

INCOME OPPORTUNITY REALTY INVESTORS INC /TX/  
Form 8-K/A  
June 25, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

April 5, 2002

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Date of Report (Date of Earliest Event Reported)

INCOME OPPORTUNITY REALTY INVESTORS, INC.

-----  
(Exact Name of Registrant as Specified in its Charter)

Nevada	1-14784	75-2615944
-----	-----	-----
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)
1800 Valley View Lane, Suite 300,	Dallas, TX	75234
-----	-----	-----
(Address of Principal Executive Offices)		(Zip Code)

Registrant's Telephone Number, Including Area Code: (469) 522-4200

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This Form 8-K/A amends the Current Report on Form 8-K, dated April 5, 2002 and filed April 19, 2002, by Income Opportunity Realty Investors, Inc. ("IORI") and provides information that was not available at the date of the original filing.

We have amended the second paragraph on page 2 to correct the relationships between the parties, to identify the lender, and to correct the amount of preferred stock IORI received in the transaction. We have added two additional paragraphs to identify the terms of the preferred stock.

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We have amended the proforma statements to present the most recent fiscal year and interim period.

We have amended the proforma statement of operations for the year ended December 31, 2001, to treat the transaction as a financing and removed the adjustments to rents and operations. The information regarding the preferred stock was provided after the original filing, adjustments to interest income were made. Also with the information that was provided after the filing, adjustments were made to interest expense, advisory fees and net income fees.

### ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On January 28, 2002, Income Opportunity Realty Investors, Inc. ("IORI") sold the 122,795 sq. ft. Daley Plaza in San Diego, California, for a sales price of \$15.5 million to Janey Enterprises, LP. The sale constituted 8.14% of the total assets of IORI as of December 31, 2001. IORI received \$8.1 million in cash after the payoff of \$8.6 million in debt and various closing costs and recognized a gain on the sale of \$7.1 million.

On April 5, 2002, IORI sold all of its residential properties to partnerships controlled by Metra Capital, LLC ("Metra"). These properties include: the 60 unit Brighton Court, the 92 unit Del Mar, the 68 unit Enclave, the 280 unit Meridian, the 57 unit Signature, the 114 unit Sinclair, located in Midland, Texas, and the 106 unit Treehouse, located in San Antonio, Texas. Innovo Realty, Inc., a subsidiary of Innovo Group, Inc. ("Innovo") is a limited partner in the partnerships that purchased the properties. Joseph Mizrachi, a director of American Realty Investors, Inc. ("ARI"), a related party, controls approximately 11.67% of the outstanding common stock of Innovo. The sale constituted 23.39% of the total assets of IORI as of December 31, 2001. The sales price for the properties totaled \$26.2 million. IORI received \$5.4 million in cash after the payoff of \$16.1 million in debt and various closing costs. Due to IORI's relationship with ARI and Mr. Mizrachi, management has determined to treat this sale as a refinancing transaction. The new debt, funded by Bank of America, on the properties totals \$21.4 million, bears interest at 7.57% per annum, requires monthly interest only payments of \$135,000 and matures in May 2012. IORI also received \$2.9 million of 8% non-recourse, non-convertible Series A Preferred Stock ("Preferred Shares") of Innovo.

The dividend on the Preferred Shares will be funded entirely and solely through member distributions from cash flows generated by the operation and subsequent sale of the sold properties. In the event the cash flows for the properties are insufficient to cover the 8% annual dividend, Innovo will have no obligation to cover any shortfall.

The Preferred Shares have a mandatory redemption feature, and are redeemable from the cash proceeds received by Innovo from the operation and sale of the properties. All member distributions that are in excess of current and accrued 8% dividends, must be used by Innovo to redeem the Preferred Shares.

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

This Form 8-K/A amends the Form 8-K Current Report dated April 5, 2002 and filed April 19, 2002 by IORI and provides information that was not available at the date of the original filing.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS (Continued)

(a) Pro forma financial information:

Proforma statements of operations are presented for the three months ended March 31, 2002, and the year ended December 31, 2001. The proforma statement of operations present IORI's operations as if the transactions described above had occurred at January 1 of each of the periods presented. A proforma balance sheet as of March 31, 2002, is also presented. The proforma balance sheet presents the property sales described above, as if they had occurred at January 1, 2002.

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INCOME OPPORTUNITY REALTY INVESTORS, INC.  
 PROFORMA COMBINED  
 CONSOLIDATED BALANCE SHEET  
 MARCH 31, 2002

	Actual	Brighton Court/(1)/	Del Mar/(1)/	Enclav
	-----	-----	-----	-----
	(dollars in t			
Assets				
Real Estate				
Real estate held for investment .....	\$ 86,319	\$ --	\$ --	\$
Less - accumulated depreciation .....	(6,745)	--	--	
	-----	-----	-----	-----
	79,574	--	--	
Notes and interest receivable .....	6,847	--	--	
Investments in real estate entities .....	103	--	--	
Investment in preferred stock .....	--	16	49	2
Cash and cash equivalents .....	59	562	695	5
Other assets .....	3,173	--	--	
	-----	-----	-----	-----
	\$ 89,756	\$ 578	\$ 744	\$ 7
	=====	=====	=====	=====
Liabilities and Equity				
Notes and interest payable .....	\$ 47,552	\$ 542	\$ 634	\$ 4
Other liabilities .....	1,909	49	125	3
	-----	-----	-----	-----
	49,461	591	759	8
Commitments and Contingencies				
Stockholders' Equity				
Common stock .....	14	--	--	
Paid-in capital .....	63,459	--	--	
Accumulated distributions in excess of accumulated earnings .....	(23,178)	(13)	(15)	
	-----	-----	-----	-----

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	40,295	(13)	(15)	
	-----	-----	-----	-----
	\$ 89,756	\$ 578	\$ 744	\$ 7
	=====	=====	=====	=====
	Meridian/ (1)/	Treehouse/ (1)/		Proforma
	-----	-----		-----
Assets				
Real Estate				
Real estate held for investment .....	\$ --	\$ --		\$ 86,31
Less - accumulated depreciation .....	--	--		(6,74
	-----	-----		-----
	--	--		79,57
Notes and interest receivable .....	--	--		6,84
Investments in real estate entities .....	--	--		10
Investment in preferred stock .....	197	2,114		2,86
Cash and cash equivalents .....	408	924		5,34
Other assets .....	--	--		3,17
	-----	-----		-----
	\$ 605	\$ 3,038		\$ 97,90
	=====	=====		=====
Liabilities and Equity				
Notes and interest payable .....	\$ 379	\$ 1,200		\$ 52,90
Other liabilities .....	233	1,841		4,79
	-----	-----		-----
	612	3,041		57,70
Commitments and Contingencies				
Stockholders' Equity				
Common stock .....	--	--		1
Paid-in capital .....	--	--		63,45
Accumulated distributions in excess of accumulated earnings .....	(7)	(3)		(23,27
	-----	-----		-----
	(7)	(3)		40,19
	-----	-----		-----
	\$ 605	\$ 3,038		\$ 97,90
	=====	=====		=====

(1) Assumes sale by IORI on January 1, 2002.

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MARCH 31, 2002

	Actual -----	Brighton Court -----	Del Mar -----	Enclave -----	Signature -----	Sinclair -----
(dollars in thousands)						
Revenue						
Rents .....	\$ 2,800	\$ --	\$ --	\$ --	\$ --	\$ --
Property operations .....	1,640	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	1,160	--	--	--	--	--
Other Income						
Interest and other .....	35	--	1	5	--	4
Equity (loss) in equity investees .....	(17)	--	--	--	--	--
Gain on sale of real estate .....	7,105	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	7,123	--	1	5	--	4
Other expense						
Interest .....	1,062	10	12	9	32	8
Depreciation .....	500	--	--	--	--	--
Advisory fees .....	186	4	6	6	13	5
Net income fee .....	411	(1)	(1)	(1)	(3)	(1)
Provision for loss .....	767	--	--	--	--	--
General and administrative .....	285	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	3,211	13	17	14	42	12
Net income .....	\$ 5,072	\$ (13)	\$ (16)	\$ (9)	\$ (42)	\$ (8)
	=====	=====	=====	=====	=====	=====
Earnings per share						
Net income (loss) .....	\$ 3.52					
	=====					
Weighted average Common Stock used in computing earnings per share ..	1,438,945					
	=====					

The accompanying footnotes are an integral part of this Proforma Combined Statement of Operations.

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INCOME OPPORTUNITY REALTY INVESTORS, INC.  
NOTES TO PROFORMA COMBINED  
STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 2002

(1) The Proforma Combined Statement of Operations assumes that each property was sold by IORI on January 1, 2002.

INCOME OPPORTUNITY REALTY INVESTORS, INC.  
PROFORMA COMBINED  
STATEMENT OF OPERATIONS/(1)/  
DECEMBER 31, 2001

	Actual	Brighton Court	Del Mar	Enclave	Signature	Sinclair	Meridia
	-----	-----	-----	-----	-----	-----	-----
	(dollars in thousands)						
Revenue							
Rents .....	\$ 13,001	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Property operations .....	6,591	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
	6,410	--	--	--	--	--	--
Other Income							
Interest and other .....	194	1	4	21	--	18	--
Equity (loss) in equity investees .....	(9)	--	--	--	--	--	--
Gain on sale of real estate ....	--	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
	185	1	4	21	--	18	--
Other expense							
Interest .....	6,074	41	48	36	129	32	--
Depreciation .....	2,427	--	--	--	--	--	--
Advisory fees .....	817	4	6	6	13	5	--
Net income fee .....	--	(3)	(4)	(2)	(11)	(1)	--
General and administrative .....	739	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
	10,057	42	50	40	136	36	--
Net income .....	\$ (3,462)	\$ (41)	\$ (46)	\$ (19)	\$ (131)	\$ (18)	\$ (1)
	=====	=====	=====	=====	=====	=====	=====
Earnings per share							
Net income (loss) .....	\$ (2.32)						
	=====						
Weighted average Common Stock used in computing earnings per share .....	1,493,675						
	=====						

The accompanying footnotes are an integral part of this Proforma Combined Statement of Operations.

NOTES TO PROFORMA COMBINED  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2001

- (1) The Proforma Combined Statement of Operations assumes that each property was sold by IORI on January 1, 2001.
- (2) Operating results for Daley Plaza is the actual operating results for the year ended December 31, 2001.

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SIGNATURE  
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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 hereto duly authorized.

INCOME OPPORTUNITY REALTY INVESTORS, INC.

Date: June 25, 2002  
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By: /s/ Ronald E. Kimbrough  
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Ronald E. Kimbrough  
Executive Vice President and Chief  
Financial Officer (Principal  
Financial and Accounting Officer and  
Acting Principal Executive Officer)

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