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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020
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.

Nevada	**75-2615944**
(State or other jurisdiction of Incorporation or organization)	**(IRS Employer Identification Number)**
1603 LBJ Freeway, Suite 800 **Dallas, Texas** **(Address of principal executive offices)**	**75234** **(Zip Code)**

(469) 522-4200
Registrant's Telephone Number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	IOR	NYSE American Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☐	**Smaller Reporting Company ☒**
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Based on the last sale at the close of business on June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $7,531,229. The basis of the calculation does not constitute a determination by the Registrant as defined in Rule 405 of the Securities Act of 1933, as amended, such calculation, if made as of a date within sixty days of this filing, would yield a different value.

As of March 26, 2021, there were 4,168,414 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
None.

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FORWARD-LOOKING STATEMENTS

Certain Statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. The words "estimate", "plan", "intend", "expect", "anticipate", "believe" and similar expressions are intended to identify forward-looking statements. The forward-looking statements are found at various places throughout this Report and in the documents incorporated herein by reference. The Company disclaims any intention or obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our expectations are based upon reasonable assumptions, we can give no assurance that our goals will be achieved. Important factors that could cause our actual results to differ from estimates or projections contained in any forward-looking statements are described under Part I, Item 1A. "Risk Factors."

PART I

ITEM 1. *BUSINESS*

As used herein, the terms "IOR", "the Company", "we", "our", "us" refer to Income Opportunity Realty Investors, Inc., a Nevada corporation, individually or together with its subsidiaries. Income Opportunity Realty Investors, Inc. is the successor to a California business trust organized on December 14, 1984, which commenced operations on April 10, 1985. The Company is headquartered in Dallas, Texas, and its common stock trades on the NYSE American. In June 2017, the Company changed its trading symbol from "IOT" to "IOR".

Transcontinental Realty Investors, Inc. ("TCI"), owns approximately 81.1% of IOR's outstanding shares of Common Stock. Accordingly, IOR's financial results are consolidated with those of TCI. IOR is a "C" corporation for U.S. federal income tax purposes and is included in the annual consolidated income tax return with TCI's parent, American Realty Investors, Inc. "ARL", and its ultimate parent, May Realty Holdings, Inc. ("MRHI"), a Nevada Corporation. The Company has no employees.

IOR's Board of Directors are responsible for directing the overall affairs of IOR and for setting the strategic policies that guide the Company. As of April 30, 2011, the Board of Directors delegated the day-to-day management of the Company to Pillar Income Asset Management, Inc., a Nevada corporation ("Pillar"), under an Advisory Agreement that is reviewed annually by IOR's Board of Directors. The Chairman of the Board of Directors of IOR also serves as the Chairman of the Board of Directors of ARL and TCI. The Directors of IOR are also directors of ARL and TCI.

Since April 30, 2011, Pillar, the sole shareholder of which is Realty Advisors, LLC, a Nevada limited liability company, the sole member of which is Realty Advisors, Inc. ("RAI"), a Nevada corporation, the sole shareholder of which is MRHI, a Nevada corporation, the sole shareholder of which is a trust known as The May Trust, became the Company's external contractual Advisor and Cash Manager. Pillar's duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities. Pillar also arranges, for IOR's benefit, debt and equity financing with third party lenders and investors. As the contractual advisor, Pillar is compensated by IOR under an Advisory Agreement. IOR has no employees. Employees of Pillar render services to IOR in accordance with the terms of the Advisory Agreement. This Advisory Agreement is more fully described in *Part III, Item 10. Directors, Executive Officers and Corporate Governance – The Advisor*. Pillar also serves as an Advisor and Cash Manager to ARL and TCI.

Regis Realty Prime, LLC, dba Regis Property Management, LLC ("Regis"), a Nevada limited liability company, provides brokerage services. Regis is entitled to receive real estate brokerage commissions in accordance with the terms of a non-exclusive brokerage agreement. (See *Part III, Item 10. Directors, Executive Officers and Corporate Governance – Property Management and Real Estate Brokerage*, below.)

Business Plan

The principal source of revenue for the Company is interest income on approximately $94 million of notes receivable due from related parties, out of which, $13.1 million are due from United Housing Foundation, Inc. ("UHF") (Refer to Note 3).

Available Information

IOR maintains an internet website at http://www.incomeopp-realty.com. We make available through our website, free of charge, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the Securities and Exchange Commission ("SEC"). In addition, we have posted the Charters of our Audit Committee, Compensation Committee, and our Governance and Nominating Committee, as well as our Code of Business Conduct and Ethics, Corporate Governance Guidelines on Director Independence and other information on our website. These charters and principles are not incorporated in this Report by reference. We will also provide a copy of these documents free of charge to stockholders upon written request. The Company issues Annual Reports containing audited financial statements to its common shareholders.

ITEM 1A. *RISK FACTORS*

Our business may be impacted as a result of the pandemic impact the coronavirus ("COVID 19") may have in the U.S. and global economy.

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and our property portfolio. While we did not incur significant disruptions during 2020 from the COVID-19 pandemic, we are unable to predict the impact that the COVID-19 pandemic will have on our financial condition, results of operations and cash flows due to numerous uncertainties. These uncertainties include the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact and the direct and indirect economic effects of the pandemic and containment measures, among others. The pandemic is having a significant impact on the U.S. economy and on the local markets in which our properties are located. Nearly every industry has been impacted directly or indirectly, and the commercial real estate market has come under pressure due to numerous factors, including preventative measures taken by local, state and federal authorities to alleviate the public health crisis such as mandatory business closures, quarantines, and restrictions on travel and "shelter-in-place" or "stay-at-home" orders. The future impact of COVID-19 on our business and financial activities will depend on future developments, which at this stage are unpredictable considering the fluctuations of COVID-19 outbreaks and the resulting changes in the market.

Risk Factors Related to Our Business

An investment in our securities involves various risks. All investors should carefully consider the following risk factors in conjunction with the other information in this report before trading our securities.

We may not be able to access financial markets to obtain capital on a timely basis, or on acceptable terms.

We may need to rely on third party capital sources for a portion of our capital needs, including capital for acquisitions and development. The public debt and equity markets are among the sources on which we rely. There is no guarantee that we will be able to access these markets, or any other source of capital. The ability to access the public debt and equity markets depends on a variety of factors, including:

- general economic conditions affecting these markets;
- our own financial structure and performance;

Our degree of reliance on the operations of certain real estate assets to collect the notes receivable can affect our cash flow.

The collection of our notes receivable are dependent upon the ability of the real estate assets that secure the notes to produce sufficient cash flow to service these notes. Changes in general or local economic conditions in the Dallas, Texas area can have an adverse effect on the payment of these notes.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our common stock.

The degree of leverage available to the Company could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. The degree of leverage could also make us more vulnerable to a downturn in business or the economy.

An increase in interest rates would increase our interest costs on variable rate debt and could adversely impact our ability to refinance existing debt.

We may incur indebtedness that bears interest at variable rates. Accordingly, if interest rates increase, so will our interest costs, which would adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our stockholders. Further, rising interest rates could limit our ability to refinance any existing debt when it matures.

We may need to sell assets from time to time for cash flow purposes.

In the event that we must sell assets to generate cash flow, we cannot predict whether there will be a market for those assets in the time period we desire or need to sell them, or whether we will be able to sell them at a price that will allow us to fully recoup our investment. We may not be able to realize the full potential value of our assets and we may incur costs related to the early pay-off of the debt secured by such assets. In addition, to the extent that the Company provides financing to the buyer, our ability to collect the amounts owed when due may adversely affect our cash flow.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. PROPERTIES

None.

ITEM 3. *LEGAL PROCEEDINGS*

The Company and its subsidiaries, from time to time, have been involved in various items of litigation incidental to, and in the ordinary course of, its business and, in the opinion of management; the outcome of such litigation will not have a material adverse impact upon the Company's financial condition, results of operations or liquidity.

Berger Litigation

On February 4, 2019, an individual claiming to be a stockholder holding 7,900 shares of Common Stock of Income Opportunity Realty Investors, Inc. ("IOR") filed a Complaint in the United States District Court for the Northern District of Texas, Dallas Division, individually and allegedly derivatively on behalf of IOR, against Transcontinental Realty Investors, Inc. ("TCI"), American Realty Investors, Inc. ("ARL"), (TCI is a shareholder of IOR, ARL is a shareholder of TCI) Pillar Income Asset Management, Inc. ("Pillar"), (collectively the "Companies"), certain officers and directors of the Companies ("Additional Parties") and two other individuals. The Complaint filed alleges that the sale and/or exchange of certain tangible and intangible property between the Companies and IOR during the last ten years of business operations constitutes a breach of fiduciary duty by the one or more of Companies, the Additional Defendants and/or the directors of IOR. The case alleges other related claims. The Plaintiff seeks certification as a representative of IOR and all of its shareholders, unspecified damages, a return to IOR of various funds and an award of costs, expenses, disbursements (including Plaintiff's attorneys' fees) and prejudgment and post-judgment interest. The named Defendants intend to vigorously defend the action, deny all of the allegations of the Complaint, and believe the allegations to be wholly without any merit. The Defendants have filed motions to dismiss the case in its entirety in June 2019. On February 26, 2020, the Court denied IOR's demand futility motion. The remaining Defendants' motions were granted in part and denied in part in the first quarter of 2020. Discovery is ongoing.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not Applicable.

PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The Company's Common Stock is listed and traded on the NYSE American under the symbol "IOR". The following table sets forth the high and low closing sales prices for the Company's Common Stock for each full, quarterly period within the two most recent fiscal years and any subsequent interim period as reported by published financial sources.

	2020		2019	
	High	**Low**	**High**	**Low**
First Quarter	$ 14.96	$ 10.27	$ 11.58	$ 10.33
Second Quarter	$ 12.80	$ 8.32	$ 13.25	$ 10.93
Third Quarter	$ 17.00	$ 11.11	$ 14.95	$ 11.50
Fourth Quarter	$ 13.00	$ 11.02	$ 13.88	$ 11.50

On March 26, 2021, the closing sale price of the Company's common stock on the NYSE American was $11.29 per share. The approximate number of record holders of our common stock at March 26, 2021 was 410.

IOR's Board of Directors established a policy that dividend declarations on common stock would be determined on an annual basis following the end of each year. In accordance with that policy, no dividends on IOR's common stock were declared in 2020, 2019, or 2018. Future distributions to common stockholders will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board.

On December 5, 1989, the governing body of the predecessor of the Company approved a share repurchase program authorizing the repurchase of up to a total of 200,000 shares of the predecessor. In June 2000, the Board of Directors of the Company increased the authorization to 500,000 shares. With the 3-for-1 forward split of the Company's Common Stock in June 2005, such authorization would be appropriately increased to 1,500,000 shares and the number of shares previously purchased would be appropriately increased by the same ratio. On August 10, 2010, the Board of Directors approved an increase in the share repurchase program for up to an additional 150,000 shares of common stock which results in a total authorization under the repurchase program for up to 1,650,000 shares of our common stock. This repurchase program has no termination date. As of December 31, 2020, 1,034,761 shares have been purchased and 615,239 shares may be purchased under the program.

ITEM 6. ***SELECTED FINANCIAL DATA***

Optional and not included.

ITEM 7. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

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-K contains forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the captions "Business", "Risk Factors" and "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.

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 following:

- risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments;
- failure to manage effectively our growth and expansion into new markets or to integrate acquisitions successfully;
- risks associated with downturns in the national and local economies, increases in interest rates and volatility in the securities markets;
- potential liability for uninsured losses and environmental contamination;
- risks associated with our dependence on key personnel whose continued service is not guaranteed; and
- the other risk factors identified in this Form 10-K, including those described under the Part I, Item 1A. "Risk Factors".

The risks included herein are not exhaustive. Other sections of this report, including *Part I, Item 1A. Risk Factors*, include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors 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 risks and 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 SEC, and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise.

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and our property portfolio. While we did not incur significant disruptions during 2020 from the COVID-19 pandemic, we are unable to predict the impact that the COVID-19 pandemic will have on our financial condition, results of operations and cash flows due to numerous uncertainties. These uncertainties include the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact and the direct and indirect economic effects of the pandemic and containment measures, among others. The pandemic is having a significant impact on the U.S. economy and on the local markets in which our properties are located. Nearly every industry has been impacted directly or indirectly, and the commercial real estate market has come under pressure due to numerous factors, including preventative measures taken by local, state and federal authorities to alleviate the public health crisis such as mandatory business closures, quarantines, and restrictions on travel and “shelter-in-place” or “stay-at-home” orders. The future impact of COVID-19 on our business and financial activities will depend on future developments, which at this stage are unpredictable considering the fluctuations of COVID-19 outbreaks and the resulting changes in the market.

Overview

Our primary business is currently investing in mortgage receivables. The principal source of revenue for the Company is interest income on approximately $94 million of note receivables due from related parties.

Since April 30, 2011, Pillar is the Company’s external Advisor and Cash Manager under a contractual arrangement that is reviewed annually by our Board of Directors. Pillar’s duties include, but are not limited to, locating, evaluating and recommending business and investment opportunities. Pillar also arranges, for IOR’s benefit, debt and equity financing with third party lenders and investors. As the contractual Advisor, Pillar is compensated by IOR under an Advisory Agreement. The Company has no employees. Employees of Pillar render services to IOR in accordance with the terms of the Advisory Agreement. This Advisory Agreement is more fully described in *Part III, Item 10. Directors, Executive Officers and Corporate Governance – The Advisor*. Pillar also serves as an Advisor and Cash Manager to ARL and TCI.

We have historically engaged in and may continue to engage in certain business transactions with related parties, including but not limited to asset acquisition, dispositions and financings. 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 our best interest.

Critical Accounting Policies

We present our financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”).

The accompanying Consolidated Financial Statements include our accounts and our subsidiaries. As of December 31, 2020, IOR is not the primary beneficiary of a VIE.

Recognition of Revenue

Our revenues are composed largely of interest income on notes receivable.

Non-performing Notes Receivable

The Company 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 in accordance with the terms of the agreement.

Interest recognition on Notes Receivable

We record interest income as earned in accordance with the terms of the related loan agreements.

Allowance for Estimated Losses

We assess the collectability of notes receivable on a periodic basis, of which the assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. (See Note 3, below, *Notes and Interest Receivable from Related Parties*, for details on our notes receivable.)

Fair Value Measurement

The Company applies the guidance in ASC 820, *Fair Value Measurements and Disclosures*, to the valuation of notes receivable. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows:

Level 1—Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets.

Level 2—Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Unobservable inputs that are significant to the fair value measurement. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Management reviews the carrying values of our mortgage notes receivable at least annually and whenever events or a change in circumstances indicates that impairment may exist. For notes receivable, impairment is considered to exist if it is probable that all amounts due under the terms of the note will not be collected. The note receivable review includes an evaluation of the collateral property securing such note. If impairment is found to exist, a provision for loss is recorded by a charge against earnings. We did not record any impairment charges for the years ended December 31, 2020 and 2019.

Related parties

We apply ASC 850, *Related Party Disclosures*, to evaluate business relationships. Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, or affiliates of the entity.

Contractual Obligations

At December 31, 2020, the Company had no outstanding debt, lease or purchase obligations.

Newly Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The amendments in this Update simplify the accounting for income taxes by removing certain exceptions from ASC 740. Also, the amendments in this Update simplify the accounting for income taxes by requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax, requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination, and other targeted changes. The effective date of the amendments is for fiscal years, and interim periods within those years, beginning after December 15, 2020. The Company's adoption of ASU 2019-12 on January 1, 2021, did not have a material impact on the Company's consolidated financial statements.

Results of Operations

The following discussion is based on our Consolidated Financial Statements *Consolidated Statement of Operations*, for the years ended December 31, 2020, 2019, and 2018 from Part II, Item 8. *Financial Statements and Supplementary Data* and is not meant to be an all-inclusive discussion of the changes in our net income applicable to common shares. Instead, we have focused on significant fluctuations within our operations that we feel are relevant to obtain an overall understanding of the change in income applicable to common shareholders.

Our operating expenses consist primarily of general and administrative costs such as audit and legal fees and administrative fees paid to a related party.

We also have other income and expense items. We receive interest income from the funds deposited with our Advisor at a rate of prime plus 1.0%. We have receivables from related parties which also provide interest income.

Comparison of the year ended December 31, 2020 to the year ended December 31, 2019

We had a net income applicable to common shares of $4.2 million or $1.01 per diluted earnings per share for the year ended December 31, 2020, compared to a net income applicable to common shares of $4.1 million or $.99 per diluted earnings per share for the same period ended 2019.

Expenses

General and administrative expenses were $450,000 for the year ended December 31, 2020. General and administrative expenses were $494,000 for the year ended December 31, 2019. This included a decrease in Legal expenses of $17,000, a decrease in Audit fees of $11,000, and a decrease in expense reimbursements to Pillar and of $13,000.

Net income fee to related party was $371,000 for the year ended December 31, 2020. This represents an increase of $14,000, compared to the net income fee of $357,000 for the year ended December 31, 2019. The net income fee paid is calculated at the rate of 7.5% of net income.

Advisory fees were $768,000 for the year ended December 31, 2020. This represents an increase of $31,000 compared to advisory fees of $737,000 for the year ended December 31, 2019. Advisory fees are computed based on a gross asset fee of 0.0625% per month (0.75% per annum) of the average of the gross asset value.

Other income (expense)

Interest income was $5.4 million for the year ended December 31, 2020. This represents a decrease of $1.2 million, compared to interest income of $6.6 million for the year ended December 31, 2019. This decrease was primarily due to a decrease in the prime rate.

Other income was $1.5 million for the year ended December 31, 2020. This represents an increase of $1.3 million compared to other income of $237 thousand for the year ended December 31, 2019. This increase was primarily due to collection of a note previously written off.

Income tax expense was $1.1 million for the year ended December 31, 2020 and income tax expense was $1.1 million for the year ended December 31, 2019. Net income before taxes was $5.3 million for the year ended December 31, 2020. This represents an increase of $.1 million compared to net income before taxes of $5.2 million for the year ended December 31, 2019.

Comparison of the year ended December 31, 2019 to the year ended December 31, 2018

We had a net income applicable to common shares of $4.1 million or $.99 per diluted earnings per share for the year ended December 31, 2019, compared to a net income applicable to common shares of $8.2 million or $1.97 per diluted earnings per share for the same period ended 2018.

Expenses

General and administrative expenses were $494,000 for the year ended December 31, 2019. General and administrative expenses were also $494,000 for the year ended December 31, 2018.

Net income fee to related party was $357,000 for the year ended December 31, 2019. This represents a decrease of $274,000, compared to the net income fee of $631,000 for the year ended December 31, 2018. The net income fee paid is calculated at the rate of 7.5% of net income.

Advisory fees were $737,000 for the year ended December 31, 2019. This represents an increase of $52,000 compared to advisory fees of $685,000 for the year ended December 31, 2018. Advisory fees are computed based on a gross asset fee of 0.0625% per month (0.75% per annum) of the average of the gross asset value.

Other income (expense)

Interest income was $6.8 million for the year ended December 31, 2019. This represents an increase of $1.9 million, compared to interest income of $4.9 million for the year ended December 31, 2018. This increase was primarily due to an increase in the receivable amount owed from our Advisor.

Income tax expense was $1.1 million for the year ended December 31, 2019 compared to income tax expense of $2.2 million for the year ended December 31, 2018. Net income before taxes was $5.2 million for the year ended December 31, 2019. This represents a decrease of $5.2 million compared to net income before taxes of $10.4 million for the year ended December 31, 2018.

Gain on land sales of $7.3 million were recognized for the year ended December 31, 2018, as a result of the sale of real estate holdings during the third quarter for approximately $22.5 million.

Liquidity and Capital Resources

General

Our principal liquidity needs are to fund normal recurring expenses. Our principal sources of cash are and will continue to be the collection of mortgage notes receivables, and the collections of receivables and interests from related companies.

Cash Flow Summary

The following summary discussion of our cash flows is based on the Consolidated Statements of Cash Flows as presented in *Part I, Item 8. Financial Statements and Supplementary Data* and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented.

Our cash and cash equivalents were $12,000 and $5,000 as of December 31, 2020 and 2019, respectively. The increase was a result of the following increases and decreases in cash flows:

	For the Years Ended December 31, 2020	2019	Variance
	(dollars in thousands)		
Net cash provided by operating activities	$ 4,312	$ 4,133	$ 179
Net cash used in investing activities	$ (4,305)	$ (4,132)	$ (173)

The primary source of cash provided by operating activities is from interest income on notes receivable. Cash for operations from related parties is primarily used for daily operating costs, general and administrative expenses, advisory fees, and land holding costs. The increase in cash provided by operating activities was due to more proceeds received on notes receivable in the current period.

The investing activity in the current period was primarily due to an increase in the related party receivable.

We paid no dividends in 2020, 2019, or 2018. It is unlikely that we will pay any quarterly dividends in 2021.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, IOR 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 IOR’s business, assets or results of operations.

Inflation

The effects of inflation on our operations are not quantifiable. 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.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

None.

ITEM 8. ***CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of
Income Opportunity Realty Investors, Inc.
Dallas, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Income Opportunity Realty Investors, Inc. and Subsidiaries (the Company) as of December 31, 2020 and 2019, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and schedules collectively referred to as the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis of Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Transactions with and Balances Due from Related Parties

Description of the Matter

The Company has significant transactions and balances due from related parties. The Company performs an assessment as to whether substantially all the amounts due under these receivables are deemed probable of collection. When the Company concludes that it is not probable that it will collect amounts, the Company creates an allowance for the amount not probable of the collection.

Auditing the Company's collectability assessment is complex due to the judgment involved in the Company's determination of the collectability of these receivables. The determination involves consideration of the terms of the receivable, whether the receivable is currently performing, and any security for the receivable.

How We addressed the Matter in Our Audit

We obtained an understanding of the Company's controls over related party receivables and their collectability assessment. Our testing included, among other things, confirmation of the receivables, reviewing selected financial information of the related parties, reviewing subsequent collections and evaluating transaction documentation. The relevant financial statement accounts are notes and interest receivable from related parties, and accrued interest receivable from related parties and interest income from related parties.

Emphasis of Related Party Transactions

As described in the notes to the consolidated financial statements, Income Opportunity Realty Investors, Inc. and Subsidiaries has significant transactions with and balances due from related parties.

Supplemental Information

The supplemental information contained in Schedules III and IV has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Security and Exchange Commission's rules. In our opinion, the supplemental information is fairly stated, in all material respects, the financial date required to be set forth therein in relation to the financial statements as a whole.

/s/ Swalm & Associates, P.C.
Swalm & Associates, P.C.

We have served as the Company's auditor since 2004.
Richardson, Texas

March 29, 2021

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
	(dollars in thousands, except par value amount)	
Assets		
Current assets		
Cash and cash equivalents	12	5
Receivable and accrued interest from related parties	90,526	86,221
Total current assets	90,538	86,226
Non current assets		
Notes and interest receivable from related parties	13,930	14,030
Total non current assets	13,930	14,030
Total Assets	$ 104,468	$ 100,256
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable	$ 12	$ 14
Total liabilities	12	14
Shareholders' equity		
Common stock, $.01 par value, authorized 10,000,000 shares; issued 4,173,675 and outstanding 4,168,414 shares in 2020 and 2019	42	42
Treasury stock at cost, 5,261 shares in 2020 and 2019	(39)	(39)
Paid-in capital	61,955	61,955
Retained Earnings	42,498	38,284
Total shareholders' equity	104,456	100,242
Total liabilities and shareholders' equity	$ 104,468	$ 100,256

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

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2020	2019	2018
	(dollars in thousands, except per share amounts)		
Revenues:			
Revenue from operations	$ -	$ -	$ -
Expenses:			
General and administrative (including $247, $260, and $284 for the year ended 2020, 2019, and 2018 respectively, to related parties)	450	494	494
Net income fee to related party	371	357	631
Advisory fee to related party	768	737	685
Total operating expenses	1,589	1,588	1,810
Net operating loss	(1,589)	(1,588)	(1,810)
Other income / expenses:			
Interest income from related parties	5,373	6,574	4,880
Other Income	1,550	237	-
Total other income	6,923	6,811	4,880
Income before gain on sale of real estate land	5,334	5,223	3,070
Gain on sale of real estate land	-	-	7,323
Income before taxes	5,334	5,223	10,393
Income tax expense - current	1,120	1,078	1,391
Income tax expense - deferred	-	-	792
Net income	$ 4,214	$ 4,145	$ 8,210
Earnings per share - basic and diluted			
Net income	$ 1.01	$ 0.99	$ 1.97
Weighted average common shares used in computing earnings per share	4,168,414	4,168,414	4,168,214

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

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Years Ended December 31, 2020
(dollars in thousands)

		Common Stock				
	Total	Issued Shares	Amount	Treasury Stock	Paid-in Capital	Retained Earnings
Balance, December 31, 2017	$ 87,887	4,173,675	$ 42	$ (39)	$ 61,955	$ 25,929
Net income	8,210	-	-	-	-	8,210
Balance, December 31, 2018	$ 96,097	4,173,675	$ 42	$ (39)	$ 61,955	$ 34,139
Net income	4,145	-	-	-	-	4,145
Balance, December 31, 2019	$ 100,242	4,173,675	$ 42	$ (39)	$ 61,955	$ 38,284
Net income	4,214	-	-	-	-	4,214
Balance, December 31, 2020	$ 104,456	4,173,675	$ 42	$ (39)	$ 61,955	$ 42,498

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

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2020	2019	2018
Cash Flow From Operating Activities:	(dollars in thousands)		
Net income	$ 4,214	$ 4,145	$ 8,210
Adjustments to reconcile net income applicable to common shares to net cash provided by operating activities:			
Gain on sale of real estate land	-	-	(7,323)
(Increase) decrease in assets:			
Accrued interest receivable from related parties	100	-	-
Other assets	-	-	725
Increase (decrease) in other liabilities	(2)	(12)	16
Net cash provided by operating activities	4,312	4,133	1,628
Cash Flow From Investing Activities:			
Related Party Receivables	(4,305)	(4,132)	-
Transfer to related party	-	-	(24,176)
Proceeds from sale of real estate land	-	-	22,550
Net cash used in investing activities	(4,305)	(4,132)	(1,626)
Net (decrease) increase in cash and cash equivalents	7	1	2
Cash and cash equivalents, beginning of period	5	4	2
Cash and cash equivalents, end of period	$ 12	$ 5	$ 4
Other Non Cash Items:			
Non cash transfer of land to related party	$ -	$ -	$ (7,490)
Utilization of deferred tax asset	$ -	$ -	$ (792)

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

INCOME OPPORTUNITY REALTY INVESTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Income Opportunity Realty Investors, Inc. “IOR” and consolidated entities were prepared in conformity with accounting principles generally accepted in the United States of America, the most significant of which are described in Note 1. “Summary of Significant Accounting Policies”. The Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements. The data presented in the Notes to Consolidated Financial Statements are as of December 31 of each year and for the year then ended, unless otherwise indicated. Dollar amounts in tables are in thousands, except per share amounts.

Certain balances in the 2018 presentation have been reclassified to conform to the 2019 presentation.

NOTE 1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Basis of presentation.

Organization and business. As used herein, the terms “IOR”, “the Company”, “we”, “our”, “us” refer to Income Opportunity Realty Investors, Inc., a Nevada corporation, individually or together with its subsidiaries. Income Opportunity Realty Investors, Inc. is the successor to a California business trust organized on December 14, 1984, which commenced operations on April 10, 1985. The Company is headquartered in Dallas, Texas, and its common stock trades on the NYSE American under the symbol (“IOR”).

Transcontinental Realty Investors, Inc. “TCI” owns approximately 81.1% of the Company’s common stock. Accordingly, IOR’s financial results are consolidated with those of TCI and its subsidiaries. IOR is a “C” corporation for U.S. federal income tax purposes and is included in the annual consolidated income tax return with TCI’s parent American Realty Investors, Inc. “ARL” and its ultimate parent, May Realty Holdings, Inc. TCI has no employees.

Pillar Income Asset Management, Inc. (“Pillar”) is the Company’s external Advisor and Cash Manager. Our day to day operations are managed and performed by Pillar, in accordance with an Advisory Agreement that is reviewed annually by our Board of Directors. All of the Company’s employees are Pillar employees. Employees of Pillar render services to us in accordance with the terms of the Advisory Agreement. As the contractual advisor, Pillar is compensated by us under an Advisory Agreement that is more fully described in Part III, Item 10, “Directors, Executive Officers and Corporate Governance – The Advisor”. Pillar also serves as an Advisor and Cash Manager to TCI and ARL.

Basis of presentation. The Company presents it financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). The accompanying Consolidated Financial Statements include our accounts, our subsidiaries, generally all of which are wholly-owned, and all entities in which we have a controlling interest. As of December 31, 2020, IOR was not the primary beneficiary of a VIE.

Fair value measurement. We apply the guidance in ASC 820, *Fair Value Measurements and Disclosures*, to the valuation of notes receivable. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity’s own data.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows:

Level 1 — Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets.

Level 2 — Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Unobservable inputs that are significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Management reviews the carrying values of our notes receivable at least annually and whenever events or a change in circumstances indicates that impairment may exist. For notes receivable, impairment is considered to exist if it is probable that all amounts due under the terms of the note will not be collected. The note receivable review includes an evaluation of the collateral property securing such note. If impairment is found to exist, a provision for loss is recorded by a charge against earnings. The property review generally includes: (1) selective property inspections; (2) a review of the property's current rents compared to market rents; (3) a review of the property's expenses; (4) a review of maintenance requirements; (5) a review of the property's cash flow; (6) discussions with the manager of the property; and (7) a review of properties in the surrounding area.

Related parties. We apply ASC 850, *Related Party Disclosures*, to evaluate business relationships. Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, or affiliates of the entity.

Recognition of revenue. Our revenues are composed largely of interest income on notes receivable.

Non-performing notes receivable. We consider a note receivable to be non-performing when the maturity date has passed without principal repayment and the borrower is not making interest payments in accordance with the terms of the agreement.

Interest recognition on notes receivable. We record interest income as earned in accordance with the terms of the related loan agreements.

Allowance for estimated losses. We assess the collectability of notes receivable on a periodic basis, of which the assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. (See Note 3, below, *Notes and Interest Receivable from Related Parties* for details on our notes receivable.)

Cash equivalents. For purposes of the Consolidated Statements of Cash Flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Earnings per share. Earnings per share ("EPS") have been computed pursuant to the provisions of ASC 620 *Earnings per Share*. The computation of basic EPS is calculated by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. Shares issued during the period shall be weighted for the portion of the period that they were outstanding.

Use of estimates. In the preparation of Consolidated Financial Statements in conformity with GAAP, it is necessary for management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expense for the year ended. Actual results could differ from those estimates.

Income Taxes. The Company is a "C" corporation for U.S. federal income tax purposes. The Company and the rest of the ARL group are included in the MRHI consolidated group for tax purposes. IOR is a member of a tax sharing agreement that specifies the manner in which the group will share the consolidated tax liability and also how certain tax attributes are to be treated among members of the group.

Recent Accounting Pronouncements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The amendments in this Update simplify the accounting for income taxes by removing certain exceptions from ASC 740. Also, the amendments in this Update simplify the accounting for income taxes by requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax, requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination, and other targeted changes. The effective date of the amendments is for fiscal years, and interim periods within those years, beginning after December 15, 2020. The Company's adoption of ASU 2019-12 on January 1, 2021, did not have a material impact on the Company's consolidated financial statements.

NOTE 2. ***REAL ESTATE***

In 2018, the criteria for full accrual accounting was met, and approximately $22.5 million of sales proceeds were recognized under the contract. Sales to unrelated third parties, by the Developer, of real estate carried at cost of $15.1 million, resulted in a gain on sale of $7.3 million to the Company. The unsold balance of land, subject to the original sales contract, was deeded to TCI on August 22, 2018 by the buyer. In connection with the transfer of legal title to TCI by the buyer, the Company transferred its remaining real estate to TCI for its book value of $7.5 million. As of December 31, 2018, the Company had no real estate holdings.

NOTE 3. ***NOTES AND INTEREST RECEIVABLE FROM RELATED PARTIES***

Notes and interest receivable from related parties is comprised of junior mortgage loans, which are loans secured by mortgages that are subordinate to one or more prior liens on the underlying real estate. Recourse on the loans ordinarily includes the real estate which secures the loan, other collateral and personal guarantees of the borrower.

The Company has various notes receivable from Unified Housing foundation, Inc. "UHF". UHF is determined to be a related party due to our significant investment in the performance of the collateral secured under the notes receivable. Payments are due from surplus cash flow from operations, sale or refinancing of the underlying properties. These notes are cross collateralized to the extent that any surplus cash available from any of the properties underlying these notes will be used to repay outstanding interest and principal for the remaining notes. Furthermore, any surplus cash available from any of the properties UHF owns, besides the properties underlying these notes, can be used to repay outstanding interest and principal for these notes. The allowance on the notes was a purchase allowance that was netted against the notes when acquired.

All of the Company's notes receivable are with UHF. The notes mature in December 2032 and have interest rates of 12.0%.

During 2020, the Company collected $808 thousand on a fully reserved note receivable and the full amount of the collection is included in other income. In February 2021, the Company collected the remaining balance due of $1.1 million which is the remaining balance of the fully reserved note receivable. In addition, in February 2021, the Company collected $1.9 million of principal and $.6 million of accrued interest on the UHF notes receivable listed below. These funds were transferred to the IOR parent (TCI) under company policy.

At December 31, 2020 and 2019, we had mortgage loans and accrued interest receivable from related parties, net of allowances, totaling $13.9 million. As of December 31, 2020 and 2019, we recognized interest income of $1.8 million each year, related to these notes receivable. Below is a summary of notes and interest receivable from related parties (dollars in thousands):

Borrower	Maturity Date	Interest Rate	Amount	Collateral
Performing loans:				
Unified Housing Foundation, Inc. (Echo Station)	12/32	12.00%	$ 1,481	Secured
Unified Housing Foundation, Inc. (Lakeshore Villas)	12/32	12.00%	2,000	Secured
Unified Housing Foundation, Inc. (Lakeshore Villas)	12/32	12.00%	6,369	Secured
Unified Housing Foundation, Inc. (Limestone Ranch)	12/32	12.00%	1,953	Secured
Unified Housing Foundation, Inc. (Timbers of Terrell)	12/32	12.00%	1,323	Secured
Total Notes Receivable			13,126	
Accrued interest			804	
Total Performing			**$ 13,930**	

All are related party notes.

NOTE 4. *RELATED PARTY TRANSACTIONS AND FEES*

The Advisory agreement provides for Pillar or a related party of Pillar to receive fees and cost reimbursements as defined in *Part III, Item 10. Directors, Executive Officers and Corporate Governance – The Advisor*. Cost reimbursements are allocated based on the relative market values of the Company's assets. The Company and Pillar entered into an Advisory Agreement and 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. The advisory fees and cost reimbursements paid to Pillar, TCI and related parties are detailed below (dollars in thousands):

	Years Ended December 31, 2020	2019	2018
Fees:			
Advisory	768	737	685
Net income	371	357	631
	$ 1,139	$ 1,094	$ 1,316
Other Expense:			
Cost reimbursements	247	260	284
Revenue:			
Interest received	$ 3,583	$ 4,780	$ 3,086
	3,583	4,780	3,086

As of December 31, 2020, IOR has notes and interest receivable of $13.9 million due from Unified Housing Foundation, Inc. and recognized interest income of $1.8 million related to these notes receivable. (See details in Part 2, Item 8, above, *Note 3. Notes and Interest Receivable from Related Parties*.)

The following table reconciles the beginning and ending balances of amounts receivable from related parties as of December 31, 2020 and 2019 (dollars in thousands):

	TCI 2020	TCI 2019
Balance, January 1	$ 86,221	$ 82,089
Cash transfers	3,232	2,959
Advisory fees	(768)	(737)
Net income fee	(371)	(357)
Cost reimbursements	(247)	(260)
Expenses paid by advisor	(4)	85
TIF reallocation	0	(1,260)
Interest income	3,583	4,780
Income tax	(1,120)	(1,078)
Balance, December 31	$ 90,526	$ 86,221

IOR has a tax sharing and compensating agreement with respect to federal income taxes between ARL, TCI and IOR and their subsidiaries. The expense (benefit) in each year was calculated based on the amount of losses absorbed by taxable income multiplied by the maximum statutory tax rate of 21%. There were no payments under this agreement in 2020.

NOTE 5. *DIVIDENDS*

IOR's Board of Directors established a policy that dividend declarations on common stock would be determined on an annual basis following the end of each year. In accordance with that policy, no dividends on IOR's common stock were declared in 2020, 2019, or 2018. Future distributions to common stockholders will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board.

NOTE 6. *INCOME TAXES*

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

For financial reporting purposes, income before income taxes were (dollars in thousands):

	Years Ended December 31,		
	2020	**2019**	**2018**
Income before income taxes	$ 5,334	$ 5,223	$ 10,393

The expense for income taxes consists of (dollars in thousands):

	Years Ended December 31,		
	2020	**2019**	**2018**
Current:			
Federal	$ 1,120	$ 1,078	$ 1,391
Deferred and Other:			
Federal	-	-	792
Total Tax Expense	**$ 1,120**	**$ 1,078**	**$ 2,183**

The reconciliation between the Company's effective tax rate on income from continuing operations and the statutory rate is as follows (dollars in thousands):

	Years Ended December 31,		
	2020	**2019**	**2018**
Income Tax Expense at Federal Statutory Rate	$ 1,120	$ 1,078	$ 2,183
Repricing of Deferred Assets Due to Change in Future Rates	-	-	-
Reported Income Tax Expense	**$ 1,120**	**$ 1,078**	**$ 2,183**
Effective Tax Rate	**21%**	**21%**	**21%**

The company is subject to taxation in the United States and various states. As of December 31, 2020, the Company's tax years for 2019, 2018, and 2017 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2020, the Company is no longer subject to U.S federal, state, or local examinations by tax authorities for the years ended before 2016.

Due to changes in Tax Law the Company's AMT tax credit became refundable in 2018. The Company received an $89.7 thousand payment in 2019, $44.9 thousand in 2020 and will receive $44.9 thousand in 2021. In accordance with the Company's tax sharing agreement the AMT receivable has been assigned to the Company's parent (TCI).

NOTE 7. *QUARTERLY DATA*

The following is a table of quarterly results of operations for the years 2020, 2019 and 2018:

	Three Months Ended 2020			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2020				
Revenue from operations	$ -	$ -	$ -	$ -
Total operating expenses	414	431	339	405
Operating loss	(414)	(431)	(339)	(405)
Other income, net of other expenses	1,479	2,032	1,302	2,110
Income before gain on land sales, non-contolling interest, and taxes	1,065	1,601	963	1,705
Income tax expense	224	336	202	358
Net income	$ 841	$ 1,265	$ 761	$ 1,347
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income applicable to common shares	$ 0.20	$ 0.30	$ 0.18	$ 0.32
Weighted average common shares used in computing earnings per share	4,168,414	4,168,414	4,168,414	4,168,414

	Three Months Ended 2019			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2019				
Revenue from operations	$ -	$ -	$ -	$ -
Total operating expenses	414	448	368	358
Operating loss	(414)	(448)	(368)	(358)
Other income, net of other expenses	1,642	1,824	1,672	1,673
Income before gain on land sales, non-contolling interest, and taxes	1,228	1,376	1,304	1,315
Income tax expense	258	289	274	257
Net income (loss)	$ 970	$ 1,087	$ 1,030	$ 1,058
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income (loss) applicable to common shares	$ 0.23	$ 0.26	$ 0.25	$ 0.25
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,414

	Three Months Ended 2018			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2018				
Revenue from operations	$ -	$ -	$ -	$ -
Total operating expenses	340	374	634	462
Operating loss	(340)	(374)	(634)	(462)
Other income, net of other expenses	1,042	1,081	1,201	1,556
Giain on sale of real estate land	-	-	7,323	-
Income before gain on land sales, non-contolling interest, and taxes	702	707	7,890	1,094
Income tax expense	-	-	1,902	281
Net income (loss)	$ 702	$ 707	$ 5,988	$ 813
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income (loss) applicable to common shares	$ 0.17	$ 0.17	$ 1.44	$ 0.19
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,214

NOTE 8. COMMITMENTS, CONTINGENCIES AND LIQUIDITY

Litigation

The Company and its subsidiaries, from time to time, have been involved in various items of litigation incidental to and in the ordinary course of its business and, in the opinion of management; the outcome of such litigation will not have a material adverse impact upon the Company's financial condition, results of operations or liquidity.

Berger Litigation

On February 4, 2019, an individual claiming to be a stockholder holding 7,900 shares of Common Stock of Income Opportunity Realty Investors, Inc. ("IOR") filed a Complaint in the United States District Court for the Northern District of Texas, Dallas Division, individually and allegedly derivatively on behalf of IOR, against Transcontinental Realty Investors, Inc. ("TCI"), American Realty Investors, Inc. ("ARL"), (TCI is a shareholder of IOR, ARL is a shareholder of TCI) Pillar Income Asset Management, Inc. ("Pillar"), (collectively the "Companies"), certain officers and directors of the Companies ("Additional Parties") and two other individuals. The Complaint filed alleges that the sale and/or exchange of certain tangible and intangible property between the Companies and IOR during the last ten years of business operations constitutes a breach of fiduciary duty by the one or more of Companies, the Additional Defendants and/or the directors of IOR. The case alleges other related claims. The Plaintiff seeks certification as a representative of IOR and all of its shareholders, unspecified damages, a return to IOR of various funds and an award of costs, expenses, disbursements (including Plaintiff's attorneys' fees) and prejudgment and post-judgment interest. The named Defendants intend to vigorously defend the action, deny all of the allegations of the Complaint, and believe the allegations to be wholly without any merit. The Defendants have filed motions to dismiss the case in its entirety in June 2019. On February 26, 2020, the Court denied IOR's demand futility motion. The remaining Defendants' motions were granted in part and denied in part in the first quarter of 2020. Discovery is ongoing.

Liquidity

Management anticipates that IOR will generate excess cash from operations in 2021 due to the interest collected from notes receivable. Management intends to reduce its cash invested with its Advisor to meet its cash requirements not funded through operations.

NOTE 9. SUBSEQUENT EVENTS

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and across our portfolio. While we did not experience significant disruptions during 2020 from the COVID-19 pandemic, we are unable to predict the impact the COVID-19 pandemic will have on its financial condition, results of operations and cash flows due to numerous uncertainties.

The Company has evaluated subsequent events through March 29, 2021, the date the financial statements were available to be issued, and has determined that there are none to be reported.

SCHEDULE III

INCOME OPPORTUNITY REALTY INVESTORS, INC.

Real Estate

December 31, 2020

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Real Estate
For the Years Ended December 31,

	2020	2019	2018
	(dollars in thousands)		
Reconciliation of Real Estate			
Balance at January 1	$ —	$ —	$ 22,717
Additions			
Acquisitions and improvements	—	—	—
Deductions			
Sale of real estate	—	—	22,717
Balance at December 31	$ —	$ —	$ —

All land holdings were sold in 2018.

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Mortgage Loans Receivable
December 31, 2020

Description	Interest Rate	Final Maturity Date	Periodic Payment Term	Prior Liens	Face Amount of Mortgage	Carrying Amount of Mortgage	Principal Amount of Loans Subject to Delinquent Principal or Interest
					(dollars in thousands)		
Unified Housing Foundation, Inc. (Echo Station/UH of Temple, LLC) 100% Interest in UH of Temple, LLC	12.00%	12/32	Excess cash flow	8,926	1,809	1,481	—
Unified Housing Foundation, Inc. (Lakeshore Villas/HFS of Humble, LLC) (31.5% of cash flow) Interest in Unified Housing Foundation Inc.	12.00%	12/32	Excess cash flow	27,037	8,836	6,369	—
Unified Housing Foundation, Inc. (Limestone Ranch/UH of Vista Ridge, LLC) 100% Interest in UH of Vista Ridge, LLC	12.00%	12/32	Excess cash flow	24,866	2,427	1,953	—
Unified Housing Foundation, Inc. (Timbers at the Park/UH of Terrell, LLC) 100% Interest in UH of Terrell, LLC	12.00%	12/32	Excess cash flow	13,900	1,702	1,323	—
Unified Housing Foundation, Inc. (Lakeshore Villas/HFS of Humble, LLC) (68.5% of cash flow)	12.00%	12/32	Excess cash flow	27,037	2,189	2,000	—
						$ 13,126	
					Interest receivable	804	
						$ 13,930	

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Mortgage Loan Receivables
For the Years Ended December 31,

	2020	2019	2018
	(dollars in thousands)		
Balance at January 1,	$ 14,030	$ 14,030	$ 14,030
Additions			
Increase of interest receivable on mortgage loans	–	–	–
Deductions			
Amounts received	(100)	–	–
Balance at December 31,	$ 13,930	$ 14,030	$ 14,030

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

Item 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention of overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on management's assessments and those criteria, management has concluded that Company's internal control over financial reporting was effective as of December 31, 2020.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There were no changes in our internal controls over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***OTHER INFORMATION***

Not applicable.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The affairs of the Company are managed by a Board of Directors. The Directors are elected at the Annual Meeting of Stockholders or are appointed by the incumbent Board of Directors and serve until the next Annual Meeting of Stockholders, a successor has been duly-elected or appointed, or until the earlier of death, resignation or removal.

It is the Board's objective that a majority of the Board will consist of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence that conform to, or are more exacting than, independence requirements of the New York Stock Exchange listing rules. The independence guidelines are set forth in the Company's "Corporate Governance Guidelines". The text of this document has been posted on the Company's internet website at www.incomeopp-realty.com and is available in print to any stockholder who requests it. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination.

The Company has adopted a Code of Conduct that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Stockholders may find our Code of Conduct on our website by going to our website address at www.incomeopp-realty.com. We will post any amendments to the Code of Conduct as well as any waivers that are required to be disclosed by the rules of the SEC or the NYSE American on our website.

Our Board of Directors has adopted charters for our Audit, Compensation and Governance and Nominating Committees of the Board of Directors. Stockholders may find these documents on our website by going to the website address at www.incomeopp-realty.com. You may also obtain a printed copy of these materials by contacting us at the following address:

Income Opportunity Realty Investors, Inc.
Attn: Investor Relations
1603 LBJ Freeway, Suite 800
Dallas, Texas 75234
Telephone: 469-522-4200

All members of the Audit Committee and the Nominating and Corporate Governance Committee must be independent Directors. Members of the Audit Committee must also satisfy additional independence requirements, which provide (i) that they may not accept, directly or indirectly, any consulting, advisory or compensatory fee from the Company or any of its subsidiaries other than their Director's compensation (other than in their capacity as a member of the Audit Committee, the Board of Directors or any other committee of the Board), and (ii) no member of the Audit Committee may be an "affiliated person" of the Company or any of its subsidiaries as defined by the Securities and Exchange Commission rules.

Directors

The current Directors of the Company are listed below, together with their ages, terms of service, all positions and offices with the Company or its current advisor, Pillar, their principal occupations, business experience and Directorships with other companies during the last five years or more. The designation "affiliated", when used below with respect to a Director, means that the Director is an officer, Director or employee of Pillar, or an officer of the Company, or an officer or Director of a related party of the Company. The designation "independent", when used below with respect to a Director, means that the Director is neither an officer of the Company, nor a Director, officer or employee of Pillar (but may be a Director of the Company), although the Company may have certain business or professional relationships with such Director as discussed in Item 13. *Certain Relationships and Related Transactions and Director Independence*.

HENRY A. BUTLER, age 70, Director, Affiliated, since February 2011 and Chairman of the Board since May 2011, Retired (since April 30, 2019).

Mr. Butler served as Vice President Land Sales for Pillar Income Asset Management, LLC from April 2011 to April 30, 2019. Mr. Butler has been a Director of the Company since February 2011 and Chairman of the Board since May 2011. He has also served as Chairman of the Board since May 2009 and as a Director since July 2003 of ARL and Chairman of the Board since May 2009 and a Director since November 2005 of TCI.

ROBERT A. JAKUSZEWSKI, age 58, Director, Independent, since March 2004

Mr. Jakuszewski is currently has served as a Territory Manager for Artesa Labs since April 2015. He was a Medical Specialist from January 2014 to April 2015 for VAYA Pharma, Inc., Senior Medical Liaison from January 2013 to July 2013 for Vein Clinics of America, and the Vice President of Sales and Marketing from September 1998 to December 2012 for New Horizons Communications, Inc. Mr. Jakuszewski has been a Director of the Company since March 2004. He has also been a Director of ARL since November 2005 and a Director of TCI since November 2005.

TED R. MUNSELLE, age 65, Director, Independent, since May 2009

Mr. Munselle has been Vice President and Chief Financial Officer of Landmark Nurseries, Inc. since October 1998. On February 17, 2012, he was appointed as a member of the Board of Directors for Spindletop Oil & Gas Company and as Chairman of their Audit Committee. Spindletop's stock is traded on the Over-the-Counter (OTC) market. Mr. Munselle has been a Director of the Company since May 2009. He has also served as Director of ARL since February 2004 and Director of TCI since February 2004. Mr. Munselle is qualified as an Audit Committee financial expert within the meaning of SEC regulations and the Board of Directors of IOR has determined that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE American. Mr. Munselle is a Certified Public Accountant.

RAYMOND D. ROBERTS, SR., age 89, Director, Independent, since June 2016

Mr. Roberts is currently retired. Mr. Roberts has served as Director of the Company since June 2, 2016. He has also served as Director of ARL and TCI since June 2, 2016. For more than five years prior to December 31, 2014, he was Director of Aviation of Steller Aviation, Inc., a privately held corporation engaged in the business of aircraft (Boeing 737) and logistical management.

Board Meetings and Committees

The Board of Directors held five meetings during 2020. For such year, no incumbent Director attended fewer than 86% of the aggregate of (i) the total number of meetings held by the Board during the period for which he or she had been a Director, and (ii) the total number of meetings held by all Committees of the Board on which he or she served during the periods that he or she served. Under the Company's Corporate Governance Guidelines, each Director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including attending meetings of the stockholders of the Company, and the Board and Committee meetings of which he or she is a member. The Board of Directors has standing Audit, Compensation, and Governance and Nominating Committees.

Audit Committee. The current Audit Committee was formed on February 20, 2004, and its function is to review the Company's operating and accounting procedures. A charter of the Audit Committee has also been adopted by the Board. The Audit Committee is an "audit committee" for purposes of Section 3(a)(58) of the Securities Exchange Act of 1934. The current members of the Audit Committee, all of whom are independent within the meaning of the SEC Regulations, the listing standards of the NYSE American and the Company's Corporate Governance Guidelines, are Messrs. Jakuszewski, Munselle (Chairman) and Roberts. Mr. Munselle, a board member, is qualified as an "audit committee financial expert" within the meaning of SEC Regulations, and the Board has determined that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE American. All members of the Audit Committee meet the experience requirements of the listing standards of the NYSE American. The Charter of the Audit Committee was adopted on March 22, 2004, and is available on the Company's Investor Relations Website (www.incomeopp-realty.com). The Audit Committee met five times in 2020.

Governance and Nominating Committee. The Governance and Nominating Committee is responsible for developing and implementing policies and practices related to corporate governance, including reviewing and monitoring implementation of the Company's *Corporate Governance Guidelines*. In addition, the Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Committee also prepares and supervises the Board's annual review of Director's independence and the Board's performance self-evaluation. The charter of the Governance and Nominating Committee was adopted on March 22, 2004, and is available on the Company's Investor Relations website (www.incomeopp-realty.com). The current members of the Governance and Nominating Committee are Messrs. Jakuszewski, Munselle and Roberts (Chairman). All of the members of the Committee are independent within the meaning of the listing standards of the NYSE American and the Company's *Corporate Governance Guidelines.* The Governance and Nominating Committee met twice in 2020.

Compensation Committee. The Compensation Committee is responsible for overseeing the policies of the Company relating to compensation to be paid by the Company to the Company's principal executive officer and any other officers designated by the Board and to make recommendations to the Board with respect to such policies, produce necessary reports on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations and to monitor the development and implementation of succession plans for the principal executive officer and other key executives and make recommendations to the Board with respect to such plans. The charter of the Compensation Committee was adopted on March 22, 2004, and is available on the

Company's Investor Relations website (www.incomeopp-realty.com). The current members of the Compensation Committee are Messrs. Jakuszewski (Chairman), Munselle and Roberts. All of the members of the Committee are independent within the meaning of the listing standards of the NYSE American and the Company's *Corporate Governance Guidelines*. The Compensation Committee is to be comprised of at least two Directors who are independent of management and the Company. The Compensation Committee met twice in 2020.

The members of the Board of Directors on the date of this report and the Committees of the Board on which they serve, are identified below:

Director	Audit Committee	Governance and Nominating Committee	Compensation Committee
Robert A. Jakuszewski	X	X	Chair
Ted R. Munselle	Chair	X	X
Raymond D. Roberts, Sr.	X	Chair	X
Henry A. Butler			

Presiding Director

In March 2004, the Board created a new position of presiding Director, whose primary responsibility is to preside over periodic executive sessions of the Board in which management Directors and other members of management do not participate. The presiding Director also advises the Chairman of the Board and, as appropriate, Committee chairs with respect to agendas and information needs relating to Board and Committee meetings, provides advice with respect to the selection of Committee chairs and performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities.

The day following the annual meeting of stockholders held December 16, 2020 representing all stockholders of record dated November 6, 2020, the full Board met and re-appointed Ted R. Munselle as Presiding Director, to serve in such position until the Company's next annual meeting of stockholders to be held subsequently in 2021.

Determination of Director Independence

In February 2004, the Board enhanced its *Corporate Governance Guidelines.* The *Guidelines* adopted by the Board meet or exceed the new listing standards adopted during the year by the NYSE American. The full text of the *Corporate Governance Guidelines* can be found in the Investor Relations section of the Company's website (www.incomeopp-realty.com). A copy may also be obtained upon request from the Company's Corporate Secretary.

Pursuant to the *Corporate Governance Guidelines,* the Board undertook its annual review of director independence in March 2020. During this review, the Board considered transactions and relationships between each Director or any member of his or her immediate family and the Company and its subsidiaries and related parties, including those reported under "*Certain Relationships and Related Transactions*" below. The Board also examined transactions and relationships between Directors or their related parties and members of the Company's senior management or their related parties. As provided in the *Corporate Governance Guidelines*, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the Director is independent.

As a result of this review, the Board affirmatively determined the former directors, Messrs. Munselle, Jakuszewski, and Roberts are each independent of the Company and its Management under the standards set forth in the Corporate Governance Guidelines.

Executive Officers

Executive officers of the Company are listed below, all of whom are employed by Pillar. None of the executive officers receive any direct remuneration from the Company, nor do any hold any options granted by the Company. Their positions with the Company are not subject to a vote of stockholders. The ages, terms of service and all positions and offices with the Company, Prime, Pillar, or other affiliated entities, other principal occupations, business experience and Directorships with other publicly-held companies during the last five years or more are set forth below. No family relationship exists among any of the executive officers or directors of the Company.

GENE S. BERTCHER, 72

Mr. Bertcher has served as Executive Vice President (since February 2008) and Chief Financial Officer (since May 2008) of the Company and until June 2019, of ARL and TCI. Prior thereto (from February 2008 to March 2008) he was Executive Vice President and Interim Chief Financial Officer of the Company, ARL and TCI. Mr. Bertcher is also President, Chief Executive Officer (since December 2006), and Chief Financial Officer (since January 2003) of New Concept Energy, Inc. (formerly CableTel International Corporation), a Nevada corporation ("GBR") which has its common stock listed on the NYSE American, a position he has occupied since November 1, 2004. From January 3, 2003 until November 1, 2004, Mr. Bertcher was also Chief Executive Officer of GBR. He has been a certified public accountant since 1973. Mr. Bertcher has been a director since June 1999 (and was from November 1989 to September 1996) of GBR. Until November 1989, Mr. Bertcher was a partner in Grant Thornton, LLP having served as the Chairman of its National Real Estate and Construction Committee. Mr. Bertcher is also a Director of Pillar (since August 14, 2020).

LOUIS J. CORNA, 73

Mr. Corna has served as Executive Vice President, General Counsel/Tax Counsel and Secretary since February 2004 of IOR, ARL and TCI. He has also been Executive Vice President since March 2011 and Secretary since December 2010 of Pillar. Mr. Corna was also a Director and Vice President from June 2004 to December 2010 and Secretary from January 2005 to December 2010 of First Equity Properties, Inc., a Nevada corporation with securities registered under Section 12(g) of the Exchange Act.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics, which applies to all Directors, officers and employees (including those of the Contractual Advisor to IOR). In addition, the Company has adopted a code of ethics entitled “Code of Ethics for Senior Financial Officers” that applies to the principal executive officer, president, principal financial officer, chief financial officer, the principal accounting officer and controller. The text of both documents is available on the Company’s Investor Relations website (www.incomeopp-realty.com). The Company intends to post amendments to or waivers from its Code of Ethics for Senior Financial Officers (to the extent applicable to the Company’s principal executive officer, principal financial officer or principal accounting officer) at this location on its website.

Compliance with Section 16(a) of Reporting Requirements

Section 16(a) under the Securities Exchange Act of 1934 requires the Company’s Directors, executive officers and any persons holding 10% or more of the Company’s shares of Common Stock are required to report their ownership of the Company’s shares of Common Stock and any changes in that ownership to the Securities and Exchange Commission (the “SEC”) on specified report forms. Specific due dates for these reports have been established, and the Company is required to report any failure to file by these dates during each fiscal year. The Company believes that all of these filing requirements were satisfied by the Company’s Directors and executive officers and holders of more than 10% of the Company’s Common Stock during the fiscal year ended December 31, 2018. In making these statements, the Company has relied upon the written representations of its Directors and executive officers and the holders of 10% or more of the Company’s Common Stock and copies of the reports that each has filed with the SEC.

The Advisor

Effective since April 30, 2011, Pillar, the sole shareholder of which is Realty Advisors, LLC, a Nevada limited liability company, the sole member of which is RAI, a Nevada corporation, the sole shareholder of which is MRHI, a Nevada corporation, the sole shareholder of which is a trust known as The May Trust, became the Company’s external Advisor and Cash Manager. Pillar’s duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities. Pillar also arranges, for IOR’s benefit, debt and equity financing with third party lenders and investors. Pillar also serves as an Advisor and Cash Manager to ARL and TCI. As the contractual advisor, Pillar is compensated by IOR under an Advisory Agreement. IOR has no employees. Employees of Pillar render services to IOR in accordance with the terms of the Advisory Agreement.

Pillar is a company of which Messrs. Bertcher is a Director and Corna is an officer.

Although the Board of Directors is directly responsible for managing the affairs of IOR and for setting the policies which guide it, the day-to-day operations of IOR are performed by Pillar, a contractual Advisor, under the supervision of the Board. The duties of the Advisor include, among other things, locating, investigating, evaluating and recommending real estate and mortgage loan investment and sales opportunities as well as financing and refinancing sources. Pillar also serves as a consultant in connection with IOR’s business plan and investment policy decisions made by the Board.

Under the Advisory Agreement, Pillar is required to annually formulate and submit, for Board approval, a budget and business plan containing a twelve-month forecast of operations and cash flow, a general plan for asset sales and purchases, lending, foreclosure and borrowing activity, and other investments, and Pillar is required to report quarterly to the Board on IOR’s performance against the business plan. In addition, all transactions require prior Board approval, unless they are explicitly provided for in the approved business plan or are made pursuant to authority expressly delegated to Pillar by the Board.

The Advisory Agreement also requires prior Board approval for the retention of all consultants and third party professionals, other than legal counsel. The Advisory Agreement provides that Pillar shall be deemed to be in a fiduciary relationship to the IOR stockholders; contains a broad standard governing Pillar’s liability for losses incurred by IOR; and contains guidelines for Pillar’s allocation of investment opportunities as among itself, IOR and other entities it advises.

The Advisory Agreement provides for Pillar to be responsible for the day-to-day operations of IOR and to receive, as compensation for basic management and advisory services, a gross asset fee of 0.0625% per month (0.75% per annum) of the average of the gross asset value (total assets less allowance for amortization, depreciation or depletion and valuation reserves).

In addition to base compensation, Pillar receives the following forms of additional compensation:

(1) an annual net income fee equal to 7.5% of IOR's net income as an incentive for successful investment and management of the Company's assets;

(2) an annual incentive sales fee to encourage periodic sales of appreciated real property at optimum value equal to 10.0% of the amount, if any, by which the aggregate sales consideration for all real estate sold by IOR during such fiscal year exceeds the sum of:

- (a) the cost of each such property as originally recorded in IOR's books for tax purposes (without deduction for depreciation, amortization or reserve for losses);
- (b) capital improvements made to such assets during the period owned; and
- (c) all closing costs (including real estate commissions) incurred in the sale of such real estate; provided however, no incentive fee shall be paid unless (a) such real estate sold in such fiscal year, in the aggregate, has produced an 8.0% simple annual return on the net investment including capital improvements, calculated over the holding period before depreciation and inclusive of operating income and sales consideration, and (b) the aggregate net operating income from all real estate owned for each of the prior and current fiscal years shall be at least 5.0% higher in the current fiscal year than in the prior fiscal year;

(3) an acquisition commission, from an unaffiliated party of any existing mortgage or loan, for supervising the acquisition, purchase or long-term lease of real estate equal to the lesser of:

- (a) up to 1.0% of the cost of acquisition, inclusive of commissions, if any, paid to non-affiliated brokers; or
- (b) the compensation customarily charged in arm's-length transactions by others rendering similar property acquisition services as an ongoing public activity in the same geographical location and for comparable property, provided that the aggregate purchase price of each property (including acquisition fees and real estate brokerage commissions) may not exceed such property's appraised value at acquisition;

(4) a construction fee equal to 6.0% of the so-called "hard costs" only of any costs of construction on a completed basis, based upon amounts set forth as approved on any architect's certificate issued in connection with such construction, which fee is payable at such time as the applicable architect certifies other costs for payment to third parties. The phrase "hard costs" means all actual costs of construction paid to contractors, subcontractors and third parties for materials or labor performed as part of the construction but does not include items generally regarded as "soft costs," which are consulting fees, attorneys' fees, architectural fees, permit fees and fees of other professionals; and

(5) reimbursement of certain expenses incurred by the advisor in the performance of advisory services.

The Advisory Agreement also provides that Pillar, or a related party of Pillar, receive the following forms of compensation:

(1) a mortgage or loan acquisition fee with respect to the acquisition or purchase from an unaffiliated party of any existing mortgage loan by IOR equal to the lesser of:

- (a) 1.0% of the amount of the mortgage or loan purchased; or
- (b) a brokerage or commitment fee which is reasonable and fair under the circumstances. Such fee will not be paid in connection with the origination or funding of any mortgage loan by IOR; and

(2) a mortgage brokerage and equity refinancing fee for obtaining loans or refinancing on properties equal to the lesser of:

- (a) 1.0% of the amount of the loan or the amount refinanced; or
- (b) a brokerage or refinancing fee which is reasonable and fair under the circumstances; provided, however, that no such fee shall be paid on loans from Pillar, or a related party of Pillar, without the approval of IOR's Board of Directors. No fee shall be paid on loan extensions.

Under the Advisory Agreement, all or a portion of the annual advisory fee must be refunded by the Advisor if the operating expenses of IOR (as defined in the Advisory Agreement) exceed certain limits specified in the Advisory Agreement based on the book value, net asset value and net income of IOR during the fiscal year.

The Advisory Agreement requires Pillar to pay to IOR, one-half of any compensation received from third parties with respect to the origination, placement or brokerage of any loan made by IOR; provided, however, that the compensation retained by Pillar, or any related party of Pillar, shall not exceed the lesser of (1) 2.0% of the amount of the loan commitment or (2) a loan brokerage and commitment fee which is reasonable and fair under the circumstances.

If and to the extent that IOR shall request Pillar, or any Director, officer, partner, or employee of Pillar, to render services for IOR other than those required to be rendered by the Advisory Agreement, Pillar or a related party of Pillar separately would be compensated for such additional services on terms to be agreed upon between such party and IOR from time to time.

IOR entered into a Cash Management Agreement with Pillar on April 30, 2011, 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 Pillar which has a deposit liability to the Company and is responsible for payment of all payables and investment of all excess funds which earn interest at the Wall Street Journal prime rate plus 1.0% per annum, as set quarterly on the first day of each calendar quarter. Borrowings for the benefit of the Company bear the same interest rate. The term of the Cash Management Agreement is coterminous with the Advisory Agreement, and is automatically renewed each year unless terminated with the Advisory Agreement. IOR's management believes that the terms of the Advisory Agreement are at least as fair as could be obtained from unaffiliated third parties.

Situations may develop in which the interests of IOR are in conflict with those of one or more Directors or officers in their individual capacities, or of Pillar, or of their respective related parties. In addition to services performed for IOR, as described above, Pillar actively provides similar services as agent for, and advisor to, other real estate enterprises, including persons and entities involved in real estate development and financing, including TCI and ARL. The Advisory Agreement provides that Pillar may also serve as advisor to other entities.

As Advisor, Pillar is a fiduciary of IOR's public investors. In determining to which entity a particular investment opportunity will be allocated, Pillar will consider the respective investment objectives of each entity and the appropriateness of a particular investment in light of each such entity's existing mortgage note and real estate portfolios and business plan. To the extent any particular investment opportunity is appropriate to more than one such entity, such investment opportunity will be allocated to the entity that has had funds available for investment for the longest period of time, or, if appropriate, the investment may be shared among various entities. (See Part III, Item 13, below, *Certain Relationships and Related Transactions, and Director Independence*.)

Pillar may assign the Advisory Agreement only with the prior consent of IOR.

The principal executive officers and director of Pillar are set forth below:

Name	Director/Officer(s)
Gina Kay	Executive Vice President, Chief Accounting Officer
Louis J. Corna	Executive Vice President, Secretary, Tax Counsel, General Legal Counsel

Tax Sharing Agreement

IOR is part of a tax sharing and compensating agreement with respect to federal income taxes between ARL, TCI and IOR and their subsidiaries. The expense (benefit) in each year was calculated based on the amount of losses absorbed by taxable income multiplied by the maximum statutory tax rate of 21%. There were no payments under this agreement in 2020.

ITEM 11. *EXECUTIVE COMPENSATION*

The Company has no employees, payroll or benefit plans and pays no compensation to its executive officers (who are also officers of ARL and TCI), are employees of Pillar or TCI and are compensated by Pillar or TCI. Most of such executive officers perform a variety of services for Pillar, and the amount of their compensation is determined solely by Pillar. Pillar does not allocate the cash compensation of its officers among the various entities for which it serves as advisor. (See Part III, Item 10, above, *Directors, Executive Officers and Corporate Governance*, for a more detailed discussion of compensation payable to Pillar by IOR.)

The only remuneration paid by the Company is to those Directors who are not officers or employees of Pillar or its related companies. The Independent Directors (1) review the business plan of IOR to determine that it is in the best interest of IOR's stockholders, (2) review the advisory contract, (3) supervise the performance of the advisor and review the reasonableness of the compensation paid to the advisor in terms of the nature and quality of services performed, (4) review the reasonableness of the total fees and expenses of IOR and (5) select, when necessary, a qualified independent real estate appraiser to appraise properties acquired.

Effective January 15, 2011, each non-affiliated Director is entitled to receive an annual retainer of $5,000, with the Chairman of the Audit Committee to receive a one-time annual fee of $500. The Company also reimburses Directors for travel expenses incurred in connection with attending Board, Committee and Stockholder meetings and for other Company-related business. Directors who are also employees of the Company or its advisor receive no additional compensation for service as a Director.

During 2020, $17,930 was paid to the non-employee Directors in total Directors' fees. Those fees received by Directors were Robert A. Jakuszewski $5,000; Ted R. Munselle $5,500; Raymond D. Roberts, Sr. $5,000 and Henry A. Butler $2,430.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2020, the Company did not have any compensation plans under which equity securities of the Company were authorized for issuance.

Security Ownership of Certain Beneficial Owners

The following table sets forth the ownership of the Company's Common Stock, both beneficially and of record, both individually and in the aggregate, for those persons or entities known by the Company to be the beneficial owners of more than 5% of its outstanding Common Stock as of the close of business on March 26, 2021.

Name and Address of Beneficial Owner	Amount and Nature* of Beneficial Ownership	Approximate Percentage of class**
Transcontinental Realty Investors, Inc. 1603 LBJ Freeway, Suite 800 Dallas, Texas 75234	3,381,570	81.1%

Security Ownership of Management

The following table sets forth the ownership of the Company's Common Stock, both beneficially and of record, both individually and in the aggregate for the Directors and executive officers of the Company as of the close of business on March 26, 2020:

Name and Address of Beneficial Owner	Amount and Nature* of Beneficial Ownership	Approximate Percentage of class**
Gene S Bertcher	-0- [(1)]	-0- %
Henry A. Butler	3,381,570[(1)]	81.1%
Louis J. Corna	3,381,570[(1)]	81.1%
William J. Hogan	3,381,570[(1)]	81.1%
Robert A. Jakuszewski	3,381,570[(1)]	81.1%
Erik L. Johnson	3,381,570[(1)]	81.1%
Ted R. Munselle	3,381,570[(1)]	81.1%
Raymond D. Roberts, Sr.	3,381,570[(1)]	81.1%
All directors and executive officers as a group (8 people)	3,381,570[(1)]	81.1%

* "Beneficial Ownership" means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security, or any combination thereof.

** Percentages are based upon 4,168,414 shares of Common Stock outstanding at March 26, 2021.

(1) Includes 3,381,570 shares owned by TCI of which the Directors and executive officers of TCI may be deemed to be the beneficial owners by virtue of their positions as Directors and executive officers. Each of the current Directors (Messrs. Butler, Munselle, Jakuszewski and Roberts) and executive officers (Messrs. Johnson and Corna) of TCI disclaim beneficial ownership of such shares.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Policies with Respect to Certain Activities

Article 14 of IOR's Articles of Incorporation provides that IOR shall not, directly or indirectly, contract or engage in any transaction with (1) any director, officer or employee of IOR, (2) any director, officer or employee of the advisor, (3) the advisor, or (4) any affiliate or associate (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of any of the aforementioned persons, unless (a) the material facts as to the relationship among or financial interest of the relevant individuals or persons and as to the contract or transaction are disclosed to or are known by IOR's Board of Directors or the appropriate committee thereof and (b) IOR's Board of Directors or committee thereof determines that such contract or transaction is fair to IOR and simultaneously authorizes or ratifies such contract or transaction by the affirmative vote of a majority of independent directors of IOR entitled to vote thereon.

Article 14 defines an "Independent Director" (for purposes of that Article) as one who is neither an officer nor employee of IOR, nor a director, officer or employee of IOR's advisor.

IOR's policy is to have such contracts or transactions approved or ratified by a majority of the disinterested Directors with full knowledge of the character of such transactions, as being fair and reasonable to the stockholders at the time of such approval or ratification under the circumstances then prevailing. Such Directors also consider the fairness of such transactions to IOR. Management believes that, to date, such transactions have represented the best investments available at the time and they were at least as advantageous to IOR as other investments that could have been obtained.

IOR may enter into future transactions with entities, the officers, directors, or stockholders of which are also officers, directors, or stockholders of IOR, if such transactions would be beneficial to the operations of IOR and consistent with IOR's then-current investment objectives and policies, subject to approval by a majority of disinterested Directors as discussed above.

IOR does not prohibit its officers, directors, stockholders, or related parties from engaging in business activities of the types conducted by IOR.

Certain Business Relationships

Since April 30, 2011, Pillar, the sole shareholder of which is Realty Advisors, LLC, a Nevada limited liability company, the sole member of which is RAI, a Nevada corporation, the sole shareholder of which is MRHI, a Nevada corporation, the sole shareholder of which is a trust known as the May Trust, became the Company's external Advisor and Cash Manager. Pillar's duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities. Pillar also arranges, for IOR's benefit, debt and equity financing with third party lenders and investors. Pillar also serves as an Advisor and Cash Manager to ARL and TCI. As the contractual advisor, Pillar is compensated by IOR under an Advisory Agreement that is more fully described in Part III, Item 10. "Directors, Executive Officers and Corporate Governance – The Advisor". IOR has no employees. Employees of Pillar render services to IOR in accordance with the terms of the Advisory Agreement.

Regis also provides brokerage services, on a non-exclusive basis, for the Company and receives brokerage commissions in accordance with a brokerage agreement.

IOR is part of a tax sharing and compensating agreement with respect to federal income taxes between ARL, TCI and IOR and their subsidiaries. The expense (benefit) in each year was calculated based on the amount of losses absorbed by taxable income multiplied by the maximum statutory tax rate of 21%. There were no payments under this agreement in 2020 or 2019.

Messrs. Louis J. Corna is employed by Pillar. Messrs. Corna is an executive officer of the Company, and also serves as an executive officer of ARL and TCI, and accordingly owe fiduciary duties to those entities as well as the Company. Messrs. Jakuszewski, Munselle and Roberts serve as Directors of ARL, and TCI and owe fiduciary duties to TCI and ARL as well as the Company, under applicable law. Mr. Bertcher is an officer, Director and employee of NCE and as such, he owes a fiduciary duty to NCE as well as the Company under applicable law.

Related Party Transactions

Historically, the Company has engaged in and may continue to engage in business transactions, including real estate partnerships, with related parties. Management believes that all of the related party transactions represented the best investments available at the time and were at least as advantageous to the Company as could have been obtained from unrelated third parties.

At December 31, 2020, TCI owned 3,381,570 shares of Common Stock of IOR (approximately 81.1%). From time to time, the Company has made advances to Pillar, which generally has not had specific repayment terms, are unsecured and have been reflected in the Company's financial statements as receivables from or payables to related parties. Such advances bear interest at 1% above the prime rate. During 2020, the Company recognized interest of approximately $2.8 million from Pillar related to the advances to date.

In 2020, pursuant to the Advisory fee agreement, the Company paid Pillar $0.8 million in advisory fees and $0.2 million in cost reimbursements. The Company also paid Pillar $0.4 million in net income fees.

As of December 31, 2020, the Company had notes and interest receivables of $13.9 million due from related parties. (See Note 3 *Notes and Interest Receivable*). During the current period, IOR recognized $1.8 million of interest income from these related party notes receivables.

Sales to TCI have previously been reflected at the fair value sales price. Upon discussion with the SEC and in review of the guidance pursuant to ASC 250-10-45-22 to 24, we have adjusted those asset sales to reflect a sales price equal to the cost basis in the asset at the time of the sale. The related party payables from TCI were reduced for the lower asset price.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The following table sets forth the aggregate fees for professional services rendered to the Company for the years 2020 and 2019 by the Company's principal accounting firm, Swalm & Associates, P.C.:

Type of Fees	**2020**	**2019**
Audit Fees	$ 42,250	$ 63,024
Total	$ 42,250	$ 63,024

All services rendered by the principal auditors are permissible under applicable laws and regulations and were pre-approved by either the Board of Directors or the Audit Committee, as required by law. The fees paid during 2020 and 2019 were for professional services performed by the principal auditor for the audit of the Company's annual financial statements and review of financial statements included in the Company's 10-Q filings and services that are normally provided in connection with statutory and regulatory filing or engagements.

These services are actively monitored (as to both spending level and work content) by the Audit Committee to maintain the appropriate objectivity and independence in the principal auditor's core work, which is the audit of the Company's consolidated financial statements.

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate IOR's independent auditors, to pre-approve their performance of audit services and permitted non-audit services, to approve all audit and non-audit fees, and to set guidelines for permitted non-audit services and fees. All fees for 2020 and 2019 were pre-approved by the Audit Committee or were within the pre-approved guidelines for permitted non-audit services and fees established by the Audit Committee, and there were no instances of waiver of approved requirements or guidelines during the same periods.

Under the Sarbanes-Oxley Act of 2002 (the "SOX Act"), and the rules of the Securities and Exchange Commission, the Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. The purpose of the provisions of the SOX Act and the SEC rules for the Audit Committee role in retaining the independent auditor is two-fold. First, the authority and responsibility for the appointment, compensation and oversight of the auditors should be with Directors who are independent of management. Second, any non-audit work performed by the auditors should be reviewed and approved by these same independent Directors to ensure that any non-audit services performed by the auditor do not impair the independence of the independent auditor. To implement the provisions of the SOX Act, the SEC issued rules specifying the types of services that an independent may not provide to its audit client, and governing the Audit Committee's administration of the engagement of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor's independence.

Accordingly, the Audit Committee has adopted a pre-approval policy of audit and non-audit services (the "Policy"), which sets forth the procedures and conditions pursuant to which services to be performed by the independent auditor are to be pre-approved. Consistent with the SEC rules establishing two different approaches to pre-approving non-prohibited services, the Policy of the Audit Committee covers Pre-approval of audit services, audit-related services, international administration tax services, non-U.S. income tax compliance services, pension and benefit plan consulting and compliance services, and U.S. tax compliance and planning. At the beginning of each fiscal year, the Audit Committee will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and will approve or reject each service, taking into account whether services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. Typically, in addition to the generally pre-approved services, other services would include due diligence for an acquisition that may or may not have been known at the beginning of the year. The Audit Committee has also delegated to any member of the Audit Committee designated by the Board or the financial expert member of the Audit Committee responsibilities to pre-approve services to be performed by the independent auditor not exceeding $25,000 in value or cost per engagement of audit and non-audit services, and such authority may only be exercised when the Audit Committee is not in session.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) The following documents are filed as part of this Report:

1. Consolidated Financial Statements

- Report of Independent Certified Public Accountants
- Consolidated Balance Sheets—December 31, 2020 and 2019
- Consolidated Statements of Operations—years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Stockholders' Equity—years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Cash Flows—years ended December 31, 2020, 2019 and 2018
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

- Schedule III—Real Estate and Accumulated Depreciation
- Schedule IV—Mortgage Loan Receivables on Real Estate

All other schedules are omitted because they are not applicable or because the required information is shown in the Financial Statements or the Notes thereto.

(b) The following documents are filed as Exhibits to this Report (certain of which as indicated parenthetically were previously filed as exhibits to Registration Statements filed under the Securities Act of 1933 or to report filed under the Exchange Act and are incorporated by reference to such statements or reports):

Exhibit Designation	Description
3.1	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)
3.2	Certificate of Amendment to the Articles of Incorporation of Income Opportunity Realty Investors, Inc. as filed with and approved by the Secretary of State of Nevada on January 11, 2006 (incorporated by reference to Exhibit 3.2 of Registrant's Current Report on Form 8-K for event of January 11, 2006)
10.3	Advisory Agreement dated as of April 30, 2011, between Income Opportunity Realty Investors, Inc. and Pillar Income Asset Management, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K for event of April 30, 2011)
14.1	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.0 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003)
21.1*	Subsidiaries of the Registrant
31.1*	Rule 13a-14(a) Certification by Principal Financial Officer
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith.

ITEM 16. *FORM 10-K SUMMARY*

Optional and not included herein.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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.

Dated: March 26, 2021

By: /S/ GENE S. BERTCHER

Gene S. Bertcher,
Principal Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ HENRY A. BUTLER **Henry A. Butler**	Director	March 26, 2021
/S/ ROBERT A. JAKUSZEWSKI **Robert A. Jakuszewski**	Director	March 26, 2021
/S/ RAYMOND D. ROBERTS, SR. **Raymond D. Roberts, Sr**	Director	March 26, 2021
/S/ TED R. MUNSELLE **Ted R. Munselle**	Director	March 26, 2021
/S/ GENE S. BERTCHER **Gene S. Bertcher**	Principal Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2021

EXHIBIT 31.1

CERTIFICATION

I, Gene S. Bertcher, certify that:

1. I have reviewed this annual report on Form 10-K of Income Opportunity Investors, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and

   (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 26, 2021

/s/ GENE S. BERTCHER

Gene S. Bertcher
Principal Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Income Opportunity Realty Investors, Inc. (the “Company”), on Form 10-K for the year ended December 31, 2020 as filed with the Securities Exchange Commission on the date hereof (the “Report”), the undersigned Gene S. Bertcher, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

March 26, 2021 /s/ GENE S. BERTCHER

Gene S. Bertcher
Principal Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 14.1

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

The principal executive officer, president, principal financial officer, chief financial officer, principal accounting officer and controller (all, the company's "Senior Financial Officers") hold an important and elevated role in corporate governance, vested with both the responsibility and authority to protect, balance, and preserve the interests of all of the enterprise stakeholders, including shareholders, customers, employees, suppliers, and citizens of the communities in which business is conducted. Senior Financial Officers fulfill this responsibility by prescribing and enforcing the policies and procedures employed in the operation of the enterprise's financial organization and by acting in good faith and in the company's best interests in accordance with the company's Code of Business Conduct and Ethics.

1. Honest and Ethical Conduct

Senior Financial Officers will exhibit and promote honest and ethical conduct through the establishment and operation of policies and procedures that:

Encourage and reward professional integrity in all aspects of the financial organization, by eliminating inhibitions and barriers to responsible behavior, such as coercion, fear of reprisal, or alienation from the financial organization or the enterprise itself.

Promote the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Provide a mechanism for members of the finance organization to inform senior Management of deviations in the practice from policies and procedures governing honest and ethical behavior.

Respect the confidentiality of information acquired in the course of work, except when authorized or otherwise legally obligated to disclose such information, and restrict the use of confidential information acquired in the course of work for personal advantage.

Demonstrate their personal support for such policies and procedures through periodic communication reinforcing these ethical standards throughout the finance organization.

2. Financial Records and Periodic Reports

Senior Financial Officers will establish and manage the enterprise transaction and reporting systems and procedures to provide that:

Business transactions are properly authorized and accurately and timely recorded on the company's books and records in accordance with Generally Accepted Accounting Principles ("GAAP") and established company financial policy.

No false or artificial statements or entries for any purpose are made in the company's books and records, financial statements and related communications.

The retention or proper disposal of company records shall be in accordance with established records retention policies and applicable legal and regulatory requirements.

Periodic financial communications and reports will include full, fair, accurate, timely and understandable disclosure.

3. **Compliance with Applicable Laws, Rules and Regulations**.

Senior Financial Officers will establish and maintain mechanisms to:

Educate members of the finance organization about any federal, state or local statute, regulation or administrative procedure that affects the operation of the finance organization and the enterprise generally.

Monitor the compliance of the finance organization with any applicable federal, state or local statute, regulation or administrative rule.

Identify, report and correct in a swift and certain manner, any detected deviations from applicable federal, state or local statute or regulation.

4. **Reporting of Non-Compliance**

Senior Financial Officers will promptly bring to the attention of the Audit Committee:

Material information that affects the disclosures made by the company in its public filings.
Information concerning significant deficiencies in the design or operation of internal controls that could adversely affect the company's ability to record, process, summarize and report financial data.

Senior Financial Officers will promptly bring to the attention of the General Counsel and to the Audit Committee:

Fraud, whether or not material, that involves management or other employees who have a significant role in the company's financial reporting, disclosures or internal controls.

Information concerning a violation of this Code or the company's Code of Business and Ethics Conduct, including any actual or apparent conflicts of interest between personal and professional relationships, involving management or other employees who have a significant role in the company's financal reporting, disclosures or internal controls.

Evidence of a material violation by the company or its employees or agents of applicable laws, rules or regulations.

5. **Disciplinary Action**

In the event of violation by Senior Financial Officers of this Code or the company's Code of Business Conduct and Ethics, the Audit Committee of the Board of Directors shall recommend appropriate disciplinary and remedial actions.

EXHIBIT 21.1

INCOME OPPORTUNITY REALTY INVESTORS, INC.
SUBSIDIARIES OF THE REGISTRANT

The following is a list of all subsidiaries and partnership interests of Income Opportunity Realty Investors, Inc., the percentage of ownership and the state or other jurisdiction of organization or incorporation as of December 31, 2020:

Corporations

Name of Entity	Ownership	Jurisdiction
IORI Minerals, Inc.	100.00%	Nevada

LLC interests (including direct and indirect ownership through subsidiaries)

Name of Entity	Ownership	Jurisdiction
Trinity East Energy, LLC	3.70%	Texas

Partnership interests (including direct and indirect ownership through subsidiaries)

Name of Entity	Ownership	Jurisdiction
Nakash Income Associates	40.00%	Georgia