

INCOME OPPORTUNITY REALTY INVESTORS INC /TX/

Form 10-Q

November 13, 2009

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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 September 30, 2009

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)

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Nevada  
(State or Other Jurisdiction of) 75-2615944  
(I.R.S. Employer)

Incorporation or Organization) 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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). \*

Yes  No

\* The registrant has not yet been phased into the interactive data requirements

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

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 (Class)	4,168,214 (Outstanding at November 6, 2009)
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**INCOME OPPORTUNITY REALTY INVESTORS, INC.**

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	September 30, 2009	December 31, 2008
	(dollars in thousands, except share and par value amounts)	
<b>Assets</b>		
Real estate, at cost	\$ 29,504	\$ 31,765
Less accumulated depreciation	-	(250)
Total real estate	29,504	31,515
Real estate held for sale at cost, net of depreciation (\$2,209 and \$2,063 for 2009 and 2008)	5,375	5,427
Notes and interest receivable from related parties	38,971	41,432
Less allowance for doubtful accounts	(1,826)	(1,826)
Total notes and interest receivable	37,145	39,606
Cash and cash equivalents	108	52
Investments in unconsolidated subsidiaries and investees	74	74
Receivable and accrued interest from related parties	42,082	38,203
Other assets	3,363	676
Total assets	\$ 117,651	\$ 115,553
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Notes and interest payable	\$ 37,440	\$ 37,618
Liabilities related to assets held for sale	4,646	4,701
Accounts payable and other liabilities (including \$7 in 2009 and \$3 in 2008 from affiliated and related parties)	5,944	2,460
	48,030	44,779
<b>Commitments and contingencies:</b>		
<b>Shareholders' equity:</b>		
Common Stock, \$.01 par value, authorized 10,000,000 shares; issued 4,173,675 shares in 2009 and 2008	42	42
Treasury Stock at cost	(39)	(39)
Paid-in capital	61,955	61,955
Retained earnings	7,663	8,816
Total shareholders' equity	69,621	70,774

Total liabilities and equity	\$ 117,651	\$ 115,553
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The accompanying notes are an integral part of these financial statements.

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>(dollars in thousands, except share and per share amounts)</b>				
<b>Revenues:</b>				
Rental and other property revenues (including \$68 and \$79 for the three months ended, \$200 and \$211 for the nine months ended 2009 and 2008 respectively from affiliates and related parties)	\$ 68	\$ 115	\$ 208	\$ 247
<b>Expenses:</b>				
Property operating expenses (including \$0 and \$0 for the three months ended, \$0 and \$6 for the nine months ended 2009 and 2008 respectively from affiliates and related parties)	65	22	148	328
Depreciation and amortization	-	12	40	36
General and administrative (including \$8 and \$0 for the three months ended, \$8 and \$0 for the nine months ended 2009 and 2008 respectively from affiliates and related parties)	31	4	189	275
Advisory fee to affiliates	213	218	660	667
Total operating expenses	309	256	1,037	1,306
Operating loss	(241)	(141)	(829)	(1,059)
<b>Other income (expense):</b>				
Interest income (including \$364 and \$455 for the three months ended \$1,115 and \$1,612 for the nine months ended 2009 and 2008 respectively from affiliates and related parties)	364	485	1,115	2,019
Mortgage and loan interest	(507)	(575)	(1,608)	(2,395)
Gain on involuntary conversion	-	7,434	-	7,434
Earnings from unconsolidated subsidiaries and investees	-	(2)	-	(434)
Net income fee to affiliates	-	(1,055)	-	(873)
Total other income (expenses)	(143)	6,287	(493)	5,751
Income (loss) before gain on land sales, non-controlling interest, and taxes	(384)	6,146	(1,322)	4,692
Income (loss) from continuing operations before tax	(384)	6,146	(1,322)	4,692
Income tax benefit (expense)	(5)	86	66	7,538
Net income (loss) from continuing operations	(389)	6,232	(1,256)	12,230
<b>Discontinued operations:</b>				
Income (loss) from discontinued operations	(15)	248	159	(8,251)
Gain on sale of real estate from discontinued operations	-	-	-	29,789

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Income tax benefit (expense) from discontinued operations	5	(87)	(56)	(7,538)
Net income (loss)	(399)	6,393	(1,153)	26,230
Preferred dividend requirement	-	-	-	-
Net income (loss) applicable to common shares	\$ (399)	\$ 6,393	\$ (1,153)	\$ 26,230
 <b>Earnings per share - basic</b>				
Income (loss) from continuing operations	\$ (0.09)	\$ 1.50	\$ (0.29)	\$ 2.94
Discontinued operations	-	0.04	0.02	3.36
Net income (loss) applicable to common shares	\$ (0.09)	\$ 1.54	\$ (0.27)	\$ 6.30
 <b>Earnings per share - diluted</b>				
Income (loss) from continuing operations	\$ (0.09)	\$ 1.50	\$ (0.29)	\$ 2.94
Discontinued operations	-	0.04	0.02	3.36
Net income (loss) applicable to common shares	\$ (0.09)	\$ 1.54	\$ (0.27)	\$ 6.30
Weighted average common share used in computing earnings per share	4,168,214	4,162,574	4,168,214	4,162,640
Weighted average common share used in computing diluted earnings per share	4,168,214	4,162,574	4,168,214	4,162,640

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

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**INCOME OPPORTUNITY REALTY INVESTORS, INC.**

**STATEMENT OF SHAREHOLDERS EQUITY**

**For the Nine Months Ended September 30, 2009**

**(unaudited)**

**(dollars in thousands)**

	<b>Total</b>	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Treasury Stock</b>	<b>Paid-in Capital</b>	<b>Retained Earnings</b>
<b>Balance, December 31, 2008</b>	\$ 70,774	4,173,675	\$ 42	\$ (39)	\$ 61,955	\$ 8,816
Net loss	(1,153)	-	-	-	-	(1,153)
<b>Balance, September 30, 2009</b>	\$					