INNSUITES HOSPITALITY TRUST
Form 10-Q
September 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JULY 31, 2007

Commission File Number 1-7062

INNSUITES HOSPITALITY TRUST
(Exact name of registrant as specified in its charter)

Ohio	**34-6647590**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

InnSuites Hotels Centre
1615 E. Northern Ave., Suite 102
Phoenix, AZ 85020
(Address of principal executive offices)

Registrant's telephone number, including area code: **(602) 944-1500**

Indicate by check mark whether the registrant: (l) has filed all reports required to be filed by Section 13 or l5(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 ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o   Accelerated Filer ¨ Non-Accelerated Filer ý

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

Number of outstanding Shares of Beneficial Interest, without par value, as of September 7, 2007: 9,186,654

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

		JULY 31, 2007		JANUARY 31, 2007
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	165,799	$	202,691
Restricted Cash		103,136		128,284
Accounts Receivable, including $240,691 and $0 from related parties, net of Allowance for Doubtful Accounts of $66,000 and $115,000, as of July 31, and January 31, 2007, respectively		602,000		752,232
Prepaid Expenses and Other Current Assets		556,258		485,636
Total Current Assets		1,427,193		1,568,843
Hotel Properties, net		29,085,194		29,654,942
Long-Term Portion of Deferred Finance Costs		122,433		140,245
Long-Term Deposits		14,987		14,987
TOTAL ASSETS	$	30,649,807	$	31,379,017
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Expenses, including $486 and $518,206 accrued interest and payables to related parties as of July 31, and January 31, 2007, respectively	$	1,780,407	$	2,970,080
Notes Payable to Banks		2,117,203		749,777
Current Portion of Mortgage Notes Payable		925,584		926,464
Current Portion of Other Notes Payable		104,238		109,486
Current Portion of Notes Payable to Related Parties		232,189		31,086
Total Current Liabilities		5,159,621		4,786,893
Mortgage Notes Payable		17,497,257		17,939,187
Notes Payable to Related Parties		38,255		1,054,631
Other Notes Payable		112,694		126,413
TOTAL LIABILITIES		22,807,827		23,907,124
MINORITY INTEREST IN PARTNERSHIP		842,383		930,192
SHAREHOLDERS' EQUITY				
Shares of Beneficial Interest, without par value; unlimited authorization; 9,188,716 and 9,195,856 shares issued and		17,554,204		17,030,891

outstanding at July 31, and January 31, 2007, respectively				
Treasury Stock, 7,585,960 and 7,536,970 shares held at July 31, and January 31, 2007, respectively		(10,554,607)		(10,489,190)
TOTAL SHAREHOLDERS' EQUITY		6,999,597		6,541,701
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	30,649,807	$	31,379,017

See accompanying notes to unaudited consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE SIX MONTHS ENDED JULY 31,			
		2007		2006
REVENUE				
Room	$	8,904,328	$	8,396,340
Food and Beverage		568,310		601,386
Telecommunications		17,299		16,362
Other		193,587		228,374
Management and Trademark Fees, including $198,381 and $184,815 from related parties, for the six months ended July 31, 2007 and 2006, respectively		207,353		276,945
Payroll Reimbursements, including $1,552,761 and $1,498,229 from related parties, for the six months ended July 31, 2007 and 2006, respectively		1,552,761		1,915,816
TOTAL REVENUE		11,443,638		11,435,223
OPERATING EXPENSES				
Room		2,174,852		2,136,766
Food and Beverage		544,746		565,647
Telecommunications		49,171		65,915
General and Administrative		1,774,237		1,570,664
Sales and Marketing		653,381		658,430
Repairs and Maintenance		708,016		716,922
Hospitality		390,078		371,907
Utilities		593,204		562,759
Hotel Property Depreciation		978,453		1,038,880
Real Estate and Personal Property Taxes, Insurance and Ground Rent		586,803		587,710
Other		22,616		75,124
Payroll Expenses		1,552,761		1,915,816
TOTAL OPERATING EXPENSES		10,028,318		10,266,540
OPERATING INCOME		1,415,320		1,168,683
Interest Income		679		1,246
TOTAL OTHER INCOME		679		1,246
Interest on Mortgage Notes Payable		812,885		854,442
Interest on Notes Payable to Banks		60,778		8,312
Interest on Notes Payable and Advances to Related Parties		15,350		18,352
Interest on Other Notes Payable		7,495		11,421
TOTAL INTEREST EXPENSE		896,508		892,527
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES		519,491		277,402
PLUS MINORITY INTEREST		72,315		145,243
		591,806		422,645

INCOME ATTRIBUTABLE TO SHARES OF BENEFICIAL INTEREST BEFORE INCOME TAXES				
INCOME TAX PROVISION (Note 7)		(44,286)		(77,650)
NET INCOME ATTRIBUTABLE TO SHARES OF BENEFICIAL INTEREST	$	547,520	$	344,995
NET INCOME PER SHARE - BASIC	$	0.06	$	0.04
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		9,198,141		9,270,644
NET INCOME PER SHARE - DILUTED	$	0.04	$	0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		13,147,977		13,299,669

See accompanying notes to unaudited consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED JULY 31,	
	2007	**2006**
REVENUE		
Room	$ 3,707,418	$ 3,443,128
Food and Beverage	234,538	247,809
Telecommunications	5,822	6,786
Other	99,524	102,642
Management and Trademark Fees, including $89,269 and $82,576 from related parties, for the three months ended July 31, 2007 and 2006, respectively	98,242	133,233
Payroll Reimbursements, including $792,751 and $764,529 from related parties, for the three months ended July 31, 2007 and 2006, respectively	792,751	989,570
TOTAL REVENUE	4,938,295	4,923,168
OPERATING EXPENSES		
Room	1,073,582	1,011,851
Food and Beverage	245,707	262,348
Telecommunications	13,751	24,119
General and Administrative	968,077	720,760
Sales and Marketing	343,271	318,826
Repairs and Maintenance	353,378	378,483
Hospitality	194,540	171,197
Utilities	326,903	306,654
Hotel Property Depreciation	488,026	524,529
Real Estate and Personal Property Taxes, Insurance and Ground Rent	281,495	282,129
Other	15,935	38,793
Payroll Expenses	792,751	989,570
TOTAL OPERATING EXPENSES	5,097,416	5,029,259
OPERATING LOSS	(159,121)	(106,091)
Interest Income	633	33
TOTAL OTHER INCOME	633	33
Interest on Mortgage Notes Payable	383,081	428,561
Interest on Notes Payable to Banks	45,330	6,915
Interest on Notes Payable and Advances to Related Parties	1,809	9,464
Interest on Other Notes Payable	3,523	5,808
TOTAL INTEREST EXPENSE	433,743	450,748
LOSS BEFORE MINORITY INTEREST AND INCOME TAXES	(592,231)	(556,806)

LESS MINORITY INTEREST		(206,813)		(215,346)
LOSS ATTRIBUTABLE TO SHARES OF BENEFICIAL INTEREST BEFORE INCOME TAXES		(385,418)		(341,460)
INCOME TAX BENEFIT (Note 7)		31,107		850
NET LOSS ATTRIBUTABLE TO SHARES OF BENEFICIAL INTEREST	$	(354,311)	$	(340,610)
NET LOSS PER SHARE - BASIC	$	(0.04)	$	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		9,205,478		9,268,236
NET LOSS PER SHARE - DILUTED	$	(0.04)	$	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		9,205,478		9,268,236

See accompanying notes to unaudited
consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE SIX MONTHS ENDED JULY 31, 2007	FOR THE SIX MONTHS ENDED JULY 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Attributable to Shares of Beneficial Interest	$ 547,520	$ 344,995
Adjustments to Reconcile Net Income Attributable to Shares of Beneficial Interest to Net Cash Provided By Operating Activities:		
Minority Interest	(72,315)	(145,243)
Provision for Uncollectible Receivables	10,723	16,877
Deferred Stock Compensation Expense	23,040	49,747
Depreciation and Amortization	996,255	1,056,682
Loss on Disposal of Hotel Properties	773	1,628
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	139,509	(142,193)
(Decrease) in Prepaid Expenses and Other Assets	(47,572)	(16,697)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(1,189,669)	96,310
NET CASH PROVIDED BY OPERATING ACTIVITIES	408,264	1,262,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Restricted Cash	25,148	86,646
Cash Received from Sale of Hotel Properties	1,800	—
Improvements and Additions to Hotel Properties	(411,278)	(949,023)
NET CASH USED IN INVESTING ACTIVITIES	(384,330)	(862,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Mortgage Notes Payable	(442,810)	(613,946)
Payments on Notes Payable to Banks	(2,431,640)	(1,510,772)
Borrowings on Notes Payable to Banks	3,799,066	1,510,772
Repurchase of Partnership Units	(650)	(246)
Repurchase of Treasury Stock	(115,552)	(45,129)
Payments on Notes and Advances Payable to Related Parties	(1,015,273)	(14,242)
Borrowings on Notes and Advances Payable to Related Parties	200,000	300,000
Payments on Other Notes Payable	(53,967)	(56,970)
NET CASH USED IN FINANCING ACTIVITIES	(60,826)	(430,533)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,892)	(30,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	202,691	34,251
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 165,799	$ 3,447

See Supplemental Disclosures at Note 6

See accompanying notes to unaudited
consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JULY 31, 2007 AND JANUARY 31, 2007
AND FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2007 AND 2006

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

InnSuites Hospitality Trust (the “Trust”) is an unincorporated real estate investment trust in the State of Ohio that at July 31, 2007 owned four hotels through a partnership interest in RRF Limited Partnership (the “Partnership”) and one hotel (Yuma Hospitality LP) directly (the “Hotels”) with an aggregate of 843 suites in Arizona, southern California and New Mexico. The Trust is the sole general partner in the Partnership. The Hotels are managed by InnSuites Hotels, Inc. (“InnSuites Hotels”), which is a wholly-owned subsidiary of the Trust.

InnSuites Hotels holds management contracts under which it provides hotel management services to the Hotels, as well as four hotels with an aggregate of 544 suites owned by affiliates of James F. Wirth (“Mr. Wirth”), the Trust’s Chairman, President and Chief Executive Officer. Under the management agreements, InnSuites Hotels provides the personnel at the hotels, the expenses of which are reimbursed at cost, and manages the hotels’ daily operations, for which it receives a percentage of revenue from the hotels. InnSuites Hotels also holds licensing agreements and the “InnSuites” trademarks and provides licensing services to the Hotels, as well as the four hotels owned by affiliates of Mr. Wirth with an aggregate of 544 suites and two unrelated hotel property with an aggregate of 255 suites. Under the licensing agreements, InnSuites Hotels receives a percentage of revenue from the hotels in exchange for use of the “InnSuites” trademark. All significant intercompany transactions and balances have been eliminated in consolidation.

The Trust’s general partnership interest in the Partnership was 70.42% and 69.89% on July 31, 2007 and January 31, 2007, respectively. The weighted average for the six months ended July 31, 2007 and 2006 was 70.10% and 69.50%, respectively. The weighted average for the three months ended July 31, 2007 and 2006 was 70.31% and 69.53%, respectively.

PARTNERSHIP AGREEMENT

The Partnership Agreement of the Partnership (the “Partnership Agreement”) provides for the issuance of two classes of limited partnership units, Class A and Class B. Such classes are identical in all respects, except that each Class A limited partnership unit is convertible into a like number of Shares of Beneficial Interest of the Trust at any time at the option of the limited partner. As of July 31, 2007 and January 31, 2007, a total of 500,581 and 570,067, respectively, Class A limited partnership units were issued and outstanding. Additionally, as of July 31, 2007 and January 31, 2007, a total of 3,407,938 Class B limited partnership units were held by Mr. Wirth and his affiliates on that date, in lieu of the issuance of Class A limited partnership units. Each Class B limited partnership unit is identical to Class A limited partnership units in all respects, except that Class B limited partnership units are convertible only with the approval of the Board of Trustees, in its sole discretion. If all of the Class A and B limited partnership units were converted, the limited partners in the Partnership would receive 3,908,519 Shares of Beneficial Interest of the Trust. As of July 31, 2007 and January 31, 2007, 9,302,998 and 9,233,512 General Partner Units were held by the Trust, respectively.

BASIS OF PRESENTATION

The financial statements of the Partnership, InnSuites Hotels and Yuma Hospitality LP are consolidated with the Trust, and all significant intercompany transactions and balances have been eliminated.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended July 31, 2007 are not necessarily indicative of the results that may be expected for the year ended January 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included in the Trust's Annual Report on Form 10-K as of and for the year ended January 31, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

The accounting policies that the Trust believes are most critical and involve the most subjective judgments include estimates and assumptions of future revenue and expenditures used to project cash flows. Future cash flows are used to determine the recoverability (or impairment) of the carrying values of the Trust's assets in the event management is required to test an asset for recoverability of carrying value under Statement of Financial Accounting Standards No. 144. If the carrying value of an asset exceeds the estimated future undiscounted cash flows over its estimated remaining life, the Trust recognizes an impairment expense to reduce the asset's carrying value to its fair value. Fair value is determined by either the most current third-party property appraisal, if available or the present value of future undiscounted cash flows over the remaining life of the asset. The Trust's evaluation of future cash flows is based on historical experience and other factors, including certain economic conditions and committed future bookings. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows.

REVENUE RECOGNITION

Room, food and beverage, telecommunications, management and licensing fees and other revenue are recognized as earned as services are provided and items are sold. Payroll reimbursements are recorded as personnel services are provided and are not netted with the corresponding payroll expense.

EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share have been computed based on the weighted-average number of Shares of Beneficial Interest outstanding during the periods and potentially dilutive securities.

For the six month periods ended July 31, 2007 and 2006, there were Class A and Class B limited partnership units outstanding, which are convertible to Shares of Beneficial Interest of the Trust. Assuming conversion, the aggregate weighted-average of these Shares of Beneficial Interest would have been 3,949,836 and 4,029,025 for the first six months of fiscal year 2008 and 2007, respectively.

The following is a reconciliation of basic earnings per share to diluted earnings per share (there is no dilutive effect for the three month periods ended July 31, 2007 and 2006):

	For the six months ended			
	July 31, 2007		July 31, 2006	
Income attributable to Shares of Beneficial Interest	$	547,520	$	344,995
Less: Income attributable to minority interest unit holders		(72,315)		(145,243)
Income attributable to Shares of Beneficial Interest after unit conversion	$	475,205	$	199,752
Weighted average common shares outstanding		9,198,141		9,270,644
Plus: Weighted average incremental shares resulting from unit conversion		3,949,836		4,029,025
Weighted average common shares outstanding after unit conversion		13,147,977		13,299,699
Basic Earnings Per Share	$	0.06	$	0.04
Diluted Earnings Per Share	$	0.04	$	0.02

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FIN No. 48, "Accounting for Uncertainty in Income Taxes." The interpretation applies to all tax positions related to income taxes subject to SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold in determining if a tax position should be reflected in the financial statements. Only tax positions that meet the "more likely than not" recognition threshold may be recognized. The interpretation also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition requirements for uncertain tax positions. FIN No. 48 will be effective for the Trust's fiscal year ending January 31, 2008. See Income Taxes at Note 7.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 will be effective for the Trust’s fiscal year ending January 31, 2009. The Trust is currently evaluating the requirements of SFAS No. 157 and has not yet determined the impact on its financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132 (R).” This pronouncement requires an employer to make certain recognitions, measurements, and disclosures regarding defined benefit postretirement plans. The Trust does not have any defined benefit postretirement plans, and SFAS No. 158 will not have any impact on its financial condition and results of operations.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 108, “Considering the Effects of Prior Year Misstatements in Current Year Financial Statements. SAB 108 provides guidance on consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have an impact on the Trust’s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities,” which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for the Trust on February 1, 2008. The Trust is currently evaluating the impact of adopting SFAS No. 159 on its financial position, cash flows and results of operations.

In June 2006, the FASB issued EITF Issue No. 06-03, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross Versus Net Presentation)” which permits entities to present certain taxes assessed by a governmental authority on either a gross basis (included in revenues and costs) or a net basis (excluded from revenues). An entity is not required to reevaluate its existing policies related to taxes assessed by a governmental authority but may choose to do so. EITF Issue No. 06-03 is effective for interim and annual reporting periods beginning after December 15, 2006. The Trust reports it revenue net of sales taxes. Management plans to continue to report revenue net of sales tax.

3. STOCK-BASED COMPENSATION

In December 2004, Statement of Financial Accounting Standards No. 123 (revised 2004) was issued. This Statement is a revision of FASB Statement No. 123, Accounting for Stock Based Compensation, and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees. This Statement establishes standards for accounting for transactions in which an entity exchanges its equity securities for goods and services. The Trust adopted this Statement during fiscal year 2006.

During the first six months of fiscal year 2007, the Trust issued 99,300 restricted shares to its Trustees, officers and other key employees with a total fair value of $134,055. Fair value was calculated using the closing share price on the date of the grant. The shares were issued from the Trust’s treasury stock. During the first six months of fiscal year 2007, the Trust recognized expense on these shares totaling $49,747. The shares became fully vested on December 31, 2006.

	Restricted Shares	
	Shares	Weighted-Average Grant Date Fair Value
Balance at January 31, 2006	—	—
Granted	99,300	$1.35
Vested	(62,250)	$1.35
Forfeited	—	—
Balance of unvested awards at July 31, 2006	37,050	$1.35

During the second quarter of fiscal year 2008, the Trust issued 36,000 restricted shares to its Trustees with a total fair value of $46,080. Fair value was calculated using the closing share price on the date of the grant. The shares were issued from the Trust’s treasury stock

. During the second quarter of fiscal year 2008, the Trust recognized expense on these shares totaling $23,040. As of July 31, 2007, the Trust maintains a prepaid balance on these shares of $23,040. The following tables summarize restricted share activity during the six months ended July 31, 2007:

	Restricted Shares	
	Shares	Weighted-Average Grant Date Fair Value
Balance at January 31, 2007	—	—
Granted	36,000	$1.28
Vested	(36,000)	$1.28
Forfeited	—	—
Balance of unvested awards at July 31, 2007	0	NA

No cash was paid out or received by the Trust relating to restricted share awards during the six months ended July 31, 2007 or 2006.

4. RELATED PARTY TRANSACTIONS

As of July 31, 2007 and 2006, Mr. Wirth and his affiliates held 3,407,938 Class B limited partnership units in the Partnership. As of July 31, 2007 and 2006, Mr. Wirth and his affiliates held 5,573,624 Shares of Beneficial Interest of the Trust.

The Trust paid interest on related party notes to Mr. Wirth and his affiliates in the amounts of $17,856 and $20,300 for the six months ended July 31, 2007 and 2006, respectively. The Trust recognized interest expense on related party notes to Mr. Wirth and his affiliates in the amounts of $12,571 and $14,544 for the six months ended July 31, 2007 and 2006, respectively. The Trust had accrued but unpaid interest on related party notes to Mr. Wirth and his affiliates in the amounts of $486 and $5,771 as of July 31, 2007 and January 31, 2007, respectively.

The Trust recognized interest expense on other related party notes in the amounts of $2,779 and $3,808 for the six months ended July 31, 2007 and 2006, respectively, which was paid during the same time periods. The Trust had no unpaid interest on these notes as of July 31, 2007 and January 31, 2007.

Notes and advances payable to related parties at July 31, 2007 and January 31, 2007 consist of notes payable to Rare Earth Financial, L.L.C., an affiliate of Mr. Wirth, and notes payable to Mason Anderson, former Trustee of the Trust, and his affiliates to repurchase Shares of Beneficial Interest in the Trust. The aggregate amounts outstanding were approximately $270,000 and $1.1 million as of July 31, 2007 and January 31, 2007, respectively. The notes and advances payable to related parties consist of:

	July 31, 2007	January 31, 2007
Note payable to The Anderson Charitable Remainder Unitrust, an affiliate of Mason Anderson, former Trustee of the Trust, bearing interest at 7% per annum, and secured by Shares of Beneficial Interest in the Trust. Due in monthly principal and interest payments of $1,365 through November 2009.	$ 35,166	$ 41,985
Note payable to Wayne Anderson, son of Mason Anderson, former Trustee of the Trust, bearing interest at 7% per annum, and secured by Shares of Beneficial Interest in the Trust. Due in monthly principal and interest payments of $574 through June 2009.	12,326	15,280
Note payable to Karen Anderson, daughter of Mason Anderson, former Trustee of the Trust, bearing interest at 7% per annum, and secured by Shares of Beneficial Interest in the Trust. Due in monthly principal and interest payments of $574 through June 2009.	12,326	15,280
Note payable to Kathy Anderson, daughter of Mason Anderson, former Trustee of the Trust, bearing interest at 7% per annum, and secured by Shares of Beneficial Interest in the Trust. Due in monthly principal and interest payments of $495 through June 2009.	10,626	13,172
Revolving line of credit to Rare Earth Financial, L.L.C., affiliate of Mr. Wirth, bearing interest at 7% per annum, and secured by the Partnership's ownership interest in Tucson St. Mary's Hospitality LLC. Due in monthly interest installments with unpaid principal due in March 2008.	200,000	1,000,000
Totals	$ 270,444	$1,085,717

5. NOTES PAYABLE TO BANKS

On August 18, 2006, the Trust entered into an agreement for an unsecured bank line of credit. Under the agreement, the Trust can draw $750,000, bearing interest at prime plus 0.5% (8.75% as of July 31, 2007), with interest-only payments due monthly. During specified times over the duration of the line of credit, the Trust must pay the line of credit down to zero and is unable to borrow against the line of credit for a period of 30 days. During the first quarter, the Trust paid down the line of credit to zero and maintained a zero balance for a period of 30 days. The line of credit matures on February 18, 2008. As of July 31, 2007 and January 31, 2007, the Trust had drawn $602,407 and $749,777 of the funds available under the line or credit, respectively.

On February 23, 2007, Tucson Saint Mary's Suite Hospitality, an entity owned by the Partnership, established a $2 million non-revolving line of credit. The interest rate applied to the unpaid principal balance is the prime rate as published by the Wall Street Journal plus 0.75%. The initial interest rate was 9.00%. The line of credit is secured by the Tucson Saint Mary's hotel property and matures on February 23, 2008. As of July 31, 2007, $1.5 million was borrowed under the line of credit to pay down debt and to pay for renovations to that hotel. The interest rate at July 31, 2007 was 9.00%.

6. STATEMENTS OF CASH FLOWS, SUPPLEMENTAL DISCLOSURES

The Trust paid $891,946 and $887,876 in cash for interest for the six months ended July 31, 2007 and 2006, respectively.

During the second quarter of fiscal year 2008, the Trust issued 36,000 Shares of Beneficial Interest, with a total value of $46,080, to the Trustees as payment for their services for fiscal year 2008.

During the second quarter of fiscal year 2008, the Trust issued a promissory note to an unrelated third party for $35,000 in exchange for 27,636 Class A limited partnership units in the Partnership.

During the first quarter of fiscal year 2007, the Trust issued 45,663 Shares of Beneficial Interest with an aggregate value of $61,746 in exchange for 45,663 Class A limited partnership units in the Partnership held by unrelated third parties.

During the first quarter of fiscal year 2007, the Trust issued 21,600 Shares of Beneficial Interest, with a total value of $29,160, to the Trustees in exchange for their services during fiscal year 2006. The Trust also issued 36,000 Shares of Beneficial Interest, with a total value of $48,600, to the Trustees as payment for their services in fiscal year 2007.

During the first quarter of fiscal year 2007, the Trust issued 41,700 Shares of Beneficial Interest, with a total value of $56,295, as bonuses to its executive officers and other key employees.

During the first quarter of fiscal year 2007, the Trust issued a promissory note to an unrelated third party for $17,000 in exchange for 6,667 Class A limited partnership units in the Partnership and 5,827 Shares of Beneficial Interest.

During the first quarter of fiscal year 2007, the Trust satisfied its $400,000 note payable to Rare Earth Financial, L.L.C., an affiliate of Mr. Wirth, with the establishment of a line of credit with Rare Earth Financial. The $400,000 due and payable was converted to a balance due under the line of credit.

7. INCOME TAXES

The Trust has recorded net income tax provisions of $44,286 and $77,650 for the six months ended July 31, 2007 and 2006, respectively, which included a tax benefit of $233,638 and $210,000, respectively, from the utilization of federal net operating loss carryforwards. The Trust has recorded net income tax benefits of $31,107 and $850 for the three months ended July 31, 2007 and 2006. The Trust has a current income tax receivable of $2,901 as of July 31, 2007 and a current income tax payable of $31,805 as of January 31, 2007. At July 31, 2007 and January 31, 2007, the Trust maintained a 100% valuation allowance of $1,036,225 and $1,227,000, respectively, against its net deferred income tax assets. On July 31, 2007 the Trust has net operating loss carryforwards of $11.3 and $1.3 million for federal and state, respectively.

On February 1, 2007 the Trust adopted FASB Interpretation No. 48 (“FIN 48”) Accounting for Uncertainty in Income Taxes. Pursuant to FIN 48, the Trust identified, evaluated and measured the amount of income tax benefits to be recognized for the Trust’s income tax positions. The Trust has concluded that there are no material uncertain tax positions requiring recognition in the financial statements. As a result of the adoption of FIN 48, the Trust has not recognized any change to the January 31, 2007 balance in retained earnings. At January 31, 2007 and July 31, 2007, the Trust had no unrecognized tax benefits that, if recognized, would affect the Trust’s effective income tax rate in future periods other than the benefits from net operating loss carryforwards that are offset by a valuation allowance.

The Trust's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Trust had no accrued interest or penalties at January 31, 2007 and no accrued interest or penalties at July 31, 2007.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion should be read in conjunction with the InnSuites Hospitality Trust unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q.

The Trust owns the sole general partner's interest in the Partnership. The Trust's principal source of cash flows is from the operations of the Hotels and management and licensing contracts with affiliated and third-party hotels outside of the Trust.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes." The interpretation applies to all tax positions related to income taxes subject to SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold in determining if a tax position should be reflected in the financial statements. Only tax positions that meet the "more likely than not" recognition threshold may be recognized. The interpretation also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition requirements for uncertain tax positions. See Income Taxes at Note 7.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 will be effective for the Trust's fiscal year ending January 31, 2009. The Trust is currently evaluating the requirements of SFAS No. 157 and has not yet determined the impact on its financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132 (R)." This pronouncement requires an employer to make certain recognitions, measurements, and disclosures regarding defined benefit postretirement plans. The Trust does not have any defined benefit postretirement plans, and SFAS No. 158 will not have any impact on its financial condition and results of operations.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements in Current Year Financial Statements." SAB 108 provides guidance on consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have an impact on the Trust's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for the Trust on February 1, 2008. The Trust is currently evaluating the impact of adopting SFAS No. 159 on its financial position, cash flows and results of operations.

In June 2006, the FASB issued EITF Issue No. 06-03, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross Versus Net Presentation)" which permits entities to present certain taxes assessed by a governmental authority on either a gross basis (included in revenues and costs) or a net basis (excluded from revenues). An entity is not required to reevaluate its existing policies related to taxes assessed by a governmental authority but may choose to do so. EITF issue No. 06-03 is effective for interim and annual reporting periods beginning after December 15, 2006. The Trust reports it revenue net of sales taxes. Management plans to continue to report revenue net of sales tax.

RESULTS OF OPERATIONS

The expenses of the Trust consist primarily of hotel operating expenses, property taxes, insurance, corporate overhead, interest on mortgage debt, professional fees and depreciation of the Hotels. The operating performance of the Trust is principally related to the performance of the Hotels. Therefore, management believes that a review of the historical performance of the operations of the Hotels, particularly with respect to occupancy, calculated as rooms sold divided by the number of rooms available, average daily rate (“ADR”), calculated as total room revenue divided by number of rooms sold, and revenue per available room (“REVPAR”), calculated as total room revenue divided by the number of rooms available, is appropriate for understanding revenue from the Hotels. Occupancy was 74.6%, relatively consistent with the prior year period. ADR increased $5.11, or 7.0%, to $78.48. The sharp increase in ADR resulted in an increase of $3.53, or 6.4%, in REVPAR to $58.56 from $55.03 in the prior year period.

The following table shows occupancy, ADR and REVPAR for the periods indicated:

	FOR THE SIX MONTHS ENDED JULY 31,			
	2007		2006	
OCCUPANCY		74.6%		75.0%
AVERAGE DAILY RATE (ADR)	$	78.48	$	73.37
REVENUE PER AVAILABLE ROOM (REVPAR)	$	58.56	$	55.03

No assurance can be given that the trends reflected in this data will continue or that occupancy, ADR or REVPAR will not decrease as a result of changes in national or local economic or hospitality industry conditions.

RESULTS OF OPERATIONS OF THE TRUST FOR THE SIX MONTHS ENDED JULY 31, 2007 COMPARED TO THE SIX MONTHS ENDED JULY 31, 2006

A summary of the operating results for the six months ended July 31, 2007 and 2006 is:

		2007		2006		Change	% Change
Revenue	$	11,443,638	$	11,435,223	$	8,415	<1.0%
Operating Income	$	1,415,320	$	1,168,683	$	246,637	21.1%
Net Income Attributable to Shares of Beneficial Interest	$	547,520	$	344,995	$	202,525	58.7%
Net Income Per Share - Basic	$	0.06	$	0.04	$	0.02	50.0%
Net Income Per Share - Diluted	$	0.04	$	0.02	$	0.02	100.0%

Total Trust revenue was $11.4 million for the six months ended July 31, 2007, consistent with the prior year period. Revenues from hotel operations, which include Room, Food and Beverage, Telecommunications and Other revenues, increased 4.8% to $9.7 million from $9.2 million when comparing the six months ended July 31, 2007 and 2006, respectively, primarily due to higher average rates realized through the Trust's rate management efforts.

Total expenses decreased $235,000, or 2.1%, to $10.9 million when comparing the six months ended July 31, 2007 and 2006. Total operating expenses decreased $238,000, or 2.3%, to $10.0 million from $10.3 million for the six months ended July 31, 2007 and 2006, respectively. The decreases are primarily due to decreased payroll expenses resulting from the termination on the San Diego, California management agreement during the third quarter of fiscal year 2007.

General and administrative expenses increased $204,000, or 13.0%, to $1.8 million from $1.6 million when comparing the six months ended July 31, 2007 and 2006, respectively. This is primarily due to $85,000 of workers' compensation expense incurred by InnSuites Hotels, Inc. relating to a prior year policy audit and additional payroll and other administrative expenses at the corporate location.

Hotel property depreciation expenses decreased $60,000, or 5.8%, to $978,000 from $1.0 million when comparing the six months ended July 31, 2007 and 2006, respectively. This is primarily due to depreciation incurred in fiscal year 2007 related to fixtures, furniture and equipment at the San Diego, California location that was sold during the third quarter of fiscal year 2007.

Total interest expense was $897,000 for the six months ended July 31, 2007, consistent with the prior year period total of $893,000.

RESULTS OF OPERATIONS OF THE TRUST FOR THE THREE MONTHS ENDED JULY 31, 2007 COMPARED TO THE THREE MONTHS ENDED JULY 31, 2006

A summary of the operating results for the three months ended July 31, 2007 and 2006 is:

		2007		2006		Change	% Change
Revenue	$	4,938,295	$	4,923,168	$	15,127	<1.0%
Operating Loss	$	(159,121)	$	(106,091)	$	(53,030)	(50.0)%
Net Loss Attributable to Shares of Beneficial Interest	$	(354,311)	$	(340,610)	$	(13,701)	(4.0)%
Net Loss Per Share - Basic	$	(0.04)	$	(0.04)	$	0.00	0.0%
Net Loss Per Share - Diluted	$	(0.04)	$	(0.04)	$	0.00	0.0%

Total Trust revenue was $4.9 million for the three months ended July 31, 2007, consistent with the prior year period. Revenues from hotel operations, which include Room, Food and Beverage, Telecommunications and Other revenues, increased 6.5% to $4.0 million from $3.8 million when comparing the three months ended July 31, 2007 and 2006, respectively, primarily due to higher average rates realized through the Trust's rate management efforts.

Total expenses were $5.5 million for the three months ended July 31, 2007, an increase of $51,000, or less than 1.0%, compared to the prior year period. Total operating expenses increased $68,000, or 1.4%, to $5.1 million from $5.0 million for the three months ended July 31, 2007 and 2006, respectively.

General and administrative expenses increased $247,000, or 34.3%, to $968,000 from $721,000 when comparing the three months ended July 31, 2007 and 2006, respectively. This is primarily due to $85,000 of workers' compensation expense incurred by InnSuites Hotels, Inc. relating to a prior year policy audit and additional professional fees incurred at the corporate location.

Hotel property depreciation expenses decreased $37,000, or 7.0%, to $488,000 from $525,000 when comparing the six months ended July 31, 2007 and 2006, respectively. This is primarily due to depreciation incurred in fiscal year 2007 related to fixtures, furniture and equipment at the San Diego, California location that was sold during the third quarter of fiscal year 2007.

Total interest expense was $433,000 for the three months ended July 31, 2007, a decrease of $17,000, or 3.8%, from the prior year period total of $451,000.

FUNDS FROM OPERATIONS (FFO)

The Trust recognizes that industry analysts and investors use Funds From Operations ("FFO") as a financial measure to evaluate and compare equity REITs. The Trust also believes it is meaningful as an indicator of net income, excluding most non-cash items, and provides information about the Trust's cash available for distributions, debt service and capital expenditures. The Trust follows the March 1995 interpretation of the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO, as amended January 1, 2000, which is calculated (in the Trust's case) as net income or loss (computed in accordance with accounting principles generally accepted in the United States of America ("GAAP"), excluding gains (or losses) from sales of property, depreciation and amortization on real estate property and extraordinary items. FFO does not represent cash flows from operating activities in accordance with GAAP and is not indicative of cash available to fund all of the Trust's cash needs. FFO should not be considered as an alternative to net income or any other GAAP measure as an indicator of performance and should not be considered as an alternative to cash flows as a measure of liquidity. In addition, the Trust's FFO may not be comparable to other companies' FFO due to differing methods of calculating FFO and varying interpretations of the NAREIT definition.

	For the Six Months Ended July 31,		For the Three Months Ended July 31,	
	2007	2006	2007	2006
Net Income (Loss) Attributable to Shares of Beneficial Interest	$ 547,520	$ 344,995	$ (354,311)	$ (340,610)
Hotel Property Depreciation	978,453	1,038,880	488,026	524,529
Loss on Disposition of Hotels	773	1,628	—	652
Minority Interest Share of Depreciation and (Gain) Loss on Dispositions	(226,399)	(249,908)	(112,632)	(125,658)
Funds from Operations	$ 1,300,347	$ 1,135,595	$ 21,083	$ 58,913

Funds from Operations increased approximately $165,000 for the six month period ended July 31, 2007, reflecting an increase of 14.5%, when compared to the prior year period. The increase was due primarily to stronger operating results at the hotel properties. Funds from Operations decreased approximately $38,000 for the three month period ended July 31, 2007, reflecting a decrease of 64.2% from the prior year period. The decrease was due primarily to increased administrative costs at the corporate level.

LIQUIDITY AND CAPITAL RESOURCES

Through its ownership interest in the Partnership, Yuma Hospitality LP and InnSuites Hotels, the Trust has its proportionate share of the benefits and obligations of the Partnership’s and Yuma Hospitality LP’s ownership interests, as well as InnSuites Hotels’ operational interests, in the Hotels. The Trust’s principal source of cash to meet its cash requirements, including distributions to its shareholders, is its share of these cash flows. The Trust’s liquidity, including its ability to make distributions to its shareholders, will depend upon the ability to generate sufficient cash flows from hotel operations.

The Trust has principal of $483,654 due and payable for the remainder of fiscal year 2008 under mortgage notes payable. For the twelve months between August 1, 2007 and July 31, 2008, the Trust has principal of $925,582 due and payable under mortgage notes payable. The Trust anticipates that cash flows from operations will be sufficient to satisfy these obligations as they become due.

The Trust has no principal due and payable in fiscal year 2008 under notes and advances payable to Mr. Wirth and his affiliates. The Trust had $400,000 due to Rare Earth Financial, L.L.C., an affiliate of Mr. Wirth, in March 2006. The Trust satisfied this note using the line of credit established by the Partnership with Rare Earth Financial in March 2006. On December 1, 2006, the Partnership amended this line of credit agreement to increase the maximum amount the Partnership can borrow under the line of credit from $700,000 to $1.0 million. The Trust has $200,000 due on the line of credit as of July 31, 2007. For the twelve months between August 1, 2007 and July 31, 2008, the Trust has principal due and payable under notes payable of $200,000 to Mr. Wirth and his affiliates.

The Trust has no principal due and payable in fiscal 2008 on the $2.0 million non-revolving line of credit secured by the Tucson Saint Mary's hotel property. As of July 31, 2007, the Trust has borrowed $1.5 million, which is due and payable in the first quarter of fiscal 2009. The Trust anticipates that cash flows from operations will be sufficient to satisfy this obligation when it becomes due.

The Trust entered into an agreement for an unsecured bank line of credit on August 18, 2006. Under the agreement, the Trust can draw $750,000, bearing interest at prime plus 0.5% (8.75% as of July 31, 2007), with interest-only payments due monthly. During specified times over the duration of the line of credit, the Trust must pay the line of credit down to zero and is unable to borrow against the line of credit for a period of 30 days. During the first quarter, the Trust paid down the line of credit to zero and maintained a zero balance for a period of 30 days. The line of credit matures on February 18, 2008. As of July 31, 2007, the Trust had drawn $602,407 of the funds available under the line or credit.

The Trust may seek to negotiate additional credit facilities or issue debt instruments. Any debt incurred or issued by the Trust may be secured or unsecured, long-term, medium-term or short-term, bear interest at a fixed or variable rate and be subject to such other terms as the Trust considers prudent.

The Trust continues to contribute to a Capital Expenditures Fund (the "Fund") an amount equal to 4% of the InnSuites Hotels' revenues from operation of the Hotels. The Fund is restricted by the mortgage lender for four of the Trust's properties. As of July 31, 2007, $103,136 was held in restricted capital expenditure funds and is included on the Trust's Balance Sheet as "Restricted Cash." The Fund is intended to be used for capital improvements to the Hotels and for refurbishment and replacement of furniture, fixtures and equipment, in addition to other uses of amounts in the Fund considered appropriate from time to time. During the six months ended July 31, 2007, the Hotels spent $411,278 for capital expenditures. The Trust considers the majority of these improvements to be revenue producing. Therefore, these amounts have been capitalized and are being depreciated over their estimated useful lives. The Hotels also spent $708,016 and $716,922 during the six-month periods ended July 31, 2007 and July 31, 2006, respectively and spent $353,378 and $378,483 during the three-month periods ended July 31, 2007 and July 31, 2006, respectively, on repairs and maintenance and these amounts have been charged to expense as incurred.

As of July 31, 2007, the Trust has no commitments for capital expenditures beyond the 4% reserve for refurbishment and replacements set aside annually for each hotel property.

The Trust may acquire or develop additional hotels only as suitable opportunities arise, and the Trust will not undertake acquisition or redevelopment of properties unless adequate sources of financing are available. Funds for future acquisitions or development of hotels are expected to be derived, in whole or in part, from borrowings or from the proceeds of additional issuances of Shares of Beneficial Interest or other securities. However, there can be no assurance that the Trust will successfully acquire or develop additional hotels.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than lease commitments, legal contingencies incurred in the normal course of business and an employment contract with Mr. Wirth, the Trust does not have any off-balance sheet financing arrangements or liabilities. The Trust does not have any majority-owned subsidiaries that are not included in the consolidated financial statements. (See Note 2 - “Summary of Significant Accounting Policies.”)

SEASONALITY

The Hotels’ operations historically have been seasonal. The three southern Arizona hotels experience their highest occupancy in the first fiscal quarter and, to a lesser extent, the fourth fiscal quarter. The second fiscal quarter tends to be the lowest period of occupancy at those three southern Arizona hotels. This seasonality pattern can be expected to cause fluctuations in the Trust’s quarterly revenue. The two hotels located in California and New Mexico historically experience their most profitable periods during the second and third fiscal quarters (the summer season), providing some balance to the general seasonality of the Trust’s hotel business. To the extent that cash flows from operations are insufficient during any quarter, because of temporary or seasonal fluctuations in revenue, the Trust may utilize other cash on hand or borrowings to make distributions to its shareholders or to meet operating needs. No assurance can be given that the Trust will make distributions in the future.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q, including statements containing the phrases “believes,” “intends,” “expects,” “anticipates,” “predicts,” “should be,” “looking ahead,” “may” or similar words, constitute “forward-looking statements” withi meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Trust intends that such forward-looking statements be subject to the safe harbors created by such Acts. These forward-looking statements include statements regarding the intent, belief or current expectations of the Trust, its Trustees or its officers in respect of (i) the declaration or payment of dividends; (ii) the leasing, management or operation of the Hotels; (iii) the adequacy of reserves for renovation and refurbishment; (iv) the Trust’s financing plans; (v) the Trust’s position regarding investments, acquisitions, developments, financings, conflicts of interest and other matters; (vi) the Trust’s plans and expectations regarding future sales of hotel properties or condo-hotel conversions; and (vii) trends affecting the Trust’s or any Hotel’s financial condition or results of operations.

These forward-looking statements reflect the Trust’s current views in respect of future events and financial performance, but are subject to many uncertainties and factors relating to the operations and business environment of the Hotels which may cause the actual results of the Trust to differ materially from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties include, but are not limited to:

- fluctuations in hotel occupancy rates;
- changes in room rental rates that may be charged by InnSuites Hotels in response to market rental rate changes or otherwise;
- seasonality of our business;
- interest rate fluctuations;
- changes in government regulations, including federal income tax laws and regulations;
- competition;
- any changes in the Trust’s financial condition or operating results due to acquisitions or dispositions of hotel properties;
- insufficient resources to pursue our current strategies;
- concentration of our investments in the InnSuites Hotels® brand;
- loss of franchise contracts;
- real estate and hospitality market conditions;

- hospitality industry factors;
- our ability to meet present and future debt service obligations;
- terrorist attacks or other acts of war;
- outbreaks of communicable diseases;
- natural disasters;
- loss of key personnel;
- local or national economic and business conditions, including, without limitation, conditions which may affect public securities markets generally, the hospitality industry or the markets in which the Trust operates or will operate; and
- uncertainties the Trust might encounter in changing from a real estate investment trust to a tax-paying entity.

The Trust does not undertake any obligation to update publicly or revise any forward-looking statements whether as a result of new information, future events or otherwise. Pursuant to Section 21E(b)(2)(E) of the Securities Exchange Act of 1934, the qualifications set forth hereinabove are inapplicable to any forward-looking statements in this Form 10-Q relating to the operations of the Partnership.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Trust is exposed to interest rate risk primarily as a result of its mortgage notes payable, notes payable to banks and other notes payable. Proceeds from these loans were used to maintain liquidity, fund capital expenditures and expand the Trust’s real estate investment portfolio and operations.

The Trust’s interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Trust borrows using fixed rate debt, when possible. There have been no significant changes in the Trust’s debt structure during the six months ended July 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Trust conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Trust’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Trust’s disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Trust in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms, and that such information is accumulated and communicated to the management of the Trust, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Trust identified one reportable condition under standards established by the American Institute of Certified Public Accountants that constituted a material weakness. The material weakness involved two instances of equity transactions not being timely recorded in the Trust’s accounting records. Management and the auditor agreed that this is a material weakness in internal controls. Management has implemented new internal control procedures at its main office in order to improve and re-establish effective control over its recording of equity transactions.

Except as described above, there was no change in the Trust’s internal control over financial reporting during the Trust’s most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust’s internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 2, 2007.

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

On January 2, 2001, the Board of Trustees approved a share repurchase program under Rule 10b-18 of the Securities Exchange Act of 1934, as amended, for the purchase of up to 250,000 limited partnership units in the Partnership and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Additionally, on September 10, 2002, August 18, 2005 and September 10, 2007, the Board of Trustees approved the purchase of up to 350,000 additional limited partnership units in the Partnership and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Acquired Shares of Beneficial Interest will be held in treasury and will be available for future acquisitions and financings and/or for awards granted under the InnSuites Hospitality Trust 1997 Stock Incentive and Option Plan. During the six months ended July 31, 2007, the Trust acquired 84,990 Shares of Beneficial Interest in open market transactions at an average price of $1.36 per share. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and American Stock Exchange requirements. The Trust remains authorized to repurchase an additional 350,000 limited partnership units and/or Shares of Beneficial Interest pursuant to the share repurchase program, which has no expiration date.

Issuer Purchases of Equity Securities

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Maximum Number of Shares that May Be Yet Purchased Under the Plans**
May 1 - May 31, 2007	29,500	$ 1.27	29,500	21,603
June 1 - June 30, 2007	34,200	$ 1.45	30,400	0 (1)
July 1 - July 31, 2007	6,240	$ 1.51	6,240	0 (1)

(1) On September 10, 2007, the Board of Trustees ratified and approved the limited partnership unit and Share of Beneficial Interest repurchases that occurred during the period from June 1, 2007 through September 10, 2007.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Trust held its 2007 Annual Meeting of Shareholders on July 12, 2007. The nominees listed below were elected as Trustees of the Trust to hold office for a term expiring at the 2010 Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified. Tabulated below is the number of Shares of Beneficial Interest cast for and withheld with respect to the election of the Trustee nominees:

Name	**For**	**Withheld**
James F. Wirth	8,023,861	150,705
Peter A. Thoma	8,085,282	89,284

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

a) Exhibits

31.1 Section 302 Certification By Chief Executive Officer
31.2 Section 302 Certification By Chief Financial Officer
32.1 Section 906 Certification of Principal Executive Officer and Principal Financial Officer

SIGNATURES

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.

		INNSUITES HOSPITALITY TRUST
Dated:	September 14, 2007	/s/ James F. Wirth James F. Wirth Chairman, President and Chief Executive Officer
Dated:	September 14, 2007	/s/ Anthony B. Waters Anthony B. Waters Chief Financial Officer