MAXUS REALTY TRUST, INC.

DISCLOSURE FOR FISCAL YEAR ENDED DECEMBER 31, 2016

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

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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 consolidated financial statements and notes thereto included in this 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," "Risk Factors" and elsewhere in this annual report. Historical results and trends which might appear in the consolidated financial statements should not be interpreted as being indicative of future operations.

Forward-Looking Statements

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

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

Readers are urged to consider these factors carefully in evaluating the forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this year-end 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 interests in income-producing real properties, primarily multifamily apartment communities. Unless the context requires otherwise, as used in this report "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 annual 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.otcmarkets.com (symbol "MRTI").

Financial Information about Segments

Our operations have been aggregated into two segments: apartments and retail. The Trust is primarily engaged in the ownership and acquisition of ownership interests in multifamily apartment communities. Although located in different geographic locations, each of our current 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 28 properties with 7,326 apartment homes as of December 31, 2016. Multifamily apartment communities account for 98% of the Trust's total revenues for the year ended December 31, 2016. The retail real estate operations consist of two properties with approximately 92,000 square feet consisting of 20 retail tenants as of December 31, 2016. The retail operations account for 2.0% of the Trust's total revenues for the year ended December 31, 2016. Our current multifamily communities are located in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and Texas. Our current retail real estate properties are located in Louisiana and Missouri.

Description of the Company's Business

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

Pursuant to MOLP's limited partnership agreement, MOLP may issue limited partnership operating units (and corresponding limited partnership interests) in return for cash or other property that is contributed to MOLP. Holders of MOLP limited partnership operating units may elect to have their units (and corresponding limited partnership interests) redeemed in return for either (at the Trust's election) the issuance of the Trust's common stock or cash after a one year holding period. If MOLP limited partnership operating units are redeemed for shares of common stock in the Trust, such units are redeemable on a one unit-for-one share basis. If MOLP limited partnership operating units are redeemed for cash, such units are redeemable at a price per unit based on the average trading price as reported on the OTC market of the Trust's common stock, over a ten day period preceding the redemption. Through December 31, 2016, three MOLP holders have elected to have their limited partnership operating units redeemed which the Board of Trustees of the Trust (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 December 31, 2016, the Trust owns approximately 87.30% 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 12.70% of the outstanding limited partnership interests in MOLP, which is represented by 164,433 MOLP limited partnership operating units. A fractional interest is owned by the general partner of MOLP. Of the 12.70% non-controlling limited partnership interests in MOLP, affiliates of the Trust own 83.43% (or 137,181 of the 164,433 MOLP non-controlling limited partnership operating units outstanding).

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

Operating and Business Strategy

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

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

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

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

We strive to upgrade the quality of our portfolio through the sale of our interests in apartment communities with lower projected returns, lower operating margins, and lower expected future rent growth, and we generally reinvest the sale proceeds in the acquisition of higher-quality apartment communities or in capital improvements to apartment communities already in our portfolio. During the year ended December 31, 2016, our execution of this strategy resulted in the sale of approximately 7.8% of our portfolio with average revenue per apartment home of $598 per month. We reinvested the net sales proceeds through the acquisition of four apartment communities with average revenue per apartment home of $900 month, at their date of purchase. During the year ended December 31, 2016, we also invested a total of $15.4 million for capital investments in our existing operating properties.

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

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

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

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

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

Operations: Our results for the year ended December 31, 2016 reflect an increase in rental revenue as compared to the same period in 2015, which we believe was primarily due to a gradually improving economy, favorable demographics and a manageable supply of new multifamily housing, which have resulted in increases in realized rental rates and stable average occupancy levels. Excluding the effect of properties acquired and disposed of in 2016 and 2015, total revenues increased 3.9% in the year ended December 31, 2016 compared to the same period in 2015. For the year ended December 31, 2016 we had total revenue of $4.9 million generated from properties we acquired in 2016 and $13.8 million generated from properties acquired in 2015.

The Trust had net income attributable to common shareholders of $14.7 million and $4.5 million for the years ended December 31, 2016 and 2015, respectively. Our results for these years are summarized as follows:

(amounts in thousands)	2016	2015
Operating income	$ 18,925	$ 17,650
Interest income	28	17
Interest expense	(19,800)	(15,554)
Loss on debt extinguishment	--	(79)
Gain on bargain purchase	--	886
Gain on sale	17,374	3,022
Asset impairment	(1,139)	(1,066)
Gain from insurance recovery	2,386	1,689
Gain from insurable event, net	--	61
Net income	17,774	6,626
Net income attributable to non-controlling interests	(3,110)	(2,103)
Net income attributable to common shareholders	$ 14,664	$ 4,523

Operating income increased $1.3 million, or 7.4%, for the year ended December 31, 2016 compared to the year ended December 31, 2015. This is primarily the result of "same-store" revenue growth of 3.9% and the growth and quality improvement of our portfolio in 2016.

During the years ended December 31, 2016 and 2015, we had gain on sale of assets of $17.4 million and $3.2 million, respectively. During 2016, we sold the Bicycle Club apartment community resulting in a gain of $15.0 million and Barrington Hills apartment community resulting in a gain of $2.4 million. During 2015, we sold the Ashbrooke apartment community resulting in a gain of $0.8 million and Fountainhead apartment community resulting in a gain of $2.4 million.

During the years ended December 31, 2016 and 2015, we recorded asset impairments related to certain catastrophic events, primarily fires and weather related events. During 2016, we recorded an asset impairments totaling $0.4 million at Madison at Melrose as a result of damage due to a hail storm. In addition, during 2016, we recorded an asset impairment of $0.6 million due to a fire that destroyed one building at Park Edge. The asset impairments for the year ended December 31, 2015 relates to a fire destroying one building at Jefferson Park and hail damage to all roofs at Highland Pointe.

The Trust recorded gain from insurance recovery of $2.4 million and $1.7 million for the years ended December 31, 2016 and 2015, respectively. This is the result of insurance proceeds received to repair and rebuild the damage described above.

During the year ended December 31, 2015, the Trust recorded a gain on bargain purchase $0.8 million as the result of the acquisition of the Cape Fear Multifamily (Astoria apartment community). This gain resulted from the estimated difference between the fair value of the net assets acquired and the actual consideration paid, as required by U.S. generally accepted accounting principles. The Trust did not record a gain on bargain purchase during the year ended December 31, 2016.

The Trust believes an intense focus on operations is necessary to realize consistent, sustained earnings growth. Ensuring resident satisfaction, increasing rents as market conditions allow, maximizing rent collections, maintaining property occupancy at optimal levels, and controlling operating costs comprise the Trust's principal strategies to maximize property financial results. The Trust believes that MPI's web-based property management and revenue management systems strengthen on-site operations and allow MPI to quickly adjust rental rates as local market conditions change. The Trust, through MPI, generally attempts to stagger lease terms based on vacancy exposure by apartment type, so lease expirations are matched to each property's seasonal rental patterns. The Trust, through MPI, generally offers leases ranging from six to twelve months with individual property marketing plans structured to respond to local market conditions. In addition, MPI conducts ongoing customer service surveys to help ensure timely response to residents' changing needs and a high level of satisfaction.

Liquidity and Capital Resources

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

At December 31, 2016, we had $6.2 million in cash and cash equivalents, $10.4 million of restricted cash and $9.3 million of availability under our line of credit. As of December 31, 2016, we had a $5.0 million outstanding balance on our line of credit, which was scheduled to mature on December 20, 2016. On December 20, 2016, we extended the maturity date of the line of credit to March 20, 2017, and on March 3, 2017, we amended the line of credit to increase the total availability to $20.0 million and extend the maturity date to March 2, 2018. In addition, as of December 31, 2016, we had an aggregate principal amount of $7.0 million outstanding of 7% unsecured promissory notes, with the principal and accrued but unpaid interest due January 31, 2017. On January 31, 2017, we repaid all principal and interest for these promissory notes in full. The line of credit and unsecured promissory notes are described in Note 3, Mortgage Payable and Notes Payable, the description of which is incorporated herein by reference.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding debt, capital expenditures, distributions to shareholders, 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 historically have had additional means, such as borrowing availability under our line of credit, to help us meet our short-term liquidity demands. We believe that our cash and cash equivalents, cash provided by operating activities and borrowing availability under our line of credit will be sufficient to meet our financial commitments for the next year.

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

If we need to obtain new debt or equity financing or refinance existing debt in the future, including with respect to repaying indebtedness under our line of credit, which matures in March 2018, 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 December 31, 2016, we had $6.2 million in cash and cash equivalents, an increase of $2.5 million from December 31, 2015. In addition, at December 31, 2016, we had approximately $2.0 million of certificates of deposit and $10.4 million of restricted cash. Restricted cash primarily consists of reserves and escrows held by lenders for capital additions, property taxes, and insurance. The following discussion relates to changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our consolidated statements of cash flows.

	For The Years Ended December 31,	
(dollars in thousands)	2016	2015
Net cash flows provided by operating activities	$ 18,808	$ 19,079
Net cash flows used in investing activities	(20,351)	(30,329)
Net cash flows provided by financing activities	4,080	10,518

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 MPI), utilities, cleaning, repairs, insurance, security and building maintenance costs and property taxes. Additionally, our operating expenses include acquisition and disposition expenses.

For the year ended December 31, 2016, our net cash flows provided by operating activities of $18.8 million was primarily related to our income from continuing operations of $17.8 million, adjusted for the net change in working capital accounts of $0.8 million, noncash items including depreciation and amortization of $18.4 million, amortization of deferred loan costs of $0.8 million, asset impairment charge of $1.1 million, the increase in accounts payable and other liabilities of $0.8 million, offset by the gain on sale of Bicycle Club and Barrington Hills of $17.3 million and gain from insurance recovery of $2.4 million. Net cash flows provided by operating activities decreased by $0.1 million compared with the year ended December 31, 2015.

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 year ended December 31, 2016, net cash flows used in investing activities was $20.4 million. This was primarily driven by investment in new operating properties including Thomaston, Lexington on the Green, Viera and Olde Oak. In total, approximately $17.8 million was used to acquire interests in these apartment communities (excluding mortgage loans incurred in such acquisitions). In addition, a total of $15.4 million was used for capital investment on the Trust's operating properties. This was offset by net cash proceeds from the sale of Bicycle Club and Barrington Hills totaling $12.9 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 distributions to non-controlling interests in limited liability companies or partnerships that are not wholly owned by MOLP and making principal payments on mortgage notes payable.

For the year ended December 31, 2016, net cash flows provided by financing activities was $3.9 million. The Trust generated net proceeds of $81.1 million through mortgage note refinancings, borrowings from the line of credit and supplemental mortgage loans. These amounts were offset by: principal payments on mortgage notes payable, note payable repayments, repayments of mortgage loans refinanced distributions to non-controlling interests and dividends paid as detailed in the consolidated statements of cash flows.

Mortgage Debt

At December 31, 2016 and 2015, we had $446.7 million and $373.8 million, respectively, in consolidated mortgage notes outstanding.

Each mortgage loan is secured solely by the property held by the MOLP subsidiaries or undivided interests that obtained the loan. The following is a summary of scheduled mortgage notes payable maturities at December 31, 2016:

Year		Amount (in thousands)
2017	$	7,951
2018		28,712
2019		40,350
2020		35,682
2021		34,241
Thereafter		299,775
Total mortgage debt		446,711
Debt issuance cost		(3,180)
Total	$	443,531

On March 23, 2015, the Jefferson Park mortgage note was refinanced with NorthMarq Capital, L.L.C. ("NorthMarq") with a fixed rate mortgage note. The note is in the amount of $11.0 million, matures April 1, 2025 and has a fixed interest rate of 3.54%. The Trust received net proceeds of $5.3 million from the refinancing, which was used to pay down our line of credit. In addition, the Trust recognized loss on debt extinguishment of $288 thousand.

On June 18, 2015, the Trust obtained a $5.3 million second mortgage loan for Rosehill Pointe at a fixed interest rate of 5.19%. The loan has a maturity date of April 1, 2022 and is secured by a second lien on Rosehill Pointe's assets. In conjunction with the loan, a $3.0 million distribution was made to Rosehill Pointe's members. The Trust's portion of the distribution was $1.6 million.

On July 14, 2015, the Trust entered into a mortgage loan of $11.3 million with BMO Harris Bank, NA ("BMO") related to the acquisition of the Cross Creek apartment community. The mortgage loan is secured by Cross Creek's assets and contains a guarantee of repayment from the Trust. The mortgage loan matures on July 13, 2018 and has a variable interest rate equal to the one month LIBOR rate plus 2.25%. On July 17, 2015, the Trust executed an interest rate cap with BMO that is designed to cap the interest rate at 5%. As noted below, on August 24, 2016 this note was refinanced and paid in full.

On July 28, 2015, the Trust obtained a second mortgage on the Berkshire apartment community in the amount of $4.0 million. The loan has a maturity date of November 1, 2019, and has a fixed interest rate of 4.92%. The note is secured by the assets of the Berkshire apartments.

On September 18, 2015, the Trust obtained a second mortgage on the Glen at Polo Park ("Glen") apartment community in the amount of $2.3 million. The loan has a maturity date of March 1, 2023, and has a fixed interest rate of 5.25%. Subsequent to the closing of the loan, a $2.3 million distribution was made to Glen's members. The Trust's portion of the distribution was $1.4 million.

In connection with the acquisition of a controlling interest in Cape Fear Multifamily, LLC, which held the Astoria Apartments ("Astoria"), the Trust assumed a HUD mortgage loan with a balance of $22.3 million, not including a premium recorded on the loan of $2.0 million upon completing the acquisition. The mortgage loan had a fixed interest rate of 5.6% and matures August 1, 2053. On December 1, 2015, the Trust executed an amendment to the HUD mortgage loan which reset the interest rate to a fixed rate of 4.31%. No other terms of the original loan were modified. This loan modification was determined to be a substantial modification to the original debt instrument. As a result, we recognized a gain on debt extinguishment of $0.2 million.

On October 1, 2015, the Trust entered into a mortgage loan with BMO related to the acquisition of the Grand at Pearl apartment community in the amount of $11.6 million. The mortgage loan is secured by Grand at Pearl's assets and contains a guarantee of repayment from the Trust. The mortgage loan matures on October 1, 2018 and has an adjustable interest rate equal to the one month LIBOR rate plus 2.25% (3.02% at December 31, 2016). In conjunction with this loan, the Trust executed an interest rate cap with BMO that is designed to cap the interest rate at 4.0%.

On October 22, 2015, the Trust entered into a mortgage loan with Northmarq related to the acquisition of the Arbors at Natchez Trace apartment community in the amount of $24.5 million. The mortgage loan is secured by the assets of Arbors. The mortgage loan matures November 1, 2025 and has a fixed interest rate of 4.45%.

On December 29, 2015, the Trust entered into a mortgage loan with Northmarq related to the acquisition of the Villaggio apartment community in the amount of $16.3 million. The mortgage loan is secured by the assets of Villaggio. The mortgage loan matures on January 1, 2023 and has an adjustable interest rate equal to the one month LIBOR rate plus 2.66% (3.43% at December 31, 2016). In conjunction with this loan, the Trust executed an interest rate cap with Chatham Financial that is designed to cap the interest rate at 6.75%.

On December 31, 2015, in conjunction with the acquisition of the Mallard Creek apartment community, the Trust assumed the existing HUD loan associated with the property with a balance of $6.9 million. The loan carries a fixed interest rate of 3.28% and matures August 1, 2050. A debt discount of $0.2 million was recorded upon acquisition.

On March 30, 2016, the Trust obtained a second mortgage on the Forest Place apartment community in the amount of $3.9 million. The Trust's proportionate share of the loan amount is $2.0 million. The loan has a maturity date of April 1, 2022, and has a fixed interest rate of 5.16%. Subsequent to the closing of the loan, a $2.6 million distribution was made to the undivided interests of Forest Place, of which $1.3 million was the Trust's portion.

On April 29, 2016, the Trust obtained a $3.9 million second mortgage loan for the Park Edge apartment community at a fixed interest rate of 5.32%. The loan has a maturity date of January 1, 2023 and is secured by a second lien on Park Edge's assets. After completing the loan, a distribution totaling $3.4 million was made to the Park Edge members. The Trust's portion of the distribution was $1.8 million.

On May 2, 2016, the Trust obtained a $3.7 million second mortgage loan for the Regency North apartment community at a fixed interest rate of 4.86%. The loan has a maturity date of December 1, 2020 and is secured by a second lien on Regency North's assets.

On May 3, 2016, the Trust obtained a mortgage loan in the amount of $18.0 million from Northmarq related to the acquisition of the Thomaston apartment community. The mortgage loan is secured by the assets of Thomaston. The mortgage loan matures June 1, 2026 and has a fixed interest rate of 4.41%.

On July 7, 2016, the Trust obtained a mortgage loan from Walker & Dunlop related to the acquisition of the Lexington apartment community in the amount of $16.2 million. The mortgage loan is secured by the assets of Lexington. The mortgage loan matures August 1, 2026 and carries a fixed interest rate of 3.98%. The loan requires interest only payments for the first 24 months.

On August 24, 2016, the Trust assumed a mortgage loan related to the acquisition of the Viera apartment community. The loan has an outstanding balance of $12.5 million, carries a fixed interest rate of 3.51% and matures on March 1, 2022. The loan is secured by the assets of Viera.

On August 24, 2016, the Cross Creek mortgage note was refinanced with Northmarq. The note has an initial principal balance of $13.6 million, carries a fixed interest rate of 3.60% and matures September 1, 2026. The refinance resulted in Cross Creek Acquisition, LLC receiving net proceeds of approximately $2.3 million which was distributed to its members. The Trust's portion was approximately $2.1 million.

On September 23, 2016, the Kirkwood mortgage note was refinanced with Northmarq. The note has an initial principal balance of $28.4 million, carries a fixed interest rate of 4.04% and matures October 1, 2026. The refinance resulted in Kirkwood Acquisition, LLC receiving net proceeds of approximately $7.3 million. Subsequent to closing the loan, a distribution was made to the members of Kirkwood Acquisition, LLC totaling $6.5 million. The Trust's portion was approximately $3.4 million.

On September 30, 2016, the Landings mortgage note was refinanced with Northmarq. The note has an initial principal balance of $7.8 million, carries a fixed interest rate of 3.84% and matures October 1, 2026. The refinance resulted in excess proceeds of approximately $2.3 million.

On December 8, 2016, the mortgage note for the Highland Pointe apartment community was refinanced with Northmarq. The mortgage note has an initial principal balance of $16.8 million, carries a fixed interest rate of 4.51% and matures on January 1, 2024.

On December 20, 2016, the Trust obtained a $4.2 million second mortgage loan for the Schoettler Village apartment community. The loan carries a fixed interest rate of 4.98% and has a maturity date of April 1, 2020. After completion of the loan, a distribution totaling $2.7 million was made to the Schoettler Village members. The Trust's portion of the distribution was $1.4 million.

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At December 31, 2016, our mortgage debt consists of the following:

Property Name [(a)]		Balance at December 31, 2016 (amounts in thousands)	Interest Rate	Fixed or Variable	Maturity Date
Province of Briarcliff[(d)]	$	10,006	5.64%	Fixed	January 1, 2018
Grand at Pearl Apartments [(e)]		11,279	2.87%	Variable	October 1, 2018
Elements of Belle Rive 1st [(d)]		9,503	6.47%	Fixed	June 1, 2019
Elements of Belle Rive 2nd [(d)]		2,565	4.74%	Fixed	June 1, 2019
Madison at Melrose Apartments		10,974	5.99%	Fixed	July 1, 2019
Berkshire Apartments 1st [(b)]		7,155	5.57%	Fixed	November 1, 2019
Berkshire Apartments 2nd [(b)]		3,899	4.92%	Fixed	November 1, 2019
Schoettler Village Apartments 1st [(b)]		17,648	5.58%	Fixed	April 1, 2020
Schoettler Village Apartments 2nd [(b)]		4,200	4.98%	Fixed	April 1, 2020
Regency North Apartments 1st [(b)]		4,605	5.13%	Fixed	December 1, 2020
Regency North Apartments 2nd [(b)]		3,674	4.86%	Fixed	December 1, 2020
Villages of Bogey Hills Apartments 1st [(b)]		22,927	5.13%	Fixed	July 1, 2021
Villages of Bogey Hills Apartments 2nd [(b)]		6,766	4.87%	Fixed	October 1, 2021
Viera at Mandarin		12,500	3.51%	Fixed	March 1, 2022
Forest Place Apartments 1st [(c)]		6,727	4.13%	Fixed	April 1, 2022
Forest Place Apartments 2nd [(c)]		2,010	5.16%	Fixed	April 1, 2022
Rosehill Pointe Apartments 1st [(b)]		21,410	4.04%	Fixed	April 1, 2022
Rosehill Pointe Apartments 2nd		5,214	5.19%	Fixed	April 1, 2022
Park Edge Apartments 1st		18,176	3.63%	Fixed	January 1, 2023
Park Edge Apartments 2nd		3,887	5.32%	Fixed	January 1, 2023
Villaggio Apartments [(e)]		15,978	3.28%	Variable	January 1, 2023
Olde Oak Apartments		15,603	3.97%	Fixed	January 1, 2023
Glen at Polo Park1st [(b)(d)]		13,401	3.93%	Fixed	March 1, 2023
Glen at Polo Park 2nd [(b)]		2,280	5.25%	Fixed	March 1, 2023
Highland Pointe Apartments		16,784	4.51%	Fixed	January 1, 2024
Forest Park Apartments		7,132	4.22%	Fixed	October 1, 2024
Reserve at Tranquility [(b)(c)]		16,189	3.97%	Fixed	October 1, 2024
Jefferson Park Apartments		10,696	3.54%	Fixed	April 1, 2025
Arbors Apartments		24,086	4.45%	Fixed	November 1, 2025
Thomaston		17,836	4.41%	Fixed	June 1, 2026
Lexington on the Green		16,200	3.98%	Fixed	August 1, 2026
Cross Creek Apartments		13,538	3.60%	Fixed	September 1, 2026
Kirkwood Station		28,297	4.04%	Fixed	October 1, 2026
The Landings Apartments		7,803	3.84%	Fixed	October 1, 2026
Foothills Acquisition I, LLC[(d)]		3,355	3.20%	Fixed	July 1, 2037
Foothills Acquisition II, LLC[(d)]		3,705	3.80%	Fixed	November 1, 2047
Foothills Acquisition III, LLC[(d)]		18,377	3.25%	Fixed	May 1, 2050
Mallard Apartments[(d)]		6,554	3.28%	Fixed	April 1, 2050
Astoria Apartments[(d)]		23,772	4.31%	Fixed	August 1, 2053
Debt issuance cost		(3,180)			
Total	$	443,531			

[(a)] Mortgage loans are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust, cash deposits with lender and a corporate guaranty from the Trust and MOLP unless otherwise noted in (b).
[(b)] Mortgage loan is also secured by a limited carve-out guaranty from a principal individual owner if certain provisions in the loan agreement are breached.
[(c)] This is the Trust's proportionate share of the total debt.
[(d)] Debt balances have premiums/discounts.
[(e)] The Trust has an interest rate cap that is designed to cap the interest rates between 4.0% and 6.75%.

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.

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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 year ended December 31, 2016: Madison at Melrose, Schoettler Village, Bogey Hills, Kirkwood Station, Rosehill, Park Edge, Glen and Cross Creek. For the year ended December 31, 2016 and 2015, the limited liability companies holding these properties collectively paid cash distributions of $8.1 million and $3.7 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 10, Transactions Involving Shareholders' Equity, for a summary of dividends declared during 2016.

Funds From Operations (FFO)

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

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

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

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

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

	For The Years Ended December 31,	
(dollars and shares in thousands)	2016	2015
Funds From Operations		
Net income attributable to common shareholders	$ 14,664	$ 4,523
Adjustments:		
Property related depreciation	18,339	12,836
Asset impairment	1,139	1,066
Gain from insurance recovery, net	(2,386)	(1,689)
Gain from sale of Barrington Hills	(2,394)	--
Gain from sale of Bicycle Club	(14,980)	--
Gain from sale of Ashbrooke	--	(796)
Gain from sale of Fountainhead	--	(2,226)
Gain on bargain purchase	--	(886)
Net income attributable to non-controlling interest	(1,066)	(1,412)
Funds from operations	$ 13,316	$ 11,416
Funds from Operations per Share - Diluted		
Weighted average common shares outstanding, diluted	1,293	1,286
Diluted funds from operations, per share	$ 10.30	$ 8.88

FFO for the year ended December 31, 2015 has been revised from amounts previously reported. The revision is primarily related to properly reflecting income related to non-controlling interests.

Real Property Interests Owned by Company

The 28 operating properties in which we owned interests at December 31, 2016 averaged 1,045 square feet of living space per apartment unit. For the year ended December 31, 2016, no single operating property accounted for greater than 7.0% of our total revenues. Our operating properties had an average occupancy rate of approximately 94% and 95% for the years ended December 31, 2016 and 2015, respectively, and an average rental revenue per apartment home of $870 and $820 for the years ended December 31, 2016 and 2015, respectively. Resident lease terms generally range from six to twelve months. Twenty of the 28 operating properties have 200 or more apartment homes, with the largest having 540 apartment homes. Our operating properties have an average age of 24 years.

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Property Table

The following table sets forth information with respect to our 28 operating properties at December 31, 2016:

OPERATING PROPERTIES

Property and Location	Year of Construction	Year of Purchase	Average Unit Size (Sq. Ft.)	Number of Apartments	2016 Average Occupancy	2016 Average Monthly Rental Rate Per Unit
APARTMENTS						
ALABAMA						
Saraland						
Olde Oak Apartments	2009	2016	902	240	90.00%	$ 895
ARKANSAS						
Bentonville						
Glen at Polo Park	2006	2011/2013	912	356	96.84%	670
Little Rock						
Foothills I, II and III	1988/2006	2014	981	540	92.33%	758
Forest Place	1974/1983	2012	1,063	256	96.62%	900
The Landings	1986	2001	808	154	92.48%	686
FLORIDA						
Jacksonville						
Elements of Belle Rive	1989	2013	1,103	201	93.95%	1,103
Viera at Mandarin	1984	2016	883	188	90.69%	956
GEORGIA						
Macon						
Thomaston	2014	2016	1,060	250	91.40%	859
Lexington on the Green	2001	2016	1,096	216	97.22%	892
KANSAS						
Lenexa						
Park Edge	1999	2012	1,132	260	96.25%	975
Rosehill Pointe	1985	2012	922	498	95.15%	774
Wichita						
Berkshire	1991	2009	917	252	94.71%	743
Cross Creek	1990	2015	952	256	94.70%	690
LOUISIANA						
Bossier City						
Villaggio	2009	2015	977	239	89.19%	953
MISSISSIPPI						
Pearl						
Grand at Pearl	1999	2015	1,151	280	96.16%	725
Horn Lake						
Mallard	1988/1983	2015	1,149	144	93.75%	734
Ridgeland						
Arbors at Natchez Trace	1995	2015	1,045	328	95.86%	942
MISSOURI						
Chesterfield						
Schoettler Village	1979	2010	1,291	300	95.39%	1,054
Kansas City						
Forest Park/Valley Forge	1967/1972	2000/2006	941	198	95.79%	648
Regency North	1970	2007	1,115	180	92.50%	747
Province of Briarcliff	2003	2013	1,007	120	95.00%	1,080
Liberty						
Jefferson Park	1987/2008	2012	677	207	92.05%	642
St. Charles						
Villages of Bogey Hills	1985	2011	893	486	95.08%	861
Kirkwood						
Kirkwood Station	2005	2011	965	159	96.80%	1,330
NORTH CAROLINA						
Hope Mills						
Astoria Apartments	2011	2015	1,100	272	91.39%	855
OKLAHOMA						
Yukon						
Highland Pointe	2004	2007	920	232	89.34%	841
TEXAS						
Pearland						
Tranquility	2003	2014	1,040	314	94.27%	1,161
Richardson						
Madison at Melrose	1995	2009	947	200	97.92%	1,174
Total				7,326		

RETAIL	Year of Construction	Year of Purchase	Total Square Feet	December 31, 2016 Occupancy	Average Annual Rent Per Sq. Ft.
LOUISIANA					
Bossier City					
Villaggio Retail	2009	2015	52,000	17.21%	$ 10.29
MISSOURI					
Kirkwood					
Kirkwood Station Retail	2005	2011	40,412	96.04%	20.87

Legal Proceedings

The Trust is a party to the legal proceedings described in Note 13, Contingencies, which note is incorporated herein by reference. The Trust is also a party to an action against the City of Pearl, Mississippi described in Note 7, Property Acquisitions and Dispositions, which description is incorporated herein by reference.

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

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

Risk Factors

Our business is subject to significant risks, including the risks and uncertainties described below. You should carefully consider these risks, as well as the other information in this annual report, including our consolidated financial statements and notes thereto. The occurrence of any of these risks could adversely affect our business, financial condition, results of operations and cash flows in a material way.

Risks Associated with Our Assets, Operations and Ownership of Our Shares

Our acquisition strategy may not produce the cash flows expected.

As part of our growth strategy, we may acquire interests in additional operating properties on a selective basis. Our potential acquisition activities are subject to a number of risks, including the following:

- we may not be able to successfully integrate acquired properties into our existing operations;
- they may prove costly or time-consuming and could divert management's attention;
- we may undertake acquisition in new markets where we do not have the same level of market knowledge, which may expose us to unanticipated risks in those markets to which we are unable to effectively respond;
- we may issue equity in connection with acquisitions resulting in dilution to our existing shareholders;
- we may assume debt or other liabilities in connection with acquisitions;
- the expected occupancy and rental rates of an acquired property may differ from actual rates; and
- we may not be able to obtain adequate financing.

Should any of these risks, or other unanticipated events occur, it could cause an acquisition to not perform as projected by the Trust, and could result in short term or sustained losses for that property.

Competition could adversely affect our ability to acquire properties.

Other real estate investors, including private investors and other multifamily REITs, compete with us to acquire additional operating properties. Many of these competitors have substantially greater financial and other resources than we do. This competition could increase prices for the type of properties we may pursue and adversely affect our ability to acquire these properties or the profitability of such properties upon acquisition.

Losses from catastrophes may exceed our insurance coverage.

We carry comprehensive property and liability insurance on our properties, which we believe is of the type and amount customarily obtained on similar real property assets by similar types of owners. We intend to obtain similar coverage for properties in which we acquire an interest in the future. However, some losses, generally of a catastrophic nature, such as losses from floods, hurricanes or tornados, may be subject to coverage limitations. We exercise our discretion in determining amounts, coverage limits, and deductible provisions of insurance to maintain appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a catastrophic loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment, as well as the anticipated future revenues from the property. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also may reduce the feasibility of using insurance proceeds to replace a property after it has been damaged or destroyed.

Tax matters, including a failure to qualify as a REIT, could have adverse consequences.

We may not continue to qualify as a REIT in the future. The Internal Revenue Service may challenge our qualifications as a REIT for prior years and new legislation, regulations, administrative interpretations, or court decisions may change the tax laws or the application of the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification.

For any taxable year we fail to qualify as a REIT and do not qualify under statutory relief provisions:

- we would be subject to federal income tax on our taxable income at regular corporate rates, including any applicable alternative minimum tax;
- we would be disqualified from treatment as a REIT for the four taxable years following the year in which we failed to qualify, thereby reducing our net income, as we would be required to pay income taxes for the year or years involved; and
- our ability to expand our business and raise capital would be impaired, which may adversely affect the value of our common shares.

We may face other tax liabilities in the future which may impact our cash flow. These potential tax liabilities may be calculated on our income or property values at either the corporate or individual property levels. Any additional tax expense incurred would decrease the cash available for cash distributions to our common shareholders and non-controlling interest holders. Furthermore, the results of the November 8, 2016 U.S. Presidential election create uncertainty regarding future potential tax law reform. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws, the application of the tax laws to our qualification as a REIT or the federal income tax consequences of that qualification.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact to our business and/or financial condition.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of our operational or information security systems, or those of our third party service providers, as a result of cyberspace attacks or information security breaches could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, and/or subject us to possible financial liabilities, any of which could have a negative impact on our financial condition and results of operations.

We depend on key personnel.

Our success depends in part on our, and MPI's, ability to attract and retain the services of executive officers and other key personnel. There is substantial competition for qualified personnel in the real estate industry, and the loss of one or more of our key personnel could have a material adverse effect on us.

Litigation risks could affect our business.

As an owner of interests in several multifamily properties, we are at risk of becoming involved in legal proceedings, including consumer, employment, tort, or commercial litigation, which if decided adversely to or settled by us, could result in liability that is material to our consolidated financial condition or results of operations.

Compliance or failure to comply with the Americans with Disabilities Act of 1990 or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Non-compliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time-to-time claims may be asserted against us with respect to some of our properties under the Americans with Disabilities Act. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations. Further, our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

In order for properties to generate positive cash flow or to make properties suitable for sale, we may need to make significant capital improvements and incur deferred maintenance costs with respect to these properties.

Some of our properties face competition from newer and updated properties. To remain competitive and increase occupancy at these properties and/or make them attractive to potential tenants or purchasers, we may have to make significant capital improvements and/or incur deferred maintenance costs with respect to these properties. The cost of these improvements and deferred maintenance items may impair our financial condition and liquidity.

Our transactions with affiliated entities could be deemed to involve conflicts of interest.

Entities affiliated with us and with certain of our trustees provide services to us and on our behalf. We have also entered into a number of transactions with our affiliates. Although our policy is to obtain terms in transactions with affiliates that are at least as favorable as those that we would receive if the transactions were entered into with unaffiliated entities, these transactions raise the potential that we may not receive terms as favorable as those that we would receive if the transactions were entered into with unaffiliated entities. As previously disclosed, the Trust has appointed a special committee of the Board to evaluate a potential transaction pursuant to which the Trust would acquire MPI. There can be no assurances that this transaction will occur, nor can there be any assurances as to the terms or timing of any such transaction. See Note 5, Related Party Transactions, for a description of our transactions with affiliates.

Liability relating to environmental matters may impact the value of properties in which we hold an interest.

We may be subject to environmental liabilities arising from the ownership of properties in which we hold an interest. Under various federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances on a property may adversely affect our ability to finance or sell the property and we may be obligated for substantial remediation costs. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition. The presence of hazardous substances may adversely affect our ability to sell real estate or borrow using the real estate as collateral.

Moisture infiltration and resulting mold remediation may be costly.

Although we are proactively engaged in managing moisture intrusion and preventing the presence of mold at our apartment communities, it is not unusual for periodic moisture intrusion issues to cause mold in isolated locations within an apartment community. We have implemented policies, procedures and training, and include a detailed moisture instruction and mold assessment during acquisition due diligence. We believe these measures will manage mold exposure at our apartment communities and will minimize the effects that mold may have on our residents. To date, we have not incurred any material costs or liabilities relating to claims of mold exposure or to abate mold conditions. We have only limited insurance coverage for property damage claims arising from the presence of mold and for personal injury claims related to mold exposure. Because the law regarding mold is unsettled and subject to change, we can make no assurance that liabilities resulting from the presence of or exposure to mold will not have a material adverse effect on our consolidated financial condition or results of operations.

We are subject to risks associated with real estate assets and the real estate industry, which could decrease revenues or increase costs and adversely affect the economic performance and value of our properties.

Our real estate assets are subject to general economic and market risks. As such, in a general economic decline or recessionary climate, our assets may not generate sufficient cash to pay expenses, service debt or cover maintenance, and, as a result, our financial condition, results of operations and cash flow may be adversely affected. Factors that may adversely affect the economic performance or value of our properties include, among others: changes in the national, regional and local economic climate; inflation; national, regional and local unemployment rates; local conditions such as an oversupply of space or a reduction in demand for real estate in the area; favorable interest rate environments that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting; changes in tax, real estate, and environmental and zoning laws.

Unfavorable changes in market and economic conditions could adversely affect occupancy, rental rates, operating expenses, and the overall market value of multi-family properties we hold an interest in.

Conditions in markets in which we acquire interests in multi-family properties may significantly affect occupancy, rental rates and the operating performance of such assets. The risks that may adversely affect conditions in those markets include the following: industry slowdowns, plant closings and other factors that adversely affect the local economy; an oversupply of, or a reduced demand for, multi-family units; a decline in household formation or employment or lack of employment growth; the inability or unwillingness of residents to pay rent increases; rent control or rent stabilization laws, or other laws regulating housing that could prevent us from raising rents to offset increases in operating costs; and economic conditions that could cause an increase in our operating expenses, such as increases in property taxes, utilities, and routine maintenance.

There is a very limited public trading market for shares of our common stock and we are not required to effectuate a liquidity event by a certain date. As a result, it may be difficult for shareholders to sell shares of our common stock.

Our common stock is quoted on the OTC Pink market tier and there is limited public trading activity of our common stock. We have no obligation to list our shares on any public securities market or provide any other type of liquidity to our shareholders. Therefore, it may be difficult for shareholders to sell shares of our common stock. Even if a shareholder is able to sell shares of our common stock, the absence of a public market may cause the price received for any shares sold to be less than what was paid or less than the proportionate value of the assets we own. Additionally, our charter does not require that we consummate a transaction to provide liquidity to shareholders on any date certain. As a result, shareholders must be prepared to hold shares of our common stock for an indefinite period of time.

Risks Associated with Our Indebtedness and Financing

Increases in interest rates would increase our interest expense and reduce our profitability.

As of December 31, 2016, on a consolidated basis, we had approximately $27.2 million of variable-rate indebtedness outstanding. The U.S. Federal Reserve recently increased its benchmark interest rate and signaled that rates could continue to rise more quickly than previously expected. If interest rates continue to increase, so could our interest costs for any new debt. We estimate that an increase in 30-day LIBOR of 100 basis points with constant credit risk spreads would result the amount of net income attributable to our common shareholders being reduced by approximately $0.3 million, on an annual basis.

Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders.

Substantially all of our income is derived from rental and other income from our multifamily communities. As a result, our performance depends in large part on our ability to collect rent from residents, which could be negatively affected by a number of factors, including the following:

- the delay in resident lease commencements;
- a decline in occupancy;
- the failure of residents to make rental payments when due;
- the attractiveness of our properties to residents and potential residents;
- our ability to adequately manage and maintain our communities;
- competition from other available apartments and housing alternatives; and
- changes in market rents.

Cash flow could be insufficient to meet required payments of principal and interest with respect to debt financing or other obligations of the Trust.

We have significant debt, which could have important adverse consequences.

As of December 31, 2016, we had outstanding mortgage debt of approximately $443.5 million and other notes payable of $12.4 million. This indebtedness could have important consequences, including:

- if a property is mortgaged to secure payment of indebtedness, and if we are unable to meet our mortgage obligations, we could sustain a loss as a result of foreclosure on the mortgaged property;
- our vulnerability to general adverse economic and industry conditions is increased; and
- our flexibility in planning for, or reacting to, changes in business and industry conditions is limited.

The mortgage loans on our properties are generally subject to an indenture, which contains customary restrictions, requirements, and other limitations as well as certain financial covenants including maintenance of certain financial ratios. Maintaining compliance with these provisions could limit our financial flexibility. A default in these provisions, if uncured, could require us to repay the indebtedness before the scheduled maturity date, which may adversely affect our liquidity and increase our financing costs.

We may be unable to renew, repay, or refinance our outstanding debt.

We are subject to the risk that indebtedness on our properties will not be renewed, repaid, or refinanced when due or the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we are unable to refinance our indebtedness on acceptable terms or at all, we might be forced to dispose of one or more of the properties on disadvantageous terms, which might result in losses to us. Additionally, if government authorities elect to raise interest rates, such increases could result in increased borrowing costs on our variable interest rate loans, including when we refinance existing debt, or incur indebtedness to acquire additional property interests or for our operations. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, appoint a receiver and exercise rights under an assignment of rents and leases, or pursue other remedies, all with a consequent loss to us of revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code of 1986, as amended.

Issuances of additional debt may adversely impact our financial condition.

Our capital requirements depend on numerous factors, including the rental and occupancy rates of our multifamily properties, distributions, development and capital expenditures, costs of operations, and potential acquisitions. If our capital requirements vary materially from our plans, we may require additional financing earlier than anticipated. If we incur more debt, we would become more leveraged, resulting in increased risk of default on our obligations and an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future.

We could be negatively impacted by the condition of Fannie Mae or Freddie Mac and other federal agencies.

Fannie Mae and Freddie Mac are a major source of financing for multifamily real estate. We and other multifamily companies have utilized Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing apartment loans. Fannie Mae and Freddie Mac have been a major source of financing for multi-family real estate in the United States and we have used loan programs sponsored by these agencies to finance certain of our acquisitions of properties. There has been ongoing discussion by the government with regard to the long term structure and viability of Fannie Mae and Freddie Mac, which could result in adjustments to guidelines for their loan products. Should these agencies have their mandates changed or reduced, lose key personnel, be disbanded or reorganized by the government or otherwise discontinue providing liquidity for the multi-family sector, our ability to obtain financing through loan programs sponsored by the agencies could be negatively impacted. In addition, changes in our relationships with Fannie Mae, Freddie Mac, and/or the United States Department of Housing and Urban Development and the lenders that participate in their loan programs, with respect to our existing mortgage financing could impact our ability to obtain comparable financing for new acquisitions or refinancing for our existing properties. If our access to financing provided through Fannie Mae and Freddie Mac, as well as other federal agency loan programs, is reduced or impaired, it would significantly affect our access to debt capital and/or increase borrowing costs and could significantly limit our ability to acquire properties on acceptable terms and reduce the values to be realized upon property sales.

We could be negatively impacted by global geopolitical uncertainty.

There continues to be global economic uncertainty. Increased uncertainty in the wake of the "Brexit" referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union, as well as political changes in the U.S. and abroad, have contributed to volatility in the global financial markets. Although the U.S. economy is improving, there can be no assurances that the U.S. economy will continue to improve. We rely in part on debt financing to finance our acquisitions. To the extent that turmoil in the financial markets returns or intensifies, it has the potential to adversely affect our ability to refinance our existing obligations as they mature or obtain new financing for acquisitions.

Our primary business is the ownership and operation of real property interests; real estate is illiquid and its value is dependent on conditions beyond our control.

The ownership of real property is subject to varying degrees of risk generally incident to the ownership of real property. These risks include unanticipated maintenance and improvement obligations, increases in real property tax obligations, the availability of financing, and various other general and local economic factors outside of the Company's control. Due to these risks, no assurances can be given that the fair market value of any properties we own or operate will not decrease in the future. Real property holdings are relatively illiquid, and we may not be able to sell a property or otherwise reconfigure our portfolio promptly in response to economic or other conditions. This inability to reallocate our capital promptly or to liquidate a given property could adversely affect our financial condition and results of operations.

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 December 31, 2016 and 2015:

(dollars in thousands)		December 31, 2016					December 31, 2015			
		Amount	*Average Maturity (in years)*	*Average Interest Rate*	*% Of Total Amount*		*Amount*	*Average Maturity (in years)*	*Average Interest Rate*	*% Of Total Amount*
Fixed rate debt	$	428,722	10	4.64%	94%	$	332,650	11	4.90%	84%
Variable rate debt		27,257	4	3.08%	6%		64,832	3	2.92%	16%
Total	$	455,979				$	397,482			

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 December 31, 2016, the Trust has two variable interest rate loans: Grand at Pearl and Villaggio. The Trust has entered into rate cap agreements for each of the loans which cap the interest rate at rates ranging from 4.0 - 6.75%. The Trust may enter into future interest rate swaps and caps to protect against fluctuations in the rates of any additional variable rate debt. See Note 3 of the notes to consolidated financial statements for interest rates on the mortgage loan for each property and the maturity date of each mortgage loan.

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

We use predominantly long-term, fixed-rate non-recourse property debt to avoid the refunding and repricing risks of short-term borrowings. The Trust believes that the primary fair value risk is best quantified by considering prepayment penalties associated with the fixed-rate debt. The Trust's promissory notes allow prepayment in full, subject to compliance with the prepayment terms as set forth in the applicable promissory note, including payment of the applicable prepayment penalty. The prepayment penalty on the Trust's mortgage loans generally is the greater of 1.0% 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 have no mortgages that mature in 2017.

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

MAXUS REALTY TRUST, INC.

We have audited the accompanying consolidated balance sheets of Maxus Realty Trust, Inc. (the Trust) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maxus Realty Trust, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
March 16, 2017

MAXUS REALTY TRUST, INC.
Consolidated Balance Sheets
As of December 31, 2016 and 2015
(In thousands, except share data)

ASSETS	2016	2015
Operating real estate		
Land	$ 48,817	$ 39,364
Buildings and improvements	478,413	406,894
Personal property	23,236	20,212
Total real estate	550,466	466,470
Less accumulated depreciation	(57,830)	(48,549)
Net operating real estate	492,636	417,921
Assets held for sale	--	5,298
Cash and cash equivalents	6,246	3,709
Certificates of deposit	1,984	1,883
Escrows and reserves	10,449	8,593
Prepaid expenses and other assets	2,497	2,067
Accounts receivable, net	753	795
Intangible assets, net	1,451	2,906
Investment in unconsolidated real estate companies	475	459
Total assets	$ 516,491	$ 443,631
LIABILITIES AND EQUITY		
Mortgage notes payable	$ 443,531	$ 366,855
Notes payable	6,537	17,774
Notes payable, related parties	5,911	5,869
Accounts payable, prepaid rent and other accrued expenses	6,743	5,054
Accounts payable, related parties	1,813	1,203
Real estate taxes payable	2,455	1,988
Refundable tenant deposits	2,001	1,864
Acquired below market leases, net	--	134
Liabilities related to assets held for sale	--	4,908
Total liabilities	468,991	405,649
EQUITY		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized 5,000,000 shares, no shares issued and outstanding	--	--
Common stock, $1 par value; authorized 5,000,000 shares, issued 1,419,000 shares in 2016 and 2015, outstanding 1,130,000 shares in 2016 and 2015	1,419	1,419
Treasury stock, at cost 289,000 shares at 2016 and 2015	(4,293)	(4,293)
Additional paid-in-capital	19,953	19,953
Retained earnings	17,393	6,460
Total shareholders' equity attributable to Maxus Realty Trust, Inc.	34,472	23,539
Non-controlling interests	13,028	14,443
Total shareholders' equity	47,500	37,982
Total liabilities and shareholders' equity	$ 516,491	$ 443,631

See accompanying notes to consolidated financial statements.

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MAXUS REALTY TRUST, INC.
Consolidated Statements of Operations
Years ended December 31, 2016 and 2015
(In thousands, except per share data)

	2016	2015
REVENUES		
Property revenue	$ 66,000	$ 53,315
Other	8,297	7,274
Total revenues	74,297	60,589
OPERATING EXPENSES		
Depreciation and amortization	18,339	12,836
Related party payroll reimbursement	8,251	6,756
Real estate taxes	6,538	5,257
Utilities	5,094	4,073
Other operating expenses	4,371	3,388
Repairs and maintenance	4,213	3,333
Turn costs and leasing	2,782	2,295
Related party management fee	2,726	2,315
Related party transaction fees	388	488
Insurance	2,285	1,973
Legal fees	385	225
Total operating expenses	55,372	42,939
Operating income	18,925	17,650
OTHER INCOME (EXPENSE)		
Interest income	28	17
Interest expense	(19,800)	(15,554)
Loss on debt extinguishment, net	--	(79)
Gain on bargain purchase	--	886
Gain on sale	17,374	3,022
Asset impairment	(1,139)	(1,066)
Gain from insurance recovery	2,386	1,689
Gain from insurable event, net	--	61
Total other expenses, net	(1,151)	(11,024)
Net income	17,774	6,626
Net income attributable to non-controlling interests	(3,110)	(2,103)
Net income attributable to common shareholders	$ 14,664	$ 4,523
Earnings per common share		
Basic earnings per share	$ 12.98	$ 4.00
Diluted earnings per share	$ 11.34	$ 3.51
Weighted average common shares outstanding, basic	1,130	1,130
Weighted average common shares outstanding, diluted	1,293	1,286

See accompanying notes to consolidated financial statements.

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MAXUS REALTY TRUST, INC.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 2016 and 2015
(In thousands)

	Common Stock														
	# of Shares		Amount		Treasury Stock		Additional paid in capital		Retained Earnings		Total Shareholders' Equity		Non-Controlling Interests		Total Shareholders' Equity
Balance December 31, 2014	1,419	$	1,419	$	(3,877)	$	19,953	$	3,898	$	21,393	$	15,454	$	36,847
Net income	- -		- -		- -		- -		4,523		4,523		2,103		6,626
Accrued dividends	- -		- -		- -		- -		(282)		(282)		(39)		(321)
Cash dividends paid	- -		- -		- -		- -		(1,679)		(1,679)		(233)		(1,912)
Applewood sale	- -		- -		- -		- -		- -		- -		(825)		(825)
Non-controlling interest – Cross Creek	- -		- -		- -		- -		- -		- -		372		372
Non-controlling interest –Atlantic Multifamily, LLC (Astoria)	- -		- -		- -		- -		- -		- -		753		753
Non-controlling interest – Astoria Acquisition, LLC	- -		- -		- -		- -		- -		- -		600		600
Treasury shares repurchased	- -		- -		(416)		- -		- -		(416)		- -		(416)
Distributions to non-controlling interests	- -		- -		- -		- -		- -		- -		(3,742)		(3,742)
Balance December 31, 2015	1,419	$	1,419	$	(4,293)	$	19,953	$	6,460	$	23,539	$	14,443	$	37,982
Net income	- -		- -		- -		- -		14,664		14,664		3,110		17,774
Accrued dividends	- -		- -		- -		- -		(169)		(169)		(24)		(193)
Cash dividends paid	- -		- -		- -		- -		(3,562)		(3,562)		(489)		(4,051)
Non-controlling interest – Olde Oak	- -		- -		- -		- -		- -		- -		3,611		3,611
Distributions to non-controlling interests	- -		- -		- -		- -		- -		- -		(7,617)		(7,617)
MOLP units redeemed	- -		- -		- -		- -		- -		- -		(6)		(6)
Balance December 31, 2016	1,419	$	1,419	$	(4,293)	$	19,953	$	17,393	$	34,472	$	13,028	$	47,500

See accompanying notes to consolidated financial statements.

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MAXUS REALTY TRUST, INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015
(In thousands)

	2016	2015
Cash flows from operating activities:		
Net income	$ 17,774	$ 6,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,473	12,836
Amortization of deferred loan costs and debt discount	794	613
Amortization of acquired below market leases	(134)	(27)
Asset retirement obligation	8	8
Gain on bargain purchase and debt extinguishment	--	(1,095)
Asset impairment	1,139	1,066
Gain on sale of Fountainhead	--	(2,226)
Gain on sale of Ashbrooke	--	(796)
Gain on sale of Bicycle Club	(14,980)	--
Gain on sale Barrington Hills	(2,394)	--
Gain from insurance recovery	(2,386)	(1,689)
Changes in accounts affecting operations:		
Accounts receivable, net	(65)	51
Prepaid expenses and other assets	(65)	(239)
Escrows and reserves	(171)	2,801
Accounts payable and other liabilities	815	1,150
Net cash flows provided by operating activities	18,808	19,079
Cash flows from investing activities:		
Capital expenditures on investment properties	(15,342)	(8,219)
Repair escrow	11	(1,292)
Investment in certificates of deposit, net	(101)	(516)
Net cash paid for acquisition of Thomaston	(7,342)	--
Net cash paid for acquisition of Lexington	(4,640)	--
Net cash paid for acquisition of Viera	(5,464)	--
Net cash paid for acquisition of Olde Oak	(334)	--
Net cash paid for acquisition of Cross Creek	--	(4,182)
Net cash paid for acquisition of Astoria	--	(2,797)
Non-controlling contribution for Astoria Acquisition	--	600
Net cash paid for acquisition of Grand at Pearl	--	(5,075)
Net cash paid for acquisition of Arbors	--	(6,841)
Net cash paid for acquisition of Villaggio	--	(6,165)
Net cash paid for acquisition of Mallard	--	(1,775)
Net cash received from sale of Bicycle Club	10,184	--
Net cash received from sale of Barrington Hills	2,693	--
Net cash received from sale of Fountainhead	--	2,668
Net cash received from sale of Ashbrooke	--	3,265
Investment in unconsolidated real estate companies, net	(16)	--
Net cash flows used in investing activities	(20,351)	(30,329)
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(6,622)	(5,272)
Second mortgage loan proceeds	13,566	--
Notes payable borrowings	1,712	18,200
Notes payable repayments	(9,898)	(11,700)
Notes payable, related parties repayments	--	(1,376)
Proceeds from refinancing of mortgage and second mortgage loans	65,868	22,243
Repayment of mortgage loans refinanced	(48,872)	(5,054)
Distributions paid to non-controlling interests	(8,112)	(3,742)
Distributions to former Ashbrooke partners	--	(453)
Dividends paid to shareholders	(3,562)	(1,912)
Treasury stock repurchased	--	(416)
Net cash flows provided by financing activities	4,080	10,518
Net increase (decrease) in cash and cash equivalents	2,537	(732)
Cash and cash equivalents, beginning of year	3,709	4,441
Cash and cash equivalents, end of year	$ 6,246	$ 3,709
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 18,634	$ 14,847
Supplemental disclosure of non-cash investing and financing activities:		
Mortgage note assumed for acquisition of Viera	$ 12,500	$ --
Mortgage note for Olde Oak	15,603	--
Liabilities incurred for acquisition of Olde Oak	745	--
Mortgage note assumed for acquisition of Astoria	--	22,374
Mortgage note assumed for acquisition of Mallard	--	6,856
Accrued dividends	514	321
Net capital expenditures recorded in accounts payable	868	196

See accompanying notes to 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 Delaware corporation and wholly owned subsidiary of the Trust, is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, Maxus Realty GP, Inc. generally has the exclusive power under 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, they are redeemable on a one unit-for-one share basis. If MOLP limited partnership operating units are redeemed for cash, such units are redeemable at a price per unit based on the average trading price as reported on the OTC market of the Trust’s common stock, over a ten day period preceding the redemption. Through December 31, 2016, three MOLP holders have elected to have their limited partnership operating units redeemed which the Board elected to pay in cash. Holders of MOLP limited partnership operating units are not entitled to rights as shareholders of the Trust prior to conversion of their MOLP limited partnership operating units into shares of the Trust's common stock.

The Trust believes the UPREIT structure enables the Trust to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue MOLP limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, which allows those sellers to realize certain tax benefits that would be unavailable to them if the Trust purchased those properties directly for cash or common stock. As of December 31, 2016, the Trust owns approximately 87.30% of the outstanding limited partnership interests in MOLP as well as the general partnership interest. Non-controlling holders of MOLP operating units own 12.70% of the outstanding limited partnership interests in MOLP, which is represented by 164,433 MOLP operating units. A fractional interest is owned by the general partner of MOLP. Of the 12.70% non-controlling limited partnership interests in MOLP, affiliates of the Trust own 83.43% (or 137,181 of the 164,433 MOLP non-controlling limited partnership operating units outstanding).

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

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

Business

The Trust is primarily engaged in the business of investing, owning, developing and leasing real property located in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and Texas. The Trust, through its subsidiary and related entities, owns and operates rental real estate in two segments; apartments and retail. As of December 31, 2016, the Trust holds an interest in 28 apartment communities and approximately 92,000 square feet of retail space.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

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

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

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

b. Use of Estimates

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

c. Reclassifications

Certain amounts previously reported in our 2015 consolidated financial statements have been reclassified to conform with the current year presentation due to reclassification of related party transaction fees and deferred loan costs as discussed in Note 2.

d. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of the Trust's bank demand deposits and investments in a money market mutual fund. We have a total of $3.1 million in depository accounts in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits, including $1.0 million in excess of FDIC insured limits held by a bank affiliated with a related party as discussed in Note 5.

e. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Trust's accounts receivable balance is comprised primarily of rents and operating cost recoveries due from tenants. The Trust records a provision for credit losses based on management's judgment of a tenant's creditworthiness, ability to pay and probability of collection. Accounts receivable is reflected in the consolidated balance sheets net of allowance for doubtful accounts at December 31, 2016 and 2015 of $1.9 million and $1.6 million, respectively. The Trust regularly evaluates the adequacy of its allowance for doubtful accounts.

f. Operating Real Estate

Accounting for Acquisitions

Management accounts for acquisitions of properties in accordance with FASB ASC Topic 805, "Business Combinations." 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. As final information regarding fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments will be made in no case later than twelve months after the acquisition date. Transaction costs and fees incurred related to acquisitions are expensed as incurred. 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.

In accordance with FASB ASC Topic 805, the Trust has recorded the fair value of acquired in-place leases on the date of acquisition, which consist of the following:

In thousands	December 31,	
	2016	2015
In-place leases, net of accumulated amortization of $5.2 million and $1.6 million, respectively	$ 1,451	$ 2,906

Remaining unamortized in-place leases, at December 31, 2016, relate to Cross Creek, Astoria, Colony (Grand at Pearl), Arbors, Mallard and Villaggio. 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 the existing lease rates generally approximate market rates. Amortization expense for in-place leases totaled $3.6 million and $636 thousand for the years ended December 31, 2016 and 2015, respectively.

Impairment of Long-Lived Assets

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

Recognition of Insurance Recoveries

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

Highland Pointe

On March 25, 2015, a storm damaged the Highland Pointe apartments, including all of the roofs. As a result, we recorded an impairment charge of $477 thousand during the year ended December 31, 2015 which is the estimated carrying value of the damaged building components. The replacement of the damaged building components was covered by insurance proceeds and all reconstruction was completed during 2015. Total insurance proceeds received were $581 thousand, which is reflected as gain from insurance recovery during the year ended December 31, 2015.

Jefferson Park

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

The carrying value of the building and personal property lost as a result of the fire was approximately $589 thousand. As a result, we recorded this amount as an impairment charge during the year ended December 31, 2015.

The cost of the reconstruction was covered by insurance proceeds. In addition, the Trust maintains business interruption insurance for the loss of revenue and additional expenses incurred. Reconstruction of the damaged building was completed during 2016. As the insurance proceeds were contingent on completing reconstruction, the Trust recognized the gain from insurance recovery as construction was completed. For the years ended December 31, 2016 and 2015, the Trust recognized gain from insurance recovery totaling $1.2 million and $1.1 million, respectively.

Madison at Melrose

On March 17, 2016, a storm damaged the Madison at Melrose Apartments, including all the roofs. As a result, we recorded an impairment charge of $419 thousand which is the estimated carrying value of the damaged building components. All reconstruction was completed during 2016 and the cost of reconstruction of the damaged buildings was covered by insurance proceeds. As of December 31, 2016, the Trust recognized gain from insurance recovery totaling $1.0 million.

Park Edge

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

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

We anticipate the cost of the reconstruction will be covered by insurance proceeds. In addition, the Trust maintains business interruption insurance for the loss of revenue and additional expenses resulting from the fire. It is anticipated that reconstruction will be completed during 2017. As the insurance proceeds received are contingent on completing reconstruction, the Trust recognizes the gain from insurance recovery as construction is completed. As of December 31, 2016, the Trust recognized gain from insurance recovery of $61 thousand.

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.

h. Investments in Unconsolidated Real Estate Companies

We own membership interests in limited liability companies ("LLCs") and partnerships that directly own apartment properties or other real estate assets. Because we own less than 100% of the ownership interest in some of these LLCs and partnerships, these LLCs and partnerships are accounted for under the cost method. These membership or partnership interests were bought in anticipation of cash distributions and appreciation of their fair market value. See Note 8 for additional information regarding these investments.

i. 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. 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.

j. Non-controlling Interests in Consolidated Real Estate Limited Liability Companies or Partnerships

We hold interests in various certain of our real estate assets through our ownership interests in LLCs or partnerships, which are owned in whole or in part by the Trust. In turn, those LLCs or partnerships are the direct owner of the real property assets. We report the non-controlling members' or partners' 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 or partnership, 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 or partners, the terms of the applicable LLCs' operating agreements or partnerships' partnership agreements generally require the respective LLC or partnership 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 $13.4 million and $14.4 million at December 31, 2016 and 2015, respectively. The aggregate fair value of these interests varies based on the fair value of the real estate owned by the respective LLC or partnership. 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 December 31, 2016.

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

k. 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 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 December 31, 2016 and 2015, the non-controlling holders of operating units had an ownership interest in MOLP of 12.70% and 12.09%, respectively.

l. 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.

m. 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 December 31, 2016 and December 31, 2015, the carrying values of cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable represent fair value because of the short-term nature of these instruments. The carrying value of cash restricted in escrows and reserves approximates its fair value based on the nature of our assessment of the ability to recover these amounts. These financial instruments utilize Level 2 inputs.

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

n. 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. Unamortized financing costs are written off when the associated debt is retired or otherwise extinguished before the maturity date. During 2016, the Trust adopted ASU 2015-03 and ASU 2015-15, which revised the presentation of debt issuance cost on the balance sheet. Upon adoption, debt issuance costs are reflected as a direct deduction to the associated debt.

o. Income Taxes

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

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

The Company has determined that the cash distributed to the shareholders is characterized as follows for Federal income tax purposes for the year ended December 31, 2016:

(amounts in thousands)		
Ordinary income	57.64%	$ 2,052
Qualified dividend	--	--
Capital Gain	--	--
Non-dividend – return of capital	42.36%	1,508
	100%	$ 3,560

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

p. Going Concern

During 2016, the Trust adopted ASU 2014-15, "Presentation of Financial Statements-Going Concern." As a result, 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.

q. Recent Accounting Pronouncements

During February 2015, the FASB issued ASU No. 2015-02, "Consolidation." ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain legal entities. Specifically, the ASU 2015-02 amendments, (a) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (b) eliminate the presumption that a general partner should consolidate a limited partnership, (c) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and (d) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 was effective as of January 1, 2016. ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under ASU 2016-02, lessor accounting will be substantially similar to the current model, but aligned with certain changes to Topic 606, "Revenue from Contracts with Customers." Lessors will continue to classify leases as operating, direct financing, or sales-type. Lessees will be required to recognize a right-of-use asset and a lease liability for virtually all leases, with such leases classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) and finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting. ASU 2016-02 is effective for public entities for reporting periods beginning after December 15, 2018, and interim periods within those reporting periods, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, requiring application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. We have not yet determined the effect ASU 2016-02 will have on our consolidated financial statements and related disclosures.

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

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

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations: Clarifying the Definition of a Business.” ASU 2017-01 clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. ASU 2017-01 is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. We adopted ASU 2017-01 as of January 1, 2017. We believe our future acquisitions of multifamily communities will generally qualify as asset acquisitions. Pursuant to ASU 2017-01, certain qualifying acquisition costs will be capitalized and amortized rather than expensed as incurred. The Company expects improvements, which may be material, to its net income available to common stockholders, as well as Funds From Operations ("FFO") resulting from adoption of ASU 2017-01, versus such results under previously effective guidance.

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(3) ***MORTGAGE NOTES PAYABLE AND NOTES PAYABLE***

Mortgage notes payable [(a)]:	(amounts in thousands) December 31, 2016	December 31, 2015
Bicycle Club mortgage note, monthly principal and interest payments of $69,000, with interest fixed at 6.19%, maturing on September 1, 2016.	$ --	$ 9,756
Barrington Hills mortgage note[(b)], monthly principal and interest payments of $25,000, with an adjustable interest rate based on the BBA 1 month LIBOR Rate in USD, 4.13% at December 31, 2016, maturing December 1, 2017.	--	4,694
Province of Briarcliff[(d)] mortgage note, monthly principal and interest payments of $67,000, with interest fixed at 5.64%, maturing January 1, 2018.	10,006	10,267
Grand at Pearl monthly principal and interest payments of $46,000, with an adjustable interest rate based on the BBA 1 month LIBOR rate in USD, 2.87% [(e)] at December 31, 2016, maturing October 1, 2018.	11,279	11,511
Elements 1st mortgage note, monthly principal and interest payments of $62,000, with interest fixed at 6.47%, maturing June 1, 2019.	9,503	9,740
Elements 2nd mortgage note, monthly principal and interest payments of $15,000, with interest fixed at 4.74%, maturing June 1, 2019.	2,565	2,592
Madison at Melrose mortgage note, monthly principal and interest payments of $73,000, with interest fixed at 5.99%, maturing July 1, 2019.	10,974	11,179
Berkshire Apartments 1st mortgage note[(b)], monthly principal and interest payments of $46,000, with interest fixed at 5.57%, maturing November 1, 2019.	7,155	7,295
Berkshire Apartments 2nd mortgage note[(b)], monthly principal and interest payments of $21,000, with interest fixed at 4.92% maturing November 1, 2019.	3,899	3,957
Schoettler Village 1st mortgage note[(b)], monthly principal and interest of $112,000, with interest fixed rate at 5.58%, maturing April 1, 2020.	17,648	17,981
Schoettler Village 2nd mortgage note[(b)], monthly principal and interest of $22,000, with interest fixed rate at 4.98%, maturing April 1, 2020	4,200	--
Regency North 1st mortgage note[(b)], monthly principal and interest payments of $28,000, with interest fixed at 5.13%, maturing December 1, 2020.	4,605	4,694
Regency North 2nd mortgage note[(b)], monthly principal and interest payments of $20,000, with interest fixed at 4.86%, maturing December 1, 2020.	3,674	--
Bogey Hills 1st mortgage note [(b)], monthly principal and interest payments of $136,000, with interest fixed at 5.13%, maturing July 1, 2021.	22,927	23,354
Bogey Hills 2nd mortgage note [(b)], monthly principal and interest payments of $37,000, with interest fixed at 4.87%, maturing October 1, 2021.	6,766	6,873
Viera at Mandarin mortgage note, monthly principal and interest payments of $37,000, with interest fixed at 3.51%, maturing March 1, 2022.	12,500	--
Forest Place 1st mortgage note [(c)], monthly principal and interest payments of $36,000, with interest fixed at 4.13%, maturing April 1, 2022.	6,727	6,869
Forest Place 2nd mortgage note [(c)], monthly principal and interest payments of $11,000, with interest fixed at 5.16%, maturing April 1, 2022.	2,010	--
Rosehill Pointe 1st mortgage note [(b)], monthly principal and interest payments of $112,000, with interest fixed at 4.04%, maturing April 1, 2022.	21,410	21,867
Rosehill Pointe 2nd mortgage note monthly principal and interest payments of $29,000, with interest fixed at 5.19%, maturing April 1, 2022.	5,214	5,286
Park Edge 1st mortgage note, monthly principal and interest payments of $90,000, with interest fixed at 3.63%, maturing January 1, 2023.	18,176	18,574
Park Edge 2nd mortgage note, monthly principal and interest payments of $20,000, with interest fixed at 5.32%, maturing January 1, 2023.	3,887	--
Villaggio mortgage note, monthly principal and interest payments of $70,000, with an adjustable mortgage interest rate based on the BBA 1 month LIBOR Rate in USD, 3.43%[(e)] at December 31, 2016, maturing January 1, 2023.	15,978	16,275
Olde Oak mortgage note, monthly principal and interest payments of $80,000, with interest fixed at 3.97%, maturing January 1, 2023	15,603	--
Glen at Polo Park 1st mortgage note mortgage note[(b) (d)], monthly principal and interest payments of $72,000 with interest fixed at 3.93%, maturing on March 1, 2023.	13,401	13,580
Glen at Polo Park 2nd mortgage note[(b)], monthly principal and interest payments of $13,000, with interest fixed at 5.25%, maturing March 1, 2023.	2,280	2,311
Highland Pointe mortgage note, monthly principal and interest payments of $75,000, with interest fixed at 4.51%, maturing January 1, 2024, with the right to extend an additional 1 year.	16,784	11,730
Forest Park mortgage note, monthly principal and interest payments of $36,000, with interest fixed at 4.22%, maturing October 1, 2024.	7,132	7,258
Reserve at Tranquility Lake mortgage note[(b) (c)], monthly principal and interest payments of $80,000, with interest fixed at 3.97% maturing October 1, 2024.	16,189	16,489
Jefferson Park Apartments mortgage note, monthly principal and interest payments of $50,000, with interest fixed at 3.54%, maturing April 1, 2025.	10,696	10,905

Mortgage notes payable [a]:	(amounts in thousands) December 31, 2016	December 31, 2015
Continued from previous page		
Arbors mortgage note, monthly principal and interest payments of $123,000, with interest fixed at 4.45%, maturing November 1, 2025.	$ 24,086	$ 24,467
Thomaston mortgage note, monthly principal and interest payments of $90,000, with interest fixed at 4.41%, maturing June 1, 2026.	17,836	--
Lexington on the Green mortgage note, monthly interest payments of $55,000, with interest fixed at 3.98%, maturing August, 1, 2026.	16,200	--
Cross Creek mortgage note monthly principal and interest payments of $62,000, with a fixed interest rate at 3.60%, maturing September 1, 2026.	13,538	11,250
Kirkwood Station mortgage note, monthly principal and interest payments of $136,000, with interest fixed 4.04%, maturing October 1, 2026.	28,297	21,102
The Landings mortgage note, monthly principal and interest payments of $37,000, with a fixed interest rate of 3.84%, maturing October 1, 2026.	7,803	5,420
Foothills I mortgage note[d], monthly principal and interest payments of $20,000, with interest fixed at 3.20%, maturing July 1, 2037.	3,355	3,464
Foothills II mortgage note[d], monthly principal and interest payments of $18,000, with interest fixed at 3.80%, maturing November 1, 2047.	3,705	3,764
Foothills III mortgage note[d], monthly principal and interest payments of $84,000, with interest fixed at 3.25%, maturing May 1, 2050.	18,377	18,646
Mallard mortgage note[d], monthly principal and interest payments of $28,000, with interest fixed at 3.28%, maturing April 1, 2050.	6,554	6,649
Astoria mortgage note[d], monthly principal and interest payments of $100,000, with interest fixed at 4.31%, maturing August 1, 2053.	23,772	24,040
Debt issuance costs	(3,180)	(2,291)
TOTALS:	$ 443,531	$ 371,548

[a] Mortgage loans are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust, cash deposits with lender and a corporate guaranty from the Trust and MOLP unless otherwise noted in (b).
[b] Mortgage loan is also secured by a limited carve-out guaranty from a principal individual owner if certain provisions in the loan agreement are breached.
[c] This is the Trust's proportionate share of the total debt.
[d] Debt balances have premiums/discounts.
[e] The Trust has an interest rate cap that is designed to cap the interest rates between 4.0% and 6.75%.

On March 23, 2015, the Jefferson Park mortgage note was refinanced with NorthMarq Capital, L.L.C. ("NorthMarq") with a fixed rate mortgage note. The note is in the amount of $11.0 million, matures April 1, 2025 and has a fixed interest rate of 3.54%. The Trust received net proceeds of $5.3 million from the refinancing, which was used to pay down our line of credit. In addition, the Trust recognized loss on debt extinguishment of $288 thousand.

On June 18, 2015, the Trust obtained a $5.3 million second mortgage loan for Rosehill Pointe at a fixed interest rate of 5.19%. The loan has a maturity date of April 1, 2022 and is secured by a second lien on Rosehill Pointe's assets. In conjunction with the loan, a $3.0 million distribution was made to Rosehill Pointe's members. The Trust's portion of the distribution was $1.6 million.

On July 14, 2015, the Trust entered into a mortgage loan of $11.3 million with BMO Harris Bank, NA ("BMO") related to the acquisition of the Cross Creek apartment community. The mortgage loan is secured by Cross Creek's assets and contains a guarantee of repayment from the Trust. The mortgage loan matures on July 13, 2018 and has a variable interest rate equal to the one month LIBOR rate plus 2.25%. On July 17, 2015, the Trust executed an interest rate cap with BMO that is designed to cap the interest rate at 5.0%. As noted below, on August 24, 2016 this note was refinanced and paid in full.

On July 28, 2015, the Trust obtained a second mortgage on the Berkshire apartment community in the amount of $4.0 million. The loan has a maturity date of November 1, 2019, and has a fixed interest rate of 4.92%. The note is secured by the assets of the Berkshire apartments.

On September 18, 2015, the Trust obtained a second mortgage on the Glen at Polo Park ("Glen") apartment community in the amount of $2.3 million. The loan has a maturity date of March 1, 2023, and has a fixed interest rate of 5.25%. Subsequent to the closing of the loan, a $2.3 million distribution was made to Glen's members. The Trust's portion of the distribution was $1.4 million.

In connection with the acquisition of a controlling interest in Cape Fear Multifamily, LLC, which held the Astoria Apartments ("Astoria"), the Trust assumed a HUD mortgage loan with a balance of $22.3 million, not including a premium recorded on the loan of $2.0 million upon completing the acquisition. The mortgage loan had a fixed interest rate of 5.6% and matures August 1, 2053. On December 1, 2015, the Trust executed an amendment to the HUD mortgage loan which reset the interest rate to a fixed rate of 4.31%. No other terms of the original loan were modified. This loan modification was determined to be a substantial modification to the original debt instrument. As a result, we recognized a gain on debt extinguishment of $0.2 million.

On October 1, 2015, the Trust entered into a mortgage loan with BMO related to the acquisition of the Grand at Pearl apartment community in the amount of $11.6 million. The mortgage loan is secured by Grand at Pearl's assets and contains a guarantee of repayment from the Trust. The mortgage loan matures on October 1, 2018 and has an adjustable interest rate equal to the one month LIBOR rate plus 2.25% (2.87% at December 31, 2016). In conjunction with this loan, the Trust executed an interest rate cap with BMO that is designed to cap the interest rate at 4.0%.

On October 22, 2015, the Trust entered into a mortgage loan with Northmarq related to the acquisition of the Arbors at Natchez Trace apartment community in the amount of $24.5 million. The mortgage loan is secured by the assets of Arbors. The mortgage loan matures November 1, 2025 and has a fixed interest rate of 4.45%.

On December 29, 2015, the Trust entered into a mortgage loan with Northmarq related to the acquisition of the Villaggio apartment community in the amount of $16.3 million. The mortgage loan is secured by the assets of Villaggio. The mortgage loan matures on January 1, 2023 and has an adjustable interest rate equal to the one month LIBOR rate plus 2.66% (3.43% at December 31, 2016). In conjunction with this loan, the Trust executed an interest rate cap with Chatham Financial that is designed to cap the interest rate at 6.75%.

On December 31, 2015, in conjunction with the acquisition of the Mallard Creek apartment community, the Trust assumed the existing HUD loan associated with the property with a balance of $6.9 million, the loan carries a fixed interest rate of 3.28% and matures August 1, 2050. A debt discount of $0.2 million was recorded upon acquisition.

On March 30, 2016, the Trust obtained a second mortgage on the Forest Place apartment community in the amount of $3.9 million. The Trust's proportionate share of the loan amount is $2.0 million. The loan has a maturity date of April 1, 2022, and has a fixed interest rate of 5.16%. Subsequent to the closing of the loan, a $2.6 million distribution was made to the undivided interests of Forest Place, of which $1.3 million was the Trust's portion.

On April 29, 2016, the Trust obtained a $3.9 million second mortgage loan for the Park Edge apartment community at a fixed interest rate of 5.32%. The loan has a maturity date of January 1, 2023 and is secured by a second lien on Park Edge's assets. After completing the loan, a distribution totaling $3.4 million was made to the Park Edge members. The Trust's portion of the distribution was $1.8 million.

On May 2, 2016, the Trust obtained a $3.7 million second mortgage loan for the Regency North apartment community at a fixed interest rate of 4.86%. The loan has a maturity date of December 1, 2020 and is secured by a second lien on Regency North's assets.

On May 3, 2016, the Trust obtained a mortgage loan in the amount of $18.0 million from Northmarq related to the acquisition of the Thomaston apartment community. The mortgage loan is secured by the assets of Thomaston. The mortgage loan matures June 1, 2026 and has a fixed interest rate of 4.41%.

On July 7, 2016, the Trust obtained a mortgage loan from Walker & Dunlop related to the acquisition of the Lexington apartment community in the amount of $16.2 million. The mortgage loan is secured by the assets of Lexington. The mortgage loan matures August 1, 2026, and carries a fixed interest rate of 3.98%. The loan requires interest only payments for the first 24 months.

On August 24, 2016, the Trust assumed a mortgage loan related to the acquisition of the Viera apartment community. The loan has an outstanding balance of $12.5 million, carries a fixed interest rate of 3.51% and matures on March 1, 2022. The loan is secured by the assets of Viera.

On August 24, 2016, the Cross Creek mortgage note was refinanced with Northmarq. The note has an initial principal balance of $13.6 million, carries a fixed interest rate of 3.60% and matures September 1, 2026. The refinance resulted in Cross Creek Acquisition, LLC receiving net proceeds of approximately $2.3 million which was distributed to its members. The Trust's portion was approximately $2.1 million.

On September 23, 2016, the Kirkwood mortgage note was refinanced with Northmarq. The note has an initial principal balance of $28.4 million, carries a fixed interest rate of 4.04% and matures October 1, 2026. The refinance resulted in Kirkwood Acquisition, LLC receiving net proceeds of approximately $7.3 million. Subsequent to closing the loan, a distribution was made to the members of Kirkwood Acquisition, LLC totaling $6.5 million. The Trust's portion was approximately $3.4 million.

On September 30, 2016, the Landings mortgage note was refinanced with Northmarq. The note has an initial principal balance of $7.8 million, carries a fixed interest rate of 3.84% and matures October 1, 2026. The refinance resulted in excess proceeds of approximately $2.3 million.

On December 8, 2016, the mortgage note for the Highland Pointe apartment community was refinanced with Northmarq Capital. The mortgage note has an initial principal balance of $16.8 million, carries a fixed interest rate of 4.51% and matures on January 1, 2024.

On December 20, 2016, the Trust obtained a $4.2 million second mortgage loan for the Schoettler Village apartment community. The loan carries a fixed interest rate of 4.98% and has a maturity date of April 1, 2020. After completion of the loan, a distribution totaling $2.7 million was made to the Schoettler Village members. The Trust's portion of the distribution was $1.4 million.

On December 30, 2016, MOLP acquired a controlling interest in Olde Oak Apartments, LP. The partnership had a mortgage loan in place with a balance of $15.6 million. The loan carries a fixed interest rate of 3.97% and matures March 1, 2013.

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

Year		Amount (in thousands)
2017	$	7,951
2018		28,712
2019		40,350
2020		35,682
2021		34,241
Thereafter		299,775
Total mortgage debt:		446,711
Debt issuance cost:		(3,180)
Total:	$	443,531

Notes payable

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

		December 31, 2016		2015
Notes payable	$	6,537	$	17,774
Notes payable, related parties		5,911		5,869
	$	12,448	$	23,643

The Trust has a line of credit with Missouri Bank & Trust ("MBT") with total available borrowing capacity of $17 million as of December 31, 2016. On December 20, 2016, the maturity date on the line was extended to March 20, 2017. As of December 31, 2016, the balance on the line was $5.0 million.

In March 2017, the line of credit was amended to increase total availability to $20 million and the maturity was extended to March 2, 2018. The amended credit facility has an interest rate of the prime rate plus 1.25% (5.0% as of December 31, 2016) and consists of a $5 million term loan and credit facility of $15 million. The line of credit is secured by the pledge of 10 LLC interests held by MOLP. The line of credit is partially guaranteed by David L. Johnson, Chairman, President, Chief Executive Officer and a Trustee of the Trust and the beneficial owner of more than 10% of the Trust's issued and outstanding common stock.

On December 24, 2013, the Trust commenced an offering of 7% unsecured promissory notes (the "Notes") in the aggregate up to $11.5 million, together with warrants (the "Warrants") to acquire shares of the Trust's common stock at an exercise price of $50 per share. As of December 31, 2016 and 2015, Notes in the aggregate principal amount of $7.0 million were outstanding and Warrants exercisable for an aggregate number of 70,450 shares of the Trust's common stock had been issued (although, as described in Note 10, Warrants to acquire 25,000 shares were amended during 2015 to provide that such Warrants are exercisable to acquire MOLP limited partnership operating units in lieu of 25,000 shares of the Trust's common stock). On January 31, 2017, all principal and interest for the Warrant Notes was paid in full. In addition, all of the Warrant Note holders notified the Trust of their intent to exercise the warrants. As a result, the Trust issued 44,650 shares of common stock and 25,000 MOLP units to the warrant holders. Refer to Note 5 for Notes and Warrants held by related parties.

(4) RENTAL REVENUES UNDER OPERATING LEASES

Minimum future rental revenues under non-cancelable operating leases greater than one year in effect for the retail space as of December 31, 2016 are as follows, in thousands:

Year	Total
2017	$ 711
2018	579
2019	422
2020	358
2021	338

The residential leases, which comprise the majority of total revenues, generally range from six to twelve months in length and are not included in the schedule above. In addition, certain lease agreements require tenant participation in certain operating expenses. Tenant participation in expenses included in other revenues approximated $240 thousand and $197 thousand for the years ended December 31, 2016 and 2015, respectively.

(5) RELATED PARTY TRANSACTIONS

Maxus Properties, Inc. ("MPI") manages the Trust's properties. David L. Johnson, Chairman, President, Chief Executive Officer and a Trustee of the Trust and the beneficial owner of more than 10% of the Trust's issued and outstanding common stock, is the Chairman and sole shareholder of MPI. The Trust paid MPI property management fees of $2.7 million and $2.3 million for the years ended December 31, 2016 and 2015, respectively. Management fees are determined pursuant to management agreements between the Trust and MPI that provide for fees calculated as a percentage of monthly gross receipts (as defined in the agreements) from the properties' operations as well as reimbursement of payroll related costs. At December 31, 2016 and 2015, the properties pay MPI a management fee between 3% and 5% of receipts. At December 31, 2016 and 2015, $698 thousand and $635 thousand, respectively, was payable to MPI for accrued payroll and direct expense reimbursement; $1.1 million and $568 thousand, respectively, was payable for accrued management fees.

Certain MPI employees are located at the Trust's properties and perform leasing, maintenance, office management, and other related services for these properties. The Trust recognized $8.3 million and $6.8 million of payroll costs from continuing operations in the years ended December 31, 2016 and 2015, respectively, that have been reimbursed to MPI and are included in related party payroll reimbursement in the consolidated statements of operations.

For the years ended December 31, 2016 and 2015, the Board approved $520 thousand and $570 thousand, respectively, in total fees for administrative services provided by MPI employees in regards to the acquisition, refinancing and disposition of certain properties held by the Trust. The Trust expensed the acquisition-related costs in the period in which the costs were incurred, which are included in related party transaction fees in the consolidated statements of operations. In conjunction with the Cross Creek, Highland Pointe, and the Landings loan refinancing, the Board authorized the Trust to pay MPI a refinancing fee in the amount of $25 thousand for each loan due to MPI's services in the due diligence of these loans. In addition, the Kirkwood refinance had an authorized refinancing fee of $50 thousand. In conjunction with the Forest Place, Regency North, Park Edge and Schoettler supplemental loans, the Board authorized the Trust to pay MPI a refinancing fee in the amounts of $9 thousand, $10 thousand, $9 thousand and $10 thousand respectively, due to MPI's services in the due diligence of these loans. The Board authorized an acquisition fee of $75 thousand each for the acquisitions of Thomaston, Lexington on the Green, Viera at Mandarin and Olde Oak. Finally, The Board authorized a disposition fee for the disposition of Barrington Hills and Bicycle Club of $57 thousand and $75 thousand, respectively.

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

On June 1, 2014, Bicycle Club, LLC, Regency North Associates, LP, MLake 5, LLC (owner of Schoettler Village), Bogey Acquisition, LLC ("Bogey Hills"), Briarcliff Apartment Homes, LLC, Fountainhead Refunding, LLC and Jefferson Park Partners, each entered into a Solar Services Agreement ("Solar Agreement"), with MLake 82 LeaseCo. MLake 82 LeaseCo is wholly owned by Mr. Johnson. Pursuant to the Solar Agreement, the MOLP subsidiaries agreed to lease solar energy systems from MLake 82 LeaseCo. The term of each such lease is 20 years, and such leases require total annual lease payments from the MOLP subsidiaries of $70 thousand, increasing 10% every five years. In exchange, MLake 82 LeaseCo guaranteed that total annual energy savings from the solar energy systems will be at least 10% greater than the annual lease payments. MLake 82 LeaseCo is responsible for all installation cost and on-going maintenance of the solar system. In addition, MLake 82 LeaseCo received all rebates, incentives and income tax credits related to the solar energy systems. For the year ended December 31, 2016 and 2015, the Trust made lease payments in the amount of $54 thousand and $70 thousand, respectively, to MLake 82 LeaseCo. The lease obligation is included in utility expenses in the consolidated statements of operations. The agreements for Bicycle Club, LLC and Fountainhead Refunding LLC were assumed by the buyer upon disposition.

On May 29, 2015, two related parties loaned Forest Place apartments a total of $240 thousand for the construction of a new clubhouse and amenities. SLCas, LLC, an affiliate of Mr. Johnson, and McDowell Investments, an affiliate of Monte McDowell, each loaned $120,000. Monte McDowell is a Trustee and also a beneficial owner of 7% of the Trust's issued and outstanding shares of common stock. The loans had an interest rate of 7% and a maturity date of May 29, 2017. The notes were repaid in full on March 31, 2016.

On September 30, 2016, Kirkwood Station acquired three condominium units at Kirkwood Station from related parties. The condominiums were owned by entities controlled by Mr. Johnson. The total purchase price was approximately $381 thousand.

As of December 31, 2016, the Trust (i) has operating cash of approximately $2.0 million on deposit with First Missouri National Bank ("First Missouri"), and (ii) holds certificates of deposit of approximately $2.0 million with First Missouri, and (iii) has cash in money market accounts in the amount of $21 thousand with First Missouri. The bank deposit insurance in connection with these deposits is provided by the FDIC. The FDIC has a $250 thousand limit per independent entity on deposit insurance for interest-bearing accounts. Mr. Johnson owns approximately 21.8% of First Missouri's outstanding common stock. Mr. Johnson is also a member of First Missouri's Board of Directors. Jose Evans, a Trustee of the Trust, also holds approximately 9.2% of First Missouri's outstanding common stock. Christopher Garlich, a Trustee of the Trust, individually and through an affiliate, holds 5.7% of First Missouri's outstanding common stock. Gregory Orman, a Trustee of the Trust, owns less than 1% 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 0.3% to 1.3% per annum as of December 31, 2016. The balance of cash and cash equivalents at First Missouri at December 31, 2016 and 2015 was $4.0 million and $2.6 million, respectively. As of December 31, 2016, $1.0 million is held in excess of FDIC insurance limits from certain operating accounts.

In conjunction with the purchase of Province of Briarcliff Apartments, the Trust assumed a debt obligation in the form of a note with Liberty Park, L.L.C. in the amount of $421 thousand. The note has a maturity date of February 1, 2019 and accrues interest at 8% and has $300 thousand of accrued and unpaid interest at December 31, 2016. Liberty Park, L.L.C. is an affiliate of Mr. Johnson and Sandra Castetter.

On December 24, 2013, the Trust commenced an offering of 7% unsecured promissory notes (as defined above, the "Notes") in the aggregate up to $11.5 million, together with warrants (as defined above, the "Warrants") to acquire shares of the Trust's common stock at an exercise price of $50 per share (see Note 3 above). As of December 31, 2016, Notes in the principal amount of $2.5 million were held by Mr. Johnson and his affiliates. Together with the Notes, Mr. Johnson and his affiliates also held Warrants to acquire 25 thousand limited partnership operating units in MOLP exercisable through January 31, 2017. Affiliates of Gregory Orman, Trustee of the Trust, hold Notes in the principal amount of $3.0 million as of December 31, 2016. Together with the Notes, Mr. Orman's affiliates also held Warrants to acquire 30 thousand shares of common stock through January 31, 2017. The notes were paid in full on January 31, 2017 and Mr. Johnson and Mr. Orman exercised their warrants.

For certain of our acquisition, dispositions and mortgage loan refinancings, MRTI has used Assured Quality Title ("AQT") as the title company. AQT is wholly owned by Jose Evans. Mr. Evans is a shareholder and serves on the Board of Trustees of the Trust. For the year ended December 31, 2016, the Trust paid fees of approximately $49 thousand for services provided by AQT.

Certain executive officers and members of our Board, either directly or through related parties, have an ownership interest in the following subsidiaries of the Trust as set forth below as of December 31, 2016:

Name of Subsidiary	Amount of Capital Contributed by Affiliates (amounts in thousands)	Affiliate Ownership	Percent of Affiliate Ownership
Kirkwood Station	$ 2,090	(1)	48.00 %
Madison at Melrose	125	(2)	3.75
Schoettler Village	360	(3)	6.40
Bogey Hills	500	(4)	7.44
Rosehill	315	(5)	3.91
Park Edge	200	(6)	3.76
Glen	1,000	(7)	34.36
Tranquility	3,060	(8)	41.00
Astoria	275	(9)	5.72
MOLP	4,439	(10)	10.66

(1) Affiliates of Christopher Garlich, Monte McDowell and David L. Johnson own the majority of the non-controlling interest in Kirkwood Station.
(2) Affiliates of David L. Johnson and John Alvey
(3) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson
(4) Affiliates of Christopher Garlich
(5) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson
(6) Affiliates of David L. Johnson, John Alvey and Monte McDowell
(7) David L. Johnson and Sandra Castetter, husband and wife
(8) David L. Johnson and Sandra Castetter, husband and wife, Greg Orman and John Alvey own the majority of the non-controlling interest in Tranquility
(9) Affiliates of Christopher Garlich and David L. Johnson
(10) Affiliates of Jose Evans, Christopher Garlich, Monte McDowell, and David L. Johnson

Total distributions paid to all non-controlling interests which are related parties from the Trust were $7.6 million and $3.7 million for the years ended December 31, 2016 and 2015, respectively.

Certain executive officers and members of the Board, either directly or through related parties, have an ownership interest in the non-consolidated cost method investments as set forth below as of December 31, 2016:

Name of Non-Consolidated Investment	Percent of Affiliate Ownership	Affiliate Ownership	MOLP Ownership
Centennial Park Kansas, L.L.C.	6.6%	(1)	0.1%
Wild Oak Acquisition, L.L.C.	59.8%	(1)	3.4%
Bridle Creek Acquisition, L.L.C.	52.2%	(2)	2.1%

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

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

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(6) FAIR VALUE

ASC Topic 820 requires the Trust to disclose fair value information for all financial instruments, whether or not recognized at fair value in the consolidated balance sheets, for which it is practicable to estimate fair value. The Trust's financial instruments, other than debt, are generally short-term in nature and contain minimal credit risk. These instruments consist of cash, certificates of deposit, escrows and reserves, accounts receivable, accounts payable, prepaid rent and accrued expenses, other accrued liabilities, real estate taxes payable, and refundable tenant deposits. The carrying value of these assets and liabilities in the consolidated balance sheets are assumed to approximate fair value. Due to the short-term nature of these investments, Level 1 and 2 inputs are utilized to estimate the fair value of these financial instruments. The estimated fair value of debt is determined based on rates currently available to the Trust for debt with similar terms and remaining maturities. The carrying amount and estimated fair value of the Trust's debt at December 31, 2016 and 2015 are summarized as follows:

(in thousands):	December 31, 2016		December 31, 2015	
Mortgage Notes Payable	Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair value
Fixed rate notes, net	$ 419,274	$ 410,299	$ 306,716	$ 307,936
Floating rate notes	27,257	27,256	64,832	64,832
Notes Payable				
Fixed rate note	12,448	12,495	23,643	23,966

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of the Trust's debt obligations at fair value may not be possible and may not be a prudent management decision. We classify within Level 3 of the valuation hierarchy the fair values of our mortgage notes and notes payable disclosed above, based on the significance of certain of the unobservable inputs such as the interest rate factor used to estimate our fair values. The fair value of our mortgage notes, notes payable and line of credit is estimated using a methodology consistent with that described above for the property debt.

(7) 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, and assumed financing that is determined to be above or below market terms) in accordance with ASC Topic 805, "Business Combinations" (See also Note 2). Based on these estimates, management records the acquired assets and liabilities at fair value. These estimates have a direct impact on net income. During the year ended December 31, 2016, we acquired interests in four apartment communities located in Georgia, Florida and Alabama. During the year ended December 31, 2015, we acquired interests in six apartment communities located in Kansas, North Carolina, Mississippi and Louisiana. Summarized information regarding these acquisitions is set forth in the table below followed by narratives describing each acquisition activity for the years ended December 31, 2016 and 2015.

(dollars in thousands)	Years Ended December 31, 2016	Years Ended December 31, 2015
Number of apartment homes	894	1,519
Purchase price	$ 82,678	$ 94,600
Non-recourse property debt assumed (outstanding principal balance)	28,103	28,950
Non-recourse property debt and liabilities assumed (fair value)	28,103	32,601
Total fair value of operating real estate acquired	82,990	113,448

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Cross Creek

On July 14, 2015, a wholly owned subsidiary of MOLP, Cross Creek Acquisition, LLC purchased the Cross Creek apartment community located in Wichita, Kansas for $14.9 million. Cross Creek has 256 apartment units and 239,000 rentable square feet.

In conjunction with the acquisition, the Trust obtained a mortgage loan totaling $11.3 million from BMO Harris Bank, NA. The mortgage loan is secured by the Cross Creek apartments and contains a guarantee of repayment from the Trust. The mortgage loan matures July 13, 2018 and has a variable interest rate equal to the one month LIBOR rate plus 2.25%. The Trust funded the remaining portion of the purchase price of $3.7 million with cash. In addition, the Trust funded $314 thousand in escrow to make necessary repairs to the property. Total consideration paid for the acquisition was $4.2 million. The Trust subsequently refinanced the Cross Creek mortgage loan on August 24, 2016.

In conjunction with the acquisition, the Trust incurred acquisition fees totaling approximately $100,000, including an acquisition fee of $75,000 paid to a related party, MPI.

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

(amounts in thousands)

Land	$	1,810
Land improvements		181
Buildings		12,626
Personal property		260
In-place leases		183
Other assets		342
Total assets acquired		15,402
Total liabilities assumed		142
Net assets acquired	$	15,260

Cape Fear Multifamily

On August 20, 2015, the Trust completed the acquisition of a controlling interest in Cape Fear Multifamily, LLC ("Cape Fear"). Cape Fear is a single purpose entity that holds the Astoria Apartments ("Astoria"). Astoria is an apartment community located in Hope Mills, North Carolina that includes approximately 299,000 square feet spread over 272 apartment units.

The acquisition was completed through a newly formed entity, Astoria Acquisition, LLC ("Astoria Acquisition"). Astoria Acquisition acquired a 62.5% interest in Cape Fear for a capital contribution of $3.2 million. MOLP holds an 80.96% interest in Astoria Acquisition and an entity controlled by Mr. Johnson holds the remaining 19.04% interest.

Under the terms of the transaction, Cape Fear will pay a cumulative preferred return of 10% on Astoria Acquisition's $3.2 million capital contribution.

Cape Fear had an existing mortgage loan with a principal balance of approximately $22.3 million. The loan is serviced and guaranteed by the HUD. The loan had a fixed interest rate of 5.6% and matures August 1, 2053. The interest rate on the existing mortgage was above the market rate at the date of acquisition. As a result, a premium on the loan was recorded upon acquisition totaling $2.0 million and is being amortized over the remaining loan term using the effective interest method. On December 1, 2015, the Trust executed an amendment to the HUD mortgage loan which reset the interest rate to a fixed rate of 4.31%.

As a result of the property not meeting certain performance parameters required under the loan agreement, HUD required Cape Fear to maintain a cash collateral account totaling $0.7 million to secure the loan. The cash collateral account must remain in place until the loan agreement requirements are met. The Trust provided the cash collateral upon closing of this transaction. Under the terms of the transaction, the Trust will receive interest from Cape Fear of 10% on the cash collateral amount provided until such time as the cash collateral is released.

In conjunction with the acquisition, the Trust incurred acquisition fees totaling approximately $259,000. Total net consideration paid for the acquisition of the controlling interest was $2.2 million, net of the non-controlling contribution.

The assets acquired and liabilities assumed, including identifiable intangible assets, were based on their respective estimated fair values. The estimated fair values were determined by an appraisal completed by an independent third-party valuation specialist at the acquisition date. The following table summarizes the fair values of the assets acquired and liabilities assumed:

(amounts in thousands)

Operating assets	$	1,014
HUD cash collateral		655
Land		2,428
Land improvements		2,106
Buildings		22,332
Building improvement		456
Personal property		528
In-place leases		726
Total assets acquired		30,245
Operating liabilities		468
Related party payable to the Trust		655
Mortgage note		24,334
Total liabilities		25,457
Non-controlling interest		753
Net assets acquired	$	4,035

As a result of the net assets acquired exceeding the capital contribution from Astoria Acquisition, the Trust recognized a bargain purchase gain of $886 thousand. The gain is primarily due to the fact that the asset was financially distressed and unable to obtain permanent financing prior to our capital contribution. As a result, Astoria Acquisition will receive all of the excess cash flow from Cape Fear for three to five years as a result of the preferred return on the capital contribution.

Grand at Pearl

On October 1, 2015, a wholly owned subsidiary of MOLP, Colony Acquisition, LLC, purchased the Colony Park and Grande at Colony Park apartment communities located in Pearl, Mississippi for $16.2 million. The apartment communities are operated as a single apartment community and were subsequently renamed Grand at Pearl. Grand at Pearl has 280 apartment units and approximately 322,000 rentable square feet.

In conjunction with the acquisition, the Trust obtained a mortgage loan totaling $11.6 million from BMO Harris Bank, NA. The mortgage loan is secured by the Grand at Pearl apartments and contains a guarantee of repayment from the Trust. The mortgage loan matures October 1, 2018 and has a variable rate of interest equal to the one month LIBOR rate plus 2.25%. In addition, the Trust funded $387 thousand in escrow to make necessary repairs to the property.

Related to the acquisition, the Trust incurred acquisition fees totaling $100 thousand, including an acquisition fee of $75 thousand payable to a related party, MPI. The related party fee is included in accounts payable related parties in the consolidated balances sheets as of December 31, 2015.

Adjusting for fees paid related to the acquisition and standard prorations, the total proceeds paid by the Trust was $4.7 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The estimated fair values were determined by an appraisal completed by an independent third-party valuation specialist at the acquisition date. The following table summarizes the fair value of the assets acquired and liabilities assumed:

(amounts in thousands)

Land	$	2,239
Land improvements		224
Buildings		13,098
Personal property		135
In-place leases		615
Total assets acquired		16,311
Acquired below market leases		161
Net assets acquired	$	16,150

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

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

Arbors at Natchez Trace

On October 22, 2015, a wholly owned subsidiary of MOLP, Arbors Acquisition, LLC, purchased the Arbors at Natchez Trace ("Arbors") apartment community located in Ridgeland, Mississippi for $30.1 million. Arbors has 328 apartment units spread over approximately 343,000 rentable square feet.

In conjunction with the acquisition, the Trust obtained a mortgage loan totaling $24.5 million from Northmarq. The mortgage loan is secured by the assets of Arbors. The mortgage loan matures November 1, 2025 and carries a fixed interest rate of 4.45%. In addition, the Trust funded $1.0 million in escrow to make necessary repairs to the property.

Related to the acquisition, the Trust incurred acquisition fees totaling $94 thousand, including an acquisition fee of $75 thousand payable to a related party, MPI. The related party fee is included in accounts payable related parties in the consolidated balance sheets as of December 31, 2015.

Adjusting for fees paid related to the acquisition and standard prorations, the total proceeds paid by the Trust was $5.8 million.

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The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The estimated fair values were determined by an appraisal completed by an independent third-party valuation specialist at the acquisition date. The following table summarizes the fair value of the assets acquired:

(amounts in thousands)		
Land	$	3,000
Land improvements		300
Buildings		25,332
Personal property		533
In-place leases		910
Net assets acquired	$	30,075

<u>*Villaggio*</u>

On December 29, 2015, a wholly owned subsidiary of MOLP, Villaggio Acquisition, LLC, purchased the Villaggio apartment community located in Bossier City, Louisiana for $22.0 million. Villaggio has 239 apartment units spread over approximately 233,000 rentable square feet. In addition, Villaggio has retail and commercial space of approximately 52,000 rentable square feet.

In conjunction with the acquisition, the Trust obtained a mortgage loan totaling $16.3 million from Northmarq. The mortgage loan is secured by the assets of Villaggio. The mortgage loan matures January 1, 2023 and has a variable rate of interest equal to the one month LIBOR rate plus 2.66%. In addition, the Trust funded $200 thousand in escrow to make necessary repairs to the property.

Related to the acquisition, the Trust incurred acquisition fees totaling $76 thousand, including an acquisition fee of $75 thousand payable to a related party, MPI. The related party fee is included in accounts payable related parties in the consolidated balance sheets as of December 31, 2015.

Adjusting for fees paid related to the acquisition and standard prorations, the total proceeds paid by the Trust was $6.0 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The estimated fair values were determined by an appraisal completed by an independent third-party valuation specialist at the acquisition date. The following table summarizes the fair value of the assets acquired:

(amounts in thousands)		
Land	$	3,754
Land improvements		375
Buildings		16,914
Personal property		346
In-place leases		661
Net assets acquired	$	22,050

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Mallard Creek

On December 31, 2015, a wholly owned subsidiary of MOLP, Mallard Creek Acquisition, LLC, purchased the Mallard Creek apartment community located in Horn Lake, Mississippi for $8.2 million. Mallard Creek has 144 apartment units spread over 165,000 rentable square feet.

In conjunction with the acquisition, the Trust assumed the existing mortgage loan from the seller with a balance of $6.9 million. The loan carries a fixed interest rate of 3.28% and matures on August 1, 2050. A debt discount of $0.2 million was recorded upon acquisition.

In conjunction with the acquisition, the Trust incurred acquisition fees totaling approximately $64 thousand, including an acquisition fee of $62 thousand payable to a related party, MPI. The related party fee is included in accounts payable related parties in the consolidated balance sheets as of December 31, 2015.

Adjusting for fees paid related to the acquisition and standard prorations, the total proceeds paid by the Trust was $1.8 million.

The assets and liabilities assumed, including identifiable intangible assets and liabilities, were based on their respective estimated fair values. The estimated fair values were determined by an appraisal completed by an independent third-party valuation specialist at the acquisition date. The following table summarizes the fair value of the assets acquired and liabilities assumed:

(amounts in thousands)

Escrows and reserves	$	577
Land		702
Land improvements		515
Buildings		6,236
Personal property		195
In-place leases		304
Net assets acquired		8,529
Property taxes and security deposits		191
Mortgage note assumed		6,650
Total liabilities acquired		6,841
Net assets acquired	$	1,688

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Thomaston Crossing

On May 3, 2016, a wholly owned subsidiary of MOLP, Thomaston Acquisition, LLC, purchased the Thomaston Crossing ("Thomaston") apartment community located in Macon, Georgia for $25.0 million. Thomaston has 250 apartment units spread over approximately 265,000 square feet.

In conjunction with the acquisition, the Trust obtained a mortgage loan totaling $18.0 million from Northmarq. The mortgage loan is secured by the assets of Thomaston, matures on June 1, 2026, and carries a fixed interest rate of 4.41%.

The Trust incurred acquisition fees totaling $111 thousand related to the transaction, including an acquisition fee of $75 thousand payable to a related party, MPI. The related party fee is included in accounts payable related parties in the consolidated balance sheets as of December 31, 2016.

Including fees paid related to the acquisition the funding of $211 thousand in escrows, and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was $7.3 million.

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

(amounts in thousands)

Land	$	3,800
Land improvements		304
Buildings		19,838
Personal property		435
In-place leases		623
Net assets acquired	$	25,000

Lexington on the Green

On July 7, 2016, a wholly owned subsidiary of MOLP, Lexington on the Green, LLC, purchased the Lexington on the Green ("Lexington") apartment community located in Lithonia, Georgia, for $19.9 million. Lithonia is located in suburban Atlanta, Georgia. Lexington has 216 apartment units spread over approximately 237,000 square feet.

In conjunction with the acquisition, a mortgage loan totaling $16.2 million was obtained from Walker & Dunlop. The mortgage loan is secured by the assets of Lexington, matures August 1, 2026, and carries a fixed interest rate of 3.98%. The loan requires interest only payments for the first 24 months.

The Trust incurred acquisition expenses totaling approximately $53 thousand.

Including fees paid related to the acquisition, the funding of $908 thousand in escrows, and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was $4.6 million.

(amounts in thousands)

Land	$	927
Land improvements		669
Buildings		17,507
Personal property		255
In-place leases		567
	$	19,925

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Viera at Mandarin

On August 24, 2016, a wholly owned subsidiary of MOLP, Viera Acquisition, LLC, purchased the Viera at Mandarin ("Viera") apartment community located in Jacksonville, Florida for $17.6 million. Viera has 188 apartment units spread over approximately 166,000 square feet.

In conjunction with the acquisition, the Trust assumed the existing mortgage loan. The loan has an outstanding balance of $12.5 million, carries a fixed interest rate of 3.51% and matures on March 1, 2022. The loan is secured by the assets of Viera.

The Trust incurred acquisition expenses totaling approximately $137 thousand, including an acquisition fee of $75 thousand payable to a related party, MPI.

Including fees paid related to the acquisition, the funding of $300 thousand in escrows, and adjusting for standard prorations at closing, the total net proceeds paid by the Trust was $5.5 million.

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

(amounts in thousands)

Operating assets	$ 297
Land	3,234
Land improvements	1,202
Buildings	12,184
Personal property	505
In-place leases	465
Total assets acquired	17,887
Operating liabilities	155
Mortgage note payable	12,500
Total liabilities	12,655
Net assets acquired	$ 5,232

Olde Oak Apartments

On December 30, 2016, MOLP acquired a controlling interest in Olde Oak Apartments LP which owns the Olde Oak Apartment community ("Olde Oak") located in Saraland, Alabama. Olde Oak consists of 216,520 rentable square feet spread over 240 units.

On December 30, 2016, MOLP acquired a 54% interest in Olde Oak Apartments LP by acquiring 49% of the general partner, an option to acquire the remaining 51% of the general partner and a portion of the limited partners. The consideration for this interest was approximately $1.3 million consisting of $572 thousand cash consideration plus the issuance of 7,050 MOLP units, a portion of which will not be issued until the option is exercised. Exercise of the option is within the control of MOLP upon the occurrence of certain capital events such as a sale or refinance of the property.

In January 2017, MOLP acquired additional limited partner interests bringing MOLP's total interest in Olde Oak Apartments LP to 95.3%. The consideration for this LP interest totaled $2.8 million and consisted of cash consideration of $2.4 million and the issuance of 4,092 MOLP units. This amount is reflected as non-controlling interest as of December 31, 2016.

The terms of transaction require the Trust to pay an asset management fee to the former members of the general partner totaling $420 thousand over a six-year period. This has been recorded in accounts payable, prepaid rent and other accrued expenses.

One of the limited partners elected to retain a 4.7% interest in Olde Oak. The purchase agreement provides the option for the member to redeem that interest to the Trust for either $325 thousand or 2,748 MOLP units. Since this option may be redeemed for either cash or MOLP units, the option is reflected as a liability on the Trust's consolidated balance sheet and is recorded in accounts payable, prepaid rent and other accrued expenses.

The Trust estimated the fair value of the MOLP units exchanged and non-controlling interest for this transaction. The valuation was determined using commonly accepted valuation techniques. However, the valuation requires significant judgment and estimate and involves the use of significant unobservable inputs, the most significant of which is the implied capitalization rate. Given the significance of these unobservable inputs, there is a wide range in the estimate of fair value. For example, if the assumed capitalization rate were to change by 25 basis points from our estimate, the estimated fair value of the MOLP units for this transaction would range from approximately $1.0 million to $1.4 million.

The Trust incurred fees totaling $190,000 related to the acquisition, which are accrued in accounts payable, prepaid rent and other accrued expenses at December 31, 2016.

The assets, liabilities and non-controlling interests related to the MOLP units issued of Olde Oak Apartments LP, including identifiable intangible assets and liabilities, were reflected at their estimated fair values as summarized in the following table:

(amounts in thousands)

Operating assets	$	321
Land		1,805
Land improvements		1,616
Buildings		16,062
Personal property		217
In-place leases		577
Total assets acquired		20,598
Operating liabilities		65
Asset management fee payable		420
Limited partner redemption option		325
Mortgage note payable		15,603
Total liabilities acquired		16,413
Net assets acquired	$	4,185

The following table presents actual and unaudited pro forma information related to the properties acquired and disposed of during the years ended December 31, 2016 and 2015, respectively. The pro forma information is presented as if the properties acquired or disposed of during 2016 and 2015 were acquired or disposed of on January 1, 2015. We recognized acquisition costs during the years ended December 31, 2016 and 2015 totaling $0.5 million and $0.8 million, respectively. In addition, for the years ended December 31, 2016 and 2015, we recognized a gain on bargain purchase totaling $0 and $886 thousand, respectively. The proforma presentation is presented for informational purposes only, and is not necessarily indicative of what our actual results of operations would have been had the acquisitions occurred at such time.

	Years Ended December 31,	
(amounts in thousands)	2016	2015
Actual revenues from acquisitions	$ 18,779	$ 3,234
Actual net income (loss) from acquisitions	(2,706)	(29)
Pro forma total revenues, net of disposals	76,854	74,472
Pro forma net income applicable to common shares	15,806	6,326
Pro forma earnings per common share – basic	13.99	5.60
Pro forma earnings per common share – diluted	12.13	4.92

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Dispositions

Ashbrooke

On May 21, 2015, the Board approved entering into a contract to sell Ashbrooke Apartments. The Trust entered into a Real Estate Sale Agreement on July 8, 2015 for a sales price of $12.4 million, which closed on November 5, 2015, resulting in a gain of $796 thousand. The net proceeds received after the payoff of the $9.1 million mortgage debt was $3.4 million. The proceeds were deposited in a third-party qualified intermediary escrow account. For tax purposes, the Trust has applied the gain on disposition of the Ashbrooke Apartments sale to the adjusted basis of the Cross Creek Apartments as its replacement property in accordance with the Internal Revenue Code Section 1031 for tax-free exchanges.

The following table represents the amount of gain from the sale of the Ashbrooke Apartments after the adjustment of certain disposition fees and selling costs:

(amounts in thousands)		
Ashbrooke's sales price	$	12,400
Less commissions, closing costs and other prorations		(142)
Net sale price		12,258
Less net carrying value		(11,462)
Gain	$	796

The estimated gain for tax purposes is approximately $1.7 million which will offset the basis of the replacement property, Cross Creek Apartments.

Fountainhead

On June 25, 2015, the Board approved entering into a contract to sell Fountainhead Apartments. The Trust entered into a Real Estate Sale Agreement for a sales price of $6.9 million, which closed on September 1, 2015, resulting in a gain of $2.2 million. The net proceeds received after the payoff of the $4.0 million mortgage debt was $2.7 million. The proceeds were deposited in an escrow third-party qualified intermediary account. For tax purposes, the Trust has applied the gain on disposition of the Fountainhead Apartments sale to the adjusted basis of the Grande at Pearl Apartments as its replacement property in accordance with the Internal Revenue Code Section 1031 for tax-free exchanges.

The following table represents the amount of gain from the sale of the Fountainhead Apartments after the adjustment of certain disposition fees and selling costs:

(amounts in thousands)		
Fountainhead sales price	$	6,916
Less commissions, closing costs and other prorations		(194)
Net sale price		6,722
Less net carrying value		(4,496)
Gain	$	2,226

The gain for tax purposes is approximately $2.6 million which offset the basis of the replacement property, Grand at Pearl Apartments.

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Bicycle Club

On June 24, 2016, the Trust completed the sale of the Bicycle Club apartment community for a sales price of $23.6 million. The sale resulted in a gain of approximately $15.0 million. The net proceeds received after paying off the related mortgage loan of approximately $9.8 million and a portion of the credit facility secured by the property totaling $3.1 million was approximately $10.2 million. The proceeds were deposited into a third-party qualified intermediary account as the Trust used the proceeds in an Internal Revenue Service Code Section 1031 tax-free exchange.

The following table represents the amount of gain from the sale of the Bicycle Club apartment community after certain disposition fees and selling costs:

(amounts in thousands)

Bicycle Club's sale price	$	23,600
Less commissions and closing costs		(285)
Net sale price		23,315
Less: net carrying value		(8,335)
Gain	$	14,980

The estimated deferred gain for tax purposes is approximately $15.5 million, which will offset the basis of the replacement properties.

Barrington Hills

On December 12, 2016, the Trust completed the sale of the Barrington Hills apartment community for a sales price of $7.6 million. The sale resulted in a gain of approximately $2.4 million. The net proceeds received after paying off the related mortgage loan of approximately $4.6 million and other related costs were approximately $2.7 million. The proceeds were deposited into a third-party qualified intermediary account as the Trust intends to use the proceeds in an Internal Revenue Service Section 1031 tax-free exchange.

The assets and liabilities were classified as held for sale at December 31, 2015.

The following table summarizes the transaction:

(amounts in thousands)

Barrington Hills sales price	$	7,597
Less commissions, closing costs and other prorations		(91)
Net sale price		7,506
Less: net carrying value		(5,112)
Gain	$	2,394

The estimated deferred gain for tax purposes is approximately $2.6 million, which will offset the basis of the replacement properties.

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

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

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

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

The following table represents the amount of the guarantee liability as of December 31, 2016 (in thousands):

	Mortgage Balance as of December 31, 2016	Guarantee
Centennial Park	$ 9,493	$ 95
WildOak	15,104	151
Total	$ 24,597	$ 246

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

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

(9) CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Trust records asset retirement obligations in accordance with ASC 410. At December 31, 2016 and 2015, the Trust had a liability for $101 thousand and $92 thousand, respectively. Upon the acquisition of Forest Park Apartments, the Phase I Environmental Reports dated October 24, 2006, cited asbestos-containing ceiling materials. In accordance with regulatory standards, on October 26, 2006 an Operations and Maintenance Program was completed and implemented for Forest Park. Management is aware that the asbestos-containing materials must be removed before the real estate can be "retired" due to sale, abandonment, recycling, or disposal, which constitutes an asset retirement obligation, if the removal cost is estimable and material. The asset retirement obligation cost was estimated at fair value. The asset retirement obligation is included in other accrued liabilities in the consolidated balance sheets.

(10) TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY

Shareholders' Equity: Warrants

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

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

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

Non-controlling Interests: MOLP Operating Units

In conjunction with the acquisitions of certain operating companies that owned apartment communities, we have issued a total of 164,433 MOLP operating units. If and when the MOLP units are presented for redemption, we have the option to convert the MOLP units for common shares of the Trust based on an exchange ratio that is currently a one-for-one basis, or the cash equivalent amount, determined as the average closing price for our common shares over the 10-day trading period on the OTC market preceding the redemption. Although the Trust intends to convert the units into common shares, to date the Trust has redeemed 685 MOLP operating units from three unrelated MOLP owners for $23 thousand after such owners exercised their right to redeem the units in accordance with the conditions set forth in the MOLP limited partnership agreement. The price was determined based on the average closing price of the Trust's common stock for the 10 trading days immediately preceding the date the MOLP owner provided his notice of redemption to MOLP.

Treasury Shares

On November 10, 2014, the Board approved a stock repurchase plan authorizing the Trust to purchase up to 25,000 outstanding shares of the Trust's common stock. During the year ended December 31, 2015, the Trust purchased 13,893 common shares totaling $416 thousand and the shares were placed in the Company's treasury stock account. The Trust ended the stock repurchase plan in May 2015.

Dividend

The Board of Trustees has declared a monthly dividend during 2016 through the date the consolidated financial statements were available to be issued as follows:

Record Date	Dividend Date	Amount Per Share
December 31, 2015	January 15, 2016	$0.25
January 29, 2016	February 15, 2016	$0.25
February 29, 2016	March 15, 2016	$0.25
March 31, 2016	April 15, 2016	$0.25
April 29, 2016	May 13, 2016	$0.25
May 31, 2016	June 15, 2016	$0.25
June 30, 2016	July 15, 2016	$0.25
July 29, 2016	August 15 2016	$0.25
August 31, 2016	September 15 2016	$0.25
September 30, 2016	October 14, 2016	$0.25
October 31, 2016	November 15, 2016	$0.40
November 30,2016	December 15, 2016	$0.40
December 30, 2016	January 13, 2017	$0.40
January 31, 2017	February 15, 2017	$0.40
February 28, 2017	March 15, 2017	$0.40

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(11) EARNINGS PER SHARE ("EPS")

The Trust calculates earnings per share based on the weighted average number of shares of common stock, and dilutive convertible securities outstanding during the period. The exchange of MOLP limited partnership operating units into common shares were included in the computation of diluted EPS. The following table illustrates the Trust's calculation of basic and diluted EPS for the years ended December 31, 2016 and 2015 (in thousands, except per share data):

	Years Ended December 31, 2016	Years Ended December 31, 2015
Numerator:		
Net income	$ 17,774	$ 6,626
Net (income) attributable to non-controlling interests	(3,110)	(2,103)
Net income attributable to common shareholders	$ 14,664	$ 4,523
Denominator:		
Weighted average common shares outstanding – basic	1,130	1,130
Diluted potential common shares and MOLP units	163	156
Weighted average common shares outstanding – diluted	1,293	1,286
Earnings per common share		
Basic earnings per share	$ 12.98	$ 4.00
Diluted earnings per share	$ 11.34	$ 3.51

The number of diluted potential common shares and MOLP units for the year ended December 31, 2015 has been adjusted from amounts previously reported. The adjustment had the effect of reducing diluted potential common shares and MOLP units by 70 thousand for the year ended December 31, 2015. Previously reported diluted net income per common share was $3.33 for the year ended December 31, 2015.

(12) SEGMENT REPORTING

The Trust operates rental real estate in two segments; apartments and retail. As of December 31, 2016, the Trust operates twenty-eight apartment communities and approximately 92,000 square feet of retail space. As of December 31, 2015, the Trust operated twenty-six apartment communities and 92,000 square feet of retail space. The Trust's management evaluates the performance of each segment based on profit or loss from operations. The accounting policies of the segments are the same as those of the Trust. Following is information for each segment as of and for the years ended December 31, 2016 and 2015 (in thousands):

December 31, 2016:	Total Revenue	Income from Continuing Operations	Capital Expenditures	Depreciation and Amortization	Interest Expense	Operating Real Estate
Apartments	$ 73,022	$ 19,304	$ 16,147	$ 18,074	$ 18,158	$ 541,213
Retail	1,275	756	63	265	259	9,253
Corporate	--	(2,286)	--	--	1,383	--
Subtotal	74,297	17,774	16,210	18,339	19,800	550,466
Non-controlling interest	--	(3,110)	--	--	--	--
Total	$ 74,297	$ 14,664	$ 16,210	$ 18,339	$ 19,800	$ 550,466

December 31, 2015:	Total Revenue	Income from Continuing Operations	Capital Expenditures	Depreciation and Amortization	Interest Expense	Operating Real Estate
Apartments	$ 59,611	$ 7,552	$ 8,183	$ 12,637	$ 14,408	$ 457,570
Retail	978	395	232	199	125	8,900
Corporate	--	(1,321)	--	--	1,021	--
Subtotal	60,589	6,626	8,415	12,836	15,554	466,470
Non-controlling interest	--	(2,103)	--	--	--	--
Total	$ 60,589	$ 4,523	$ 8,415	$ 12,836	$ 15,554	$ 466,470

(13) <u>CONTINGENCIES</u>

Legal Proceedings

As noted in Note 7, Property Acquisitions and Dispositions, the Trust is party to an action against the City of Pearl, Mississippi.

On April 15, 2016, a lawsuit was brought against the Trust, MLake 11, LLC, Mr. Johnson, MPI, Northmarq Capital, LLC and U.S. Bank NA by certain non-managing members of Centennial Park Kansas, LLC. The lawsuit alleged breach of contract, breach of fiduciary duty, conspiracy, fraud, violations of securities laws, and intentional interference with contractual relations. The Trust was only named in the conspiracy and interference with contractual relations claims. The plaintiffs sought equitable remedies and unspecified monetary damages. In December 2016, the parties reached a settlement in principal. The settlement, if completed, will result in the Trust acquiring the Centennial Park apartment community for a purchase price of approximately $20.2 million. We anticipate finalizing the settlement and completing the acquisition during 2017.

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

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

(14) <u>SUBSEQUENT EVENTS</u>

The Trust has evaluated subsequent events through March 16, 2017, which is the date the consolidated financial statements were available to be issued. Except as disclosed in Note 3, 5 and 13, the Trust is not aware of any additional subsequent events.

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CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2016 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 year covered by this disclosure statement; and

3. Based on my knowledge, the 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: 03/16/2017

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

CERTIFICATION

I, Ryan Snyder, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2016 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 year covered by this disclosure statement; and

3. Based on my knowledge, the 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: 03/16/2017

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

CERTIFICATION

I, John W. Alvey, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2016 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 year covered by this disclosure statement; and

3. Based on my knowledge, the 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: 03/16/2017

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