

TO: ALL CURRENT HOLDERS OF INCOME OPPORTUNITY REALTY INVESTORS, INC.
COMMON SHARES

**PLEASE READ THIS NOTICE CAREFULLY AND COMPLETELY. YOUR RIGHTS
MAY BE AFFECTED.**

THIS NOTICE RELATES TO A PROPOSED VOLUNTARY DISMISSAL WITH PREJUDICE
OF A SHAREHOLDER DERIVATIVE ACTION AND CLAIMS ASSERTED ON BEHALF OF
INCOME OPPORTUNITY REALTY INVESTORS, INC.

PURPOSE OF NOTICE

This Notice is being given pursuant to an Order of the United States District Court for the Northern District of Texas. The purpose of the Notice is to advise you that the plaintiff in the referenced action wishes to voluntarily dismiss the case.

THE SHAREHOLDER DERIVATIVE ACTION

On February 4, 2019, plaintiff Paul Berger (“Plaintiff”) filed a purported shareholder derivative complaint in the United States District Court for the Northern District of Texas, Case No. 3:19-cv-00286-E (the “Derivative Action”), against (i) Transcontinental Realty Investors, Inc., (ii) American Realty Investors, Inc., (iii) Pillar Income Asset Management, Inc., (iv) Income Opportunity Realty Investors, Inc. (nominal defendant) and (v) individuals Daniel J. Moos, Gene S. Bertcher, Louis J. Corna, Ted R. Munselle, Henry A. Butler, Robert A. Jakuszewski, Raymond D. Roberts, Sr., Mickey N. Phillips and Gene E. Phillips (subsequently replaced by the Estate of Gene E. Phillips by its Independent Executor, Bradford Phillips) (collectively, “Defendants”).

Defendants filed a motion to dismiss Plaintiff’s Original Complaint, and the Court dismissed seven of Plaintiff’s claims on March 31, 2020. Plaintiff then filed his First Amended Complaint, and Defendants filed a second motion to dismiss. On March 16, 2022, the Court dismissed four more of Plaintiff’s claims. The Derivative Action purports to allege claims sounding in breach of fiduciary duty, aiding and abetting breaches of fiduciary duty of others, unjust enrichment, and two claims (asserted in the alternative) seeking declaratory judgment that a de facto dividend has been distributed and that a de facto liquidation has been undertaken.

On June 28, 2022, Plaintiff sought to voluntarily dismiss the Derivative Action, stating the cause to be Plaintiff’s counsel belief that the causes of actions most likely to succeed have been dismissed. The parties have not entered into a settlement, and neither Plaintiff nor Plaintiff’s counsel have received any consideration for this voluntary dismissal. The parties stipulate to the dismissal with prejudice. On June 29, 2022, the District Court ordered that notice of the dismissal be provided to Income Opportunity Realty Investors, Inc. shareholders.

If no other Income Opportunity Realty Investors, Inc. shareholder seeks to intervene in the Derivative Action, the voluntary dismissal will be approved and **the Derivative Action will be dismissed with prejudice.**

THE RIGHT TO INTERVENE IN THE DERIVATIVE ACTION

Any Income Opportunity Realty Investors, Inc. shareholder may seek to intervene as a plaintiff in the Derivative Action if he, she, or it (1) owns shares in Income Opportunity Realty Investors, Inc. and (2) wishes to pursue the claims in the Derivative Action or has any reason why the action should not be voluntarily dismissed. All motions to intervene must be filed with the Clerk of the Court no later than August 19, 2022 (the date which is 45 calendar days from the date of first publication of this notice). Every motion to intervene must contain: (1) the caption of the Derivative Action; (2) the intervener's name, address and phone number; (3) proof or certification of the date the intervener purchased Income Opportunity Realty Investors, Inc. stock; and (4) any supporting papers, including all documents and writings that the intervener desires the Court to consider.

Any motions to intervene must be filed with the District Court at:

Clerk of Court
United States District Court for the Northern District of Texas
1100 Commerce Street, Room 1452
Dallas, Texas 75242

A copy of any motion to intervene must also be mailed to the following counsel for the parties:

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Phillips*

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Transcontinental Realty Investors, Inc. and
American Realty Investors, Inc.*