2008 as compared to \$168,000 the same period ended 2007. This is consistent with prior period.

Advisory fees paid to our advisor were based on our net assets. The sale of the Midland, Texas properties on January 25, 2008 significantly decreased our asset base for this calculation. Thus, advisory fees decreased by \$145,000 for the three months ended June 30, 2008 as compared to the same period ended 2007.

Other income/expense

Interest income decreased by \$411,000 for the three months ended June 30, 2008 as compared to the same period ended 2007. This is primarily due to no longer recording interest income on our notes receivables from Unified Housing Foundation, an affiliated entity. The notes are excess cash flow notes and interest income is recorded when received.

Other income increased by \$230,000 for the three months ended June 30, 2008 as compared to the same period ended 2007. The increase is due to a tax refund received in the second quarter of 2008.

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Mortgage and loan interest expense decreased by \$59,000 for the three months ended June 30, 2008 as compared to the prior period ended 2007. The decrease is due to the continued pay down on our existing mortgage balances.

On a quarterly basis we recalculate the net income fee paid to our advisor. The fee for the first quarter related primarily to the sale of the Midland, Texas properties and was included in discontinued operations. The fee was adjusted for the loss incurred during the three months ended June 30, 2008. This resulted in a recapture of previous fees of \$182,000 in the current period.

Equity in investees was a loss of \$(432,000) for the three months ended June 30, 2008 as compared to a loss of \$(15,000) for the same period ended 2007. This represents our prorata share of the equity on investments in which we own an interest of 20% or more which are not consolidated.

Discontinued operations relates to one apartment complex reclassified to discontinued operations in May 2008 and six apartment complexes sold in January 2008. The results of our discontinued operations for the three months ended June 30, 2008 and 2007 are shown below:

	For the Three Months Ended June 30,	
	2008	2007
Revenue		
Rental	\$ 166	\$ 1,835
Property operations	240	909
	(74)	926
Expenses		
Interest	(7)	(1,501)
General and administrative	(12)	(3)
Depreciation	(20)	(141)
	(39)	(1,645)
Net loss from discontinued operations before gains on sale of real estate	(113)	(719)
Gain on sale of discontinued operations	422	
Net Sales fee to affiliate		
Income (loss) from discontinued operations	309	(719)
Tax benefit	(121)	184
Income (loss) from discontinued operations	\$ 188	\$ (535)

Results of operations for the six months ended June 30, 2008 as compared to the same period ended 2007;

Property Revenue

Rental and other property revenues decreased by \$70,000 for the six months ended June 30, 2008 as compared to the same period ended 2007. The decrease is due to an overall decrease in occupancy within our commercial portfolio.

Operating expenses

Property operations increased by \$464,000 for the six months ended June 30, 2008 as compared to the same period ended 2007. The increase is due to an adjustment to reflect actual real estate taxes paid for 2007. The majority of the increase was from Travelers land in which we recorded a \$360,000 adjustment for property taxes. The remaining increase is due to an overall increase in operating costs within our commercial portfolio.

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Depreciation has remained relatively consistent from period to period. We depreciate our buildings based on a useful life of 40 years using the straight line method.

General and administrative expenses increased by \$131,000 for the six months ended June 30, 2008 as compared to the same period ended 2007. The increase is due to nonrecurring adjustments made during the same period ended 2007.

Advisory fees paid to our advisor are based in part on our net assets. The sale of the Midland, Texas properties on January 25, 2008 significantly decreased our asset base for this calculation. Thus, advisory fees decreased by \$129,000 for the six months ended June 30, 2008 as compared to the same period ended 2007.

Table of Contents**Other income /expense**

Interest income decreased by \$681,000 for the six months ended June 30, 2008 as compared to the same period ended 2007. This is primarily due to no longer recording interest income on our notes receivables from Unified Housing Foundation, an affiliated entity. The notes are excess cash flow notes and interest income is recorded when received.

Other income increased by \$230,000 for the six months ended June 30, 2008 as compared to the same period ended 2007. The increase is due to a tax refund received in the second quarter of 2008.

Mortgage and loan interest expense decreased by \$132,000 for the six month period ended June 30, 2008 as compared to same period ended 2007. The decrease is due to the continued pay down on our existing mortgage balances.

On a quarterly basis we recalculate the net income fee owed to our advisor. The fee for the first quarter related primarily to the sale of the Midland, Texas properties and was included in discontinued operations. The fee was adjusted for the loss incurred during the three months ended June 30, 2008. This resulted in a recapture of previous fees paid of \$182,000 in the current period.

Equity in investees was a loss of \$(432,000) for the six months ended June 30, 2008 as compared to a loss of \$(15,000) for the same period ended 2007. This represents our prorata share of the equity on investments in which we own an interest of 20% or more which are not consolidated.

Discontinued operations relates to one apartment complex reclassified to discontinued operations in May 2008 and six apartment complexes sold in January 2008. The results of our discontinued operations for the six months ended June 30, 2008 and 2007 are shown below:

	For the Six Months Ended June 30,	
	2008	2007
Revenue		
Rental	\$ 982	\$ 3,570
Property operations	945	1,769
	37	1,801
Expenses		
Interest	(2,558)	(1,843)
General and administrative	(867)	(6)
Depreciation	(49)	(281)
	(3,474)	(2,130)
Net loss from discontinued operations before gains on sale of real estate	(3,437)	(329)
Gain on sale of discontinued operations	29,789	
Net sales fee to affiliate	(4,909)	
Income (loss) from discontinued operations	21,443	(329)
Tax benefit	(7,505)	115
Income (loss) from discontinued operations	\$ 13,938	\$ (214)

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.

Income Taxes

Financial statement income varies from taxable income principally due to the accounting for income and losses of investees, gains and losses from asset sales, depreciation on owned properties, amortization of discounts on notes receivable and payable and the difference in the allowance for estimated losses. IORI has alternative minimum tax credit carryforwards available for 2008 and has a loss for federal income tax purposes for the first six months of 2008; therefore, it recorded no provision for income taxes.

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At June 30, 2008, IORI had a net deferred tax asset of approximately \$4.5 million due to tax deductions available to it in future years. However, as management cannot determine that it is more likely than not that IORI will realize the benefit of the deferred tax asset, a 100% valuation allowance has been established.

Inflation

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

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, IORI 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.

Management is not aware of any environmental liability relating to the above matters that would have a material adverse effect on IORI's business, assets or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES REGARDING MARKET RISK

At June 30, 2008, IORI's exposure to a change in interest rates on its debt was as follows:

	Balance	Weighted Average Interest Rate	Effect of 1% Increase In Base Rates
Notes payable:			
Variable rate	\$ 7,950,000	7.12%	\$ 79,500
Total decrease in IORI's annual net income			79,500
Per share			\$.02

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, our management, with the participation of our Principal Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Principal Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting. No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the second quarter of our fiscal year ending 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****ITEM 1A. RISK FACTORS**

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent months or from those anticipated. See the discussion in Item 1A. Risk Factors in our 2007 Annual Report on Form 10-K. There have been no material changes in our risk factors from those previously disclosed in our 2007 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended by this Report, Income Opportunity Realty Investors, Inc. repurchased 200 shares of its equity securities. The following table sets forth a summary of the repurchases made during the quarter ended by this Report, and the specified number of shares may yet be purchased under the programs specified below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program^(a)
Balance as of March 31, 2008			810,072	89,928
April 30, 2008	200	\$ 9.00	810,272	89,728
May 31, 2008			810,272	89,728
June 30, 2008			810,272	89,728
Total	200			

^(a) On June 23, 2000, the IORI Board of Directors approved a share repurchase program for up to 900,000 shares of our common stock. This repurchase program has no termination date.

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ITEM 6. EXHIBITS

The following documents are filed herewith as exhibits or incorporated by reference as indicated:

Exhibit

Number	Description
3.0	Articles of Incorporation of Income Opportunity Realty Investors, Inc., (incorporated by reference to Appendix C to the Registrant's Registration Statement on Form S-4, dated February 12, 1996).
3.1	Bylaws of Income Opportunity Realty Investors, Inc. (incorporated by reference to Appendix D to the Registrant's Registration Statement on Forms S-4 dated February 12, 1996).
10.0	Advisory Agreement dated as of July 1, 2003 between Income Opportunity Realty Investors, Inc. and Syntek West, Inc. (incorporated by reference to Exhibit 10.0 to the registrant's current on Form 10-Q for event of July 1, 2003).
31.1*	Certification by President and Chief Operating Officer and Principal Executive Officer Pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.
31.2*	Certification by Executive Vice President and Chief Financial Officer Pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.
31.3*	Certification by Executive Vice President and Chief Accounting Officer Pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

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SIGNATURE PAGE

Pursuant to the requirements 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.

INCOME OPPORTUNITY REALTY INVESTORS, INC.

Date: August 14, 2008

By: /s/ Daniel J. Moos
Daniel J. Moos
President and Chief Operating Officer (Principal Executive Officer)

Date: August 14, 2008

By: /s/ David R. Fletcher
David R. Fletcher
Executive Vice President and Chief Financial Officer

Date: August 14, 2008

By: /s/ Gene S. Bertcher
Gene S. Bertcher
Executive Vice President and Chief Accounting Officer