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, 2017

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 300 Dallas, Texas	**75234**
(Address of principal executive offices)	**(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	*Name of each exchange on which registered*
Common Stock, $0.01 par value	American Stock 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 ☐	**(Do not check if smaller reporting company)**	**Smaller Reporting Company** ☒

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

The aggregate market value of the shares of voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the closing sales price of the common stock on the New York Stock Exchange ("NYSE American") as of December 31, 2017 (the last business day of the Registrant's most recently completed second fiscal quarter) was $5,546,832 based upon a total of 781,244 shares held as of December 31, 2017 by persons believed to be non-affiliates of the Registrant. 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 28, 2018, there were 4,168,214 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 81.25% 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

Our business is investing in real estate and financing real estate and real estate-related activities through investments in mortgage loans. At December 31, 2017, our real estate land holdings consisted of 131.1 acres of developable land located in Farmers Branch, Texas held subject to a sales contract. The principal source of revenue for the Company is interest income on approximately $14.0 million of notes receivable due from related parties.

Our business is not seasonal. Management has determined to pursue a balanced investment strategy, seeking both current income and capital appreciation. With respect to new investments, management's plan of operation is to acquire above average apartment and commercial properties, in keeping with the current class of properties in our real estate portfolio. Management intends to focus on income-producing property acquisitions to maintain a balance between income-producing and non-income-producing properties. Management does not expect that we will seek to fund or acquire additional mortgage loans. We may, however, originate mortgage loans in conjunction with providing purchase money financing of a property acquisition.

Competition

The real estate business is highly competitive and IOR competes with numerous entities engaged in real estate activities (including certain entities described in *Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence*), some of which have greater financial resources than IOR. We believe that success against such competition is dependent upon the geographic location, the allowable use of the property and the amount of new construction in the area and the maintenance and appearance of the property. Additional competitive factors include ease of access to the property, the adequacy of related facilities such as parking and other amenities, and sensitivity to market conditions in determining value. We believe that beyond general economic circumstances and trends, the degree to which properties are renovated or new properties are developed in the competing submarket are also competitive factors. (See also *Part I, Item1A. Risk Factors*, above).

To the extent that the Company seeks to sell any properties, the sales prices for such properties may be affected by competition from other real estate owners and financial institutions also attempting to sell properties in areas where IOR's properties are located, as well as aggressive buyers attempting to penetrate or dominate a particular market.

As described above and in *Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence,* the officers and directors of IOR also serve as officers and directors of ARL and TCI. Both ARL and TCI have business objectives similar to those of IOR. IOR's officers and directors owe fiduciary duties to both ARL and TCI, as well as to IOR, under applicable law. In determining whether a particular investment opportunity will be allocated to IOR, ARL or TCI, management considers the respective investment objectives of each entity and the appropriateness of a particular investment in light of each entity's existing real estate and mortgage notes receivable portfolio. To the extent that any particular investment opportunity is appropriate to more than one of the entities, the investment opportunity may be allocated to the entity which has had funds available for investment for the longest period of time, or, if appropriate, the investment may be shared among all three or two of the entities.

In addition, as described in *Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence,* IOR competes with related parties of Pillar having similar investment objectives relative to the acquisition, development, disposition, leasing and financing of real estate and real estate related investments. In resolving any potential conflicts of interest which may arise, Pillar has informed IOR that it intends to exercise its best judgment as to what is fair and reasonable under the circumstances in accordance with applicable law.

We have historically engaged in and will continue to engage in certain business transactions with related parties, including but not limited to asset acquisitions and dispositions. 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 the best interests of our company.

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*

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 compete successfully with other entities that operate in our industry.

We experience a great deal of competition in locating land to develop and properties to acquire.

In our effort to sell or acquire land or other properties, we compete with a broad spectrum of other entities in each of our markets. These competitors include, among others, publicly held REITs, privately held entities and individual property owners. Some of these competitors may be able to offer more attractive financial terms than we are able to offer.

If the availability of land or high quality properties in our markets diminishes, our operating results could be adversely affected.

We may experience increased operating costs, which could adversely affect our financial results and the value of our properties.

Real estate properties are subject to increases in operating expenses such as insurance, administrative costs, real estate taxes and other costs associated with the ownership and maintenance of our properties. Our ability to make distributions to shareholders or to service indebtedness could be adversely affected by increased costs.

We face risks associated with property ownership and acquisitions.

We have acquired individual properties and portfolios of properties and intend to continue to do so. Our acquisition activities and their successes are subject to the following risks:

- when we are able to locate a desired property, competition from other real estate investors may significantly increase the purchase price;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning, developing or redeveloping acquired properties may be higher than original estimates;
- acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations, and results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we may be required to pay substantial sums to settle it, which could adversely affect our cash flow.

Our land holdings are concentrated in our primary markets, and we therefore may suffer economic harm as a result of adverse conditions in those markets.

Our land holdings are located principally in a specific geographic area in Farmers Branch, Texas. Due to the concentration of our properties in this area, performance is dependent on economic conditions. This area has experienced periods of economic decline in the past, and may do so in the future.

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

We rely on proceeds from property dispositions and 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;
- the market's opinion of real estate companies in general; and
- the market's opinion of real estate companies that own properties like ours.

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.

Because of the lack of liquidity of real estate investments generally, our ability to respond to changing circumstances may be impaired. Real estate investments generally cannot be sold quickly. 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.

The overall business is subject to all of the risks associated with the real estate industry.

We are subject to all risks incident to investment in real estate, many of which relate to the general lack of liquidity of real estate investments, including, but not limited to:

- changes in general or local economic conditions—because our real estate assets are concentrated in Farmers Branch, Texas, any deterioration in the general economic conditions in the Dallas, Texas area could have an adverse effect on our business and assets;
- changes in interest rates that may make our ability to satisfy our debt service requirements materially more burdensome;
- lack of availability of financing that may render the purchase, sale or refinancing of a property more difficult or unattractive;
- changes in real estate and zoning laws;
- increases in real estate taxes and insurance costs;
- federal or local economic or rent control; and
- hurricanes, tornadoes, floods, earthquakes and other similar natural disasters.

Adverse economic conditions and dislocations in the credit markets could have a material adverse effect on our results of operation, and financial condition.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole or by the local economic conditions in the markets in which our properties are located, including the current dislocations in the credit markets and general global economic recession. These current conditions, or similar conditions existing in the future, may adversely affect our results of operations and financial condition as a result of the following, among other, potential consequences:

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and
- one or more lenders could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

Real estate investments are illiquid, and we may not be able to sell properties if and when it is appropriate to do so.

Real estate generally cannot be sold quickly. We may not be able to dispose of properties promptly in response to economic or other conditions. In addition, provisions of the Internal Revenue Code may limit our ability to sell properties (without incurring significant tax costs) in some situations when it may be otherwise economically advantageous to do so, thereby adversely affecting returns to stockholders and adversely impacting our ability to meet our obligations.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

On December 31, 2017, our portfolio consisted of 131.1 developable acres of land subject to sales contract located in Farmers Branch, Texas.

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.

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.

	2017		2016	
	High	**Low**	**High**	**Low**
First Quarter	$ 10.20	$ 7.25	$ 8.30	$ 5.85
Second Quarter	$ 9.90	$ 8.31	$ 7.95	$ 6.81
Third Quarter	$ 10.28	$ 8.51	$ 7.94	$ 7.00
Fourth Quarter	$ 12.08	$ 8.64	$ 8.39	$ 7.08

On March 20, 2018, the closing sale price of the Company's common stock on the NYSE American was $11.86 per share. The approximate number of record holders of our common stock at March 20, 2018 was 792.

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 for 2017, 2016, or 2015. 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. There were no shares purchased under this program during 2017. As of December 31, 2017, 1,034,761 shares have been purchased and 615,239 shares may be purchased under the program.

ITEM 6. *SELECTED FINANCIAL DATA*

INCOME OPPORTUNITY REALTY INVESTORS, INC.

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(dollars in thousands, except share and per share amounts)				
EARNINGS DATA					
Rental and other property revenues	$ -	$ -	$ -	$ -	$ -
Total operating expenses	1,348	1,292	1,418	1,518	2,346
Operating loss	(1,348)	(1,292)	(1,418)	(1,518)	(2,346)
Other income, net of other expenses	4,487	4,494	3,724	4,023	10,943
Income before gain on land sales, non-controlling interest, and taxes	3,139	3,202	2,306	2,505	8,597
Income tax benefit (expense)	(1,631)	(1,121)	(807)	(946)	(3,063)
Net income from continuing operations	1,508	2,081	1,499	1,559	5,534
Net income (loss) from discontinued operations	-	-	-	-	(16)
Net income	$ 1,508	$ 2,081	$ 1,499	$ 1,559	$ 5,518
PER SHARE DATA					
Earnings per share - basic					
Net income from continuing operations	$ 0.36	$ 0.50	$ 0.36	$ 0.37	$ 1.33
Net income (loss) from discontinued operations	-	-	-	-	-
Net income applicable to common shares	$ 0.36	$ 0.50	$ 0.36	$ 0.37	$ 1.33
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,214	4,168,214
Earnings per share - diluted					
Net income from continuing operations	$ 0.36	$ 0.50	$ 0.36	$ 0.37	$ 1.33
Net income (loss) from discontinued operations	-	-	-	-	-
Net income applicable to common shares	$ 0.36	$ 0.50	$ 0.36	$ 0.37	$ 1.33
Weighted average common shares used in computing diluted earnings per share	4,168,214	4,168,214	4,168,214	4,168,214	4,168,214
BALANCE SHEET DATA					
Real estate, net	$ 22,717	$ 22,717	$ 22,717	$ 25,717	$ 24,511
Notes and interest receivable, net	14,030	23,659	24,882	25,635	28,867
Total assets	87,897	86,402	84,304	93,076	93,813
Notes and interest payables	-	-	-	10,240	12,357
Shareholders' equity	87,887	86,379	84,298	82,799	81,240
Book value per share	21.09	20.72	20.22	19.86	19.49

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:

- general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, dependence on tenants' financial condition, and competition from other developers, owners and operators of real estate);
- 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 and uncertainties affecting property development and construction (including, without limitation, construction delays, cost overruns, inability to obtain necessary permits and public opposition to such activities);
- risks associated with downturns in the national and local economies, increases in interest rates and volatility in the securities markets;
- costs of compliance with the Americans with Disabilities Act and other similar laws and regulations;
- 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.

Overview

Our primary business is in real estate holdings and investment in mortgage receivables. Land held for development or sale is our sole operating segment. At December 31, 2017, our land consisted of 131.1 acres of land held subject to sales contract. All of our land holdings are located in Farmers Branch, Texas. The principal source of revenue for the Company is interest income on over $14.0 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 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. 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, our subsidiaries, generally all of which are wholly-owned, and all entities in which we have a controlling interest. As of December 31, 2017, IOR is not the primary beneficiary of a VIE.

The Company does not have any entities in which we have less than a controlling financial interest or entities where it is not deemed to be the primary beneficiary.

Real Estate

Upon acquisitions of real estate, we assess the fair value of acquired tangible and intangible assets, including land, buildings, tenant improvements, "above-market" and "below-market" leases, origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities in accordance with ASC 805 "Business Combinations", and allocate the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings at replacement cost.

We assess and consider fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. We also consider an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenants' credit quality and expectations of lease renewals. Based on our acquisitions to date, our allocation to customer relationship intangible assets has been immaterial.

We record acquired "above-market" and "below-market" leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases.

Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related expenses.

Transfers to or from TCI or other related parties reflect a sales price equal to the cost basis in the asset at the time of the sale.

Depreciation and Impairment

Real estate is stated at depreciated cost. The cost of buildings and improvements includes the purchase price of property, legal fees and other acquisition costs. Costs directly related to the development of properties are capitalized. Capitalized development costs include interest, property taxes, insurance, and other project costs incurred during the period of development.

Management reviews its long-lived assets used in operations for impairment when there is an event or change in circumstances that indicates impairment in value. An impairment loss is recognized if the carrying amount of its assets is not recoverable and exceeds its fair value. If such impairment is present, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. If we determine that impairment has occurred, the affected assets must be reduced to their face value.

ASC 360 "Property, Plant and Equipment" requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as "held for sale," be presented as discontinued operations in all periods presented if the property operations are expected to be eliminated and the Company will not have significant continuing involvement following the sale. The components of the property's net income that is reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan). We generally consider assets to be "held for sale" when the transaction has been approved by the Company's Board of Directors, or its Executive Committee thereof, and there are no known significant contingencies relating to the sale, such that the property sale within one year is considered probable. Following the classification of a property as "held for sale," no further depreciation is recorded on the assets.

A variety of costs are incurred in the acquisition, development and leasing of properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. Our capitalization policy on development properties is guided by ASC 835-20 "Interest - Capitalization of Interest" and ASC 970 "Real Estate—General". The costs of land and buildings under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the receipt of certificates of occupancy, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed and (2) occupied or held available for occupancy, and we capitalize only those costs associated with the portion under construction.

Recognition of Revenue

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

Revenue Recognition on the Sale of Real Estate

Sales and the associated gains or losses of real estate assets are recognized in accordance with the provisions of ASC 360-20, "Property, Plant and Equipment – Real Estate Sale". The specific timing of a sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, we defer some or all of the revenue or gain recognition and account for the continued operations of the property by applying the finance, leasing, deposit, installment or cost recovery methods, as appropriate, until the full revenue recognition sales criteria are met.

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 real estate assets. 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 properties and mortgage notes receivable at least annually and whenever events or a change in circumstances indicates that impairment may exist. Impairment is considered to exist if the future cash flow from a property (undiscounted and without interest) is less than the carrying amount of the property. 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. 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.

Related parties

We apply ASC 805, *Business Combinations*, 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, 2017, the Company had no outstanding debt, lease or purchase obligations.

Newly Issued Accounting Pronouncements

In January 2016, Accounting Standards Update No. 2016-01 ("ASU 2016-01"), *Financial Instruments-Overall*, was issued. This new guidance improves certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments in the update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements. The update also reduces diversity in current practice by clarifying that an entity should evaluate the need for a valuation allowance on a tax deferred asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of ASU 2016-01 on its financial position and results of operations, if any.

In May 2014, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*, was issued. This new guidance established a new single comprehensive revenue recognition model and provides for enhanced disclosures. Under the new guidance, the nature, timing and amount of revenue recognized for certain transactions could differ from those recognized under existing accounting guidance. This new guidance does not affect revenue recognized under lease contracts. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its financial position and results of operations, if any.

Results of Operations

The following discussion is based on our Consolidated Financial Statements *Consolidated Statement of Operations,* for the years ended December 31, 2017, 2016, and 2015 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 current operations consist of land held subject to a sales contract. 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, 2017 to the year ended December 31, 2016

We had a net income applicable to common shares of $1.5 million or $0.36 per diluted earnings per share for the year ended December 31, 2017, compared to a net income applicable to common shares of $2.1 million or $0.50 per diluted earnings per share for the same period ended 2016.

Revenue

Land held subject to a sales contract is our sole operating segment. There was no income generated from this segment for the years ended December 31, 2017 and December 31, 2016.

Expenses

General and administrative expenses were $437,000 for the year ended December 31, 2017. This represents an increase of $41,000 compared to general and administrative expenses of $396,000 for the year ended December 31, 2016. This increase was primarily due to an increase in legal expenses, audit fees, stock transfer agent fees and reimbursements to Advisor.

Net income fee to related party was $250,000 for the year ended December 31, 2017. This represents a decrease of $7,000, compared to the net income fee of $257,000 for the year ended December 31, 2016. The net income fee paid is calculated at the rate of 7.5% of net income.

Advisory fees were $660,000 for the year ended December 31, 2017. This represents an increase of $21,000 compared to advisory fees of $639,000 for the year ended December 31, 2016. 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 $4.2 million for the year ended December 31, 2017. This represents a decrease of $0.3 million, compared to interest income of $4.5 million for the year ended December 31, 2016. This decrease was primarily due to the payoff of notes receivable related to three income producing properties sold in a prior year.

The Company incurred no mortgage and loan interest for the years ended December 31, 2017 and December 31, 2016. We have no outstanding debt as of December 31, 2017.

Income tax expense was $1.6 million for the year ended December 31, 2017 compared to income tax expense of $1.1 million for the year ended December 31, 2016. Net income before taxes was $3.1 million for the year ended December 31, 2017. This represents a decrease of $0.1 million compared to net income before taxes of $3.2 million for the year ended December 31, 2016.

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

We had net income applicable to common shares of $2.1 million or $0.50 per diluted earnings per share for the year ended December 31, 2016, as compared to net income applicable to common shares of $1.5 million or $0.36 per diluted earnings per share for the same period ended 2015.

Revenue

Land held subject to sales contract is our sole operating segment. There was no income generated from this segment for the year ended December 31, 2016 and December 31, 2015.

Expenses

The Company incurred no property operating expenses for the year ended December 31, 2016 compared to property operating expenses of $61,000 for the prior year. This decrease was primarily due to a decrease in real estate taxes and professional services.

General and administrative expenses were $396,000 for the year ended December 31, 2016. This represents a decrease of $70,000, as compared to the prior period general and administrative expenses of $466,000. This decrease was primarily due to a decrease in legal fees.

Net income fee was $257,000 for the year ended December 31, 2016. This represents an increase of $70,000, compared to the prior period net income fee of $187,000. The net income fee paid to Pillar was calculated at the rate of 7.5% of net income.

Advisory fees were $639,000 for the year ended December 31, 2016. This represents a decrease of $65,000 compared to the prior period advisory fees of $704,000. 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 $4.5 million for the year ended December 31, 2016 compared to interest income of $4.4 million in the prior period. This increase was primarily due to an increase in the receivable amount owed from our Advisor.

The Company incurred no mortgage and loan interest for the year ended December 31, 2016 compared to the prior period expense of $652,000. This decrease was due to the payoff of the mortgages for Mercer Crossing and Propel during 2015. There was no outstanding debt for the year ended December 31, 2016.

Income tax expense was $1.1 million for the year ended December 31, 2016. This represents an increase of $0.3 million compared to the prior period income tax expense of $0.8 million. The increase was due to an increase of $0.9 million in net income before taxes.

Liquidity and Capital Resources

General

Our principal liquidity needs are:

- fund normal recurring expenses;
- meet debt service and principal repayment obligations including balloon payments on maturing debt;
- fund capital expenditures; and
- fund possible property acquisitions.

Our principal sources of cash have been and will continue to be:

- property operations;
- proceeds from land and income-producing property sales;
- collection of mortgage notes receivable;
- collections of receivables from related companies;
- refinancing of existing mortgage notes payable; and
- additional borrowings, including mortgage notes payable, and lines of credit.

It is important to realize that the current status of the banking industry has had a significant effect on our industry. The banks' willingness and/or ability to originate loans affects our ability to buy and sell property, and refinance existing debt. We are unable to foresee the extent and length of this down-turn. A continued and extended decline could materially impact our cash flows. We draw on multiple financing sources to fund our long-term capital needs.

We may also issue additional equity securities, including common stock. Management anticipates that our cash as of December 31, 2017, along with cash that will be generated in 2018 from notes and interest receivables, will be sufficient to meet all of our cash requirements. Management intends to selectively sell land and income-producing assets, refinance or extend real estate debt and seek additional borrowings secured by real estate to meet its liquidity requirements. Although history cannot predict the future, historically, we have been successful at refinancing and extending a portion of the Company's current maturity obligations.

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 $2,000 and $1,000 as of December 31, 2017 and December 31, 2016, respectively. The increase was a result of the following increases and decreases in cash flows:

	Year Ended December 31,		
	2017	2016	Variance
	(dollars in thousands)		
Net cash provided by operating activities	$ 2,784	$ 3,454	$ (670)
Net cash provided by (used in) investing activities	(2,783)	(3,455)	672
Net cash used in financing activities	-	-	-

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 proceeds received on notes receivable.

We paid no dividends in 2017, 2016, or 2015. It is unlikely that we will pay any quarterly dividends in 2018.

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. Fluctuations in the rate of inflation affect the sales value of properties and the ultimate gain to be realized from property sales. 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 consolidated balance sheets of Income Opportunity Realty Investors, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and schedules collectively referred to as the "financial statements." In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Income Opportunity Realty Investors, Inc. as of December 31, 2017 and 2016 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with U.S. generally accepted accounting principles.

Basis of Opinion

These consolidated financial statements are the responsibility of Company's. Management. Our responsibility is to express an opinion on the Company's consolidated 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 consolidated 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.

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 data 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 28, 2018

INCOME OPPORTUNITY REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(Audited)

	December 31, 2017	December 31, 2016
	(dollars in thousands, except par value amount)	
Assets		
Real estate land holdings subject to sales contract, at cost	$ 22,717	$ 22,717
Total real estate	22,717	22,717
Notes and interest receivable from related parties	14,030	23,659
Total notes and interest receivable	14,030	23,659
Cash and cash equivalents	2	1
Receivable and accrued interest from related parties	49,631	37,768
Other assets	1,517	2,257
Total assets	$ 87,897	$ 86,402
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities	$ 10	$ 23
Total liabilities	10	23
Shareholders' equity:		
Common stock, $0.01 par value, authorized 10,000,000 shares; issued 4,173,675 and outstanding 4,168,214 shares in 2017 and 2016	42	42
Treasury stock at cost, 5,461 shares in 2017 and 2016	(39)	(39)
Paid-in capital	61,955	61,955
Retained earnings	25,929	24,421
Total shareholders' equity	87,887	86,379
Total liabilities and shareholders' equity	$ 87,897	$ 86,402

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,		
	2017	2016	2015
	(dollars in thousands, except per share amounts)		
Revenues:			
Rental and other property revenues	$ -	$ -	$ -
Expenses:			
Property operating expenses (including $0, $0, and $10 for the year ended 2017, 2016, and 2015, respectively, from related parties)	-	-	61
General and administrative (including $234, $213, and $240 for the year ended 2017, 2016, and 2015, respectively, from related parties)	438	396	466
Net income fee to related party	250	257	187
Advisory fee to related party	660	639	704
Total operating expenses	1,348	1,292	1,418
Net operating (loss)	(1,348)	(1,292)	(1,418)
Other income (expenses):			
Interest income from related parties	4,237	4,494	4,376
Mortgage and loan interest	-	-	(652)
Other Income	250	-	-
Total other income	4,487	4,494	3,724
Income before taxes	3,139	3,202	2,306
Income tax expense - current	(1,098)	(1,121)	(807)
Income tax expense -deferred	(533)	-	-
Net income	$ 1,508	$ 2,081	$ 1,499
Earnings per share - basic and diluted			
Net income	$ 0.36	$ 0.50	$ 0.36
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	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, 2017
(dollars in thousands)

	Total	Common Stock Shares	Common Stock Amount	Treasury Stock	Paid-in Capital	Retained Earnings
Balance, December 31, 2014	$ 82,799	4,173,675	$ 42	$ (39)	$ 61,955	$ 20,841
Net income	1,499	-	-	-	-	1,499
Balance, December 31, 2015	$ 84,298	4,173,675	$ 42	$ (39)	$ 61,955	$ 22,340
Net income	2,081	-	-	-	-	2,081
Balance, December 31, 2016	$ 86,379	4,173,675	$ 42	$ (39)	$ 61,955	$ 24,421
Net income	1,508	-	-	-	-	1,508
Balance, December 31, 2017	$ 87,887	4,173,675	$ 42	$ (39)	$ 61,955	$ 25,929

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,		
	2017	2016	2015
	(dollars in thousands)		
Cash Flow From Operating Activities:			
Net Income	$ 1,508	$ 2,081	$ 1,499
Adjustments to Reconcile Net Income applicable to Common Shares to Net Cash used in Operating Activities:			
Decrease (Increase) in Assets:			
Accrued Interest Receivable from Related Parties	549	1,223	(1,385)
Other Assets	740	133	191
Increase (Decrease) in other Liabilities	(13)	17	(31)
Net Cash provided by Operating Activities	2,784	3,454	274
Cash Flow From Investing Activities:			
Proceeds from Easement Transfer	-	-	3,000
Proceeds from Net Receivables	9,080	-	-
Related Party Receivables	(11,863)	(3,455)	6,961
Net Cash provided by (used in) Investing Activities	(2,783)	(3,455)	9,961
Cash Flow From Financing Activities:			
Payments on Notes Payable to Related Parties	-	-	(10,240)
Net Cash (used in) Financing Activities	-	-	(10,240)
Net Increase in Cash and Cash Equivalents	1	(1)	(5)
Cash and Cash Equivalents, beginning of period	1	2	7
Cash and Cash Equivalents, end of period	$ 2	$ 1	$ 2
Supplemental Disclosures of Cash Flow Information:			
Cash Paid for Interest	$ -	$ -	$ 534
Cash Paid for Income Taxes	$ -	$ 25	$ -

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 2016 and 2015 presentation have been reclassified to conform to the 2017 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. In June 2017, the Company changed its trading symbol from “IOT” to “IOR”.

Transcontinental Realty Investors, Inc. “TCI” owns approximately 81.25% 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.

IOR invests in real estate through direct ownership, leases and partnerships and also invests in mortgage loans on real estate. Pillar Income Asset Management, Inc. (“Pillar”) is the Company’s external Advisor and Cash Manager. 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, as the contractual Advisor, under the supervision of the Board. Pillar’s duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities and arranging debt and equity financing for the Company with third party lenders and investors. Additionally, Pillar serves as a consultant to the Board with regard to their decisions in connection with IOR’s business plan and investment policy. Pillar also serves as an Advisor and Cash Manager to TCI and ARL.

Our primary business is investing in real estate and mortgage receivables. Land held for development or sale is our sole operating segment. At December 31, 2017, our land consisted of 131.1 acres of developable land held subject to a sales contract. All of our land holdings are located in Farmers Branch, Texas. The principal source of revenue for the Company is interest income on approximately $14.0 million of notes receivable due from related parties.

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, 2017, IOR was not the primary beneficiary of a VIE.

For entities in which we have less than a controlling financial interest or entities where it is not deemed to be the primary beneficiary, the entities are accounted for using the equity method of accounting. Accordingly, our share of the net earnings or losses of these entities is included in consolidated net income.

Real estate, depreciation and impairment. Real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Major replacements and betterments are capitalized and depreciated over their estimated useful lives. Depreciation is computed on a straight-line basis over the useful lives of the properties (buildings and improvements—10-40 years; furniture, fixtures and equipment—5-10 years). We continually evaluate the recoverability of the carrying value of our real estate assets using the methodology prescribed in ASC 360, *Property, Plant and Equipment*. Factors considered by management in evaluating impairment of existing real estate assets held for investment include significant declines in property operating profits, annually recurring property operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Under ASC 360, a real estate asset held for investment is not considered impaired if the undiscounted, estimated future cash flows of an asset (both the annual estimated cash flow from future operations and the estimated cash flow from the theoretical sale of the asset) over its estimated holding period are in excess of the asset’s net book value at the balance sheet date. If any real estate asset held for investment is considered impaired, a loss is provided to reduce the carrying value of the asset to its estimated fair value.

Any properties that are treated as “subject to sales contract” on the Consolidated Balance Sheets and are listed in detail in Schedule III, *Real Estate and Accumulated Depreciation* are those in which we have not recognized the legal sale according to the guidance in ASC 360-20 due to various factors, disclosed in each sale transaction under Item 1 Significant Real Estate Acquisitions/Dispositions and Financing. Any sale transaction where the guidance reflects that a sale had not occurred, the asset involved in the transaction, including the debt and property operations, remained on the books of the Company. We continue to charge depreciation to expense as a period cost for the property until such time as the property has been classified as held for sale in accordance with guidance reflected in ASC 360-10-45 *Impairment or Disposal of Long-Lived Assets*.

Transfers to or from TCI or other related parties reflect a sales price equal to the cost basis in the asset at the time of the sale.

Real estate held for sale. We periodically classify real estate assets as held for sale. An asset is classified as held for sale after the approval of our board of directors and after an active program to sell the asset has commenced. Upon the classification of a real estate asset as held for sale, the carrying value of the asset is reduced to the lower of its net book value or its estimated fair value, less costs to sell the asset. Subsequent to the classification of assets as held for sale, no further depreciation expense is recorded. Real estate assets held for sale are stated separately on the accompanying Consolidated Balance Sheets. Upon a decision to no longer market as an asset for sale, the asset is classified as an operating asset and depreciation expense is reinstated.

Cost Capitalization. The cost of buildings and improvements includes the purchase price of the property, legal fees and other acquisition costs. Costs directly related to planning, developing, initial leasing and constructing a property are capitalized and classified as Real Estate in the Consolidated Balance Sheets. Capitalized development costs include interest, property taxes, insurance, and other direct project costs incurred during the period of development.

A variety of costs are incurred in the acquisition, development and leasing of properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. Our capitalization policy on development properties is guided by ASC 835-20 *Interest – Capitalization of Interest* and ASC 970 *Real Estate - General*. The costs of land and buildings under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the receipt of certificates of occupancy, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed and (2) occupied or held available for occupancy, and we capitalize only those costs associated with the portion under construction.

Fair value measurement. We apply the guidance in ASC 820, *Fair Value Measurements and Disclosures*, to the valuation of real estate assets. 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 properties and mortgage notes receivable at least annually and whenever events or a change in circumstances indicates that impairment may exist. Impairment is considered to exist if the future cash flow from a property (undiscounted and without interest) is less than the carrying amount of the property. 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 805, *Business Combinations*, 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.

Sales and the associated gains or losses of real estate assets are recognized in accordance with the provisions of ASC 360-20, *Property, Plant and Equipment—Real Estate Sale*. The specific timing of a sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, the Company defers some or all of the gain recognition and accounts for the continued operations of the property by applying the finance, leasing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

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 May 2014, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*, was issued. This new guidance established a new single comprehensive revenue recognition model and provides for enhanced disclosures. Under the new guidance, the nature, timing and amount of revenue recognized for certain transactions could differ from those recognized under existing accounting guidance. This new guidance does not affect revenue recognized under lease contracts. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its financial position and results of operations, if any.

NOTE 2. *REAL ESTATE*

At December 31, 2017, our real estate land holdings consisted of 131.1 acres of developable land, located in Farmers Branch, Texas, held subject to a sales contract. In November 2015, the Company entered into a sales contract with an unrelated party. The contract was for all of the developable land owned by the Company. In addition, TCI, ARL and Realty Advisors, Inc. “RAI” also sold land in this transaction. Total consideration for the sale was $75 million. The ultimate allocation of the proceeds to the parties involved is yet to be determined and will be completed when the final use of the land, certain development commitments are completed and the noted is collected. The agreement among the parties to this transaction provides for TCI to hold the subordinated note from the buyer in the amount of $50 million.

At the closing, the note payable to related parties for $9.6 million was paid off. Due to the inadequate down payment from the buyer and the level of seller financing involved, the transaction is being accounted for under the deposit method. Under the deposit method, no revenue is recognized and the asset sold remains on the books until the criteria for full revenue recognition are met.

Concentration of investment risk. IOR has a high concentration of investment risk on properties located in Farmers Branch, Texas. This risk includes, but is not limited to, changes in local economic conditions, changes in real estate and zoning laws, increases in real estate taxes, floods, tornados and other acts of God and other factors beyond the control of management. In the opinion of management, this investment risk is partially mitigated by the diversification of property types in other geographical regions of the United States, management’s review of additional investments, acquisitions in other areas and by insurance.

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 Unified Housing Foundation, Inc. “UHF”. UHF is considered a related party to the Company due to our significant investment in the performance of the collateral secured under the notes receivable. As of January 1, 2013, the Company agreed to extend the maturity on the notes receivable from UHF for an additional term of five years for the early termination of the preferred interest rate period. The original notes gave a five-year period of preferred interest rate at 5.25%, before returning to the original note rate of 12.0%. The notes mature in December 2032 and have interest rates of 12.0%.

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.

At December 2017 and 2016, notes and interest receivable from related parties, net of allowances, totaled $14.0 million and $23.7 million, respectively. As of December 31, 2017 and 2016, we recognized interest income of $2.3 million and $3.0 million, respectively, related to these notes. Below is a summary of notes and interest receivable from related parties (dollars in thousands):

Borrower	Maturity Date	Interest Rate	Amount	Security
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
Accrued interest			904	
Total Performing			**$ 14,030**	

All are related party notes.

NOTE 4. ***MERCER CROSSING NOTE***

In November 2015, the Company entered into a sales contract with an unrelated party. The contract was for all of the developable land owned by the Company. In addition, TCI, ARL and RAI also sold land in this transaction. Total consideration for the sale was $75 million. The agreement between the parties and TCI related to this transaction provides for TCI to hold the subordinated note from the buyer in the amount of $50 million. At the closing, the Note Payable to related parties of $9.6 million was paid off. Due to an inadequate down payment from the buyer and the level of seller financing involved, the transaction is being accounted for under the deposit method. Under the deposit method, no revenue is recognized and the asset sold remains on the books until the criteria for full revenue recognition are met.

NOTE 5. *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):

	2017	2016	2015
Fees:			
Advisory	660	639	704
Net income	250	257	187
	$ 910	$ 896	$ 891
Other Expense:			
Cost reimbursements	234	213	240
Revenue:			
Interest received	$ 1,903	$ 1,484	$ 1,636
	1,903	1,484	1,636

As of December 31, 2017, IOR has notes and interest receivable of $14.0 million due from Unified Housing Foundation, Inc. and recognized interest income of $2.3 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, 2017 (dollars in thousands):

	TCI
Balance, December 31, 2016	$ 37,768
Cash transfers	12,203
Advisory fees	(660)
Net income fee	(251)
Cost reimbursements	(234)
Interest income	1,903
Income tax expense	(1,098)
Balance, December 31, 2017	$ 49,631

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 2017.

NOTE 6. *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 for 2017, 2016, or 2015. 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 7. *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):

	2017	2016	2015
Income from before tax income taxes	$ 3,139	$ 3,202	$ 2,306

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

	2017	2016	2015
Current:			
Federal	$ 1,098	$ 1,121	$ 807
Deferred and Other:			
Federal	$ 533	$ -	$ -
Total Tax Expense	**$ 1,631**	**$ 1,121**	**$ 807**

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

	2017	2016	2015
Income Tax Expense (Benefit) at Federal Statutory Rate	$ 1,098	$ 1,121	$ 807
Repricing of Deferred Assets Due to Change in Future Rates	533	-	-
Reported Income Tax (Benefit) Expense	**1,631**	**1,121**	**807**
Effective Tax Rate	**52%**	**35%**	**35%**

The company is subject to taxation in the United States and various states. As of December 31, 2017, the Company's tax years for 2016, 2015, and 2014 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2017, the Company is no longer subject to U.S federal, state, or local examinations by tax authorities for the years before 2014.

The 2017 effective tax rate is a one-time artifact of the passing of the Tax Cuts and Jobs Act by congress. This act has reduced the statutory tax rate for corporations from 35% to 21% starting in 2018. As a result, the tax assets of IOT had to be re-priced to reflect the new rate for future years with the resulting impact on the 2017 provision for income taxes.

Components of the Net Deferred Tax Asset or Liability

	2017	2016
Allowance for losses on Notes	$ 383	$ 640
Installment Note on Land Sale	2,876	4,795
Installment Note from Affiliate on Land Sale	2,503	4,173
Subtotal	5,762	9,608
Less valuation allowance	-	-
Total Net Deferred Tax Asset	$ 5,762	$ 9,608
Basis Differences for Fixed Assets	4,770	7,950
Deferred Gain Differences	200	334
Total Deferred Tax Liability	$ 4,970	$ 8,284
Net Deferred Tax Asset	792	1,324
Current Net Deferred Tax Asset	5,179	8,634
Long-Term Net Deferred Tax Liability	4,387	7,310
Net Deferred Tax Asset	$ 792	$ 1,324

The change in the value of the net tax asset is entirely due to change of statutory rate from 35% to 21% for future years as a result of the Tax Cuts and Jobs Act.

NOTE 8. ***OPERATING SEGMENTS***

Our segments are based on management's method of internal reporting which classifies its operations by property type. The Company's reportable segments are land held subject to a sales contract and other. Significant differences among the accounting policies of the operating segments as compared to the Consolidated Financial Statements principally involve the calculation and allocation of administrative and other expenses. Management evaluates the performance of each of the operating segments and allocates resources to them based on their net operating income and cash flow.

Items of income that are not reflected in the segments are interest, other income, gain on debt extinguishment and equity in partnerships. Expenses that are not reflected in the segments are provision for losses, advisory, net income and incentive fees, general and administrative and non-controlling interests. The segment labeled as "Other" consists of revenue and operating expenses related to the notes receivable and corporate debt.

The Company's segments are based on our method of internal reporting which classifies operations by the type of property in the portfolio. The Company's segments by use of property are land and other (dollars in thousands):

For the Twelve Months Ended December 31, 2017	Land	Other	Total
Operating revenue	$ -	$ -	$ -
Operating expenses	-	(1)	(1)
Interest income	-	4,237	4,237
Other Income	-	250	250
Segment operating income (loss)	$ -	$ 4,486	$ 4,486
Capital expenditures	-	-	-
Assets	22,717	-	22,717

For the Twelve Months Ended December 31, 2016	Land	Other	Total
Operating revenue	$ -	$ -	$ -
Interest income	-	4,494	4,494
Segment operating income (loss)	$ -	$ 4,494	$ 4,494
Capital expenditures	-	-	-
Assets	22,717	-	22,717

For the Twelve Months Ended December 31, 2015	Land	Other	Total
Operating revenue	$ -	$ -	$ -
Operating expenses	(26)	(35)	(61)
Mortgage and loan interest	(652)	-	(652)
Interest income	-	4,376	4,376
Segment operating income (loss)	$ (678)	$ 4,341	$ 3,663
Assets	22,717	-	22,717

The table below reflects the reconciliation of the segment information to the corresponding amounts in the Consolidated Statements of Operations (dollars in thousands):

	2017	2016	2015
Segment operating income	$ 4,487	$ 4,494	$ 3,663
Other non-segment items of income (expense)			
General and administrative	(438)	(396)	(466)
Net income fee	(250)	(257)	(187)
Advisory fee to related party	(660)	(639)	(704)
Income tax expense	(1,631)	(1,121)	(807)
Net income	$ 1,508	$ 2,081	$ 1,499

The table below reflects the reconciliation of the segment information to the corresponding amounts in the Consolidated Balance Sheets (dollars in thousands):

	2017	2016
Segment assets	$ 22,717	$ 22,717
Notes and interest receivable	14,030	23,659
Other assets and receivables	51,150	40,026
Total assets	$ 87,897	$ 86,402

NOTE 9. *QUARTERLY DATA*

The following is a table of quarterly results of operations for the years 2017, 2016 and 2015:

	Three Months Ended 2017			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2017				
Rental and other property revenues	$ -	$ -	$ -	$ -
Total operating expenses	352	360	312	324
Operating loss	(352)	(360)	(312)	(324)
Other income, net of other expenses	1,089	1,369	924	1,105
Income before gain on land sales, non-contolling interest, and taxes	737	1,009	612	781
Income tax expense	-	-	-	(1,631)
Net income (loss)	$ 737	$ 1,009	$ 612	$ (850)
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income applicable to common shares	$ 0.18	$ 0.24	$ 0.15	$ (0.20)
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,214

	Three Months Ended 2016			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2016				
Rental and other property revenues	$ -	$ -	$ -	$ -
Total operating expenses	318	342	343	289
Operating loss	(318)	(342)	(343)	(289)
Other income, net of other expenses	1,211	1,085	1,095	1,103
Income before gain on land sales, non-contolling interest, and taxes	893	743	752	814
Income tax expense	-	-	(25)	(1,096)
Net income (loss)	$ 893	$ 743	$ 727	$ (282)
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income (loss) applicable to common shares	$ 0.21	$ 0.18	$ 0.17	$ (0.07)
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,214

	Three Months Ended 2015			
	March 31,	June 30,	September 30,	December 31,
	(dollars in thousands, except per share amounts)			
2015				
Rental and other property revenues	$ -	$ -	$ -	$ -
Total operating expenses	401	352	345	320
Operating loss	(401)	(352)	(345)	(320)
Other income, net of other expenses	955	955	1,025	789
Income before gain on land sales, non-contolling interest, and taxes	554	603	680	469
Income tax expense	-	-	-	(807)
Net income (loss)	$ 554	$ 603	$ 680	$ (338)
PER SHARE DATA				
Earnings per share - basic and diluted				
Net income (loss) applicable to common shares	$ 0.13	$ 0.14	$ 0.16	$ (0.08)
Weighted average common shares used in computing earnings per share	4,168,214	4,168,214	4,168,214	4,168,214

NOTE 10. *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.

Liquidity

Management anticipates that IOR will generate excess cash from operations in 2018 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 11. *SUBSEQUENT EVENTS*

The Company has evaluated subsequent events through March 28, 2018, the date the financial statements were available to be issued, and has determined that there are none to be reported.

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Real Estate
December 31, 2017

		Initial Cost			Gross Amounts at Which Carried at End of Year		
	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition and Improvements	Land	Building & Improvements	Total
				(dollars in thousands)			
Properties Held for Investment							
Land, Farmers Branch, TX	$ -	$ 22,713	$ 4	$ -	$ 22,713	$ 4	$ 22,717
	$ -	$ 22,713	$ 4	$ -	$ 22,713	$ 4	$ 22,717

SCHEDULE III
(Continued)

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

	2017	2016	2015
	(dollars in thousands)		
Reconciliation of Real Estate			
Balance at January 1	$ 22,717	$ 22,717	$ 25,717
Sale of real estate	-	-	(3,000)
Balance at December 31	$ 22,717	$ 22,717	$ 22,717

At December 31, 2017, our real estate consisted of 131.1 acres of land held subject to sales contract. There was no accumulated depreciation associated with this asset.

Schedule IV

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Mortgage Loans Receivable
December 31, 2017

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	9,719	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	15,756	8,836	6,369	-
Unified Housing Foundation, Inc. (Limestone Canyon/UH of Austin,LLC) 100% Interest in UH of Austin, LLC	12.00%	12/32	Excess cash flow	13,621	3,300	-	-
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	18,641	2,427	1,953	-
Unified Housing Foundation, Inc. (Parkside Crossing/UH of Parkside Crossing,LLC) 100% Interest in UH of Parkside Crossing, LLC	12.00%	12/32	Excess cash flow	11,544	2,409	-	-
Unified Housing Foundation, Inc. (Sendero Ridge) 100% Interest in UH of Sendero Ridge, LLC	12.00%	12/32	Excess cash flow	22,984	5,587	-	-
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	7,294	1,702	1,323	-
Unified Housing Foundation, Inc. (Tivoli) 100% Interest in UH of Tivoli, LLC	12.00%	12/32	Excess cash flow	10,398	2,019	-	-
Unified Housing Foundation, Inc. (Lakeshore Villas/HFS of Humble,LLC) (68.5% of cash flow)	12.00%	12/32	Excess cash flow	15,756	2,189	2,000	-
						$ 13,126	
					Interest receivable	904	
						$ 14,030	

Schedule IV (continued)

INCOME OPPORTUNITY REALTY INVESTORS, INC.
Mortgage Loans Receivable
For the Years Ended December 31,

	2017	2016	2015
	(dollars in thousands)		
Balance at January 1,	$ 23,659	$ 24,882	$ 25,635
Additions			
Increase of interest receivable on mortgage loans	(549)	3,011	2,738
Deductions			
Amounts received	(9,080)	(4,234)	(3,491)
Balance at December 31,	$ 14,030	$ 23,659	$ 24,882

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, 2017. 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 (COSO). 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, 2017.

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, 2017 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 67, Director, Affiliated, since February 2011 and Chairman of the Board since May 2011

Mr. Butler has served as Vice President Land Sales for Pillar Income Asset Management, LLC since April 2011, and its predecessor, Prime Income Asset Management, LLC from July 2003 to April 2011. 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 December 2001 of TCI.

ROBERT A. JAKUSZEWSKI, age 55, 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 62, 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 86, 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 2017. 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 2017.

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 2017.

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 2017.

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:

	Audit Committee	Governance and Nominating Committee	Compensation Committee
Robert A. Jakuszewski……………………..	X	Chair	X
Ted R. Munselle………………………………..	Chair	X	X
Raymond D. Roberts. Sr.………………………	X	X	Chair
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 13, 2017 representing all stockholders of record dated November 10, 2017, 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 2018.

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 on March 8, 2017. 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 and Jakuszewski and Ms. Hunt 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.

DANIEL J. MOOS, 67

Mr. Moos has served as President since April 2007 and Chief Executive Officer since March 2010 of IOR, ARL and TCI. Mr. Moos has also served as Prime's President since April 2007, Secretary since June 2011 and Treasurer since October 2013. He has also served as a Director since December 2016, President since December 2010, Chief Executive Officer since March 2011 and Treasurer since October 2013 of Pillar.

GENE S. BERTCHER, 69

Mr. Bertcher has served as Executive Vice President since February 2008, Chief Financial Officer since May 2008 and Treasurer since October 2013 of IOR, ARL and TCI. Mr. Bertcher has also served in the following capacities for New Concept Energy, Inc. "NCE", a Nevada corporation which has its common stock listed on the NYSE: Director since June 1999, Chairman of the Board since December 2006, Chief Executive Officer since December 2006, President since November 2004, Chief Financial Officer since November 1989, Treasurer since November 1989 and Secretary since October 2012. Mr. Bertcher has been employed by NCE since November 1989. He is a Certified Public Accountant.

LOUIS J. CORNA, 70

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-Tax since April 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, 2017. 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. Moos, Bertcher, and Corna are officers.

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.

As of March 28, 2018, the principal officers and directors of Pillar are set forth below:

Name	Directors/Officer(s)
Daniel J. Moos	President, Chief Executive Officer, Treasurer, Director
Gene S. Bertcher	Executive Vice President, Chief Accounting Officer
Louis J. Corna	Executive Vice President, Secretary, Tax Counsel, General Legal Counsel
Mickey N. Phillips	Director

Property Management

Effective since January 1, 2011, Regis Realty Prime, LLC, dba Regis Property Management, LLC ("Regis"), the sole member of which is Realty Advisors, LLC, manages our commercial properties for a fee of 3.0% or less of the monthly gross rents collected on the commercial properties it manages, and leasing commissions of 6.0% or less in accordance with the terms of its property-level management agreement.

Real Estate Brokerage

Regis also provides real estate brokerage services to the Company on a non-exclusive basis, and is entitled to receive a real estate commission for property purchases and sales in accordance with the following sliding scale of total fees to be paid:

(1) a maximum fee of 4.5% on the first $2.0 million of any purchase or sale transaction of which no more than 3.5% is to be paid to Regis;

(2) a maximum fee of 3.5% on transaction amounts between $2.0 million-$5.0 million of which no more than 3.0% is to be paid to Regis;

(3) a maximum fee of 2.5% on transaction amounts between $5.0 million-$10.0 million of which no more than 2.0% is to be paid to Regis; and,

(4) a maximum fee of 2.0% on transaction amounts in excess of $10.0 million of which no more than 1.5% is to be paid to Regis.

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 2017.

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 2017, $15,500 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 and Raymond D. Roberts, Sr. $5,000.

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

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2017, 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 28, 2018.

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	3,381,270	81.25%

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 28, 2018:

Name and Address of Beneficial Owner	Amount and Nature* of Beneficial	Approximate Percentage of class**
Gene S Bertcher	3,381,270 (1)	81.25%
Henry A. Butler	3,381,270 (1)	81.25%
Louis J. Corna	3,381,270 (1)	81.25%
Robert A. Jakuszewski	3,381,270 (1)	81.25%
Daniel J. Moos	3,381,270 (1)	81.25%
Ted R. Munselle	3,381,270 (1)	81.25%
Raymond D. Roberts, Sr.	3,381,270 (1)	81.25%
All directors and executive officers as a group (7 people)	3,381,270 (1)	81.25%

* "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 4,168,214 shares of Common Stock outstanding at March 28, 2018.

(1) Includes 3,381,270 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. Moos, Bertcher, 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 2017, nor in 2016. IOR paid TCI $0.9 million in 2014 for the tax sharing agreement.

Messrs. Daniel J. Moos and Louis J. Corna are employed by Pillar. Messrs. Moos and Corna are executive officers of the Company, and also serve as executive officers 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 also serves as an officer of ARL and TCI. As such, he owes fiduciary duties to those entities 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, 2017, TCI owned 3,381,270 shares of Common Stock of IOR (approximately 81.25%). 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 2017, the Company received interest of $0.7 million from Pillar related to the advances to date.

In 2017, pursuant to the Advisory fee agreement, the Company paid Pillar $0.7 million in advisory fees and $0.2 million in cost reimbursements. The Company also paid Pillar $0.3 million in net income fees.

As of December 31, 2017, the Company had notes and interest receivables of $14.0 million due from related parties. (See Note 3 *Notes and Interest Receivable*). During the current period, IOR recognized $0.9 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 2017 and 2016 by the Company's principal accounting firm, Swalm & Associates, P.C.:

Type of Fees	2017	2016
Audit Fees	$ 72,136	$ 60,551
Total	$ 72,136	$ 60,551

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 2016 and 2017 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 2017 and 2016 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, 2017 and 2016
- Consolidated Statements of Operations—years ended December 31, 2017, 2016 and 2015
- Consolidated Statements of Stockholders' Equity—years ended December 31, 2017, 2016 and 2015
- Consolidated Statements of Cash Flows—years ended December 31, 2017, 2016 and 2015
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

- Schedule III—Real Estate and Cumulative Depreciation
- Schedule IV—Mortgage Loans 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):

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.

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 Executive Officer
31.2*	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.

* Filed herewith.

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 30, 2018

By: /S/ GENE S. BERTCHER

Gene S. Bertcher,
Executive Vice President and 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 28, 2018
/S/ ROBERT A. JAKUSZEWSKI **Robert A. Jakuszewski**	Director	March 28, 2018
/S/ RAYMOND D. ROBERTS, SR. **Raymond D.. Roberts, Sr.**	Director	March 28, 2018
/S/ TED R. MUNSELLE **Ted R. Munselle**	Director	March 28, 2018
/S/ GENE S. BERTCHER **Gene S. Bertcher**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 2018
/S/ DANIEL J. MOOS **Daniel J. Moos**	President and Chief Executive Officer (Principal Executive Officer)	March 28, 2018

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, 2017:

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

EXHIBIT 31.1

CERTIFICATION

I, Daniel J. Moos, 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 28, 2018

/s/ DANIEL J. MOOS

Daniel J. Moos
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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 28, 2018

/s/ GENE S. BERTCHER

Gene S. Bertcher
Executive Vice President and 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, 2017 as filed with the Securities Exchange Commission on the date hereof (the "Report"), the undersigned Daniel J. Moos, President and Chief Executive Officer of the Company (Principal Executive Officer) and 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 28, 2018

/s/ DANIEL J. MOOS

Daniel J. Moos
President and Chief Executive Officer
(Principal Executive Officer)

March 28, 2018

/s/ GENE S. BERTCHER

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