

MAXUS REALTY TRUST, INC.



DISCLOSURE FOR QUARTER ENDED JUNE 30, 2017

104 Armour Road, North Kansas City, Missouri 64116
(Address of principal executive offices)

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MAXUS REALTY TRUST, INC.**104 Armour Road****P.O. Box 34729****North Kansas City, MO 64116****Telephone Number: 816-303-4500****Fax Number: 816-221-1829****Financial reports can be downloaded using website address:****www.otcmarkets.com (symbol: "MRTI")****Company's website address: www.mrti.com****Transfer Agent:****American Stock Transfer & Trust Company****59 Maiden Lane****New York, NY 10038****Phone: (800) 937-5449****www.amstock.com****Board of Trustees**

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PART I

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this quarterly report, and the audited consolidated financial statements and notes thereto included in our Annual Report for the year ended December 31, 2016 (the "2016 Annual Report"). This discussion may contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to vary from those projected, including but not limited to, those discussed below under "Forward-Looking Statements" and elsewhere in this quarterly report, as well as the "Risk Factors" section in the 2016 Annual Report. Historical results and trends which might appear in the unaudited condensed consolidated financial statements should not be interpreted as being indicative of future operations.

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report includes "forward-looking statements," which are statements, other than statements of historical facts, included in this section and located elsewhere in this quarterly report regarding the prospects of our industry and our prospects, plans, financial position and business strategy. These forward-looking statements are intended to be covered by the judicially created "bespeaks caution doctrine." In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Our acquisition strategy may not produce the cash flows expected;
- Competition could adversely affect our ability to acquire properties;
- Losses from catastrophes may exceed our insurance coverage;
- Tax matters, including a failure to qualify as a REIT, could have adverse consequences;
- Our reliance on information technology in our operations, and a potential breach, interruption or security failure of such technology;
- Our dependence on key personnel;
- Litigation risks;
- Our compliance, or failure to comply, with the American Disabilities Act of 1990 or other safety regulations and requirements;
- Our need to make significant capital improvements and incur deferred maintenance costs with respect to our properties;
- Our transactions with affiliated entities and related conflicts of interest;
- Liability relating to environmental matters;
- Moisture infiltration and resulting mold remediation involving our properties;
- Risks associated with real estate assets and the real estate industry;
- Unfavorable changes in market and economic conditions;
- The limited public trading market for shares of our common stock and the lack of a requirement for us to effectuate a liquidity event;
- Increases in interest rates and our interest expense;
- Our ability to generate sufficient cash flows to make required payments for debt obligations or pay distributions to shareholders;
- Our significant debt;
- Our ability to renew, repay or refinance our outstanding debt;
- Issuances of additional debt;
- The condition of Fannie Mae or Freddie Mac and other federal agencies;
- Global geopolitical uncertainty;
- The illiquidity of our real estate interests; and
- Such other factors as discussed throughout this quarterly report and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of the 2016 Annual Report.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this quarterly report, and we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

General

Maxus Realty Trust, Inc. (the “Trust”) is a corporation formed on June 14, 1984. The Trust’s purpose is to acquire equity investments in income-producing real properties, primarily multifamily apartment communities. Unless the context requires otherwise, “we,” “our,” “us,” the “Company,” and the “Trust” refer to the Trust and its consolidated subsidiaries. Our multifamily apartment communities are referred to as “communities,” “multifamily communities,” “properties,” or “multifamily properties” in the following discussion.

The Trust’s corporate offices are located at 104 Armour Road, North Kansas City, Missouri, 64116, and the telephone number is (816) 303-4500. Our website is located at www.mrti.com. On our website we make available free of charge our annual and quarterly reports. Information contained on our website does not constitute any part of this quarterly report. Our common stock is quoted on the OTC Pink market tier of the OTC market, which operates an interdealer quotation system and electronic messaging service, called OTC Link®, for broker-dealers to trade OTC equity securities. We post our annual and quarterly reports electronically with the OTC market, which can be found, along with additional information about how the OTC market operates, at the following website address: www.otcmkt.com (symbol “MRTI”).

Financial Information about Segments

Our operations have been aggregated into two segments: apartments and retail. The Trust is primarily engaged in the ownership and acquisition of ownership interests in multifamily apartment communities. Although located in different geographic locations, each of our multifamily apartment communities has similar economic characteristics, residents, amenities and services. Our multifamily apartment communities consist primarily of market-rate apartments with rents paid by the residents and include 32 properties with 8,024 apartment homes as of June 30, 2017. The multifamily apartment communities account for approximately 98% of the Trust’s total revenues for the six months ended June 30, 2017. The retail real estate operations consist of two properties with approximately 92,000 square feet consisting of 20 retail tenants as of June 30, 2017. The retail operations account for approximately 2% of the Trust’s total revenues for the six months ended June 30, 2017. Our multifamily communities are located in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and Texas. Our retail real estate properties are located in Louisiana and Missouri.

Description of the Company’s Business

Since 2004, the Trust has been structured as what is commonly referred to as an umbrella partnership real estate investment trust (“REIT” or “UPREIT”). Since 2004, the Trust has conducted and intends to continue to conduct all of its activities through its subsidiary Maxus Operating Limited Partnership, a Delaware limited partnership (“MOLP”). Maxus Realty GP, Inc., a Delaware corporation and wholly owned subsidiary of the Trust, is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, Maxus Realty GP, Inc. generally has the exclusive power under MOLP’s limited partnership agreement to manage and conduct the business of MOLP, subject to certain limited approval and voting rights of the limited partners.

Pursuant to MOLP’s limited partnership agreement, MOLP may issue limited partnership operating units (and corresponding limited partnership interests) in return for cash or other property that is contributed to MOLP. Holders of MOLP limited partnership operating units may elect to have their units (and corresponding limited partnership interests) redeemed in return for either (at the Trust’s election) the issuance of the Trust’s common stock or cash after a one year holding period. If MOLP limited partnership operating units are redeemed for shares of common stock in the Trust, such units are redeemable on a one unit-for-one share basis. If MOLP limited partnership operating units are redeemed for cash, such units are redeemable at a price per unit based on the average trading price as reported on the OTC Market of the Trust’s common stock, over a ten day period preceding the redemption. Through June 30, 2017, three MOLP holders have elected to have their operating units redeemed, which the Board elected to pay in cash. Holders of MOLP limited partnership operating units are not entitled to rights as shareholders of the Trust prior to conversion of their MOLP limited partnership operating units into shares of the Trust’s common stock.

The Trust believes the UPREIT structure enables it to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue MOLP limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, which allows those sellers to realize certain tax benefits that would be unavailable to them if the Trust purchased those properties directly for cash or common stock. As of June 30, 2017, the Trust owns approximately 86.11% of the outstanding

limited partnership interests in MOLP as well as the general partnership interest. Non-controlling holders of MOLP limited partnership operating units own 13.89% of the outstanding limited partnership interests in MOLP, which is represented by 189,433 MOLP limited partnership operating units. A fractional interest is owned by the general partner of MOLP. Of the 13.89% non-controlling limited partnership interests in MOLP, affiliates of the Trust own 85.61% (or 162,181 of the 189,433 MOLP non-controlling limited partnership operating units outstanding).

Twenty of the properties in which the Trust holds an interest are owned by single member limited liability companies that are directly and wholly owned by MOLP. In addition, MOLP directly or indirectly owns the following interests in other limited liability companies or partnerships that are not wholly owned that hold real property assets as well as other property interests: MOLP owns a 52% interest in each of the limited liability companies that own Madison at Melrose Apartments (“Madison at Melrose”), Kirkwood Station Apartments (“Kirkwood Station”), the Villages of Bogey Hills (“Bogey Hills”), and Park Edge Apartments (“Park Edge”); MOLP owns a 56% interest in the limited liability company that owns Schoettler Village Apartments (“Schoettler”), 58% interest in the limited liability company that owns Rosehill Pointe Apartments (“Rosehill”), 61% interest in the limited liability company that owns Glen at Polo Park Apartments (“Glen”); 90% interest in the limited liability company that owns Cross Creek Apartments (“Cross Creek”) and 50% interest in the limited liability company that owns Astoria Apartments Homes (“Astoria”); King’s Court/Terrace Acquisition, LLC (“King’s Court/Terrace”), a wholly owned subsidiary of MOLP, owns a 59% tenant in common ownership interest in The Reserve at Tranquility Lake Apartments (“Tranquility”); Forest Place TIC 1, L.L.C., a wholly owned subsidiary of MOLP, owns a 52% tenant in common ownership interest in Forest Place Apartments (“Forest Place”); and MOLP owns a 95% interest in Olde Oak Apartments, LP (“Olde Oak”). In each such case where MOLP owns a majority interest, except for Tranquility and Forest Place, in which MOLP holds an undivided interest, MOLP has the authority to generally take actions on behalf of the limited liability companies, partnerships or the underlying properties without needing the approval of any of the non-controlling owners.

Operating and Business Strategy

We believe producing consistent earnings growth through property operations and acquisitions will continue to be crucial to our success. We rely heavily on experienced management capabilities and innovative operating strategies, which help to maximize the earnings potential of our communities.

Real Estate Investments and Market Balance: We believe we are well positioned in our current markets and have the expertise to take advantage of new opportunities as they arise. These capabilities, combined with what we believe to be a conservative financial structure, are designed to allow us to concentrate our growth efforts toward selective opportunities that will enhance our strategy of having a portfolio of assets that meet the requirements of our residents.

We currently intend to continue to operate in our core markets, within the midwest and southeast regions of the United States, which we believe provides an advantage due to economies of scale. The Trust believes, where possible, it is best to operate with a strong base of properties to benefit from the personnel allocation and the market strength associated with managing multiple properties in the same market. We intend to improve our portfolio of apartment communities, which averaged in the last three years “B+/A-” in quality, by selling apartment communities that are inconsistent with our portfolio strategy and investing the proceeds from such sales in the acquisition of higher-quality apartment communities or in capital improvements to apartment communities already in our portfolio.

Our portfolio strategy seeks predictable rent growth from a portfolio of “A”, “B” and “C” quality market-rate apartment communities, which average “B/B+” in quality and are diversified among the midwest and southeast job growth markets in the United States, as measured by total apartment value.

We strive to upgrade the quality of our portfolio through the sale of our interests in apartment communities with lower projected returns, lower operating margins, and lower expected future rent growth, and we generally reinvest the sale proceeds in the acquisition of higher-quality apartment communities or in capital improvements to apartment communities already in our portfolio. During the year ended December 31, 2016, our execution of this strategy resulted in the sale of approximately 7.8% of our portfolio with average revenue per apartment home of \$598 per month. We reinvested the net sales proceeds through the acquisition of four apartment communities with average revenue per apartment home of \$900 month, at their date of purchase.

We attempt to maximize capital appreciation of our properties by investing in markets characterized by conditions favorable to multifamily property appreciation. Our target markets generally feature one or more of the following:

- Strong economic growth leading to household formation and job growth, which we believe in turn should lead to high demand for our apartments;
- An attractive quality of life, which may lead to high demand and retention for our apartments and allow us to more readily increase rents;
- High barriers to entry where, because of factors such as land scarcity or government regulation, it is difficult or costly to build new apartment properties, which leads to low supply of apartments; and
- High single family home prices making our apartments a more economical housing choice.

Subject to market conditions, the Trust intends to continue to look for opportunities to acquire additional existing multifamily communities and complete selective property dispositions.

We intend to continue to focus on strengthening our capital and liquidity positions by generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs. The Trust intends to meet its liquidity requirements through cash flows generated from operations, available cash balances, proceeds from property dispositions, and the use of debt and secured mortgages and potentially by raising additional capital through debt or equity offerings. Historically, the Trust has been able to increase its borrowing capacity as the Trust considers refinancing alternatives for existing properties, particularly those with upcoming debt maturities. The availability and terms of any such financing or sales will depend upon market and other conditions.

Experienced Property Management: Maxus Properties, Inc. (“MPI”) provides property management services for each of the properties the Trust holds an interest in. The Trust believes that MPI’s property management depth enables the Trust to deliver quality services, promote resident satisfaction, and retain residents, thereby reducing operating expenses. MPI utilizes a staff of professionals and support personnel, including certified property managers, experienced apartment managers and leasing agents, and trained apartment maintenance technicians. The Trust believes MPI’s on-site personnel are trained to deliver high quality services to the residents, and MPI strives to motivate its on-site employees through incentive compensation arrangements based upon operational results, rental rate increases, occupancy levels, and levels of lease renewals achieved. As previously disclosed, the Trust has appointed a special committee of the Board to evaluate a potential transaction pursuant to which the Trust would acquire MPI. There can be no assurances that this transaction will occur nor can there be any assurances as to the terms or timing of any such transaction.

Operations: Our results for the six months ended June 30, 2017 reflect an increase in rental revenue as compared to the same period in 2016, which we believe was primarily due to a gradually improving economy, favorable demographics and a manageable supply of new multifamily housing, which have resulted in increases in realized rental rates and stable average occupancy levels. Excluding the effect of properties acquired and disposed of in 2016, total revenues increased 3.2% in the six months ended June 30, 2017, compared to the same period in 2016. For the six months ended June 30, 2017 we had total revenue of \$3.7 million generated from properties we acquired in 2016.

Our results for the six months ended June 30, 2017 and 2016 are summarized as follows:

	For The Six Months Ended	
	June 30, 2017	June 30, 2016
(amounts in thousands)		
Operating income	\$ 10,972	\$ 10,771
Interest income	9	17
Interest expense	(10,933)	(9,493)
Gain on sale	--	14,930
Asset impairment	--	(419)
Gain from insurable event, net	705	1,176
Net income	753	16,982
Net income attributable to non-controlling interests	(792)	(2,728)
Net income attributable to common shareholders	\$ (39)	\$ 14,254

The Trust believes an intense focus on operations is necessary to realize consistent, sustained earnings growth. Ensuring resident satisfaction, increasing rents as market conditions allow, maximizing rent collections, maintaining property occupancy at optimal levels, and controlling operating costs comprise the Trust’s principal strategies to maximize property financial results. The Trust believes that MPI’s web-based property management and revenue management systems strengthen on-site operations and allow MPI to quickly adjust rental rates as local market conditions change. The Trust generally attempts to stagger lease terms based

on vacancy exposure by apartment type, so lease expirations are matched to each property's seasonal rental patterns. The Trust, through MPI, generally offers leases ranging from six to twelve months with individual property marketing plans structured to respond to local market conditions. In addition, MPI conducts ongoing customer service surveys to help ensure timely response to residents' changing needs and a high level of satisfaction.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from property sales, proceeds from refinancing of existing property loans, equity or debt financing, borrowings under new property loans and borrowing availability under our line of credit.

At June 30, 2017 we had \$4.0 million in cash and cash equivalents and no borrowing availability under our line of credit. As of June 30, 2017, we had a \$19.9 million outstanding balance on our line of credit, which matures on March 2, 2018. The line of credit is described in Note 3, Mortgage Notes Payable, Notes Payable and Line of Credit, the description of which is incorporated herein by reference. We are considering various capital structure and refinancing options in regard to the maturing line of credit. We anticipate these options will be adequate to fund the cash requirements of the maturing line of credit.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding debt, capital expenditures, distributions and dividends, acquisitions of properties and re-purchases of outstanding shares. We typically use our cash and cash equivalents including cash provided by operating activities to meet short-term liquidity needs. In the event that our cash is not sufficient to cover our short-term liquidity demands, we have additional means, such as borrowing availability under our line of credit, to help us meet our short-term liquidity demands. We believe that our cash and cash equivalents, cash provided by operating activities and borrowing availability under our line of credit (or any alternative replacement capital structure or refinancing options) will be sufficient to meet our financial commitments for the next year.

We expect to meet our long-term liquidity requirements, such as debt maturities and property acquisitions, primarily through secured long-term borrowings, the issuance of debt and/or equity securities (including MOLP operating units), the sale of properties and cash generated from operations.

If we need to obtain new debt or equity financing or refinance existing debt in the future, including with respect to repaying indebtedness under our maturing line of credit, the terms and availability of such financing may be impacted by economic and financial market conditions, as well as our financial condition and results of operations at the time we seek additional financing, and there can be no assurances that we will be able to obtain such financing on terms that will be acceptable or advantageous to us. In addition, our ability to sell properties may also be impacted by economic and financial market conditions, and there can be no assurances that we will be able to sell any properties on terms that will be acceptable or advantageous to us.

Cash Flow Analysis

At June 30, 2017, we had \$4.0 million in cash and cash equivalents, a decrease of \$2.2 million from December 31, 2016. In addition, at June 30, 2017, we had approximately \$3.6 million of certificates of deposit and \$12.3 million of restricted cash, primarily consisting of reserves and escrows held by lenders for capital additions, property taxes, and insurance. The following discussion relates to changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our unaudited condensed consolidated statements of cash flows.

(amounts in thousands)

	For The Six Months Ended	
	June 30, 2017	June 30, 2016
Net cash flows provided by operating activities	\$ 11,361	\$ 9,620
Net cash flows used in investing activities	(36,433)	(13,811)
Net cash flows provided by financing activities	22,833	3,666

Operating Activities

Our properties generate cash flow in the form of rental revenues, the funding of certain escrows and property-level operating expenses. Property-level operating expenses consist primarily of property management fees and payroll costs (paid to MPI), utilities, cleaning, repairs, insurance, security and building maintenance costs and property taxes. Additionally, our operating expenses include acquisition and disposition expenses.

For the six months ended June 30, 2017, our net cash flows provided by operating activities of \$11.4 million was primarily related to our net income of \$753 thousand, adjusted for noncash items including depreciation and amortization of \$10.6 million, the decrease in prepaid expenses and other current assets of \$1.1 million, the decrease in accounts receivable, net of \$0.3 million, and the increase in accounts payable and other liabilities of \$0.8 million, offset by an increase in escrows and reserves of \$1.3 million, and the net impact of the insurance recovery gain of \$0.7 million.

Investing Activities

Our investing activities generally consist of real estate-related transactions (purchases and sales of properties) and payments of capitalized property-related expenditures.

For the six months ended June 30, 2017, our net cash flows used in investing activities was \$36.4 million consisting primarily of the cash used for capital expenditures of \$6.0 million, investment in certificate of deposit totaling \$1.6 million and the amounts paid for acquisitions.

Financing Activities

Our financing activities generally consist of funding property purchases by raising capital from investors and securing mortgage notes payable as well as paying distributions to non-controlling interests in limited liability companies that are not wholly owned by MOLP and making principal payments on mortgage notes payable.

For the six months ended June 30, 2017, net cash flows provided by financing activities was \$22.8 million. This consists primarily of net loan proceeds received from note payable borrowings of \$34.4 million. This was offset by principal payments on mortgage notes and notes payable totaling \$7.3 million, distributions to non-controlling interest of \$1.1 million and dividends paid of \$2.8 million.

Mortgage Debt

At June 30, 2017 and December 31, 2016, we had \$510.9 million and \$446.7 million, respectively, in consolidated mortgage notes outstanding. Each mortgage loan is secured solely by the property held by the MOLP subsidiaries or undivided interests that obtained the loan. The following is a summary of scheduled mortgage notes payable maturities at June 30, 2017:

<u>Year</u>	<u>Amount</u> <u>(in thousands)</u>
2017	\$ 4,599
2018	29,559
2019	41,257
2020	36,758
2021	48,263
Thereafter	350,435
Total mortgage debt	510,871
Debt issuance cost	(3,906)
Total	\$ 506,965

At June 30, 2017, our mortgage debt consists of the following:

Property Name ^(a)	Balance at June 30, 2017 (amounts in thousands)	Interest Rate	Fixed or Variable	Maturity Date
Province of Briarcliff ^(d)	\$ 9,869	5.64%	Fixed	January 1, 2018
Grand at Pearl Apartments ^(e)	11,159	3.37%	Variable	October 1, 2018
Elements of Belle Rive 1 st ^(d)	9,380	6.47%	Fixed	June 1, 2019
Elements of Belle Rive 2 nd ^(d)	2,551	4.74%	Fixed	June 1, 2019
Madison at Melrose Apartments	10,865	5.99%	Fixed	July 1, 2019
Berkshire Apartments 1 st ^(b)	7,081	5.57%	Fixed	November 1, 2019
Berkshire Apartments 2 nd ^(b)	3,869	4.92%	Fixed	November 1, 2019
Schoettler Village Apartments 1 st ^(b)	17,472	5.58%	Fixed	April 1, 2020
Schoettler Village Apartments 2 nd ^(b)	4,175	4.98%	Fixed	April 1, 2020
Regency North Apartments 1 st ^(b)	4,558	5.13%	Fixed	December 1, 2020
Regency North Apartments 2 nd ^(b)	3,647	4.86%	Fixed	December 1, 2020
Centennial 1 st ^(d)	9,944	5.24%	Fixed	June 1, 2021
Centennial 2 nd	4,634	4.94%	Fixed	June 1, 2021
Villages of Bogey Hills Apartments 1 st ^(b)	22,702	5.13%	Fixed	July 1, 2021
Villages of Bogey Hills Apartments 2 nd ^(b)	6,710	4.87%	Fixed	October 1, 2021
Viera at Mandarin	12,443	3.51%	Fixed	March 1, 2022
Forest Place Apartments 1 st ^(c)	6,654	4.13%	Fixed	April 1, 2022
Forest Place Apartments 2 nd ^(c)	1,996	5.16%	Fixed	April 1, 2022
Rosehill Pointe Apartments 1 st ^(b)	21,172	4.04%	Fixed	April 1, 2022
Rosehill Pointe Apartments 2 nd	5,175	5.19%	Fixed	April 1, 2022
Park Edge Apartments 1 st	17,969	3.63%	Fixed	January 1, 2023
Park Edge Apartments 2 nd	3,860	5.32%	Fixed	January 1, 2023
Villaggio Apartments ^(e)	15,821	3.72%	Variable	January 1, 2023
Olde Oak Apartments	15,435	3.97%	Fixed	January 1, 2023
Glen at Polo Park 1 st ^{(b) (d)}	13,306	3.93%	Fixed	March 1, 2023
Glen at Polo Park 2 nd ^(b)	2,264	5.25%	Fixed	March 1, 2023
Highland Pointe Apartments	16,675	4.51%	Fixed	January 1, 2024
Carmendy ^(d)	10,893	4.43%	Fixed	October 1, 2024
Forest Park Apartments	7,066	4.22%	Fixed	October 1, 2024
Reserve at Tranquility ^{(b) (c)}	16,032	3.97%	Fixed	October 1, 2024
Jefferson Park Apartments	10,588	3.54%	Fixed	April 1, 2025
Arbors Apartments 1 st	23,885	4.45%	Fixed	November 1, 2025
Arbors Apartments 2 nd	4,845	5.57%	Fixed	November 1, 2025
Stone Gables ^(d)	18,146	4.87%	Fixed	November 6, 2025
Thomaston	17,692	4.41%	Fixed	June 1, 2026
Lexington on the Green	16,200	3.98%	Fixed	August 1, 2026
Cross Creek Apartments	13,412	3.60%	Fixed	September 1, 2026
Kirkwood Station	28,056	4.04%	Fixed	October 1, 2026
The Landings Apartments	7,734	3.84%	Fixed	October 1, 2026
Foothills Acquisition I, LLC ^(d)	3,299	3.20%	Fixed	July 1, 2037
Pine Lake	19,600	4.23%	Fixed	May 1, 2047
Foothills Acquisition II, LLC ^(d)	3,674	3.80%	Fixed	November 1, 2047
Foothills Acquisition III, LLC ^(d)	18,238	3.25%	Fixed	May 1, 2050
Mallard Apartments ^(d)	6,501	3.28%	Fixed	April 1, 2050
Astoria Apartments ^(d)	23,624	4.31%	Fixed	August 1, 2053
Debt issuance cost	(3,906)			
Total	\$ 506,965			

^(a) Mortgage loans are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust, cash deposits with lender and a corporate guaranty from the Trust and MOLP unless otherwise noted in (b).

^(b) Mortgage loan is also secured by a limited carve-out guaranty from a principal individual owner if certain provisions in the loan agreement are breached.

^(c) This is the Trust's proportionate share of the total debt.

^(d) Debt balances have premiums/discounts.

^(e) The Trust has an interest rate cap that is designed to cap the interest rates between 4.0% and 6.75%.

The weighted average interest rate of our fixed rate mortgage debt is 4.41%.

We intend to continue to refinance property debt primarily as a means of extending current and near term maturities and to finance certain capital projects. The terms and availability of any such refinancing will depend upon market and other conditions, and there can be no assurance that any such refinancing will be available, or that terms will be acceptable or advantageous to us.

Equity Transactions

Distributions to Non-Controlling Holders of MOLP Limited Partnership Units

The following non-wholly owned subsidiaries of MOLP made distributions from operating cash flow during the six months ended June 30, 2017: Madison at Melrose, Schoettler Village, Bogey Hills, Kirkwood Station, Rosehill, Park Edge, Glen, Cross Creek and Tranquility. For the six months ended June 30, 2017 and 2016, the limited liability companies holding these properties collectively paid cash distributions of \$680 thousand and \$2.2 million, respectively, to their respective non-controlling members.

Dividends

While we intend to continue paying regular dividends, future dividend declarations will be at the discretion of the Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors the Board of Trustees deems relevant. See Note 8, Transactions Involving Shareholders' Equity, for a summary of dividends declared during 2017.

Funds From Operations (FFO)

The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under Generally Accepted Accounting Principles ("GAAP"). FFO is a widely used measure of the operating performance of real estate companies and is provided here as a supplemental measure to GAAP net income attributable to common shareholders and earnings per share, and we believe FFO to be an appropriate supplemental measure of our operating and financial performance. In calculating FFO, we exclude gains or losses related to dispositions and exclude real estate depreciation, which can vary among owners of identical assets in similar condition, based on historical cost accounting and useful life estimates. FFO helps compare the operating performance of a real estate company between periods.

Consistent with the definition adopted by the Board of Governors of NAREIT, we calculate FFO as net income or loss attributable to common shareholders computed in accordance with GAAP, adjusted for:

- gains or losses on sales of operating apartment communities;
- cumulative effect of change in accounting principle;
- impairment write-downs of depreciable real estate assets;
- loss from insurable event and gain from insurance recovery;
- gain on bargain purchase;
- net income (loss) attributable to non-controlling interest; and
- depreciation of real estate assets.

FFO is a non-GAAP financial measure and therefore it should not be considered an alternative to net income attributable to common shareholders, which remains the primary measure of performance. FFO should also not be used as an indication of the Trust's financial performance or cash flows from operating activities (determined in accordance with GAAP) or as a measure of the Trust's liquidity. In addition, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

Reconciliation of Funds From Operations to Net Income Attributable to Common Shareholders

(dollars and shares in thousands)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<u>Funds From Operations</u>				
Net income attributable to common shareholders	\$ (198)	\$ 13,812	\$ (39)	\$ 14,254
Plus:				
Property related depreciation	5,524	4,108	10,256	8,167
Asset impairment	--	--	--	419
Gain from insurance recovery	(363)	(979)	(705)	(1,176)
Gain on sale	--	(14,930)	--	(14,930)
Net (income) attributable to non-controlling interest ^(a)	(538)	1,511	(1,119)	564
Funds from operations	<u>\$ 4,425</u>	<u>\$ 3,522</u>	<u>\$ 8,393</u>	<u>\$ 7,298</u>

^(a) Represents the portion of net income attributable to the 13.89% non-controlling holders of MOLP.

Funds from Operations per Share - Diluted

Weighted average common shares outstanding, diluted	1,330	1,291	1,330	1,291
Diluted funds from operations, per share	\$ 3.33	\$ 2.73	\$ 6.31	\$ 5.65

Real Property Interests Owned by Company

The thirty-two operating properties in which we owned interests at June 30, 2017 averaged 1,083 square feet of living per apartment unit. For the six month period ended June 30, 2017, no single operating property accounted for greater than 7% of our total revenues. Our operating properties had an average occupancy rate of approximately 94% for the six month periods ended June 30, 2017 and 2016, respectively, and average rental revenue per apartment home of \$906 and \$840 for the six month period ended June 30, 2017 and 2016, respectively. Resident lease terms generally range from six to twelve months. Twenty of the thirty-two operating properties have at least 200 apartment homes, with the largest having 540 apartment homes. Our operating properties have an average age of 23 years.

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Property Table

The following table sets forth information with respect to our thirty-two operating properties at June 30, 2017:

Property and Location	Year of Construction	Year of Purchase	OPERATING PROPERTIES			
			Average Unit Size (Sq. Ft.)	Number of Apartments	2017 Average Occupancy	2017 Average Monthly Rental Rate Per Unit
APARTMENTS						
ALABAMA						
Saraland						
Olde Oak Apartments	2009	2016	902	240	90.62%	\$ 883
ARKANSAS						
Bentonville						
Glen at Polo Park	2006	2011/2013	912	356	95.83%	705
Little Rock						
Foothills I, II and III	1988/2006	2014	981	540	90.10%	765
Forest Place	1974/1983	2012	1,063	256	95.31%	912
The Landings	1986	2001	808	154	88.64%	704
FLORIDA						
Jacksonville						
Elements of Belle Rive	1989	2013	1,103	201	94.03%	1,127
Viera at Mandarin	1984	2016	883	188	89.72%	955
Lady Lake						
Carmendy Square	2006	2017	1,212	152	95.39%	977
Palm Coast						
Pine Lakes	2005	2017	1,180	184	93.48%	1,131
GEORGIA						
Macon						
Thomaston	2014	2016	1,060	250	91.40%	881
Lexington on the Green	2001	2016	1,096	216	97.69%	911
KANSAS						
Lenexa						
Park Edge	1999	2012	1,132	260	95.19%	986
Rosehill Pointe	1985	2012	922	498	95.05%	805
Overland Park						
Centennial Park	1996	2017	1,205	170	98.23%	1,166
Wichita						
Berkshire	1991	2009	917	252	93.65%	758
Cross Creek	1990	2015	952	256	92.77%	706
LOUISIANA						
Bossier City						
Villaggio	2009	2015	977	239	92.82%	961
MISSISSIPPI						
Pearl						
Grand at Pearl	1999	2015	1,151	280	95.06%	748
Horn Lake						
Mallard	1988/1983	2015	1,149	144	96.30%	751
Ridgeland						
Arbors at Natchez Trace	1995	2015	1,045	328	95.02%	968
MISSOURI						
Chesterfield						
Schoettler Village	1979	2010	1,291	300	97.28%	1,079
Kansas City						
Forest Park/Valley Forge	1967/1972	2000/2006	941	198	95.96%	724
Regency North	1970	2007	1,115	180	93.61%	766
Province of Briarcliff	2003	2013	1,007	120	96.25%	1,084
Liberty						
Jefferson Park	1987/2008	2012	677	207	95.11%	675
St. Charles						
Villages of Bogey Hills	1985	2011	893	486	94.86%	886
Kirkwood						
Kirkwood Station	2005	2011	965	159	96.96%	1,360
NORTH CAROLINA						
Hope Mills						
Astoria Apartments	2011	2015	1,100	272	93.57%	850
Raeford						
Stone Gables	2013	2017	1,074	192	85.68%	1,090
OKLAHOMA						
Yukon						
Highland Pointe	2004	2007	920	232	91.24%	839
TEXAS						
Pearland						
Tranquility	2003	2014	1,040	314	95.49%	1,155
Richardson						
Madison at Melrose	1995	2009	947	200	96.67%	1,223
Total				8,024		

Continued from previous page

OPERATING PROPERTIES					
RETAIL	Year of Construction	Year of Purchase	Total Square Feet	June 30, 2017 Occupancy	Average Annual Rent Per Sq. Ft.
LOUISIANA					
Bossier City					
Villaggio Retail	2009	2015	52,000	22.07%	\$ 13.31
MISSOURI					
Kirkwood					
Kirkwood Station Retail	2005	2011	40,412	92.31%	21.35

Legal Proceedings

The Trust is a party to the legal proceedings described in Note 10, Contingencies, which is incorporated herein by reference.

The Trust has not determined that losses related to the proceedings referenced above are probable. In addition, in light of the inherent difficulty of predicting the outcome of litigation generally and in these particular proceedings, the Trust does not have sufficient information to reasonably estimate any possible loss with respect to these proceedings. Accordingly, no liability has been accrued, and it is not possible to disclose an amount or range of reasonably possible loss, with respect to any of these proceedings. The Trust's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Trust to change those estimates and assumptions.

In addition, the Trust is also subject to various routine legal proceedings and other matters in the ordinary course of business, some of which may be covered in whole or in part by insurance. In management's opinion, none of these matters will have a material adverse effect on the Trust's financial position, results of operations or cash flows.

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Part II

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to certain market risks inherent in our operations. These risks generally arise from transactions entered into in the normal course of business. We believe our primary market risk exposure relates to interest rate risk.

The table below provides information about our liabilities' sensitivity to changes in interest rates as of June 30, 2017 and December 31, 2016:

(dollars in thousands)		<i>June 30, 2017</i>				<i>December 31, 2016</i>			
		<i>Amount</i>	<i>Average Maturity (in years)</i>	<i>Weighted Average Interest Rate</i>	<i>% Of Total Amount</i>	<i>Amount</i>	<i>Average Maturity (in years)</i>	<i>Weighted Average Interest Rate</i>	<i>% Of Total Amount</i>
<i>Fixed rate debt</i>	\$	510,304	9	4.79%	95%	\$ 428,722	10	4.36%	94%
<i>Variable rate debt</i>		26,980	3	3.51%	5%	27,257	4	3.08%	6%
<i>Total</i>	\$	<u>537,284</u>				<u>\$ 455,979</u>			

The Trust's results of operations are highly dependent on fluctuations in interest rates to the extent its properties are financed through variable interest rate loans or fixed interest rates loans nearing maturity. As of June 30, 2017, the Trust has two variable interest rate loans: Grand at Pearl and Villaggio. The Trust has entered into rate cap agreements for each of the loans which caps the interest rate at rates ranging from 4.0 - 6.75%. The Trust may enter into future interest rate swaps and caps to protect against fluctuations in the rates of any additional variable rate debt. See Note 3, Mortgage Payable, Notes Payable and Line of Credit, of the notes to unaudited condensed consolidated financial statements for interest rates on the mortgage loan for each property and the maturity date of each mortgage loan.

For fixed rate debt, interest rate changes affect the fair value but do not impact net income attributable to common shareholders or cash flows. Conversely, for variable rate debt, interest rate changes generally do not affect the fair value but do impact net income attributable to common shareholders and cash flows, assuming other factors are held constant.

We use predominantly long-term, fixed-rate non-recourse property debt to avoid the refunding and repricing risks of short-term borrowings. The Trust believes that the primary fair value risk is best quantified by considering prepayment penalties associated with the fixed-rate debt. The Trust's promissory notes allow prepayment in full, subject to compliance with the prepayment terms as set forth in the applicable promissory note, including payment of the applicable prepayment penalty. The prepayment penalty on the Trust's mortgage loans generally is the greater of 1% of the amount of principal being prepaid or a yield maintenance calculation based on the difference between the debt's fixed rate and the Treasury note rate that most closely corresponds with the remaining life of the mortgage.

We are also subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of such refinancing may not be as favorable as the terms of current indebtedness.

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Part III

MAXUS REALTY TRUST, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	(unaudited) June 30, 2017	December 31, 2016
ASSETS		
Operating real estate		
Land	\$ 56,156	\$ 46,293
Buildings and improvements	529,821	453,179
Personal property	23,217	20,805
Total real estate	609,194	520,277
Less accumulated depreciation	(58,313)	(50,162)
Net operating real estate	550,881	470,115
Assets held for sale	23,021	22,990
Cash and cash equivalents	4,007	6,246
Certificates of deposit	3,552	1,984
Escrows and reserves	12,284	10,264
Prepaid expenses and other assets	1,377	2,309
Accounts receivable, net	479	657
Intangible assets, net	2,018	1,451
Investment in unconsolidated real estate companies	320	475
Total assets	\$ 597,939	\$ 516,491
LIABILITIES		
Mortgage notes payable	\$ 481,980	\$ 418,286
Notes payable	19,897	6,537
Notes payable, related parties	10,000	5,490
Accounts payable, prepaid rent and other accrued expenses	6,880	6,002
Accounts payable, related parties	1,985	1,813
Real estate taxes payable	4,002	2,455
Refundable tenant deposits	2,165	1,841
Liabilities related to assets held for sale	26,456	26,567
Total liabilities	553,365	468,991
EQUITY		
Shareholders' equity		
Preferred stock, \$0.01 par value; authorized 5,000,000 shares, no shares issued and outstanding	--	--
Common stock, \$1 par value; authorized 5,000,000 shares, issued 1,464,000 shares in 2017 and 1,419,000 in 2016, outstanding 1,175,000 shares in 2017 and 1,130,000 shares in 2016	1,464	1,419
Treasury stock, at cost 289,000 shares at 2017 and 2016	(4,293)	(4,293)
Additional paid-in-capital	22,337	19,953
Retained earnings	14,552	17,393
Total shareholders' equity attributable to Maxus Realty Trust, Inc.	34,060	34,472
Non-controlling interests	10,514	13,028
Total shareholders' equity	44,574	47,500
Total liabilities and shareholders' equity	\$ 597,939	\$ 516,491

See accompanying notes to unaudited condensed consolidated financial statements.

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MAXUS REALTY TRUST, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
REVENUES				
Property revenue	\$ 18,958	\$ 16,303	\$ 36,399	\$ 32,056
Other	2,621	2,190	4,890	4,166
Total revenues	21,579	18,493	41,289	36,222
OPERATING EXPENSES				
Depreciation and amortization	5,524	4,108	10,256	8,167
Related party payroll reimbursement	2,316	2,016	4,571	3,945
Real estate taxes	1,980	1,526	3,817	3,013
Utilities	1,430	1,201	2,802	2,398
Repairs and maintenance	1,122	1,099	2,165	2,006
Other operating expenses	1,264	1,145	2,419	2,069
Related party management fee	702	692	1,382	1,362
Turn costs and leasing	803	694	1,435	1,268
Insurance	667	562	1,304	1,157
Legal fees	132	34	166	66
Total operating expenses	15,940	13,077	30,317	25,451
Operating income	5,639	5,416	10,972	10,771
OTHER INCOME (EXPENSE)				
Interest income	7	4	9	17
Interest expense	(5,851)	(4,882)	(10,933)	(9,493)
Gain on sale	--	14,930	--	14,930
Asset impairment	--	--	--	(419)
Gain from insurance recovery	363	979	705	1,176
Total other expense, net	(5,481)	11,031	(10,219)	6,211
Net income	158	16,447	753	16,982
Net income attributable to non-controlling interests	(356)	(2,635)	(792)	(2,728)
Net income (loss) attributable to common shareholders	\$ (198)	\$ 13,812	\$ (39)	\$ 14,254
Per share income (loss) (basic and diluted):				
Net income (loss) (basic)	\$ (0.17)	\$ 12.22	\$ (0.03)	\$ 12.61
Net income (loss) (diluted)	\$ (0.17)	\$ 10.70	\$ (0.03)	\$ 11.04
Weighted average common shares outstanding, basic	1,175	1,130	1,175	1,130
Weighted average common shares outstanding, diluted	1,175	1,291	1,175	1,291

See accompanying notes to unaudited condensed consolidated financial statements.

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MAXUS REALTY TRUST, INC.
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)
(In thousands)

	Common Stock			Treasury	Additional		Total		Total
	# of	Amount		Stock	Paid-in-	Retained	Shareholders'	Non-Controlling	Shareholders'
	Shares				Capital	Earnings	Equity	Interests	Equity
Balance December 31, 2016	1,419	\$ 1,419	\$	(4,293)	\$ 19,953	\$ 17,393	\$ 34,472	\$ 13,028	\$ 47,500
Net income (loss)	--	--		--	--	(39)	(39)	792	753
Cash dividends paid	--	--		--	--	(2,802)	(2,802)	(453)	(3,255)
Acquisition of non-controlling interest for Olde Oak	--	--		--	--	--	--	(2,352)	(2,352)
Acquisition of additional interest in Rosehill	--	--		--	88	--	88	(438)	(350)
Acquisition of additional interest in Schoettler	--	--		--	128	--	128	(633)	(505)
Exercise of warrants	45	45		--	2,168	--	2,213	1,250	3,463
Distributions to non-controlling members	--	--		--	--	--	--	(680)	(680)
Balance June 30, 2017	1,464	\$ 1,464	\$	(4,293)	\$ 22,337	\$ 14,552	\$ 34,060	\$ 10,514	\$ 44,574

See accompanying notes to unaudited condensed consolidated financial statements.

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MAXUS REALTY TRUST, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	For The Six Months Ended	
	June 30, 2017	June 30, 2016
Cash flows from operating activities:		
Net income	\$ 753	\$ 16,982
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,256	8,167
Amortization of deferred loan costs and debt discount	294	296
Gain on sale Bicycle Club	--	(14,930)
Asset impairment	--	419
Gain from insurance recovery	(705)	(1,176)
Assets and liabilities held for sale	(41)	197
Changes in accounts affecting operations:		
Accounts receivable, net	270	108
Prepaid expenses and other assets	1,085	698
Escrows and reserves	(1,347)	(1,309)
Accounts payable and other liabilities	796	168
Net cash flows provided by operating activities	<u>11,361</u>	<u>9,620</u>
Cash flows from investing activities:		
Capital expenditures on investment properties	(5,968)	(5,670)
Assets and liabilities held for sale	(406)	(847)
Repair escrow, net	170	(94)
Acquisition of Centennial Park	(9,488)	--
Acquisition of Olde Oak	(2,352)	--
Acquisition of Stone Gables	(3,478)	--
Acquisition of Pine Lake	(6,468)	--
Acquisition of Carmendy	(3,472)	--
Acquisition of additional interest in Rosehill	(350)	--
Acquisition of additional interest in Schoettler	(505)	--
Acquisition escrows	(2,703)	--
Net cash paid for acquisition of Thomaston	--	(7,342)
Net cash from sale of Bicycle Club	--	10,184
Deposit in third party intermediary account for 1031 exchange	--	(10,184)
Investment in unconsolidated real estate companies, net	155	(21)
Investment in certificates of deposit, net	(1,568)	163
Net cash used in investing activities	<u>(36,433)</u>	<u>(13,811)</u>
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(3,733)	(3,195)
Assets and liabilities held for sale	(260)	3,388
Supplemental mortgage loan proceeds	9,447	6,054
Notes payable borrowings	14,907	1,712
Related party note payable borrowings	10,000	--
Note payable repayments	(843)	(136)
Notes payable, related parties repayments	(2,750)	--
Dividends paid to stockholders	(2,802)	(1,695)
Distributions paid to non-controlling interest	(1,133)	(2,462)
Net cash flows provided by financing activities	<u>22,833</u>	<u>3,666</u>
Net increase (decrease) in cash and cash equivalents	(2,239)	(525)
Cash and cash equivalents, beginning of period	6,246	3,709
Cash and cash equivalents, end of period	<u>\$ 4,007</u>	<u>\$ 3,184</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest on continuing operations	<u>\$ 10,361</u>	<u>\$ 8,946</u>
Supplemental disclosure of non-cash investing and financing activities:		
Exercise of warrants related to unsecured promissory notes	\$ 3,463	\$ --
Capital expenditures paid out of escrow	594	--
Net capital expenditures recorded in accounts payable	411	1,125
Accrued dividends	546	--
Mortgage note assumed for purchase of Centennial Park	10,004	--
Mortgage note assumed for purchase of Stone Gables	18,172	--
Mortgage note assumed for purchase of Carmendy Square	10,896	--

See accompanying notes to unaudited condensed consolidated financial statements.

MAXUS REALTY TRUST, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BUSINESS

Organization

Maxus Realty Trust, Inc. (the “Trust”) is structured as what is commonly referred to as an umbrella partnership real estate investment trust (“REIT” or “UPREIT”). To establish the UPREIT, the Trust formed Maxus Operating Limited Partnership (“MOLP”) to which the Trust contributed all of its assets in exchange for a 99.999% partnership interest in MOLP and the assumption by MOLP of all of the Trust’s liabilities. The Trust conducts and intends to continue to conduct all of its activities through MOLP. Maxus Realty GP, Inc., a wholly owned subsidiary of the Trust, is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, Maxus Realty GP, Inc. generally has the exclusive power under the partnership agreement to manage and conduct the business of MOLP, subject to certain limited approval and voting rights of the limited partners.

Pursuant to MOLP’s limited partnership agreement, MOLP may issue limited partnership operating units (and corresponding limited partnership interests) in return for cash or other property that is contributed to MOLP. Holders of MOLP limited partnership operating units may elect to have their units (and corresponding limited partnership interests) redeemed in return for either (at the Trust’s election) the issuance of the Trust’s common stock or cash after a one year holding period. If MOLP limited partnership operating units are redeemed for shares of common stock in the Trust, such units are redeemable on a one unit-for-one share basis. If MOLP limited partnership operating units are redeemed for cash, such units are redeemable at a price per unit based on the average trading price as reported on the OTC market of the Trust’s common stock, over a ten day period preceding the redemption. Through June 30, 2017, three MOLP holders have elected to have their limited partnership operating units redeemed which the Board elected to pay in cash. Holders of MOLP limited partnership operating units are not entitled to rights as shareholders of the Trust prior to conversion of their MOLP limited partnership operating units into shares of the Trust’s common stock.

The Trust believes the UPREIT structure enables the Trust to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue MOLP limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, which allows those sellers to realize certain tax benefits that would be unavailable to them if the Trust purchased those properties directly for cash or common stock. As of June 30, 2017, the Trust owns approximately 86.11% of the outstanding limited partnership interests in MOLP as well as the general partnership interest. Non-controlling holders of MOLP limited partnership operating units own 13.89% of the outstanding limited partnership interests in MOLP, which is represented by 189,433 MOLP operating units. A fractional interest is owned by the general partner of MOLP. Of the 13.89% non-controlling limited partnership interests in MOLP, affiliates of the Trust own 85.61% (or 162,181 of the 189,433 MOLP non-controlling limited partnership operating units outstanding).

Twenty of the properties in which the Trust holds an interest are owned by single member limited liability companies that are directly and wholly owned by MOLP. In addition, MOLP directly or indirectly owns the following interest in the other limited liability companies or partnerships that are not wholly owned that hold real property assets as well as other property interests: MOLP owns a 52% interest in each of the limited liability companies that own Madison at Melrose Apartments (“Madison at Melrose”), Kirkwood Station Apartments (“Kirkwood Station”), the Villages of Bogey Hills (“Bogey Hills”), and Park Edge Apartments (“Park Edge”); MOLP owns a 56% interest in the limited liability company that owns Schoettler Village Apartments (“Schoettler”), 58% interest in the limited liability company that owns Rosehill Pointe Apartments (“Rosehill”), and 61% interest in the limited liability company that owns Glen at Polo Park Apartments (“Glen”); 90% interest in the limited liability company that owns Cross Creek Apartments (“Cross Creek”); and 50% interest in the limited liability company that owns Astoria Apartments Homes (“Astoria”); King’s Court/Terrace Acquisition, LLC (“King’s Court/Terrace”), a wholly owned subsidiary of MOLP, owns a 59% tenant in common ownership interest in The Reserve at Tranquility Lake Apartments (“Tranquility”); Forest Place TIC 1, L.L.C., a wholly owned subsidiary of MOLP, owns a 52% tenant in common ownership interest in Forest Place Apartments (“Forest Place”); and MOLP owns a 95% interest in Olde Oak Apartments, LP (“Olde Oak”). In each such case where MOLP owns a majority interest, except for Tranquility and Forest Place, in which MOLP holds an undivided interest, MOLP has the authority to generally take actions on behalf of the limited liability companies, partnerships or the underlying properties without needing the approval of any of the non-controlling owners.

Except as the context otherwise requires, “we,” “our,” “us,” the “Company” and the “Trust”, refer to the Trust, MOLP and their consolidated subsidiaries, collectively.

Business

The Trust is primarily engaged in the business of investing, owning, developing and leasing real property located in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and Texas. The Trust, through its subsidiary and related entities, owns and operates rental real estate in two segments; apartments and retail. As of June 30, 2017, the Trust holds an interest in 32 apartment communities and approximately 92,000 square feet of retail space.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Trust, MOLP, Maxus Realty GP, Inc. and MOLP's subsidiaries. Other than Forest Place and Tranquility, the Company reports the non-controlling interests in subsidiaries as required by the Consolidation Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Non-controlling interest is the portion of equity in a subsidiary not attributable, directly or indirectly, to the Trust. The ownership interests in the subsidiaries identified above that are held by owners other than the Trust are non-controlling interests. Such non-controlling interests are reported on the consolidated balance sheets within shareholders' equity, separate from the Company's shareholders' equity. On the consolidated statements of operations, income, expenses and net income or loss from non-wholly owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the Company and non-controlling interests.

Each of the operating partnerships that are non-wholly owned in which the Trust has a controlling interest are variable interest entities as the non-controlling members do not have substantive kick-out rights or substantive participating rights. However, the Company holds a majority voting interest and clear operating control in these partnerships.

In regards to Forest Place and Tranquility, Forest Place TIC 1, L.L.C. and King's Court/Terrace Acquisition, L.L.C., respectively, own an undivided interest in the real estate and as such report their interest in the underlying real estate and obligations by proportional consolidation. Proportional consolidation requires that items of income, expense, assets, and liabilities are included in the consolidated balance sheets and consolidated statements of operations in proportion to the percentage of participation by the Company. Forest Place TIC 1, L.L.C., a wholly owned subsidiary of MOLP, owns a 52% undivided interest in Forest Place. King's Court/Terrace Acquisition, L.L.C., a wholly owned subsidiary of MOLP, owns a 59% undivided interest in Tranquility.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements. The most significant assumptions and estimates relate to depreciable lives of investment property, classification of real estate held for sale, and the accounting for business combinations including the valuation of investment property acquired. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

c. Reclassifications

Certain amounts previously reported in our 2016 condensed consolidated financial statements have been reclassified to conform with the current year presentation due to certain reclassifications within the condensed consolidated statement of cash flows.

d. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of the Trust's bank demand deposits and investments in a money market mutual fund. We have a total of \$2.7 million in depository accounts in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits, including \$2.5 million in excess of FDIC insured limits held by a bank affiliated with a related party as discussed in Note 5.

e. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Trust's accounts receivable balance is comprised primarily of rents and operating cost recoveries due from tenants. The Trust records a provision for credit losses based on management's judgment of a tenant's creditworthiness, ability to pay and probability of collection.

Accounts receivable is reflected in the consolidated balance sheets net of allowance for doubtful accounts at June 30, 2017 and December 31, 2016 of \$2.2 and \$1.9 million, respectively. The Trust regularly evaluates the adequacy of its allowance for doubtful accounts.

f. Operating Real Estate

Accounting for Acquisitions

In January 2017, the FASB issued Accounting Standards Update (“ASU”) No. 2017-01, “Business Combinations; Clarifying the Definition of a Business” (“ASU 2017-01”). ASU 2017-01 modifies the requirements to meet the definition of a business under Topic 805, “Business Combinations.” The amendment provides a screen to determine when a set of identifiable assets and liabilities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. The Trust adopted this standard as of January 1, 2017.

As a result of adopting this standard, the Trust evaluates each acquisition to determine if it is an acquisition of a business or an acquisition of assets. We believe that the majority of our acquisitions will now be accounted for as asset acquisitions. The primary difference between accounting for acquisitions as a business combination or acquisition of assets is the accounting for acquisition costs. In a business combination, acquisition costs are expensed while they are included in the cost of the acquired asset for an asset acquisition.

For each acquisition, we record the fair value of all identifiable assets acquired and liabilities assumed and any non-controlling interest relative to the acquired property. We determine the fair value of tangible assets, such as land, building and personal property, generally using valuation techniques that consider comparable market transactions, discounted cash flow techniques, replacement costs, and other available information, including appraisals of the properties by a certified independent appraiser at the time of acquisition. We determine the fair value of identified intangible assets or liabilities, which typically relate to in-place leases, using valuation techniques that consider the terms of the in-place leases, current market data for comparable leases, and our experience in leasing similar properties. The value of in-place leases and any above or below market leases are amortized over the estimated average remaining life of leases in place at the time of acquisition, which generally average twelve months. If the purchase price is less than the fair value of assets and liabilities acquired that difference is allocated proportionately to the assets acquired.

The Trust has recorded the fair value of acquired in-place leases on the date of acquisition, which consist of the following:

(amounts in thousands)

	June 30, 2017	December 31, 2016
In-place leases, net of accumulated amortization of \$6.8 million and \$5.2 million, respectively	\$ 2,018	\$ 1,451

In regards to the above-market and below-market lease values for acquired properties, we review the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimates of fair market lease rates for the comparable in-place leases, based on factors such as market surveys, historical experience, recently executed transactions and specific property issues, measured over a period equal to the remaining non-cancelable term of the leases. Due to the short-term nature of residential leases and the variances within the market regarding the unit’s square footage, the existing lease rates generally approximate market rates. Amortization expense for in-place leases totaled \$1.5 million and \$1.2 million for the six months ended June 30, 2017 and 2016, respectively.

Impairment of Long-Lived Assets

Management evaluates the recoverability of its investment in operating real estate and other long-lived assets, including related identifiable intangible assets, in accordance with FASB ASC Topic 360, “Property, Plant and Equipment.” This Topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that recoverability of the assets is not assured. Management evaluates the long-lived assets on an ongoing basis and records an impairment charge when there is an indicator of impairment. The estimated undiscounted cash flows for the impairment analysis are based on our plans for the respective assets and our views of market and economic conditions.

Recognition of Insurance Recoveries

Estimated loss contingencies are recognized as charges to income when they are probable and reasonably estimable. Insurance recoveries are not recognized until all contingencies related to the insurance claim have been resolved and settlement has been reached with the insurer. Insurance recoveries are included in gain from insurance recovery on the condensed consolidated statements of operations.

Jefferson Park

On May 19, 2015, a fire destroyed one building at the Jefferson Park Apartments. The fire caused 22 apartment units, or approximately 10.6% of the total apartment units, to be uninhabitable. The cause of the fire has not been determined to date. The fire resulted in the death of one resident.

The cost of the reconstruction was covered by insurance proceeds. Reconstruction of the damaged building was completed during 2016. As the insurance proceeds were contingent on completing reconstruction, the Trust recognized the gain from insurance recovery as construction was completed. The Trust recognized gain from insurance recovery of \$197 thousand during the six months ended June 30, 2016.

Park Edge

On August 25, 2016, a fire destroyed one building at the Park Edge apartment community. The fire caused eight apartment units to be uninhabitable. The cause of the fire has been determined to be a lightning strike.

The net carrying value of the building and personal property lost as a result of the fire was approximately \$629 thousand. As a result, the Trust recorded an impairment charge for this amount during the year ended December 31, 2016.

We anticipate the cost of the reconstruction will be covered by insurance proceeds. In addition, the Trust maintains business interruption insurance for the loss of revenue and additional expenses resulting from the fire. It is anticipated that reconstruction will be completed during 2017. As the insurance proceeds received are contingent on completing reconstruction, the Trust recognizes the gain from insurance recovery as construction is completed. The Trust recognized gain from insurance recovery of \$500 thousand for the six months ended June 30, 2017.

Depreciation and Amortization

Depreciation for all tangible operating real estate is calculated using the straight-line method over the estimated useful lives. Acquired buildings are depreciated over their estimated useful life of 40 years starting at the date of acquisition, regardless of their age at the time of acquisition. Building and land improvements are depreciated over their estimated useful life of 20 years. Personal property is depreciated over its estimated useful life ranging from 5 to 10 years. We capitalize replacements and improvements, such as HVAC equipment, structural replacements, windows, appliances, flooring, carpeting and kitchen/bath replacements and renovations over a useful life of 5 to 10 years. Ordinary repairs and maintenance, such as unit cleaning, painting and appliance repairs, are expensed when incurred.

g. Investments in Unconsolidated Real Estate Companies

We own membership interests in limited liability companies ("LLCs") that directly own apartment properties or other real estate assets. Because we do not own a controlling ownership interest in three of these LLCs, these LLCs are accounted for under the cost method. These membership interests were bought in anticipation of cash distributions and appreciation of their fair market value. See Note 7 for additional information regarding these investments.

h. Discontinued Operations and Assets Held for Sale

A property is classified as a discontinued operation when a property or properties to be sold are a component of an entity that represents a strategic shift that has, or will have, a major effect on the Trust's operations and financial results. Significant judgments are involved in determining whether a property meets the criteria for discontinued operations reporting and the period in which these criteria are met. We did not have any disposals meeting this criteria during the six months ended June 30, 2017 or 2016.

A property is classified as held for sale when (i) the Board commits to a plan to sell and it is actively marketed; (ii) it is available for immediate sale in its present condition and the sale is expected to be completed within one year; and (iii) it is unlikely significant changes to the plan will be made or the plan will be withdrawn. As of June 30, 2017, and December 31, 2016 we have classified the assets and liabilities of Forest Park, Regency North and Province at Briarcliff as held for sale. The sale of Forest Park and Regency North was completed on July 18, 2017. Province at Briarcliff is under contract to sell and we anticipate the sale will be completed during the year ending December 31, 2017.

i. Non-controlling Interests in Consolidated Real Estate Limited Liability Companies

We hold interests in certain of our real estate assets through our ownership interests in LLCs, which are owned in whole or in part by the Trust. In turn, those LLCs are the direct owner of the real property assets. We report the non-controlling members' interests in the net assets of our condensed consolidated real estate companies as non-controlling interests in shareholders' equity. We attribute to non-controlling interests their share of income or loss based on their proportionate interest in the results of operations of the respective LLC, including their share of losses even if such attribution results in a deficit non-controlling interest balance within our equity accounts.

Upon receipt of the approval of a majority interest of the members, the terms of the applicable LLCs' operating agreements generally require the respective LLC to be liquidated following the sale of the company's real estate. The aggregate carrying amount of non-controlling interests in consolidated real estate companies is approximately \$10.5 million and \$13.0 million at June 30, 2017 and December 31, 2016, respectively. The aggregate fair value of these interests varies based on the fair value of the real estate owned by the respective LLC. Based on the complexities in determining the fair market value of the properties and the allocation of liquidation proceeds among partners, we believe it is impracticable to determine the fair market value of non-controlling interests in an assumed liquidation at June 30, 2017.

As a result of real estate depreciation that is recognized in our consolidated financial statements and appreciation in the fair value of real estate that is not recognized in our condensed consolidated financial statements, we believe that the aggregate fair value of our non-controlling interests exceeds their aggregate carrying amount. As a majority member of the LLCs, we generally have the ability to control sales of real estate held by the LLCs, as well as other events that require payment to the non-controlling interests. Because we expect that proceeds from real estate sales will be sufficient to liquidate related non-controlling interests, we anticipate that the eventual liquidation of these non-controlling interests will not have an adverse impact on our consolidated financial condition.

j. Non-controlling Interests in Maxus Operating Limited Partnership

Non-controlling interests in MOLP consist of limited partnership operating units held by persons other than the Trust. Within the Trust's condensed consolidated financial statements, MOLP's income or loss is allocated to the holders of partnership units based on the proportionate number of partnership units outstanding during the period. As of June 30, 2017 the non-controlling holders of operating units had an ownership interest in MOLP of 13.89%.

k. Revenue Recognition

Lease agreements with tenants are accounted for as operating leases, and total expected rentals from such leases are reported as rental revenues ratably over the lease term. Included in other revenues are non-rental income items such as application fees and late fees, which are recognized as revenue when earned. Recoveries from residential tenants for utility costs are recognized as revenue in the period that the applicable costs are incurred.

l. Fair Value of Financial Instruments

In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures," fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, ASC Topic 820 requires the Trust to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Trust's market assumptions. This hierarchy requires the use of observable market data when available. ASC Topic 820 establishes the following fair value hierarchy:

Level 1—quoted prices for *identical* instruments in active markets;

Level 2—quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3—fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, and credit spreads. Items valued using such internally-generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, a financial asset or liability could be classified in either Level 2 or 3 even though there may be some significant inputs that are readily observable.

Financial Instrument Fair Value Disclosures. As of June 30, 2017 and December 31, 2016, the carrying values of cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable represent fair value because of the short-term nature of these instruments. The carrying value of cash restricted in escrows and reserves approximates its fair value based on the nature of our assessment of the ability to recover these amounts. These financial instruments utilize Level 2 inputs.

The Trust does not carry its mortgage notes payable, notes payable or notes payable to related parties at fair value. However, the Trust estimates the fair value of these notes payable using a discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the instrument, including the period of maturity, and uses observable market-based inputs, including current market interest rates. The Company has concluded that the value of its notes payable fall within Level 3 of the fair value hierarchy.

m. Deferred Costs

Deferred expenses consist of financing costs which are amortized using the interest method over the term of the respective debt. Deferred charges are presented on the condensed consolidated balance sheets net of accumulated amortization as a reduction of mortgage notes payable. Unamortized financing costs are written off when the associated debt is retired or otherwise extinguished before the maturity date.

n. Income Taxes

The Trust has elected to be taxed as a REIT under the Internal Revenue Code, Sections 856-860. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income that is distributed to shareholders. The Trust intends to continue to qualify as a REIT and, to the extent it generates taxable income, will distribute substantially all of its taxable income to its shareholders. There is no provision for income taxes reflected in the consolidated financial statements. The Trust has federal net operating loss carryovers of \$15.6 million at December 31, 2016 for tax purposes, which will expire in various amounts from 2018 through 2035.

FASB ASC Topic 740-10 on Income Taxes prescribes a comprehensive model for how an entity should measure, recognize, present, and disclose in its consolidated financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. The Trust has analyzed whether any tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates would require the establishment of reserves or related accruals for interest and penalties and it is management's belief that no such reserves or related accruals are necessary. Additionally, management intends to exercise all requisite diligence to ensure continued compliance with the income and assets tests of Section 856 of the Internal Revenue Code as well as the other requirements of that section in order to maintain the Trust's status as a REIT.

The Trust is no longer subject to U.S. federal, state or local examination by tax authorities for years prior to 2013.

o. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (subsequently amended by ASU 2015-14, which deferred the effective date to periods beginning after December 15, 2017) ("ASU 2015-14"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2018; however, the ASU does not apply to revenue recognition for lease contracts. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under ASU 2016-02, lessor accounting will be substantially similar to the current model, but aligned with certain changes to Topic 606, "Revenue from Contracts with Customers." Lessors will continue to classify leases as operating, direct financing, or sales-type. Lessees will be required to recognize a right-of-use asset and a lease liability for virtually all leases, with such leases classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) and finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar

to those applied in current lease accounting. ASU 2016-02 is effective for public entities for reporting periods beginning after December 15, 2018, and interim periods within those reporting periods, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, requiring application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. We have not yet determined the effect ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" (ASU 2016-15"). ASU 2016-15 clarifies how several specific cash receipts and cash payments are to be presented and classified on the statement of cash flows, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration made after a business combination, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of predominance principle. ASU 2016-15 is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. Each amendment in this standard must be applied prospectively, retrospectively, or as of the beginning of the earliest comparative period presented in the year of adoption, depending on the type of amendment. We expect to adopt ASU 2016-15 as of January 1, 2018, and we are currently evaluating the impact this standard may have on our consolidated financial statements and related disclosures upon adoption.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows: Restricted Cash" ("ASU No. 2016-18"), which requires restricted cash to be presented with cash and cash equivalents when reconciling the beginning and ending amounts in the statements of cash flows. ASU 2016-18 is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The Company plans to adopt ASU 2016-18 on January 1, 2018. The Company is currently evaluating the impact of the adoption of ASU 2016-18 on its presentation of the consolidated statements of cash flows.

(3) MORTGAGE NOTES PAYABLE, NOTES PAYABLE AND LINE OF CREDIT*Mortgage notes payable* ^(a):

	(amounts in thousands)	
	(unaudited) June 30, 2017	December 31, 2016
Province of Briarcliff ^(d) mortgage note, monthly principal and interest payments of \$67,000, with interest fixed at 5.64%, maturing January 1, 2018.	\$ 9,869	\$ 10,006
Grand at Pearl monthly principal and interest payments of \$53,000, with an adjustable interest rate based on the BBA 1 month LIBOR rate in USD, 3.37% ^(e) at June 30, 2017, maturing October 1, 2018.	11,159	11,279
Elements 1 st mortgage note, monthly principal and interest payments of \$62,000, with interest fixed at 6.47%, maturing June 1, 2019.	9,380	9,503
Elements 2 nd mortgage note, monthly principal and interest payments of \$15,000, with interest fixed at 4.74%, maturing June 1, 2019.	2,551	2,565
Madison at Melrose mortgage note, monthly principal and interest payments of \$73,000, with interest fixed at 5.99%, maturing July 1, 2019.	10,868	10,974
Berkshire Apartments 1 st mortgage note ^(b) , monthly principal and interest payments of \$46,000, with interest fixed at 5.57%, maturing November 1, 2019.	7,081	7,155
Berkshire Apartments 2 nd mortgage note ^(b) , monthly principal and interest payments of \$21,000, with interest fixed at 4.92% maturing November 1, 2019.	3,869	3,899
Schoettler Village 1 st mortgage note ^(b) , monthly principal and interest of \$112,000, with interest fixed rate at 5.58%, maturing April 1, 2020.	17,472	17,648
Schoettler Village 2 nd mortgage note ^(b) , monthly principal and interest of \$22,000, with interest fixed rate at 4.98%, maturing April 1, 2020	4,175	4,200
Regency North 1 st mortgage note ^(b) , monthly principal and interest payments of \$28,000, with interest fixed at 5.13%, maturing December 1, 2020.	4,558	4,605
Regency North 2 nd mortgage note ^(b) , monthly principal and interest payments of \$20,000, with interest fixed at 4.86%, maturing December 1, 2020.	3,647	3,674
Centennial 1 st mortgage note ^(d) , monthly principal and interest payments of \$57,000, with a fixed interest rate of 5.24%, maturing June 1, 2021.	9,944	--
Centennial 2 nd mortgage note, monthly principal and interest payments of \$25,000, with a fixed interest rate of 4.94%, maturing June 1, 2021.	4,634	--
Bogey Hills 1 st mortgage note ^(b) , monthly principal and interest payments of \$136,000, with interest fixed at 5.13%, maturing July 1, 2021.	22,702	22,927
Bogey Hills 2 nd mortgage note ^(b) , monthly principal and interest payments of \$37,000, with interest fixed at 4.87%, maturing October 1, 2021.	6,710	6,766
Viera at Mandarin mortgage note, monthly principal and interest payments of \$37,000, with interest fixed at 3.51%, maturing March 1, 2022.	12,443	12,500
Forest Place 1 st mortgage note ^(c) , monthly principal and interest payments of \$36,000, with interest fixed at 4.13%, maturing April 1, 2022.	6,654	6,727
Forest Place 2 nd mortgage note ^(c) , monthly principal and interest payments of \$11,000, with interest fixed at 5.16%, maturing April 1, 2022.	1,996	2,010
Rosehill Pointe 1 st mortgage note ^(b) , monthly principal and interest payments of \$112,000, with interest fixed at 4.04%, maturing April 1, 2022.	21,172	21,410
Rosehill Pointe 2 nd mortgage note monthly principal and interest payments of \$29,000, with interest fixed at 5.19%, maturing April 1, 2022.	5,175	5,214
Park Edge 1 st mortgage note, monthly principal and interest payments of \$90,000, with interest fixed at 3.63%, maturing January 1, 2023.	17,969	18,176
Park Edge 2 nd mortgage note, monthly principal and interest payments of \$20,000, with interest fixed at 5.32%, maturing January 1, 2023.	3,860	3,887
Villaggio mortgage note, monthly principal and interest payments of \$75,000, with an adjustable mortgage interest rate based on the BBA 1 month LIBOR Rate in USD, 3.72% ^(e) at June 30, 2017, maturing January 1, 2023.	15,821	15,978
Olde Oak mortgage note, monthly principal and interest payments of \$80,000, with interest fixed at 3.97%, maturing January 1, 2023	15,432	15,603
Glen at Polo Park 1 st mortgage note mortgage note ^{(b) (d)} , monthly principal and interest payments of \$72,000 with interest fixed at 3.93%, maturing on March 1, 2023.	13,306	13,401
Glen at Polo Park 2 nd mortgage note ^(b) , monthly principal and interest payments of \$13,000, with interest fixed at 5.25%, maturing March 1, 2023.	2,264	2,280
Highland Pointe mortgage note, monthly principal and interest payments of \$75,000, with interest fixed at 4.51%, maturing January 1, 2024, with the right to extend an additional 1 year.	16,675	16,784
Carmendy mortgage note ^(d) , monthly interest only payments of \$40,000, with a fixed interest rate of 4.43%, maturing October 1, 2024.	10,893	--
Forest Park mortgage note, monthly principal and interest payments of \$36,000, with interest fixed at 4.22%, maturing October 1, 2024.	7,066	7,132
Reserve at Tranquility Lake mortgage note ^{(b) (c)} , monthly principal and interest payments of \$80,000, with interest fixed at 3.97% maturing October 1, 2024.	16,032	16,189
Jefferson Park Apartments mortgage note, monthly principal and interest payments of \$50,000, with interest fixed at 3.54%, maturing April 1, 2025.	10,588	10,696

Continued from previous page

(amounts in thousands)

Mortgage notes payable ^(a):

	(unaudited) June 30, 2017	December 31, 2016
Arbors 1 st mortgage note, monthly principal and interest payments of \$123,000, with interest fixed at 4.45%, maturing November 1, 2025.	\$ 23,885	\$ 24,086
Arbors 2 nd mortgage note, monthly principal and interest payments of \$123,000, with interest fixed at 5.57%, maturing November 1, 2025.	4,845	--
Stone Gables mortgage note ^(d) , monthly principal and interest payments of \$95,000, with a fixed interest rate of 4.87%, maturing November 6, 2025.	18,146	--
Thomaston mortgage note, monthly principal and interest payments of \$90,000, with interest fixed at 4.41%, maturing June 1, 2026.	17,692	17,836
Lexington on the Green mortgage note, monthly interest only payments of \$55,000, with interest fixed at 3.98%, maturing August 1, 2026.	16,200	16,200
Cross Creek mortgage note monthly principal and interest payments of \$62,000, with a fixed interest rate at 3.60%, maturing September 1, 2026.	13,412	13,538
Kirkwood Station mortgage note, monthly principal and interest payments of \$136,000, with interest fixed 4.04%, maturing October 1, 2026.	28,056	28,297
The Landings mortgage note, monthly principal and interest payments of \$37,000, with a fixed interest rate of 3.84%, maturing October 1, 2026.	7,734	7,803
Pine Lake mortgage note, monthly interest payments of \$69,000, with a fixed interest rate of 4.23%, maturing June 1, 2027.	19,600	--
Foothills I mortgage note ^(d) , monthly principal and interest payments of \$20,000, with interest fixed at 3.20%, maturing July 1, 2037.	3,299	3,355
Foothills II mortgage note ^(d) , monthly principal and interest payments of \$18,000, with interest fixed at 3.80%, maturing November 1, 2047.	3,674	3,705
Foothills III mortgage note ^(d) , monthly principal and interest payments of \$84,000, with interest fixed at 3.25%, maturing May 1, 2050.	18,238	18,377
Mallard mortgage note ^(d) , monthly principal and interest payments of \$28,000, with interest fixed at 3.28%, maturing April 1, 2050.	6,501	6,554
Astoria mortgage note ^(d) , monthly principal and interest payments of \$100,000, with interest fixed at 4.31%, maturing August 1, 2053.	23,624	23,772
Debt issuance costs	(3,906)	(3,180)
TOTALS:	\$ 506,965	\$ 443,531

^(a) Mortgage loans are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust, cash deposits with lender and a corporate guaranty from the Trust and MOLP unless otherwise noted in (b).

^(b) Mortgage loan is also secured by a limited carve-out guaranty from a principal individual owner if certain provisions in the loan agreement are breached.

^(c) This is the Trust's proportionate share of the total debt.

^(d) Debt balances have premiums/discounts.

^(e) The Trust has an interest rate cap that is designed to cap the interest rates between 4.0% and 6.75%.

On April 1, 2017, the Trust purchased the Centennial Park apartment community. Centennial Park had an existing mortgage loan in the amount of \$9.4 million with a fixed interest rate of 5.24% and maturity date of June 1, 2021. The Trust recorded a premium on the loan of \$0.6 million upon acquisition.

On April 10, 2017, the Trust obtained a second mortgage loan for the Arbors at Natchez Trace apartment community in the amount of \$4.9 million. The loan has a maturity date of November 1, 2025 and carries a fixed interest rate of 5.57%.

On May 2, 2017, the Trust purchased the Stone Gables apartment community. Stone Gables had an existing mortgage loan in the amount of \$17.7 million with a fixed interest rate of 4.87% and a maturity date of November 15, 2025. The Trust recorded a debt premium of approximately \$0.5 million upon acquisition.

On May 4, 2017, the Trust purchased the Pine Lake apartment community. In conjunction with the acquisition, the Trust obtained a mortgage loan from KeyBank in the amount of \$19.6 million. The mortgage loan carries a fixed interest rate of 4.23% and matures June 1, 2027.

On June 5, 2017, the Trust obtained a second mortgage loan for the Centennial Park apartment community in the amount of \$4.6 million. The loan has a maturity date of June 1, 2021 and carries a fixed interest rate of 4.94%.

On June 8, 2017, the Trust purchased the Carmendy Square apartment community. Carmendy Square had an existing mortgage loan in the amount of \$10.6 million with a fixed interest rate of 4.43% and a maturity date of October 1, 2024. The Trust recorded a debt premium of approximately \$0.3 million upon acquisition.

Each mortgage loan is secured solely by the property held by the MOLP subsidiaries or undivided interests that obtained the loan. The following is a summary of scheduled mortgage notes payable maturities at June 30, 2017 (in thousands):

Year	Amount
2017	\$ 4,599
2018	29,559
2019	41,257
2020	36,758
2021	48,263
Thereafter	350,435
Total mortgage debt	\$ 510,871
Debt issuance cost	(3,906)
Total	\$ 506,965

Notes payable:

The following is a summary of the notes payable (in thousands):

	June 30, 2017	December 31, 2016
Notes payable	\$ 19,897	\$ 6,537
Notes payable, related parties	10,420	5,911
	\$ 30,317	\$ 12,448

On December 24, 2013, the Trust commenced an offering of 7% unsecured promissory notes (the "Notes") in the aggregate up to \$11.5 million, together with warrants (the "Warrants") to acquire shares of the Trust's common stock at an exercise price of \$50 per share. As of December 31, 2016 and 2015, Notes in the aggregate principal amount of \$7.0 million were outstanding and Warrants exercisable for an aggregate number of 70,450 shares of the Trust's common stock had been issued (although, as described in Note 8, Warrants to acquire 25,000 shares were amended during 2015 to provide that such Warrants are exercisable to acquire MOLP limited partnership operating units in lieu of 25,000 shares of the Trust's common stock). On January 31, 2017, all principal and interest for the Notes was paid in full. In addition, all of the Warrant holders notified the Trust of their intent to exercise the warrants. As a result, the Trust issued 44,650 shares of common stock and 25,000 MOLP units to the Warrant holders. Refer to Note 5 for Notes, Warrants and short term notes held by related parties.

Line of credit:

The Trust has a line of credit with Missouri Bank & Trust ("MBT"). In December 2016, the maturity date on the line of credit was extended to March 20, 2017. In March 2017, the line of credit was amended to increase the total availability to \$20 million under the line and extend the maturity date to March 2, 2018. The amended line of credit has an interest rate of the prime rate plus 1.25% (5.25% as of June 30, 2017) and consists of a \$5 million term loan and credit facility of \$15 million. The line of credit is secured by the pledge of 10 LLC interests held by MOLP. The line of credit is partially guaranteed by Mr. Johnson. At June 30, 2017, the Trust had a \$19.9 million outstanding balance on the line of credit with no borrowing availability. On August 10, 2017, the Trust entered into a new credit facility with KeyBank and paid off the MBT line of credit in full. See Note 11.

(4) RENTAL REVENUES UNDER OPERATING LEASES

Minimum future rental revenues under non-cancelable operating leases greater than one year in effect for the retail space as of June 30, 2017 are as follows, (in thousands):

Year	Total
2017	\$ 911
2018	773
2019	613
2020	533
2021	509

The residential leases, which comprise the majority of total revenues, generally range from six to twelve months in length and are not included in the schedule above. In addition, certain lease agreements require tenant participation in certain operating expenses. Tenant participation in expenses included in other revenues approximated \$135 thousand and \$118 thousand for the six months ended June 30, 2017 and 2016, respectively.

(5) RELATED PARTY TRANSACTIONS

Maxus Properties, Inc. ("MPI") manages the Trust's properties. David L. Johnson, Chairman, President, Chief Executive Officer and a Trustee of the Trust and the beneficial owner of more than 10% of the Trust's issued and outstanding common stock, is the Chairman and sole shareholder of MPI. The Trust paid MPI property management fees of \$1.4 million for the six months ended June 30, 2017 and 2016, respectively. Management fees are determined pursuant to management agreements between the Trust and MPI that provide for fees calculated as a percentage of monthly gross receipts (as defined in the agreements) from the properties' operations as well as reimbursement of payroll related costs. At June 30, 2017 the properties pay MPI a management fee between 3% and 5% of receipts. At June 30, 2017 and December 31, 2016, \$716 thousand and \$698 thousand, respectively, was payable to MPI for accrued payroll and direct expense reimbursement; \$1.3 million and \$1.1 million, respectively, was payable for accrued management fees.

Certain MPI employees are located at the Trust's properties and perform leasing, maintenance, office management, and other related services for these properties. The Trust recognized \$4.62 million and \$3.9 million of payroll costs from continuing operations during the six months ended June 30, 2017 and 2016, respectively, that have been reimbursed to MPI and are included in related party payroll reimbursement in the condensed consolidated statements of operations.

As previously disclosed, the Trust has appointed a special committee of its Board of Trustees to evaluate a potential transaction pursuant to which the Trust would acquire MPI. There can be no assurances that this transaction will occur nor can there be any assurances as to the terms or timing of any such transaction.

On June 1, 2014, Bicycle Club, LLC, Regency North Associates, LP, MLake 5, LLC (owner of Schoettler Village), Bogey Acquisition, LLC ("Bogey Hills"), Briarcliff Apartment Homes, LLC, Fountainhead Refunding, LLC and Jefferson Park Partners, each entered into a Solar Services Agreement ("Solar Agreement"), with MLake 82 LeaseCo. MLake 82 LeaseCo is wholly owned by Mr. Johnson. Pursuant to the Solar Agreement, the MOLP subsidiaries agreed to lease solar energy systems from MLake 82 LeaseCo. The term of each such lease is 20 years, and such leases require total annual lease payments from the MOLP subsidiaries of \$70 thousand, increasing 10% every five years. In exchange, MLake 82 LeaseCo guaranteed that total annual energy savings from the solar energy systems will be at least 10% greater than the annual lease payments. MLake 82 LeaseCo is responsible for all installation cost and on-going maintenance of the solar system. In addition, MLake 82 LeaseCo received all rebates, incentives and income tax credits related to the solar energy systems. For the six months ended June 30, 2017 and 2016, the Trust made lease payments in the amount of \$24 thousand and \$34 thousand, respectively, to MLake 82 LeaseCo. The lease obligation is included in utility expenses in the condensed consolidated statements of operations.

As of June 30, 2017, the Trust (i) has operating cash of approximately \$2.1 million on deposit with First Missouri National Bank ("First Missouri"), and (ii) holds certificates of deposit of approximately \$3.6 million with First Missouri, and (iii) has cash in money market accounts in the amount of \$178 thousand with First Missouri. The bank deposit insurance in connection with these deposits is provided by the FDIC. The FDIC has a \$250 thousand limit per independent entity on deposit insurance for interest-bearing accounts. Mr. Johnson owns approximately 21.8% of First Missouri's outstanding common stock. Mr. Johnson is also a member of First Missouri's Board of Directors. Jose Evans, a Trustee of the Trust, also holds approximately 9.2% of First Missouri's outstanding common stock. Christopher Garlich, a Trustee of the Trust, individually and through an affiliate, holds 5.7% of First Missouri's outstanding common stock. Gregory Orman, a Trustee of the Trust, owns less than 1.0% of First Missouri's outstanding common stock. The Trust's operating cash is held in a non-interest bearing account. The certificates of deposit earn interest at rates ranging from 0.35% to 1.3% per annum as of June 30, 2017 and December 31, 2016. As of June 30, 2017, \$2.5 million is held in excess of FDIC insurance limits from certain operating accounts.

In conjunction with the purchase of Province of Briarcliff Apartments, the Trust assumed a debt obligation in the form of a note with Liberty Park, L.L.C. in the amount of \$732 thousand, including accrued interest. The note has a maturity date of February 1, 2019 and accrues interest at 8%. Liberty Park, L.L.C. is an affiliate of Mr. Johnson and his spouse, Sandra Castetter.

On December 24, 2013, the Trust commenced an offering of 7% unsecured promissory notes (as defined above, the "Notes") in the aggregate up to \$11.5 million, together with warrants (as defined above, the "Warrants") to acquire shares of the Trust's common stock at an exercise price of \$50 per share (see Note 3 above). As of December 31, 2016, Notes in the principal amount of \$2.5 million were held by Mr. Johnson and his affiliates. Together with the Notes, Mr. Johnson and his affiliates also held Warrants to acquire 25,000 limited partnership operating units in MOLP exercisable through January 31, 2017. Affiliates of Gregory Orman, Trustee of the Trust, held Notes in the principal amount of \$3.0 million as of December 31, 2016. Together with

the Notes, Mr. Orman's affiliates also held Warrants to acquire 30,000 shares of common stock through January 31, 2017. The Notes were paid in full on January 31, 2017 and Mr. Johnson and Mr. Orman exercised their Warrants.

On April 25, 2017, the Trust acquired an additional 6.40% interest in the Schoettler Village apartment community for \$505 thousand and an additional 3.91% interest in the Rosehill apartment community for \$350 thousand from a related party. The Trust acquired these interests from MRP IV Limited Partnership ("MRP IV"). Mr. Johnson, Mr. Garlich and Mr. McDowell collectively own 55.55% of MRP IV through various affiliated entities. After completing the acquisition of these interests, the Trust owns 58.40% of the Schoettler Village member interest and 55.91% of the Rosehill member interest.

On May 8, 2017, the Trustees of the Trust authorized the issuance of short term notes from related parties not to exceed \$11 million. On May 10, 2017, the Trust entered into short term notes with entities affiliated with Mr. Johnson, Mr. Garlich and Mr. McDowell totaling \$10 million. On July 7, 2017, the Trust entered into an additional short term note with Mr. Johnson for \$1 million. The notes carry a fixed interest rate of 7.0% and have a maturity date of August 10, 2017. The notes require an initiation fee of \$55 thousand and maturity may be extended to November 10, 2017 for an additional fee of \$55 thousand. The Trust repaid substantially all of these notes on August 10, 2017.

For certain of our acquisition, dispositions and mortgage loan refinancings, MRTI has used Assured Quality Title ("AQT") as the title company. AQT is wholly owned by Jose Evans. Mr. Evans is a shareholder and serves on the Board of Trustees of the Trust. For the six months ended June 30, 2017 the Trust paid fees of approximately \$11 thousand for services provided by AQT.

Certain executive officers and members of our Board, either directly or through related parties, have an ownership interest in the following subsidiaries of the Trust as set forth below as of June 30, 2017:

Name of Subsidiary	Amount of Capital Contributed by Affiliates (amounts in thousands)	Affiliate Ownership	Percent of Affiliate Ownership
Kirkwood Station	\$ 2,090	(1)	48.00 %
Madison at Melrose	125	(2)	3.75
Schoettler Village	360	(3)	6.40
Bogey Hills	500	(4)	7.44
Rosehill	315	(5)	3.91
Park Edge	200	(6)	3.76
Glen	1,000	(7)	34.36
Tranquility	3,060	(8)	41.00
Astoria	275	(9)	5.72
MOLP	5,689	(10)	11.89

(1) Affiliates of Christopher Garlich, Monte McDowell and David L. Johnson own the majority of the non-controlling interest in Kirkwood Station.

(2) Affiliates of David L. Johnson and John Alvey

(3) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson

(4) Affiliates of Christopher Garlich

(5) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson

(6) Affiliates of David L. Johnson, John Alvey and Monte McDowell

(7) David L. Johnson and Sandra Castetter, husband and wife

(8) David L. Johnson and Sandra Castetter, husband and wife, Greg Orman and John Alvey own the majority of the non-controlling interest in Tranquility

(9) Affiliates of Christopher Garlich and David L. Johnson

(10) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson

Total distributions paid to all non-controlling interests held by related parties from the Trust were \$275 thousand and \$340 thousand for the six months ended June 30, 2017 and 2016, respectively.

Certain executive officers and members of the Board, either directly or through related parties, have an ownership interest in the non-consolidated cost method investments as set forth below as of June 30, 2017:

Name of Non-Consolidated Investment	Percent of Affiliate Ownership	Affiliate Ownership	MOLP Ownership
Wild Oak Acquisition, L.L.C.	59.8%	(1)	3.4%
Bridle Creek Acquisition, L.L.C.	52.2%	(2)	2.1%

(1) Affiliates of David L. Johnson and Sandra Castetter

(2) Affiliates of David L. Johnson and Christopher Garlich

(6) PROPERTY ACQUISITIONS AND DISPOSITIONS

Acquisitions

Upon acquisitions of real estate properties, management makes subjective estimates of the fair value of acquired tangible assets (consisting of land, land improvements, building, improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) in accordance with ASC Topic 805, "Business Combinations" (See also Note 2.f, Operating Real Estate, Accounting for Acquisitions). Based on these estimates, management records the acquired assets and liabilities at fair value. These estimates have a direct impact on net income. During the six months ended June 30, 2017, the Trust acquired interests in four apartment communities located in Overland Park, Kansas, Raeford, North Carolina, Palm Coast, Florida, and Lady Lake, Florida. If the purchase price is less than the fair value of assets and liabilities acquired that difference is allocated proportionately to the assets acquired.

Centennial Park

As further discussed in Note 10, the Trust entered into a settlement agreement effective April 1, 2017, pursuant to which the Trust acquired the Centennial Park apartment community for an aggregate purchase price of \$20.3 million. Centennial Park is located in Overland Park, Kansas and has 170 apartment units with approximately 205,000 rentable square feet. Prior to completion of the acquisition, MOLP held a non-controlling interest in Centennial Park of less than 1% and was the carve-out guarantor for the mortgage loan.

At the time of acquisition, Centennial Park had an existing mortgage loan that will stay in place. That loan had a balance of approximately \$9.4 million. The loan carries a fixed interest rate of 5.24% and matures on June 1, 2021. A debt premium of \$0.6 million was recorded upon acquisition.

The total consideration paid by the Trust, excluding acquired working capital and lender escrow accounts, was approximately \$10.8 million. Approximately \$1.3 million of the consideration was paid to related parties of the Trust including approximately \$1.1 million due to MLake 45, an entity controlled by Mr. Johnson, and \$0.2 million to MPI. The amount due to MLake 45 and MPI was accrued to be paid at a later date based on agreement with Mr. Johnson. It is expected that all amounts will be paid during the year ending December 31, 2017.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The following table summarizes the fair value of the assets and liabilities acquired (in thousands):

Operating assets	
Cash and cash equivalents	\$ 166
Escrows and reserves	175
Other current assets	69
Land	1,354
Land improvements	1,963
Buildings	16,649
Personal property	296
In-place leases	553
Total assets acquired	<u>21,225</u>
Operating liabilities	
Current liabilities	403
Mortgage payable	10,004
Total liabilities acquired	<u>10,407</u>
Net assets acquired	<u>\$ 10,818</u>

Stone Gables

On May 2, 2017, a wholly owned subsidiary of MOLP, Stone Gables Acquisition, purchased the Stone Gables apartment community located in Raeford, North Carolina for a total purchase price of approximately \$20.8 million. Stone Gables has 192 apartment units with 206,000 rentable square feet.

In conjunction with the acquisition, the Trust assumed the existing mortgage loan. The loan has an outstanding balance of \$17.7 million, a maturity date of November 15, 2025 and a fixed interest rate of 4.87%. A debt premium of approximately \$0.5 million was recorded upon acquisition.

The Trust incurred acquisition costs totaling \$83 thousand, including an acquisition fee of \$75 thousand payable to a related party, MPI. These acquisition costs are included in the purchase price.

Including fees paid related to the acquisition and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was approximately \$3.5 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The following table summarizes the fair value of the assets and liabilities acquired (in thousands):

Operating assets	
Escrows and reserves	\$ 223
Land	1,452
Land improvements	1,380
Buildings	17,538
Personal property	447
Intangible assets and loan fees	523
Total assets acquired	<u>21,563</u>
Operating liabilities	
Current liabilities	149
Mortgage payable	18,172
Total liabilities acquired	<u>18,321</u>
Net assets acquired	<u>\$ 3,242</u>

Pine Lake

On May 4, 2017, a wholly owned subsidiary of MOLP, Pine Lake Acquisition, LLC, acquired the Pine Lake apartment community located in Palm Coast, Florida for a total purchase price of approximately \$25.7 million. Pine Lake has 184 apartment units with approximately 200,000 rentable square feet.

In conjunction with the acquisition, a mortgage loan totaling \$19.6 million was obtained from KeyBank. The mortgage loan is secured by the assets of Pine Lake, matures June 1, 2027 and carries a fixed interest rate of 4.23%.

The Trust incurred acquisition costs totaling \$172 thousand, including an acquisition fee of \$75 thousand payable to a related party, MPI. These acquisition costs are included in the purchase price.

Including fees paid related to the acquisition and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was approximately \$6.5 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The following table summarizes the fair value of the assets and liabilities acquired (in thousands):

Operating assets	
Land	\$ 4,747
Land improvements	1,371
Buildings	18,799
Personal property	213
In-place leases	565
Net assets acquired	<u>\$ 25,695</u>

Carmendy Square

On June 8, 2017, a wholly owned subsidiary of MOLP, Carmendy Square Acquisition, LLC, acquired the Carmendy Square apartment community located in Lady Lake, Florida, for a total purchase price of approximately \$16.5 million. Carmendy Square has 184 apartment units with approximately 184,000 rentable square feet.

In conjunction with the acquisition, the Trust assumed the existing mortgage loan. The loan has an outstanding balance of \$10.6 million, a maturity date of October 1, 2024 and a fixed interest rate of 4.43%. A debt premium of approximately \$0.3 million was recorded upon acquisition.

The Trust incurred acquisition costs totaling \$78 thousand, including an acquisition fee of \$75 thousand payable to a related party, MPI. These acquisition costs are included in the purchase price.

Including fees paid related to the acquisition and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was approximately \$6.2 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The following table summarizes the fair value of the assets and liabilities acquired (in thousands):

Operating assets	
Escrows and reserves	\$ 249
Land	2,309
Land improvements	1,446
Buildings	12,347
Personal property	231
Intangible assets	496
Total assets acquired	<u>17,078</u>
Operating liabilities	
Current liabilities	189
Mortgage payable	10,896
Total liabilities acquired	<u>11,085</u>
Net assets acquired	<u>\$ 5,993</u>

(7) ACQUISITION OF NON-CONTROLLING INTEREST IN UNCONSOLIDATED REAL ESTATE COMPANIES

On May 2, 2011, the Board approved the purchase of equity securities in an apartment community located in Kansas City, Missouri. MOLP purchased a 3.36% minority equity interest for a purchase price of \$150 thousand in WildOak Acquisition, LLC ("WildOak"). WildOak refinanced its mortgage loan in the amount of \$16.5 million and, with Board approval, the Trust is a key principal/carve-out guarantor of the mortgage loan. MLake 44, LLC owns a majority interest in WildOak. Mr. Johnson owns 50% of MLake 44, LLC.

On May 2, 2011, MOLP purchased a 3% equity interest in MLake 11, LLC. This limited liability company is the managing member and 0.1% equity owner of Centennial Park Kansas, LLC ("Centennial"). MOLP's purchase price for this investment was \$50 thousand. Centennial refinanced its mortgage loan with Freddie Mac in the amount of \$10.3 million and, with Board approval, the Trust is a key principal/carve-out guarantor of the mortgage loan. Mr. Johnson owns 47.5% of MLake 11, LLC. As discussed in Note 6, the Trust completed the acquisition of Centennial Park.

The mortgage financing in which the Trust is a carve-out guarantor as described above is non-recourse because the borrowers, WildOak and Centennial, and guarantors are not personally liable for the debt upon default, except in limited instances. The Trust believes that an event of default of the mortgage loans in these limited instances is remote and, if a situation arises where a default of the loan occurs, the guarantors' (including the Trust's) liability is limited to the losses and damages suffered by the lender as a result of the event. The probability of the defaults being triggered are remote; therefore management has recorded the fair value of the guarantee at 1% (similar to the 1% commitment fees on certain letters of credit).

The following table represents the amount of the guarantee liability as of June 30, 2017 (in thousands):

	Mortgage Balance as of June 30, 2017	Guarantee
WildOak	\$ 14,954	\$ 149

As discussed in Note 6, the Trust acquired Centennial Park. As a result, the Trust wrote off the remaining amount of the guarantee fee totaling \$90 thousand during the six months ended June 30, 2017.

The guarantee is reflected in other accrued expenses on our consolidated balance sheets.

In April 2016, the Trust acquired a 2.1% interest in Bridle Creek Acquisition, LLC (“Bridle Creek”) for approximately \$210 thousand. Bridle Creek is controlled by a related party, MLake 77, LLC (“MLake 77”) which holds a 52.2% interest in Bridle Creek Acquisition. MLake 77 is owned by affiliates of Mr. Johnson.

(8) TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY

Shareholders' Equity: Warrants

On December 24, 2013, the Trust commenced the offering of the Notes and Warrants (See Note 3). The offering consisted of 1,000 units, with each unit consisting of (i) a \$10,000 principal amount of non-negotiable unsecured promissory note, and (ii) one warrant entitling the holder to acquire 100 shares of common stock of the Trust at an exercise price of \$50 per share. The Notes were issued at a face value of 100%, without any premium or discount (excluding the fair value of the warrants). The Warrants were to expire on the third anniversary date from the date the Warrant was issued, but no later than January 31, 2017. As of December 31, 2016, the Trust had issued a total of \$7.0 million of Notes and Warrants in the aggregate to purchase 70,450 shares of common stock (although, as described below, Warrants to acquire 25,000 shares were amended during 2015 to provide that such Warrants are exercisable to acquire MOLP limited partnership operating units in lieu of 25,000 shares of the Trust's common stock). The Trust classified the Warrants as equity instruments. The relative fair value of the Warrants issued was \$643 thousand, which was calculated using the Black-Scholes option pricing model. Variables used in the valuation include (1) risk free rate of 0.72%, which was the interest rate on three-year treasury note quoted on December 31, 2013, (2) a stock price of \$37, (3) an exercise price of \$50, (4) an expected life of 3 years and (5) annualized volatility of 50%.

On June 30, 2015 the Trust amended Warrants to acquire 25,000 shares of the Trust's common stock held by affiliates of Mr. Johnson. The amendment provided that the holder of the Warrants would have the right to purchase 25,000 MOLP limited partnership operating units for \$50 per unit in lieu of 25,000 shares of the Trust's common stock for \$50 per share.

On January 31, 2017 the Notes were paid in full and Warrants to purchase 44,650 shares of the Trust's common stock and 25,000 MOLP units were exercised.

Non-controlling Interests: MOLP Operating Units

In conjunction with the acquisitions of certain operating companies that owned apartment communities, we have issued a total of 189,433 MOLP operating units. If and when the MOLP units are presented for redemption, we have the option to convert the MOLP units for common shares of the Trust based on an exchange ratio that is currently a one-for-one basis, or the cash equivalent amount, determined as the average closing price for our common shares over the 10-day trading period on the OTC market preceding the redemption. Although the Trust intends to convert the units into common shares, to date the Trust has redeemed 685 MOLP operating units from three unrelated MOLP owners for \$23 thousand after such owners exercised their right to redeem the units in accordance with the conditions set forth in the MOLP limited partnership agreement. The price was determined based on the average closing price of the Trust's common stock for the 10 trading days immediately preceding the date the MOLP owner provided his notice of redemption to MOLP.

Dividend

The Board of Trustees has declared a monthly dividend through the date the financial statements were available to be issued as follows:

<u>Record Date</u>	<u>Dividend Date</u>	<u>Amount Per Share</u>
December 30, 2016	January 13, 2017	\$0.40
January 31, 2017	February 15, 2017	\$0.40
February 28, 2017	March 15, 2017	\$0.40
March 31, 2017	April 14, 2017	\$0.40
April 28, 2017	May 15, 2017	\$0.40
May 31, 2017	June 15, 2017	\$0.40
June 30, 2017	July 14, 2017	\$0.40
July 31, 2017	August 15, 2017	\$0.40
August 31, 2017	September 15, 2017	\$0.40

(9) EARNINGS PER SHARE (“EPS”)

The Trust calculates earnings per share based on the weighted average number of shares of common stock, and dilutive convertible securities outstanding during the period. The exchange of MOLP limited partnership operating units into common shares were included in the computation of diluted EPS. The following table illustrates the Trust’s calculation of basic and diluted EPS for the three and six months ended June 30, 2017 and 2016 (in thousands, except per share data):

	<u>For The Three Months Ended June 30,</u>		<u>For The Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Numerator:</u>				
Net income	\$ 158	\$ 16,447	\$ 753	\$ 16,982
Net income attributable to non-controlling interests	(356)	(2,635)	(792)	(2,728)
Net income attributable to common shareholders	<u>\$ (198)</u>	<u>\$ 13,812</u>	<u>\$ (39)</u>	<u>\$ 14,254</u>
<u>Denominator:</u>				
Weighted average common shares outstanding – basic	1,175	1,130	1,175	1,130
Diluted potential common shares and MOLP units	--	161	--	161
Weighted average common shares outstanding – diluted	<u>1,175</u>	<u>1,291</u>	<u>1,175</u>	<u>1,291</u>
<u>Earnings per common share – basic:</u>				
Net income attributable to common shareholders	<u>\$ (0.17)</u>	<u>\$ 12.22</u>	<u>\$ (0.03)</u>	<u>\$ 12.61</u>
<u>Earnings per common share – diluted:</u>				
Net income attributable to common shareholders	<u>\$ (0.17)</u>	<u>\$ 10.70</u>	<u>\$ (0.03)</u>	<u>\$ 11.04</u>

(10) CONTINGENCIES

Legal Proceedings

On June 27, 2013, the City of Pearl approved the adoption of an ordinance that requires existing apartments located in Pearl to, among other requirements, meet certain construction requirements for new construction standards and building code requirements which were not in force when the apartments were constructed. The ordinance, as currently adopted, would require Grand at Pearl to install sprinklers or fire suppression systems in each apartment unit, construct storm shelters and install storm warning systems. The ordinance also requires apartment owners to pay certain fees annually to the City of Pearl and other agencies for certain property inspections. To the Trust’s knowledge, the City of Pearl has not enforced the ordinance to date.

Approximately 10 apartment owners in Pearl, including Colony Acquisition, filed an action contesting the constitutionality of the ordinance under both Federal and state laws. Based on the action currently being taken by the apartment owners in Pearl, we believe it is not probable that the ordinance, as currently adopted, will be legally enforceable and that the ordinance will be, at a minimum, significantly revised or declared unconstitutional. Therefore, we have not accrued any of the potential cost to comply. However, if the apartment owners receive an adverse judgment, the cost of meeting these standards could be material to the Trust’s financial position, results of operations and cash flows.

On April 15, 2016, a lawsuit was brought against the Trust, MLake 11, LLC, Mr. Johnson, MPI, Northmarq Capital, LLC and U.S. Bank NA by certain non-managing members of Centennial Park Kansas, LLC. The lawsuit alleged breach of contract, breach of fiduciary duty, conspiracy, fraud, violations of securities laws, and intentional interference with contractual relations. The Trust was only named in the conspiracy and interference with contractual relations claims. The plaintiffs sought equitable remedies and unspecified monetary damages. The Trust and related entities disputed these claims and were prepared to mount a vigorous defense. In December 2016, the parties reached a settlement in principal. The parties entered into a settlement agreement effective as of April 1, 2017 pursuant to which the Trust acquired the Centennial Park apartment community for a purchase price of approximately \$20.3 million.

The Trust has not determined that losses related to the proceedings referenced above are probable. In addition, in light of the inherent difficulty of predicting the outcome of litigation generally and in these particular proceedings, the Trust does not have sufficient information to reasonably estimate any possible loss with respect to these proceedings. Accordingly, no liability has been accrued, and it is not possible to disclose an amount or range of reasonably possible loss, with respect to any of these proceedings. The Trust's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Trust to change those estimates and assumptions.

In addition, the Trust is also subject to various routine legal proceedings and other matters in the ordinary course of business, some of which may be covered in whole or in part by insurance. In management's opinion, none of these matters will have a material adverse effect on the Trust's financial position, results of operations or cash flows.

(11) SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through August 15, 2017, which is the date the condensed consolidated financial statements were available to be issued.

WildOak

On July 1, 2017, MOLP acquired a 50.1% controlling interest in WildOak Acquisition, LLC, which owns the WildOak apartment community located in Kansas City, Missouri. WildOak consists of 348 apartment units spread over approximately 325,000 square feet. The total purchase price was approximately \$6.7 million and consisted of cash consideration of \$4.5 million and the issuance of 17,006 MOLP units. This included 9,306 MOLP units issued to an entity controlled by Mr. Johnson. WildOak has an existing loan in place with a balance of approximately \$15.0 million which matures on June 1, 2021 and carries a fixed interest rate of 5.12%.

After completion of this transaction, an entity controlled by Mr. Johnson retained a 39.7% membership interest in WildOak.

Waterford Place

On July 12, 2017, a wholly owned subsidiary of MOLP, Waterford Exchange, LLC, acquired the Waterford Place apartment community located in Stockbridge, Georgia for a purchase price of approximately \$32.3 million. Waterford Place has 400 apartment units with approximately 447,000 rentable square feet. In conjunction with the acquisition, the Trust obtained a mortgage loan for \$28.4 million from Northmarq Capital with a maturity date of August 1, 2027 and a fixed interest rate of 4.04%. The loan requires interest only payments through July 2020.

Dispositions

Forest Park

On July 18, 2017, the Trust completed the sale of the Forest Park apartment community for a sales price of \$13.1 million. The sale resulted in a gain of approximately \$7.2 million. The net proceeds received after paying off the related mortgage loan, related prepayment penalties and other costs related to the transaction was approximately \$4.6 million. The proceeds were utilized in a tax free reverse exchange transaction for the acquisition of the Waterford Place apartment community.

The assets and liabilities were classified as held for sale at May 16, 2017. The following table represents the amount of gain from the sale of Forest Park after disposition fees and closing costs (in thousands):

Forest Park sales price	\$ 13,050
Less commissions, closing costs and other prorations	<u>(1,276)</u>
Net sale price	11,774
Less: net carrying value	<u>(4,556)</u>
Gain	<u>\$ 7,218</u>

The estimated deferred gain for tax purposes is approximately \$7.6 million, which will offset the tax basis of the replacement property.

Regency North

On July 18, 2017, the Trust completed the sale of the Regency North apartment community for a sales price of \$12.8 million. The sale resulted in a gain of approximately \$4.8 million. The net proceeds received after paying off the related mortgage loans, related prepayment penalties and other costs related to the transaction was approximately \$3.4 million. The proceeds were deposited into a third-party qualified intermediary account as the Trust intends to use the proceeds in an Internal Revenue Service Code Section 1031 tax-free exchange.

The assets and liabilities were classified as held for sale at May 16, 2017. The following table represents the amount of gain from the sale of Regency North after disposition fees and closing costs (in thousands):

Regency North sales price	\$ 12,800
Less commissions, closing costs and other prorations	<u>(1,107)</u>
Net sale price	11,693
Less: net carrying value	<u>(6,851)</u>
Gain	<u>\$ 4,842</u>

The estimated deferred gain for tax purposes is approximately \$5.2 million, which will offset the tax basis of the replacement property.

Credit Facility

On August 10, 2017, the Trust entered into a credit facility with KeyBank N.A. The credit facility provides total borrowing availability of \$30 million and bears interest at a variable rate of 4.0% plus the 30 day LIBOR rate. The facility matures on August 10, 2019 and may be extended for one year. The credit facility requires us to comply with certain customary debt covenants including a fixed charge coverage ratio, minimum tangible net worth, maximum leverage ratio and minimum liquidity.

The proceeds from the credit facility were used to repay the MBT line of credit in full and repay the related party notes discussed in Note 5.

CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this quarterly report for the six months ended June 30, 2017 of Maxus Realty Trust, Inc. (the “Trust”);
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Trust as of, and for, the period presented in this disclosure statement.

Date: 08/16/2017

By: /s/ David L. Johnson
David L. Johnson
Chairman of the Board,
President and Chief Executive Officer
Trustee

CERTIFICATION

I, Ryan Snyder, certify that:

1. I have reviewed this quarterly report for the six months ended June 30, 2017 of Maxus Realty Trust, Inc. (the "Trust");
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Trust as of, and for, the period presented in this disclosure statement.

Date: 08/16/2017

By: /s/ Ryan Snyder
Ryan Snyder
Chief Financial Officer, Principal Accounting Officer,
Vice President

CERTIFICATION

I, John W. Alvey, certify that:

1. I have reviewed this quarterly report for the six months ended June 30, 2017 of Maxus Realty Trust, Inc. (the "Trust");
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Trust as of, and for, the period presented in this disclosure statement.

Date: 8/16/2017

By: /s/ John W. Alvey
John W. Alvey
Vice President, Treasurer