

MAXUS REALTY TRUST, INC.



REPORT FOR QUARTER ENDED JUNE 30, 2019

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, 2018 (the "2018 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 2018 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.

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. 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:

- Risks associated with real estate assets and the real estate industry;
- Unfavorable changes in market and economic conditions;
- Our acquisition strategy may not produce the cash flows expected;
- Competition could adversely affect our ability to acquire properties;
- Development, redevelopment, construction and operating risks could affect our profitability;
- Changes in rent control or rent stabilization laws and regulations, eviction laws and regulations and other laws and regulations could have an adverse effect on our operations and property values;
- Losses from catastrophes may exceed our insurance coverage;
- The illiquidity of our real estate interests;
- Tax matters, including a failure to qualify as a Real Estate Investment Trust, and reform of the Internal Revenue Code (the "IRC") 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;
- The limited public trading market for shares of our common stock and the lack of a requirement for us to effectuate a liquidity event;
- Our significant debt and ability to comply with applicable covenants relating thereto;
- Risks associated with our formation and management of opportunity zone funds, including raising capital for such funds;
- 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 ability to renew, repay or refinance our outstanding debt;
- Issuances of additional debt;
- The financial condition of Fannie Mae or Freddie Mac and other federal agencies;
- Global geopolitical uncertainty; and
- Such other factors as discussed throughout this quarterly 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.otcm Markets.com (symbol “MRTT”).

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 35 properties with 9,294 apartment homes as of June 30, 2019. The multifamily apartment communities account for approximately 97% of the Trust’s total revenues for the six months ended June 30, 2019. The retail real estate operations consist of three properties with approximately 264,000 square feet consisting of 55 retail tenants as of June 30, 2019. The retail operations account for approximately 3.0% of the Trust’s total revenues for the six months ended June 30, 2019. Our multifamily communities are located in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma and Texas. Our retail real estate properties are located in Louisiana, Missouri and Texas.

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 (the “General Partner”), is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, the General Partner 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 closing price as reported on the OTC Market of the Trust’s common stock, over a ten day period preceding the redemption. Through June 30, 2019, four 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 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, 2019, the Trust owns approximately 63.17% 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 36.83% of the outstanding limited partnership interests in MOLP, which is represented by 684,934 MOLP operating units. A fractional interest is owned by the General Partner. Of the 36.83% non-controlling limited partnership interests in MOLP, related parties of the Trust own 62.28% (or 426,546 of the 684,934 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, as of June 30, 2019, 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 (excluding properties held by Maxus Opportunity Fund I, LLC, as discussed below):

Property Name	Interest Percentage
Astoria	50%
Frisco Square	52%
WildOak	53%
Kirkwood Station	63%
Villages of Bogey Hills	70%
Leawood at Stateline	80%
Bridle Creek	83%
Cross Creek	90%
Rosehill Pointe	90%
Park Edge	94%
Olde Oak	95%
Villages at Lionsgate	98%

In addition, King's Court/Terrace Acquisition, LLC ("King's Court/Terrace"), a wholly owned subsidiary of MOLP, owns an 81.5% tenant in common ownership interest in The Reserve at Tranquility Lake Apartments ("Tranquility"); Forest Place TIC 1, L.L.C. ("Forest Place TIC"), a wholly owned subsidiary of MOLP, owns a 52% tenant in common ownership interest in Forest Place Apartments ("Forest Place"); and Landings Acquisition of Delaware, LLC ("Landings"), a wholly owned subsidiary of MOLP, owns a 25.9% tenant in common ownership interest in Reflections at Island Park Apartments ("Reflections"). In each such case where MOLP owns a majority interest, except for Tranquility, Forest Place, and Reflections, 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.

On December 31, 2018, we completed the internalization (the "Internalization") of our external manager, Maxus Properties, LLC (formerly Maxus Properties, Inc., the "Manager"). The Manager provides property management services for all of MOLP's properties and certain third-party properties. The Internalization was effected pursuant to a Contribution Agreement, dated December 21, 2018 (the "Contribution Agreement"), by and among: David L. Johnson, our Chairman, President and Interim Chief Executive Officer; Sandra Castetter, Mr. Johnson's spouse; MPI Holding Company, LLC ("Holdco"), an entity owned by Mr. Johnson and Ms. Castetter; the Manager; the Trust; the General Partner; and MOLP. Pursuant to the Contribution Agreement, MOLP completed the Internalization by acquiring 100% of the issued and outstanding membership interests in the Manager from Holdco in exchange for the issuance to Holdco of 46,154 MOLP operating units valued at \$130 per unit for aggregate consideration of approximately \$6.0 million. The Trust's Board approved the Internalization based upon the recommendation and approval of a special committee of independent directors of the Trust's Board, which was formed to evaluate and negotiate the Internalization. The special committee was represented by independent legal counsel and also received a fairness opinion from its independent financial advisor to the effect that the Internalization was fair, from a financial point of view, to the Trust.

The Contribution Agreement includes customary representations and warranties, indemnification obligations and other provisions for a transaction of this nature. In addition, Mr. Johnson, Ms. Castetter and Holdco have agreed to certain restrictive covenants for a period of five years following the closing, including an agreement not to engage directly or indirectly in the business of providing real estate management and advisory services for multi-family rental residential properties in the United States. In connection with the closing of the Internalization, the parties also entered into an administrative services agreement pursuant to which the Trust, the General Partner, the Manager and MOLP agreed to provide certain administrative services to Mr. Johnson, Ms. Castetter and Holdco on an at-cost basis for an initial term of one year after closing, subject to extension by the written consent of all parties.

In August 2018, a subsidiary of MOLP formed Maxus Opportunity Fund I, LLC ("MOF I"), a specialized real estate fund created to invest in real estate within qualified "opportunity zones" created pursuant to the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act"). Opportunity zones are census tracts of low-income areas generally designated by state governors and certified by the U.S. Department of the Treasury. MOF I is intended to qualify as a qualified opportunity fund as defined under IRC Section 1400Z-2(d)(1). As a qualified opportunity fund, investments in MOF I are structured to allow investors in MOF I to defer and reduce capital gains on the principal invested in MOF I and obtain certain other tax benefits under the 2017 Tax Act. The purpose of qualified opportunity zones and funds is to encourage economic development in distressed communities by creating tax incentives to invest in such areas. MOF I is primarily focused on acquiring controlling interests in multifamily commercial real estate projects which are under development and construction, which present a different investment and risk profile than those properties acquired by the Trust. MOLP's indirect subsidiary managing MOF I will be entitled to a profit participation, the Manager will be entitled to property management, acquisition, development and disposition fees from MOF I and MOLP will be entitled to loan origination and guarantee fees from MOF I in connection with facilitating financing for MOF I's acquisition of properties. To date, MOF I has acquired two properties for an aggregate purchase price of \$94.5 million, and MOLP has guaranteed or provided bridge financing with respect to an aggregate of \$55.2 million of indebtedness pending completion of MOF I's private placement or a refinancing of such indebtedness. See Note 9 for a further description of MOF I, and certain related party interests.

In June 2019, a subsidiary of MOLP formed Maxus NoDa Opportunity Fund, LLC ("Maxus NoDa"), a specialized real estate fund created to invest in real estate within qualified "opportunity zones" created pursuant to the 2017 Tax Act. Maxus NoDa is intended to qualify as a qualified opportunity fund as defined under IRC Section 1400Z-2(d)(1). As a qualified opportunity fund, investments in Maxus NoDa are structured to allow investors in Maxus NoDa to defer and reduce capital gains on the principal invested in Maxus NoDa and obtain certain other tax benefits under the 2017 Tax Act. MOLP's indirect subsidiary managing Maxus NoDa will be entitled to a profit participation and property management, acquisition, development, and disposition fees from Maxus NoDa, and MOLP will be entitled to loan origination and guarantee fees from Maxus NoDa in connection with facilitating financing for Maxus NoDa's acquisition of properties. MOLP may guarantee debt of Maxus NoDa or provide bridge financing or other financing assistance to Maxus NoDa to facilitate Maxus NoDa's acquisition of properties pending completion of Maxus NoDa's private placement or a refinancing of indebtedness. As of June 30, 2019, an initial equity contribution of \$4.0 million was made in Maxus NoDa. Maxus NoDa anticipates completing an acquisition of qualifying property during 2019. See Note 10 for a further description of Maxus NoDa.

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+/A-" 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.

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: The Manager, which we acquired in the Internalization discussed above, provides property management services for each of the properties the Trust holds an interest in, as well as certain third-party properties. The Trust believes that the Manager's property management depth enables the Trust to deliver quality services, promote resident satisfaction, and retain residents, thereby reducing operating expenses. The Manager 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 the Manager's on-site personnel are trained to deliver high quality services to the residents, and the Manager 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.

Operations: Our results for the six months ended June 30, 2019 reflect an increase in rental revenue as compared to the same period in 2018, 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 2019 and 2018, total revenues increased 3.68% in the six months ended June 30, 2019, compared to the same period in 2018. For the six months ended June 30, 2019, we had total revenue of \$4.7 million generated from properties we acquired in 2018.

Our results for the three and six months ended June 30, 2019 and 2018 are summarized as follows:

(amounts in thousands)	For The Three Months Ended		For The Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Operating income	\$ 8,285	\$ 6,849	\$ 15,705	\$ 13,489
Interest income	454	132	903	138
Interest expense	(8,181)	(8,667)	(16,622)	(16,200)
Gain on sale	--	17,058	7,167	17,058
Asset impairment	(12,495)	(120)	(12,495)	(139)
Gain (loss) from insurance recovery, net	225	309	305	442
Net income (loss)	(11,712)	15,561	(5,037)	14,788
Net (income) loss attributable to non-controlling interests	11,897	(8,876)	10,146	(8,768)
Net income attributable to common shareholders	\$ 185	\$ 6,685	\$ 5,109	\$ 6,020

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 its web-based property management and revenue management systems strengthen on-site operations and allow it 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 generally offers leases ranging from six to twelve months with individual property marketing plans structured to respond to local market conditions. In addition, the Trust 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 credit facility.

At June 30, 2019, we had \$27.4 million in cash, cash equivalents and restricted cash, including \$7.2 million held by MOF I and Maxus NoDa. Our credit facility with KeyBank N.A. ("KeyBank") provides borrowing availability of \$30.0 million and was originally scheduled to mature on August 10, 2019. As of June 30, 2019, we had a \$29.6 million outstanding balance under the credit facility and borrowing availability of \$0.4 million. On August 10, 2019, the Trust extended the maturity date of the credit facility to August 10, 2020. The credit facility, including the debt covenants thereunder, is described in Note 3, Debt Obligations, the description of which is incorporated herein by reference. Subsequent to June 30, 2019, we became aware that we had violated a covenant in the credit facility by incurring recourse indebtedness relating to MOLP's guaranty of certain MOF I indebtedness as described above, which resulted in an event of default under the credit facility. We notified KeyBank of this violation and subsequently received a waiver of the event of default from KeyBank on September 26, 2019, under which we have agreed to refinance the MOF I indebtedness and obtain a release of MOLP's guarantee of such indebtedness with respect to the Metropolitan property by October 30, 2019, and obtain a written proposal for the refinance and release of MOLP's guarantee with respect to the Town Park property by November 30, 2019 in order to avoid a subsequent event of default under the credit facility. As of June 30, 2019, we were in compliance with all of the other debt covenants under the credit facility.

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 credit facility, 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 credit facility 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, 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, 2019, we had \$27.4 million in cash, cash equivalents and restricted cash, an increase of \$3.8 million from December 31, 2018. In addition, at June 30, 2019, we had approximately \$3.2 million of certificates of deposit. The following discussion relates to changes in cash, cash equivalents and restricted cash 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, 2019	June 30, 2018
Net cash flows provided by operating activities	\$ 14,916	\$ 19,194
Net cash flows used in investing activities	(23,438)	(7,543)
Net cash flows provided by financing activities	12,336	6,412

Operating Activities

Our properties generate cash flow in the form of rental revenues, which is reduced by 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 the Manager), 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, 2019, our net cash flows provided by operating activities of \$14.9 million was primarily related to our net loss of \$5.0 million, adjusted for noncash items including depreciation and amortization of \$13.3 million, and the net impact of the Metropolitan asset impairment, offset by insurance recovery gain, resulting in a \$12.2 million net impairment, the decrease in prepaid expenses and other current assets of \$0.9 million, the decrease in accounts payable and other liabilities of \$0.2 million, offset by the increase in accounts receivable of \$0.2 million and the gain on sale of \$7.2 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, 2019, our net cash used in investing activities was \$23.4 million. This was primarily driven by the net proceeds from the sale of Landings of \$2.6 million, redemption of certificates of deposits totaling \$92 thousand, offset by net cash used for the acquisition of Reflections of totaling \$1.6 million, cash used for the acquisition of Town Park of \$14.5 million, and cash used for capital expenditures of \$9.8 million.

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 dividends to our shareholders, 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, 2019, our net cash flows used in financing activities was \$2.2 million. This consisted primarily of principal payments on mortgage notes totaling \$4.9 million, dividends of \$4.3 million, and distributions and dividends to non-controlling interests of \$3.0 million, offset by the net cash assumed related to the acquisitions of MOF I and Maxus NoDa's non-controlling interests in capital contributions of \$5.9 million and \$4.0 million, respectively.

Debt Obligations

Mortgage Notes Payable:

At June 30, 2019 and December 31, 2018, we had \$722.9 million and \$706.1 million, respectively, in consolidated mortgage notes outstanding (in each case, exclusive of borrowings under our credit facility).

Each mortgage note 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, 2019:

Year		Amount (in thousands)
2019	\$	42,084
2020		33,881
2021		73,031
2022		66,774
2023		55,606
Thereafter		451,515
	Total mortgage notes	722,891
Debt issuance cost		(4,971)
	Total \$	717,920

Notes Payable, Related Parties and Credit Facility:

The following is a summary of the notes payable, related parties and credit facility, at June 30, 2019 in thousands:

		Balance Outstanding	
		June 30, 2019	December 31, 2018
Credit facility	\$	29,570	\$ 29,570
Notes payable, related parties		21,000	12,500
Total	\$	50,570	\$ 42,070

On August 10, 2017, the Trust entered into a credit facility with KeyBank N.A. (the "KeyBank Facility"). The KeyBank Facility provides total borrowing availability of \$30.0 million and bears interest at a variable rate of 4.0% plus the 30-day LIBOR rate. The KeyBank Facility was originally scheduled to mature on August 10, 2019 and could be extended for one year. The KeyBank Facility requires the Trust to comply with certain customary debt covenants including a fixed charge coverage ratio, minimum tangible net worth, maximum leverage ratio and minimum liquidity. As of June 30, 2019, the Trust was in compliance with all of the debt covenants under the KeyBank Facility, except for our violation of the non-recourse debt covenant discussed above. As of June 30, 2019, the Trust had an outstanding balance of \$29.6 million and borrowing availability of \$0.4 million under the KeyBank Facility. On August 10, 2019, the Trust extended the maturity date of the KeyBank Credit Facility to August 10, 2020.

As discussed in Note 9, in August 2018, MOF I obtained \$17.5 million of notes from affiliates of Mr. Johnson, the Trust's Chairman, President and Interim Chief Executive Officer. The notes bear interest at 5.25%, require interest only payments, and have a maturity date of August 31, 2019. During 2019, MOF I obtained an additional \$8.5 million of notes from related parties including affiliates of Mr. Johnson and Gregory Orman, a Trustee of the Trust, and Christopher Garlich, a Trustee of the Trust. The notes carry a fixed interest rate of 7.0% and were originally scheduled to mature on April 12, 2019; however, MOF I exercised an extension option to extend the maturity date of the notes an additional 60 days to June 11, 2019. Prior to maturity, MOF I exercised an additional extension with Mr. Garlich, a Trustee of the Trust, to extend his note until September 11, 2019 under the same terms. As of June 30, 2019, \$21.0 million of related party loans related to MOF I were outstanding. We have determined that MOF I is a variable interest entity and, therefore, we include this debt in our condensed consolidated financial statements; however, the Trust is not responsible for MOF I's obligations under these notes.

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At June 30, 2019, our mortgage notes consist of the following:

Property Name ^(a)	Balance at June 30, 2019 (amounts in thousands)	Interest Rate	Fixed or Variable	Maturity Date
Metropolitan (owned by MOF I)	\$ 26,940	5.28%	Variable	August 31, 2019 ^(f)
Berkshire Apartments 1 st (b)	6,766	5.57%	Fixed	November 1, 2019
Berkshire Apartments 2 nd (b)	3,742	4.92%	Fixed	November 1, 2019
Town Park (owned by MOF I)	24,000	4.65%	Variable	May 12, 2020
Centennial 1 st (d)	9,271	5.24%	Fixed	June 1, 2021
Centennial 2 nd	4,505	4.94%	Fixed	June 1, 2021
WildOak 1 st (d)	14,642	5.12%	Fixed	June 1, 2021
WildOak 2 nd	9,098	4.85%	Fixed	June 1, 2021
Villages of Bogey Hills Apartments 1 st (b)	21,748	5.13%	Fixed	July 1, 2021
Villages of Bogey Hills Apartments 2 nd (b)	6,473	4.87%	Fixed	October 1, 2021
Viera at Mandarin	11,964	3.51%	Fixed	March 1, 2022
Forest Place Apartments 1 st (c)	6,344	4.13%	Fixed	April 1, 2022
Forest Place Apartments 2 nd (c)	1,936	5.16%	Fixed	April 1, 2022
Rosehill Pointe Apartments 1 st (b)	20,173	4.04%	Fixed	April 1, 2022
Rosehill Pointe Apartments 2 nd	5,012	5.19%	Fixed	April 1, 2022
Park Edge Apartments 1 st	17,109	3.63%	Fixed	January 1, 2023
Park Edge Apartments 2 nd	3,748	5.32%	Fixed	January 1, 2023
Villaggio Apartments ^(e)	15,272	5.09%	Variable	January 1, 2023
Olde Oak Apartments	14,733	3.97%	Fixed	January 1, 2023
Glen at Polo Park 1 st (b) (d)	12,896	3.93%	Fixed	March 1, 2023
Glen at Polo Park 2 nd (b)	2,194	5.25%	Fixed	March 1, 2023
Highland Pointe Apartments	16,133	4.51%	Fixed	January 1, 2024
Carmendy ^(d)	10,819	4.43%	Fixed	October 1, 2024
Reserve at Tranquility ^{(b) (c)}	21,399	3.97%	Fixed	October 1, 2024
Jefferson Park Apartments	10,137	3.54%	Fixed	April 1, 2025
Arbors Apartments 1 st	23,043	4.45%	Fixed	November 1, 2025
Arbors Apartments 2 nd	4,720	5.57%	Fixed	November 1, 2025
Stone Gables ^(d)	17,437	4.87%	Fixed	November 6, 2025
Thomaston	17,085	4.41%	Fixed	June 1, 2026
Lexington on the Green	15,969	3.98%	Fixed	August 1, 2026
Cross Creek Apartments	12,890	3.60%	Fixed	September 1, 2026
Kirkwood Station	27,049	4.04%	Fixed	October 1, 2026
Pine Lake	19,600	4.23%	Fixed	June 1, 2027
Waterford Exchange	28,400	4.04%	Fixed	August 1, 2027
Leawood at Stateline	21,794	4.07%	Fixed	November 1, 2027
Lionsgate	40,599	4.02%	Fixed	December 1, 2027
Elements of Belle Rive ^(d)	20,740	4.38%	Fixed	June 1, 2028
Madison at Melrose Apartments	21,411	4.38%	Fixed	June 1, 2028
Wellington	13,095	4.54%	Fixed	July 1, 2028
Frisco Square	37,100	4.63%	Fixed	November 1, 2028
Reflections at Island Park	5,232	4.47%	Fixed	March 1, 2029
Grand at Pearl Apartments	17,100	4.83%	Fixed	January 1, 2029
Foothills Acquisition I, LLC ^(d)	3,066	3.20%	Fixed	July 1, 2037
Foothills Acquisition II, LLC ^(d)	3,545	3.80%	Fixed	November 1, 2047
Pinnacle Pointe ^(d)	7,901	2.50%	Fixed	March 1, 2048
Foothills Acquisition III, LLC ^(d)	17,655	3.25%	Fixed	May 1, 2050
Bridle Creek	27,402	3.23%	Fixed	June 1, 2051
Astoria Apartments ^(d)	23,004	4.31%	Fixed	August 1, 2053
Debt issuance costs	(4,971)			
Total	\$ 717,920			

^(a) Mortgage notes 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). Metropolitan is owned by MOF I, but MOLP has guaranteed a construction loan relating to the property in exchange for certain fees as described further in Note 9.

^(b) Mortgage notes are 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) Note balances have premiums/discounts.

^(e) The Trust has an interest rate cap that is designed to cap the interest rate at 6.75%.

^(f) The construction loan is currently due and payable. However, the agent and lenders under the loan have agreed to forbear exercising their rights with respect to collection. We are currently in negotiations with the agent and lenders and expect to complete a refinancing of the loan with a different lender on or prior to October 31, 2019.

The weighted average interest rate of our fixed rate mortgage notes is 4.24% at June 30, 2019.

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, 2019: Bogey Hills, Kirkwood Station, Rosehill, Cross Creek, Leawood at State Line, Tranquility, WildOak, Frisco Square and Villages at Lionsgate. For the six months ended June 30, 2019 and 2018, the limited liability companies holding these properties collectively paid cash distributions of \$498 thousand and \$5.0 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 7, Transactions Involving Shareholders' Equity, for a summary of dividends declared during 2019.

Funds From Operations (FFO) and Core 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.

In addition, we present Core FFO as an additional supplemental measure of our operating and financial performance. We calculate Core FFO by starting with FFO, as defined by NAREIT, adjusted for:

- loan cost amortization;
- mortgage loan prepayment penalties;
- accrued interest and deferred income on debt securities; and
- amounts attributable to non-controlling interest.

We believe that Core FFO is helpful to investors as a supplemental measure because it excludes the effects of certain items which can create significant earnings volatility, but which do not directly relate to our core business operations. As a result, we believe that Core FFO can help facilitate comparisons of operating performance between periods and provides a more meaningful predictor of future earnings potential.

FFO and Core FFO are non-GAAP financial measures and therefore these measures should not be considered an alternative to net income attributable to common shareholders, which remains the primary measure of performance. FFO and Core 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 and Core FFO as calculated by other REITs may not be comparable to our calculations of FFO and Core FFO. A reconciliation of FFO and Core FFO to net income attributable to common shareholders, the most directly comparable GAAP measure, is provided below.

(dollars and shares in thousands)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<u>Funds From Operations</u>				
Net income attributable to common shareholders	\$ 185	\$ 6,685	\$ 5,109	\$ 6,020
Plus:				
Property related depreciation	6,560	7,271	13,297	15,267
Asset impairment	12,495	120	12,495	139
(Gain) loss from insurance recovery	(225)	(309)	(305)	(442)
Gain on sale	--	(17,058)	(7,167)	(17,058)
Net (income) loss attributable to non-controlling interest ^(a)	(12,820)	7,702	(10,830)	5,879
Funds from operations	<u>\$ 6,195</u>	<u>\$ 4,411</u>	<u>\$ 12,599</u>	<u>\$ 9,805</u>
^(a) Includes the portion of net income attributable to the 36.83% and 24.83% non-controlling holders of MOLP as of June 30, 2019 and 2018, respectively, and the net income attributable to non-controlling holders of MOFI.				
<u>Core Funds From Operations Adjustments</u>				
Loan cost amortization	\$ 339	\$ 148	\$ 730	\$ 384
Mortgage loan prepayment penalties	--	995	--	995
Accrued interest & deferred income on debt securities	(227)	(64)	(451)	(64)
Less: amounts attributable to non-controlling interest	--	(226)	--	(226)
Core funds from operations	<u>\$ 6,307</u>	<u>\$ 5,264</u>	<u>\$ 12,878</u>	<u>\$ 10,894</u>
<u>Funds from Operations and Core Funds From Operations per Share – Diluted</u>				
Weighted average common shares outstanding, diluted	1,521	1,364	1,521	1,364
Diluted net income, per share	\$ 0.12	\$ 4.90	\$ 3.36	\$ 4.41
Diluted funds from operations, per share	\$ 4.07	\$ 3.23	\$ 8.28	\$ 7.19
Diluted core funds from operations, per share	\$ 4.15	\$ 3.86	\$ 8.47	\$ 7.99

Real Property Interests Owned by Company

As of June 30, 2019, the Trust's operating properties consisted of 35 multifamily apartment communities and three retail properties. The 35 apartment community properties in which we owned interests at June 30, 2019 averaged 1,070 square feet of living space per apartment unit. The three retail properties in which we owned interests at June 30, 2019 had approximately 264,000 square feet consisting of 55 retail tenants. For the six months ended June 30, 2019, no single operating property accounted for greater than 5.0% of our total revenues. Our apartment community properties had an average occupancy rate of approximately 94.0% and 95.0% for the six months ended June 30, 2019 and 2018, respectively, and an average rental revenue per apartment home of \$975 and \$954 for the six months ended June 30, 2019 and 2018, respectively. Resident lease terms generally range from six to twelve months. Twenty-five of the 35 apartment community properties have 200 or more apartment homes, with the largest having 540 apartment homes. As of June 30, 2019, our apartment community properties had an average age of 21 years.

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Property Table

The following table sets forth information with respect to our 35 apartment community properties and three retail properties at June 30, 2019:

OPERATING PROPERTIES

Property and Location	Year of Construction	Year of Purchase	Average Unit Size (Sq. Ft.)	Number of Apartments	2019 Average Occupancy	2019 Average Monthly Rental Rate Per Unit
APARTMENTS						
ALABAMA						
Saraland						
Olde Oak Apartments	2009	2016	902	240	95.84%	\$ 893
ARKANSAS						
Bentonville						
Glen at Polo Park	2006	2011/2013	912	356	94.61%	744
Little Rock						
Foothills I, II and III	1988/2006	2014	981	540	93.51%	772
Forest Place	1974/1983	2012	1,063	256	93.56%	935
Wellington at Chenal	1997	2018	988	178	94.19%	879
FLORIDA						
Jacksonville						
Elements of Belle Rive	1989	2013	1,103	201	97.68%	1,184
Viera at Mandarin	1984	2016	883	188	97.16%	995
Lady Lake						
Carmendy Square	2006	2017	1,212	152	96.93%	1,091
Palm Coast						
Pine Lake	2005	2017	1,180	184	96.29%	1,187
GEORGIA						
Macon						
Lexington on the Green	2001	2016	1,096	216	94.83%	991
Thomaston	2014	2016	1,060	250	94.93%	951
Stockbridge						
Waterford Place	1996	2017	1,119	400	93.79%	931
KANSAS						
Leawood						
Leawood at Stateline	1989	2017	993	254	96.46%	971
Lenexa						
Park Edge	1999	2012	1,132	260	95.96%	1,083
Pinnacle Pointe	1999	2018	936	160	93.13%	983
Rosehill Pointe	1985	2012	922	498	94.38%	862
Overland Park						
Centennial Park	1996	2017	1,205	170	95.20%	1,200
Village at Lionsgate	2000	2018	1,071	360	95.46%	1,218
Wichita						
Berkshire	1991	2009	917	252	95.70%	759
Cross Creek	1990	2015	952	256	94.14%	731
KENTUCKY						
Lexington						
Bridle Creek	2002	2017	957	384	95.09%	889
LOUISIANA						
Bossier City						
Villaggio	2009	2015	977	239	92.75%	1,004
Shreveport						
Reflections	2007	2019	1,353	168	94.20%	1,462
MISSISSIPPI						
Pearl						
Grand at Pearl	1999	2015	1,151	280	93.75%	876
Ridgeland						
Arbors at Natchez Trace	1995	2015	1,045	328	94.31%	947
MISSOURI						
Kansas City						
WildOak	2001	2017	935	348	94.59%	875
Liberty						
Jefferson Park	1987/2008	2012	677	207	95.19%	710
St. Charles						
Villages of Bogey Hills	1985	2011	893	486	94.75%	933
Kirkwood						
Kirkwood Station	2005	2011	965	159	94.24%	1,470
NORTH CAROLINA						
Hope Mills						
Astoria Apartments	2011	2015	1,100	272	96.45%	926
Raeford						
Stone Gables	2013	2017	1,074	192	62.33%	1,141
OKLAHOMA						
Yukon						
Highland Pointe	2004	2007	920	232	92.46%	913
TEXAS						
Frisco						
Frisco Square	2007	2017	953	114	95.17%	1,343
Pearland						
Tranquility	2003	2014	1,040	314	93.95%	1,165
Richardson						
Madison at Melrose	1995	2009	947	200	95.92%	1,342
Total				<u>9,294</u>		

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OPERATING PROPERTIES

Property and Location	Year of Construction	Year of Purchase	Total Square Feet	Average Occupancy	Average Annual Rent Per Sq. Ft.
RETAIL					
LOUISIANA					
Bossier City					
Villaggio Retail	2009	2015	52,000	12.87%	\$ 11.76
MISSOURI					
Kirkwood					
Kirkwood Station Retail	2005	2011	40,412	89.53%	21.77
TEXAS					
Frisco					
Frisco Square	2005	2017	171,590	82.12%	23.36

MOF I Property Table

We have determined that MOF I is a variable interest entity and, therefore, we include the following properties listed below in our condensed consolidated financial statements; however, we are not entitled to any revenue from these properties other than profit participation and certain fees as described in Note 9. The properties listed below are still under construction as of June 30, 2019.

The following table sets forth information with respect the assets held within MOF I at June 30, 2019:

MAXUS OPPORTUNITY FUND I PROPERTIES

Property and Location	Initial Year of Construction	Year of Purchase	Average Unit Size (Sq. Ft.)	Number of Apartments
APARTMENTS				
ALABAMA				
Birmingham				
Metropolitan	2018	2018	907	262
TENNESSEE				
Kingsport				
Town Park	2019	2019	950	263

Legal Proceedings

The Trust is 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, 2019 and December 31, 2018:

(dollars in thousands)		<i>June 30, 2019</i>				<i>December 31, 2018</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>	\$	672,709	9	4.24%	88%	\$ 675,587	10	4.23%	90%
<i>Variable rate debt</i>		<u>95,781</u>	1	5.01%	12%	<u>72,198</u>	2	5.60%	10%
<i>Total</i>	\$	<u>768,490</u>				<u>\$ 747,785</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, 2019, the Trust had three variable interest rate loans: Maxus Metropolitan (debt which we incurred in connection with the formation of MOF I), Town Park (acquired by MOF I), and Villaggio. The Trust has entered into rate cap agreement for the Villaggio loan which caps the interest rate at 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 the section entitled "Mortgage Notes Payable" above for interest rates on the mortgage note for each property and the maturity date of each mortgage note.

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 mortgage notes allow prepayment in full, subject to compliance with the prepayment terms as set forth in the applicable mortgage note, including payment of the applicable prepayment penalty. The prepayment penalty on the Trust's mortgage notes 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 risks associated with complying with applicable debt covenants and 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, 2019	December 31, 2018
ASSETS		
Operating real estate		
Land	\$ 88,716	\$ 86,474
Buildings and improvements	753,964	741,544
Personal property	28,902	27,063
Construction in progress	74,455	47,699
Total real estate	946,037	902,780
Less accumulated depreciation	(93,478)	(81,107)
Net operating real estate	852,559	821,673
Cash and cash equivalents	13,958	13,333
Certificates of deposit	3,169	3,077
Restricted cash	13,461	10,272
Prepaid expenses and other assets	3,130	3,890
Debt securities, net	12,261	12,200
Accounts receivable, net	1,752	1,583
Intangible assets, net	3,067	3,810
Goodwill	4,710	4,710
Investment in unconsolidated real estate companies	543	399
Assets held for sale	--	3,239
Total assets	<u>\$ 908,610</u>	<u>\$ 878,186</u>
LIABILITIES		
Mortgage notes payable	\$ 717,920	\$ 693,272
Credit facility	29,570	29,570
Notes payable, related parties	21,000	17,500
Accounts payable, prepaid rent and other accrued expenses	11,390	11,251
Accounts payable, related parties	586	1,713
Real estate taxes payable	6,013	4,775
Refundable tenant deposits	2,765	2,836
Liabilities related to assets held for sale	--	7,683
Total liabilities	<u>789,244</u>	<u>768,600</u>
EQUITY		
Shareholders' equity		
Preferred stock; \$0.001 par value, authorized 1,000,000 shares, no shares issued and outstanding at June 30, 2019 and December 31, 2018.	--	--
Common stock; \$0.001 par value, authorized 10,000,000 shares, issued 1,464,000 shares and outstanding 1,175,000 shares at June 30, 2019 and December 31, 2018.	1,464	1,464
Treasury stock, at cost 289,000 shares at June 30, 2019 and December 31, 2018.	(4,293)	(4,293)
Additional paid-in-capital	22,384	22,384
Retained earnings	24,140	22,606
Total shareholders' equity attributable to Maxus Realty Trust, Inc.	43,695	42,161
Non-controlling interests	75,671	67,425
Total shareholders' equity	<u>119,366</u>	<u>109,586</u>
Total liabilities and shareholders' equity	<u>\$ 908,610</u>	<u>\$ 878,186</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
REVENUES				
Property revenue	\$ 25,589	\$ 24,840	\$ 50,827	\$ 49,849
Related party management fees	356	--	789	--
Other	3,888	3,261	7,584	6,500
Total revenues	<u>29,833</u>	<u>28,101</u>	<u>59,200</u>	<u>56,349</u>
OPERATING EXPENSES				
Depreciation and amortization	6,560	7,271	13,297	15,267
Payroll expense	4,358	--	8,656	--
Related party payroll reimbursement	--	2,851	--	5,687
Real estate taxes	3,101	2,989	6,100	5,953
Utilities	1,976	1,887	3,963	3,794
Repairs and maintenance	1,547	1,664	3,049	3,142
Other operating expenses	2,113	1,800	4,647	3,544
Related party management fee	--	919	--	1,867
Turn costs and leasing	975	931	1,828	1,759
Insurance	800	824	1,583	1,661
Legal fees	118	116	372	186
Total operating expenses	<u>21,548</u>	<u>21,252</u>	<u>43,495</u>	<u>42,860</u>
Operating income	<u>8,285</u>	<u>6,849</u>	<u>15,705</u>	<u>13,489</u>
OTHER INCOME (EXPENSE)				
Interest income	454	132	903	138
Interest expense	(8,181)	(8,667)	(16,622)	(16,200)
Gain on sale	--	17,058	7,167	17,058
Asset impairment	(12,495)	(120)	(12,495)	(139)
Gain (loss) from insurance recovery	225	309	305	442
Total other income (expense), net	<u>(19,997)</u>	<u>8,712</u>	<u>(20,742)</u>	<u>1,299</u>
Net income (loss)	<u>(11,712)</u>	<u>15,561</u>	<u>(5,037)</u>	<u>14,788</u>
Net (income) loss attributable to non-controlling interests	<u>11,897</u>	<u>(8,876)</u>	<u>10,146</u>	<u>(8,768)</u>
Net income attributable to common shareholders	<u>\$ 185</u>	<u>\$ 6,685</u>	<u>\$ 5,109</u>	<u>\$ 6,020</u>
Per share income (basic and diluted):				
Net income (basic)	<u>\$ 0.16</u>	<u>5.69</u>	<u>\$ 4.35</u>	<u>\$ 5.12</u>
Net income (diluted)	<u>\$ 0.12</u>	<u>4.90</u>	<u>\$ 3.36</u>	<u>\$ 4.41</u>
Weighted average common shares outstanding, basic	<u>1,175</u>	<u>1,175</u>	<u>1,175</u>	<u>1,175</u>
Weighted average common shares outstanding, diluted	<u>1,521</u>	<u>1,364</u>	<u>1,521</u>	<u>1,364</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Common Stock			Additional		Total		Total
	# of	Amount	Treasury	Paid-in-	Retained	Shareholders'	Non-Controlling	Shareholders'
	Shares		Stock	Capital	Earnings	Equity	Interests	Equity
Balance December 31, 2018	<u>1,464</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 22,384</u>	<u>\$ 22,606</u>	<u>\$ 42,161</u>	<u>\$ 67,425</u>	<u>\$ 109,586</u>
Net income (loss)	--	--	--	--	5,109	5,109	(10,146)	(5,037)
Dividends paid	--	--	--	--	(4,280)	(4,280)	(2,466)	(6,746)
Dividends accrued	--	--	--	--	705	705	356	1,061
Capital Contribution - Maxus Opportunity Fund I	--	--	--	--	--	--	17,009	17,009
Capital Contribution - Maxus NoDa Opportunity Fund	--	--	--	--	--	--	3,991	3,991
Distributions to non-controlling members	--	--	--	--	--	--	(498)	(498)
Balance June 30, 2019	<u>1,464</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 22,384</u>	<u>\$ 24,140</u>	<u>\$ 43,695</u>	<u>\$ 75,671</u>	<u>\$ 119,366</u>

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, 2019	June 30, 2018
Cash flows from operating activities:		
Net income	\$ (5,037)	\$ 14,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,297	15,267
Amortization of deferred loan costs and debt discount	729	384
Gain from insurance recovery	(305)	(442)
Asset impairment	12,495	139
Assets and liabilities for sale	--	935
Gain on sale	(7,167)	(17,058)
Changes in accounts affecting operations:		
Accounts receivable, net	(169)	618
Prepaid expenses and other assets	896	1,243
Accounts payable and other liabilities	177	3,320
Net cash flows provided by operating activities	<u>14,916</u>	<u>19,194</u>
Cash flows from investing activities:		
Capital expenditures on investment properties	(9,830)	(6,950)
Proceeds from sale of Schoettler, net of proceeds paid to non-controlling members	--	15,347
Investment in certificates of deposit, net	(92)	898
Investment in unconsolidated real estate companies, net	--	(268)
Investment in Landmark debt security	--	(12,128)
Acquisition of Reflections	(1,595)	--
Acquisition of Town Park	(14,551)	--
Acquisition of Wellington at Chenal	--	(4,788)
Proceeds from sale of Landings	2,630	--
Acquisition of Lionsgate	--	346
Net cash used by investing activities	<u>(23,438)</u>	<u>(7,543)</u>
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(4,920)	(4,775)
Credit facility borrowings	--	2,570
Note payable repayments	--	(22,242)
Note payable refinance	--	41,510
Related party note payable	7,500	--
Related party not payable repayments	(4,000)	--
MOF I non-controlling equity contribution	17,009	--
Maxus NoDa non-controlling equity contribution	3,991	--
Dividends paid to shareholders	(4,280)	(4,352)
Distributions and dividends paid to non-controlling interest	(2,964)	(6,299)
Net cash flows provided by financing activities	<u>12,336</u>	<u>6,412</u>
Net increase in cash, cash equivalents, and restricted cash	3,814	18,063
Cash, cash equivalents and restricted cash, beginning of period	23,605	14,134
Cash, cash equivalents and restricted cash, end of period	<u>\$ 27,419</u>	<u>\$ 32,197</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest on continuing operations	<u>\$ 15,149</u>	<u>\$ 15,632</u>
Supplemental disclosure of non-cash investing and financing activities:		
Net capital expenditures recorded in accounts payable	\$ 798	\$ 825
Accrued dividends	2,232	1,714
Mortgage note for acquisition of Reflections	5,232	--
Mortgage note for acquisition of Wellington at Chenal	--	13,095
Issuance of MOLP units	--	27,348
Acquisition of non-controlling interest	--	(15,230)

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 (the "General Partner"), is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, the General Partner 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 closing price as reported on the OTC market of the Trust's common stock, over a ten day period preceding the redemption. Through June 30, 2019, four 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, 2019, the Trust owns approximately 63.17% 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 36.83% of the outstanding limited partnership interests in MOLP, which is represented by 684,934 MOLP operating units. A fractional interest is owned by the General Partner. Of the 36.83% non-controlling limited partnership interests in MOLP, related parties of the Trust own 62.28% (or 426,546 of the 684,934 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, as of June 30, 2019, 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 (excluding properties held by Maxus Opportunity Fund I, LLC, as discussed below):

<u>Property Name</u>	<u>Interest Percentage</u>
Astoria	50%
Frisco Square	52%
WildOak	53%
Kirkwood Station	63%
Villages of Bogey Hills	70%
Leawood at Stateline	80%
Bridle Creek	83%
Cross Creek	90%
Rosehill Pointe	90%
Park Edge	94%
Olde Oak	95%
Villages at Lionsgate	98%

In addition, King's Court/Terrace Acquisition, LLC ("King's Court/Terrace"), a wholly owned subsidiary of MOLP, owns an 81.5% tenant in common ownership interest in The Reserve at Tranquility Lake Apartments ("Tranquility"); Forest Place TIC 1, L.L.C. ("Forest Place TIC"), a wholly owned subsidiary of MOLP, owns a 52% tenant in common ownership interest in Forest Place Apartments ("Forest Place"); and Landings Acquisition of Delaware, LLC ("Landings"), a wholly owned subsidiary of MOLP, owns a 25.9% tenant in common ownership interest in Reflections at Island Park Apartments ("Reflections"). In each such case where MOLP owns a majority interest, except for Tranquility, Forest Place, and Reflections, 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, Kentucky, 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, 2019, the Trust holds an interest in 35 apartment communities consisting of 9,294 apartment homes and three retail properties consisting of approximately 264,000 square feet of retail space.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Trust, MOLP, the General Partner 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.

As discussed in Note 9, the Trust acquired a less than 1% interest in Maxus Opportunity Fund I, LLC ("MOF I"). MOF I is a variable interest entity and the Trust is the primary beneficiary. As a result, the condensed consolidated financial statements of the Trust include MOF I.

As discussed in Note 10, an indirect subsidiary of the Trust formed Maxus NoDa Opportunity Fund, LLC ("Maxus NoDa"). Maxus NoDa is a variable interest entity and the Trust is the primary beneficiary. As a result, the condensed consolidated financial statements of the Trust include Maxus NoDa.

In regards to Forest Place, Tranquility and Reflections, Forest Place TIC, King's Court/Terrace and Landings, 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, a wholly owned subsidiary of MOLP, owns a 52% undivided interest in Forest Place. King's Court/Terrace, a wholly owned subsidiary of MOLP, owns an 81.5% undivided interest in Tranquility. Landings, a wholly owned subsidiary of MOLP, owns a 25.9% undivided interest in Reflections.

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 condensed consolidated financial statements. The most significant assumptions and estimates relate to depreciable lives of investment property and the accounting for business combinations including the valuation of investment property acquired and fair value attributed to MOLP units in consideration paid for acquisition. 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. Cash, Cash Equivalents and Restricted Cash

Cash equivalents include all highly liquid investments purchased with maturities of six 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 \$6.8 million in depository accounts in excess of Federal Deposit Insurance Corporation (“FDIC”) insured limits, including \$6.4 million in excess of FDIC insured limits held by a bank affiliated with a related party as discussed in Note 5.

Restricted cash primarily consists of reserves and escrows held by lenders in order to fund capital improvements, property repairs, real estate taxes, and insurance. The following is a summary of restricted cash, in thousands:

	June 30, 2019	December 31, 2018
Real estate tax and insurance escrow	\$ 7,981	\$ 5,305
Capital improvements reserve	4,451	4,057
Other	1,029	910
Total Restricted Cash	\$ 13,461	\$ 10,272

d. 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, 2019 and December 31, 2018 of \$2.7 million and \$3.2 million, respectively. The Trust regularly evaluates the adequacy of its allowance for doubtful accounts.

e. Operating Real Estate

Accounting for Acquisitions

FASB ASC Topic 805, “Business Combinations,” 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 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 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.

Intangible Assets and Goodwill

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

(amounts in thousands)	June 30, 2019	December 31, 2018
In-place leases, net of accumulated amortization of \$16.3 million and \$15.6 million, respectively	\$ 2,115	\$ 2,811
Contract assets, net	952	999
Goodwill	4,710	4,710
Total	<u>\$ 7,777</u>	<u>\$ 8,520</u>

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 \$878 thousand and \$3.6 million for the six months ended June 30, 2019 and 2018, respectively.

At both June 30, 2019 and December 31, 2018, we had goodwill associated with our apartment segment of \$4.7 million. Rather than evaluating goodwill based on qualitative factors, we have elected the unconditional option to bypass the qualitative assessment as outlined in FASB ASC 350-20-35-3B. We perform an annual goodwill impairment test in accordance with the first step of the goodwill impairment test by comparing the carrying amount of the corresponding reporting unit to its fair value. As a result of this test, we do not believe our goodwill to be impaired as of the date of our latest annual test.

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 consolidated statements of operations.

Stone Gables

In September 2018, the Stone Gables apartment community suffered damage as a result of Hurricane Florence. Specifically, approximately 90 apartment units were damaged as a result of water intrusion. We recorded an impairment of \$250 thousand, which was recorded in gain (loss) from insurance recovery, net, for the twelve month period ended December 31, 2018. In January 2019, we received \$250 thousand in insurance proceeds related to this damage. We do not anticipate any further insurance recoveries.

On February 12, 2019, the Trust received a Cash Management Trigger Notice from KeyBank as the property's debt service coverage ratio dropped below the minimum standard set forth in the underlying Cash Management Agreement. The reason for the debt service coverage ratio dropping was primarily due to vacancies at the property as a result of damage caused by Hurricane Florence.

During the completion of the repairs of the hurricane damage, engineers discovered a construction defect which will require extensive repairs to be done throughout the property. The total cost is unknown at this time, but the Trust estimates the cost to fully remediate the issue to be between \$2.0 and \$5.0 million. The Trust intends to pursue available legal remedies under North Carolina law.

The Trust believes that these facts are an indicator of potential impairment as outlined in ASC 360. Because of this, at December 31, 2018 the Trust performed a test for recoverability given the current facts and cost estimates to remediate the water damage. The Trust determined that no additional impairment exists in relation to Stone Gables.

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.

f. Investments in Unconsolidated Real Estate Companies

We own a membership interest in a limited liability company (“LLC”) that directly owns an apartment property. Because we do not own a controlling ownership interest in the LLC, it is accounted for under the cost method. This membership interest was bought in anticipation of cash distributions and appreciation of its fair market value. This membership interest is further discussed in Note 5.

g. 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 these criteria during the six months ended June 30, 2019 or 2018.

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, 2019, no assets or liabilities were classified as held for sale. At December 31, 2018, we classified the assets and liabilities of the Landings apartment community as held for sale. This sale was completed in February 2019.

h. 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 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 \$76.3 million and \$67.4 million at June 30, 2019 and December 31, 2018, 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, 2019.

As a result of real estate depreciation that is recognized in our condensed 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 condensed consolidated financial condition.

i. 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, 2019, the non-controlling holders of operating units had an ownership interest in MOLP of 36.83%.

j. Revenue Recognition

Lease agreements with tenants are accounted for as operating leases, and total expected rentals from such leases are reported as rental revenue on a straight-line basis 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.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which is a new revenue recognition standard based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The FASB has issued several updates to the standard which (i) clarify the application of the principal versus agent guidance, (ii) clarify the guidance relating to performance obligations and licensing and (iii) clarify assessment of the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transaction. The new revenue recognition standard, amended by the updates, became effective for the Trust as of January 1, 2018 and has been applied retrospectively using one of two prescribed methods. The impact of this standard was not material to the Trust's condensed consolidated financial statements because over 90% of the Trust's total revenue for all periods is comprised of lease revenue, which is substantially unchanged under the new standard.

k. 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, 2019, and December 31, 2018, 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, or borrowings under its credit facility at fair value. However, the Trust estimates the fair value of these notes payable and borrowings 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 and borrowings under its credit facility fall within Level 3 of the fair value hierarchy.

l. 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 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.

m. 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 condensed consolidated financial statements. The Trust has federal net operating loss carryovers of \$26.6 million at December 31, 2018 for tax purposes, which will expire in various amounts from 2019 through 2036.

FASB ASC Topic 740-10 on Income Taxes prescribes a comprehensive model for how an entity should measure, recognize, present, and disclose in its condensed 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 2015.

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n. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). Under ASU 2016-02, lessor accounting is substantially similar to the old model, but aligned with certain changes to Topic 606, “Revenue from Contracts with Customers.” Lessors continue to classify leases as operating, direct financing, or sales-type. Lessees are 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 result in straight-line expense (similar to current operating leases) and finance leases result in a front-loaded expense pattern (similar to capital leases under the old standard). Classification is based on criteria that are largely similar to those applied in former 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 was adopted and was effective for the Company as of January 1, 2019.

The Company determined that substantially all of its leases in which it is the lessor will continue to be classified as operating leases under the new standard. ASU No. 2016-02 specifies that payments for certain lease-related services, which are often included in lease arrangements, represent “non-lease” components that are now subject to the guidance in ASU No. 2014-09, *Revenue from Contracts with Customers*, upon the effective date of ASU No. 2016-02. The FASB recently clarified that only new or modified leases subsequent to adoption of ASU No. 2016-02 will require different accounting for “non-lease” components under the guidance in ASU No. 2014-09. On January 5, 2018, the FASB issued a proposed update, which included a practical allowing lessors not to separate “non-lease” components from the related lease components if both the timing and pattern of the revenue recognition are the same for the “non-lease” components and including the “non-lease” components into a combined single lease component would not change the lease classification. The update also included a practical expedient which allows the lessors to use the effective date of ASU No. 2016-02 as the date of initial application, without restating comparative periods, and to recognize a cumulative effect adjustment as of the effective date, if necessary. A set of practical expedients for implementation, which must be elected as a package and for all leases, may also be elected. These practical expedients include relief from re-assessing lease classification at the adoption date for expired or existing leases. The Company has applied the practical expedients and the impact of implementing this standard has not been material to our condensed consolidated financial statements and related disclosures.

o. Going Concern

The Trust determined that there are no conditions or events that raise substantial doubt about the Trust’s ability to continue as a going concern for at least one year after the date the financial statements are available for issuance.

(3) DEBT OBLIGATIONS

Mortgage Notes Payable:

The following table summarizes the Trust’s outstanding mortgage notes as of June 30, 2019 in thousands:

Mortgage Notes	Principal Outstanding		As of June 30, 2019	
	June 30, 2019	December 31, 2018	Weighted Average Rate	Weighted Average Maturity (in years)
Fixed rate mortgages	\$ 656,680	\$ 663,501	4.24%	10.2
Variable rate mortgages	66,211	42,628	5.01%	1.4
Total mortgage notes	722,891	706,129		
Debt issuance costs	(4,971)	(5,414)		
Less: Mortgage notes: liabilities held for sale, net	--	(7,443)		
Net mortgage notes	\$ 717,920	\$ 693,272		

Substantially all of our mortgages are originated through Fannie Mae, Freddie Mac, or the United States Department of Housing and Urban Development. Mortgages related to Fannie Mae and Freddie Mac are non-recourse and secured by the subject properties. These loans are also subject to provisions of a limited carve-out guarantee from MOLP if certain provisions in the loan agreement are breached. Metropolitan and Town Park are owned by MOF I, but MOLP has guaranteed a construction loan related to each property in exchange for certain fees as described further in Note 9. MOLP is not named as a guarantor on any other mortgage loans.

The following is a summary of scheduled mortgage notes payable maturities at June 30, 2019 in thousands:

Year	Amount
2019	\$ 42,084
2020	33,881
2021	73,031
2022	66,774
2023	55,606
Thereafter	451,515
Total mortgage notes	722,891
Debt issuance costs	(4,971)
Total	\$ 717,920

Notes Payable, Related Parties and Credit Facility:

The following is a summary of the notes payable, related parties and credit facility, at June 30, 2019 in thousands:

		Balance Outstanding	
		June 30, 2019	December 31, 2018
Credit facility	\$	29,570	\$ 29,570
Notes payable, related parties		21,000	12,500
Total	\$	50,570	\$ 42,070

On August 10, 2017, the Trust entered into a credit facility with KeyBank N.A. (the "KeyBank Facility"). The KeyBank 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 KeyBank Facility was originally scheduled to mature on August 10, 2019 and could be extended for one year. The KeyBank Facility requires the Trust to comply with certain customary debt covenants including a fixed charge coverage ratio, minimum tangible net worth, maximum leverage ratio and minimum liquidity. Subsequent to June 30, 2019, the Trust became aware that it had violated a covenant in the credit facility by incurring recourse indebtedness relating to MOLP's guaranty of certain MOF I indebtedness as described above, which resulted in an event of default under the credit facility. The Trust notified KeyBank of this violation and subsequently received a waiver of the event of default from KeyBank on September 26, 2019, under which the Trust has agreed to refinance the MOF I indebtedness and obtain a release of MOLP's guarantee of such indebtedness with respect to the Metropolitan property by October 30, 2019, and obtain a written proposal for the refinance and release of MOLP's guarantee with respect to the Town Park property by November 30, 2019 in order to avoid a subsequent event of default under the credit facility. As of June 30, 2019, the Trust was in compliance with all of the other debt covenants under the KeyBank Facility. As of June 30, 2019, the Trust had an outstanding balance of \$29.6 million and borrowing availability of \$0.4 million under the KeyBank Facility. On August 10, 2019, the Trust extended the maturity date of the KeyBank Facility to August 10, 2020.

As discussed in Note 9, in August 2018, MOF I obtained \$17.5 million of notes from affiliates of Mr. Johnson, the Trust's Chairman, President and Interim Chief Executive Officer. The notes bear interest at 5.25%, require interest only payments, and have a maturity date of August 31, 2019. During 2019, MOF I obtained an additional \$8.5 million of notes from related parties including affiliates of Mr. Johnson and Gregory Orman, a Trustee of the Trust, and Christopher Garlich, a Trustee of the Trust. The notes carry a fixed interest rate of 7.0% and were originally scheduled to mature on April 12, 2019; however, MOF I exercised an extension option to extend the maturity date of the notes an additional 60 days to June 11, 2019. Prior to maturity, MOF I exercised an additional extension with Christopher Garlich, a Trustee of the Trust, to extend his note until September 11, 2019 under the same terms. As of June 30, 2019, \$21.0 million of related party loans related to MOF I were outstanding. We have determined that MOF I is a variable interest entity and, therefore, we include this debt in our condensed consolidated financial statements; however, the Trust is not responsible for MOF I's obligations under these notes.

(4) MANAGER INTERNALIZATION

On December 31, 2018, MOLP completed the internalization (the “Internalization”) of its external manager, Maxus Properties, LLC (formerly Maxus Properties, Inc., the “Manager”). The Manager provides property management services for all of MOLP's properties and certain third-party properties. The Internalization was effected pursuant to a Contribution Agreement, dated December 21, 2018 (the “Contribution Agreement”), by and among: Mr. Johnson, the Trust's Chairman, President and Interim Chief Executive Officer; Sandra Castetter, Mr. Johnson's spouse; MPI Holding Company, LLC (“Holdco”), an entity owned by Mr. Johnson and Ms. Castetter; the Manager; the Trust; the General Partner; and MOLP. Pursuant to the Contribution Agreement, MOLP completed the Internalization by acquiring 100% of the issued and outstanding membership interests in the Manager from Holdco in exchange for the issuance to Holdco of 46,154 MOLP operating units valued at \$130 per unit for aggregate consideration of approximately \$6.0 million. The Trust's Board approved the Internalization based upon the recommendation and approval of a special committee of independent directors of the Trust's Board, which was formed to evaluate and negotiate the Internalization. The special committee was represented by independent legal counsel and also received a fairness opinion from its independent financial advisor to the effect that the Internalization was fair, from a financial point of view, to the Trust.

The Contribution Agreement includes customary representations and warranties, indemnification obligations and other provisions for a transaction of this nature. In addition, Mr. Johnson, Ms. Castetter and Holdco have agreed to certain restrictive covenants for a period of five years following the closing, including an agreement not to engage directly or indirectly in the business of providing real estate management and advisory services for multi-family rental residential properties in the United States. In connection with the closing of the Internalization, the parties also entered into an administrative services agreement pursuant to which the Trust, the General Partner, the Manager and MOLP agreed to provide certain administrative services to Mr. Johnson, Ms. Castetter and Holdco on an at-cost basis for an initial term of one year after closing, subject to extension by the written consent of all parties.

The Trust estimated the fair value of the MOLP units exchanged for the transaction. The evaluation was determined using commonly accepted valuation techniques. A fairness opinion was issued by a third-party valuation firm regarding the consideration exchanged and the value of the Manager.

The assets and liabilities acquired were (in thousands):

Personal property	\$ 291
Intangible assets	999
Goodwill	4,710
Vacation receivable	534
Total assets acquired	<u>6,534</u>
Accrued expense – vacation liability	534
Total liabilities acquired	<u>534</u>
Net assets acquired	<u>\$ 6,000</u>

Prior to completing the Internalization, the Trust paid the Manager property management fees of \$1.9 million for the six month period ended June 30, 2018. For the six month period ended June 30, 2019, the Trust was paid fees totaling \$789 thousand from entities controlled by related parties. Management fees are determined pursuant to management agreements between the Trust and the Manager 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, 2019, the properties pay a management fee of between 3% and 5% of receipts.

(5) RELATED PARTY TRANSACTIONS

As of June 30, 2019, the Trust (i) has operating cash of approximately \$8.5 million on deposit with First Missouri National Bank (“First Missouri”), (ii) holds certificates of deposit of approximately \$2.6 million with First Missouri, and (iii) has cash in money market accounts in the amount of \$6.0 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 23.0% 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 9.0% of First Missouri's outstanding common stock. Christopher Garlich, a Trustee of the Trust, individually and through an affiliate, holds approximately 7.0% 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 0.4% to 1.3% per annum as of June 30, 2019 and 0.35% to 1.3% per annum as of December 31, 2018. As of June 30, 2019, \$6.4 million is held in excess of FDIC insurance limits from certain operating accounts.

For certain of our acquisitions, 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. The Trust did not pay any fees for services provided by AQT for the six months ended June 30, 2019 and paid \$27 thousand for the six months ended June 30, 2018.

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, 2019:

Name of Subsidiary	Amount of Capital Contributed by Affiliates (amounts in thousands)	Affiliate Ownership	Percent of Affiliate Ownership
Kirkwood Station	\$ 1,235	(1)	34.87 %
Bogey Hills	500	(2)	7.44
Astoria	275	(3)	5.72
WildOak	8,015	(4)	39.46
Leawood at Stateline	1,233	(5)	19.80
Frisco Square	2,336	(6)	17.29
MOLP	39,739	(7)	62.05

⁽¹⁾ Affiliates of Christopher Garlich, Monte McDowell and David L. Johnson

⁽²⁾ Affiliates of Christopher Garlich

⁽³⁾ Affiliates of Christopher Garlich and David L. Johnson

⁽⁴⁾ Affiliates of David L. Johnson

⁽⁵⁾ Affiliates of Christopher Garlich and Jose Evans

⁽⁶⁾ Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson

⁽⁷⁾ Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, David L. Johnson

Total distributions and dividends paid to all non-controlling interests including interests held by related parties from the Trust were \$3.0 million and \$6.3 million for the six months ended June 30, 2019 and 2018, respectively, including distributions to MOLP unit holders.

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, 2019:

Name of Non-Consolidated Investment	Percent of Affiliate Ownership	Affiliate Ownership	MOLP Ownership
Maumelle Housing Associates, LLC	70.0%	(1)	15.0%

⁽¹⁾ Affiliates of David Johnson, Chris Garlich, Jose Evans

In addition, please see Note 4, Note 6 and Note 9 for related party transactions resulting from certain acquisitions and other transactions.

(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 FASB 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. If the purchase price is less than the fair value of assets and liabilities acquired that difference is allocated proportionately to the assets acquired.

Reflections at Island Park Acquisition

On March 1, 2019, a wholly owned subsidiary of MOLP, Landings Acquisition of Delaware, LLC (“Landings”), jointly purchased the Reflections at Island Park apartment community (“Reflections”) with Lexington Commons, LLC (“Lexington”) and MLake 21, LLC (“MLake 21”) as tenants in common. Landings, Lexington, and MLake 21 hold tenant in common interests of 25.9%, 48.2%, and 25.9%, respectively. Reflections is a 168 residential apartment community located in Shreveport, Louisiana, which was constructed in 2007 and consists of 227,000 rentable square feet. The total purchase price was \$26.1 million. In conjunction with the acquisition, a mortgage loan was obtained in the amount of \$20.2 million. The mortgage loan carries a fixed interest rate of 4.47% and matures April 1, 2029. Lexington and MLake 21 are controlled by Mr. Johnson.

The net consideration paid by the Trust for the Landings undivided interest was approximately \$1.8 million. In addition, the Trust obtained a 2.0% interest in Lexington and MLake 21 valued at \$103 thousand in exchange for being the carve-out guarantor on the mortgage.

The assets and liabilities, 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 (in thousands):

	Landings Proportionate Share	Total
Operating assets	\$ 192	\$ 740
Buildings	6,090	23,524
Land	272	1,050
Land improvements	173	668
Personal property	55	211
Intangible assets	272	1,051
Total assets acquired	7,054	27,244
Operating liabilities	27	104
Mortgage	5,232	20,210
Total liabilities acquired	5,259	20,314
Net assets acquired	\$ 1,795	\$ 6,930

Dispositions

Landings Sale

On February 26, 2019, the Trust completed the sale of the Landings apartment community for a sales price of \$10.5 million. The sale resulted in a gain of approximately \$7.2 million. The net proceeds received after paying off the related mortgage loan and other costs related to the transaction was approximately \$2.6 million. Approximately \$1.8 million of the proceeds were utilized in a like kind exchange for the acquisition of the Reflections apartment community.

The following table represents the gain from the sale of Landings after disposition fees and closing costs (in thousands):

Landings sales price	\$ 10,513
Less commissions, closing costs and other proration	(144)
Net sale price	10,369
Less: net carrying value	(3,202)
Gain	\$ 7,167

(7) TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY

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 684,934 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. As of June 30, 2019, the Trust has redeemed 938 MOLP operating units from four unrelated MOLP owners for \$43 thousand after such owners exercised their right to have their units redeemed 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 31, 2018	January 15, 2019	\$0.60
January 31, 2019	February 25, 2019	\$0.60
February 28, 2019	March 15, 2019	\$0.60
March 29, 2019	April 15, 2019	\$0.60
April 30, 2019	May 15, 2019	\$0.60
May 31, 2019	June 14, 2019	\$0.60
June 28, 2019	July 15, 2019	\$0.60
July 31, 2019	August 15, 2019	\$0.60

(8) 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 are included in the computation of diluted EPS upon expiration of the one-year holding period that holders must satisfy prior to electing to have their units redeemed. At June 30, 2019, a total of 345,536 MOLP units were issued but had not surpassed the one-year holding period. The following table illustrates the Trust's calculation of basic and diluted EPS for the three and six months ended June 30, 2019 and 2018 (in thousands, except per share data):

	<u>For The Three Months Ended</u>		<u>For The Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Numerator:</u>				
Net income (loss)	\$ (11,712)	\$ 15,561	\$ (5,037)	\$ 14,788
Net (income) loss attributable to non-controlling interests	11,897	(8,876)	10,146	(8,768)
Net income attributable to common shareholders	<u>\$ 185</u>	<u>\$ 6,685</u>	<u>\$ 5,109</u>	<u>\$ 6,020</u>
<u>Denominator:</u>				
Weighted average common shares outstanding – basic	1,175	1,175	1,175	1,175
Diluted potential common shares and MOLP units	346	189	346	189
Weighted average common shares outstanding – diluted	<u>1,521</u>	<u>1,364</u>	<u>1,521</u>	<u>1,364</u>
<u>Earnings per common share – basic:</u>				
Net income attributable to common shareholders	<u>\$ 0.16</u>	<u>\$ 5.69</u>	<u>\$ 4.35</u>	<u>\$ 5.12</u>
<u>Earnings per common share – diluted:</u>				
Net income attributable to common shareholders	<u>\$ 0.12</u>	<u>\$ 4.90</u>	<u>\$ 3.36</u>	<u>\$ 4.41</u>

(9) MAXUS OPPORTUNITY FUND I

In August 2018, Maxus Opportunity Fund Manager, LLC (the "Fund Manager"), an indirect subsidiary of MOLP, formed MOF I, a specialized real estate fund created to invest in real estate within qualified "opportunity zones" created pursuant to the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act"). Opportunity zones are census tracts of low-income areas generally designated by state governors and certified by the U.S. Department of the Treasury. MOF I is intended to qualify as a qualified opportunity fund as defined under IRC Section 1400Z-2(d)(1). As a qualified opportunity fund, investments in MOF I are structured to allow investors in MOF I to defer and reduce capital gains on the principal invested in MOF I and obtain certain other tax benefits under the 2017 Tax Act. The purpose of qualified opportunity zones and funds is to encourage economic development in distressed communities by creating tax incentives to invest in such areas. MOF I is primarily focused on acquiring controlling interests in multifamily commercial real estate projects which are under development and construction. The Fund Manager will be entitled to a profit participation and property management, acquisition, development and disposition fees from MOF I, and MOLP will be entitled to loan origination and guarantee fees from MOF I in connection with facilitating financing for MOF I's acquisition of properties. MOLP may guarantee debt of MOF I or provide bridge financing or other financing assistance to MOF I to facilitate MOF I's acquisition of properties pending completion of MOF I's private placement or a refinancing of indebtedness.

In connection with the formation of MOF I, MOLP acquired an interest in MOF I of less than 0.3% for \$24 thousand on August 31, 2018. The initial equity contribution to MOF I totaled \$8.2 million, of which \$8.0 million was contributed by affiliates of Mr. Johnson and Mr. Garlich, each of whom are related parties.

In conjunction with the initial equity contribution, MOF I, through Maxus Metropolitan, LLC, acquired the first qualifying asset, The Metropolitan apartment community ("Metropolitan"), located in Birmingham, Alabama for an aggregate purchase price of \$56.2 million. Metropolitan is a 262-unit apartment community that is under construction and is being put in service in phases beginning in September 2018. An affiliate of the seller has guaranteed completion of the construction. In conjunction with the acquisition, Maxus Metropolitan, LLC assumed a construction loan in the amount of \$31.2 million, of which \$27.2 million had been drawn at the date of acquisition. The construction loan has an interest rate of 2.85% plus the one month LIBOR and matures on August 31, 2019. The loan is currently due and payable. However, the agent and lenders under the loan have agreed to forbear exercising their rights and remedies with respect to collection. The Trust is currently in negotiations with the agent and lenders and expect to complete a refinancing of the loan with a different lender on or prior to October 31, 2019.

Subsequent to completing the acquisition, a fire destroyed one of the phases of Metropolitan that is under construction impacting approximately 46 unfinished units. In March 2019, we engaged a third party in conjunction with the builder to evaluate the adequacy of the initial estimates provided by the insurance adjuster and to determine if there was additional damage to the rest of the building. The third party identified substantial issues with the other phases of Metropolitan in addition to the phase destroyed by the fire. We received the preliminary results of the third party assessment at the end of the second quarter of 2019. Based on the findings, we recorded an impairment loss of approximately \$12.5 million related to the Metropolitan apartments during the six months ended June 30, 2019. We currently believe substantially all of the costs to repair and remediate all phases of the project will be covered by insurance proceeds. The amount of impairment recorded in the second quarter of 2019 is based upon current facts and circumstances known by the Trust as of the date of these financial statements. As a result, there can be no assurances that this amount will not materially change in future periods based upon findings by any third parties engaged by the Trust, builder, or insurance adjuster or other developments arising after the date of these financial statements.

On February 12, 2019, MOF I acquired the Town Park apartment community ("Town Park") located in Kingsport, Tennessee for \$38.3 million. Town Park is under construction and will be completed in phases throughout 2019. When complete, Town Park will consist of 263 apartment units totaling approximately 250,000 square feet plus approximately 7,500 square feet of commercial space. To complete the transaction, MOF I obtained a construction loan in the amount of \$24.0 million with a variable interest rate of 2.15% plus one-month LIBOR and a maturity date of May 12, 2020, with two 12-month extension options. At closing, the construction loan had a balance of \$24.0 million. The construction loan is guaranteed by the Trust in exchange for a guarantee fee of \$240 thousand, which is eliminated in the condensed consolidated financial statements.

As discussed above, the Trust is currently in the process of refinancing the debt associated with the Metropolitan and Town Park properties pursuant to the waiver of default granted under the KeyBank Facility.

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):

Other current assets	\$ 261
Buildings	36,268
Land	1,970
Intangible assets	304
Total assets acquired	<u>38,803</u>
Operating liabilities	252
Mortgage Payable	24,000
Total liabilities acquired	<u>24,252</u>
Net assets acquired	<u>\$ 14,551</u>

The Fund Manager will serve as the managing member of the Fund and is in control of all decisions relating to the operation of MOF I. In addition, MOLP is the guarantor for the construction loan in exchange for a \$300 thousand guarantee fee from MOF I. This guarantee fee is eliminated in the condensed consolidated financial statements. The guarantee will be reduced to 50% of the loan amount when construction is completed and further reduced to 25% of the loan amount when the property is substantially leased.

In connection with its formation, MOF I obtained loans totaling \$17.5 million from related parties including affiliates of Mr. Johnson. These notes bear interest at 5.25%, require interest only payments, and have a maturity date of August 31, 2019. During 2019, MOF I obtained an additional \$8.5 million of notes from related parties including affiliates of Mr. Johnson, Mr. Orman and Mr. Garlich. The notes carry a fixed interest rate of 7.0% and were originally scheduled to mature on April 12, 2019; however, MOF I exercised an extension option to extend the maturity date of the notes an additional 60 days to June 11, 2019. A \$50 thousand fee was payable to the related parties by MOF I upon origination of the loans. Prior to maturity, MOF I exercised an additional extension with Christopher Garlich, a Trustee of the Trust to extend his note until September 11, 2019 under the same terms. As of June 30, 2019, \$21.0 million of related party loans related to MOF I were outstanding.

The Trust determined that MOF I is a variable interest entity (“VIE”) and that the Trust is the primary beneficiary. Therefore, we consolidate MOF I in our condensed consolidated financial statements.

(10) MAXUS NODA OPPORTUNITY FUND

In June 2019, the Fund Manager formed Maxus NoDa Opportunity Fund, LLC (“Maxus NoDa”), a specialized real estate fund created to invest in real estate within qualified “opportunity zones” created pursuant to the 2017 Tax Act. Maxus NoDa is intended to qualify as a qualified opportunity fund as defined under IRC Section 1400Z-2(d)(1). As a qualified opportunity fund, investments in Maxus NoDa are structured to allow investors in Maxus NoDa to defer and reduce capital gains on the principal invested in Maxus NoDa and obtain certain other tax benefits under the 2017 Tax Act. The Fund Manager will be entitled to a profit participation and property management, acquisition, development, and disposition fees from Maxus Noda, and MOLP will be entitled to loan origination and guarantee fees from Maxus NoDa in connection with facilitating financing for Maxus NoDa’s acquisition of properties. MOLP may guarantee debt of Maxus NoDa or provide bridge financing or other financing assistance to Maxus NoDa to facilitate Maxus NoDa’s acquisition of properties pending completion of Maxus NoDa’s private placement or a refinancing of indebtedness.

As of June 30, 2019, an initial equity contribution of \$4.0 million was made in Maxus NoDa. Maxus NoDa anticipates completing an acquisition of qualifying property during 2019.

The Trust determined that Maxus NoDa is a VIE and that the Trust is the primary beneficiary. Therefore, we consolidate Maxus NoDa in our condensed consolidated financial statements.

(11) CONTINGENCIES

Legal Proceedings

The Trust is 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.

(12) SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through October 3, 2019, which is the date the condensed consolidated financial statements were available to be issued. See Note 3 for a discussion of the waiver under the KeyBank Facility and Note 9 for a discussion of the lender forbearance and potential refinancing of the construction loan for the Metropolitan and Town Park property, in each case, which occurred subsequent to June 30, 2019.

Berkshire Refinance

On August 1, 2019, the Trust completed a refinance of the mortgage loan for Berkshire. The new loan was for \$15.4 million, has a maturity date of August 1, 2029 and carries a fixed interest rate of 3.95%.

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CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this quarterly report for the six months ended June 30, 2019 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: 10/04/2019

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, 2019 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: 10/04/2019

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