

MAXUS REALTY TRUST, INC.



DISCLOSURE FOR FISCAL YEAR ENDED DECEMBER 31, 2011

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

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General Development of Business

Maxus Realty Trust, Inc. (the "Trust") is a corporation formed on June 14, 1984 to acquire equity investments in income-producing real properties, primarily multi-family apartments and light industrial properties. All real estate assets are located in Missouri, Arkansas, Oklahoma, Kansas and Texas. The Trust operates rental real estate in three key segments; apartments, commercial and retail. The Trust currently operates fourteen apartment communities, a multi-tenant warehouse/manufacturing facility and 40,412 square feet of retail space. Cash is primarily generated by renting apartment units or the warehouse/manufacturing space to tenants, or leasing retail space and securing loans with the Trust's assets. Cash is used primarily to pay operating expenses (repairs and maintenance, payroll, utilities, taxes, and insurance), make capital expenditures for property improvements, repay principal and interest on outstanding loans and cash distributions to shareholders. The key performance indicators for revenues are occupancy rates and rental rates. Revenues are also impacted by concessions (discounts) offered as rental incentives. The Trust's leasing operations provided rental income constituting 89% of the 2011 revenues. The remaining 11% of 2011 revenues include interest and other income. The key performance indicator for operating expenses in the apartment sector is total operating expense per apartment unit. A significant change in the turnover rate of rental units can also cause a significant change in operating expenses. Management also evaluates total taxes, utilities and insurance rates for each property.

General economic trends that management evaluates include construction of apartment units (supply), unemployment rates, job growth, and interest rates (demand). The apartment industry is sensitive to extremely low interest rates, which tend to increase home ownership and decrease apartment occupancy rates. The apartment industry is also sensitive to increased unemployment rates, which tend to cause possible renters to double up in a unit or share a non-rental dwelling with relatives or acquaintances. New construction in an area with low occupancy rates can cause a further decline in occupancy or rental rates.

Description of the Company's Business

Since 2004, the Trust has been structured as what is commonly referred to as an umbrella partnership REIT, or UPREIT, structure. To effect the UPREIT restructuring, the Trust formed Maxus Operating Limited Partnership, a Delaware limited partnership ("MOLP"), and the Trust contributed all of its assets to MOLP, in exchange for a 99.999% partnership interest in MOLP and the assumption by MOLP of all of the Trust's liabilities. Since the restructuring, the Trust has conducted and intends to continue to conduct all of its activities through MOLP. Maxus Realty GP, Inc., a Delaware corporation that is wholly owned by 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 redeem the units (and corresponding limited partnership interests) in return for the issuance of the Trust's common stock or cash, at the Trust's election, after a one (1) year holding period. The Trust believes the UPREIT structure enables it to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue 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, 2011, noncontrolling holders of MOLP own 89,405 limited partnership operating units, or approximately 6.757% of the partnership interest in MOLP.

Except for Madison Apartments, Schoettler Village, The Villages of Bogey Hills, ("Bogey Hills") and Kirkwood Station Plaza Apartments and Retail, ("Kirkwood Station") each of the real estate properties are owned by single member limited liability companies that are directly and wholly owned by MOLP. MOLP owns a 52% interest in each of the limited liability companies that own Madison Apartments; Schoettler Village Apartments, Bogey Hills and Kirkwood Station. Maxus Properties, Inc. provides property management services for each of the Trust's properties.

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 and borrowings under new property loans.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding debt, capital expenditures, dividends paid to shareholders, distributions paid to non-controlling interests and acquisitions of properties. We use our cash and cash equivalents and our cash provided by operating activities to meet short-term liquidity needs. In the event that our cash and cash equivalents and cash provided by operating activities are not sufficient to cover our short-term liquidity demands, we have additional means, such as short-term borrowing availability and proceeds from property sales and refinancings to help us meet our short-term liquidity demands. 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 equity securities (including MOLP operating units), the sale of properties and cash generated from operations.

At December 31, 2011, we had \$824,000 in cash and cash equivalents, an increase of \$63,000 from December 31, 2010. At December 31, 2011, we had \$2,312,000 of restricted cash, primarily consisting of reserves and escrows held by lenders for capital additions, property taxes and insurance. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our consolidated statements of cash flows on page 17.

Operating Activities

For the twelve months ended December 31, 2011, our net cash provided by operating activities of \$5,696,000 was primarily related to certain adjustments to reconcile net loss of \$872,000 to net cash, such as depreciation and amortization of \$6,449,000, the increase in escrows and reserves of \$710,000 and the decrease in accounts payable and other liabilities of \$673,000. Cash provided by operating activities increased \$555,000 compared with the twelve months ended December 31, 2010, driven primarily by improved operating results, new acquisitions, greater depreciation expense offset by decreased accounts payable and accrued expenses.

Investing Activities

For the twelve months ended December 31, 2011, our net cash used in investing activities was \$10,014,000, consisting primarily of the purchase of the Bogey Hills Apartments for \$6,229,000, capital expenditures of \$3,323,000 and the purchase of certain real estate investments in the amount of \$572,000.

Although we hold all of our properties for investment, we sell properties when they do not meet our investment criteria or are located in areas that we believe do not justify our continued investment when compared to alternative uses for our capital. During the twelve months ended December 31, 2011, we did not sell any of our properties.

Financing Activities

For the twelve months ended December 31, 2011, net cash provided by financing activities of \$4,381,000 was primarily attributed to the investments made by purchasers of non-controlling interests in the Bogey Hills Apartments in the amount of \$3,225,000 and the short-term loan borrowings of \$3,500,000 which was offset by principal payments on mortgage notes payable.

Property Debt

At December 31, 2011 and December 31, 2010, we had \$147 and \$123 million, respectively, in consolidated property debt outstanding. Other than the addition of the loan associated with the acquisition of Bogey Hills and the refinancing of Northtown Business Center, there have been no material changes to the Trust's contractual cash obligations and other commercial commitments from amounts disclosed in the consolidated financial statements for the year ended December 31, 2010. 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. On August 1, 2011, the Trust refinanced the mortgage indebtedness on the Northtown Business Center with First Missouri National Bank with a variable rate loan. The loan is in the amount of \$4,200,000, matures August 1, 2016 and will accrue interest at the rate of 5.5% per year until August 1, 2014, after which the rate will be a variable rate equal to 1.00% above the Wall Street Journal U.S. Prime rate. The rate on this loan may change as often as every 12th month beginning August 1,

2014. During the term of this loan, the applicable annual interest rate will not be less than 5.50%. Under the commercial loan agreement with First Missouri National Bank, Northtown Business Center must maintain a debt coverage ratio of 1.2 to 1.0 and the Trust must maintain a net worth of \$10,000,000 or more and \$1,000,000 in cash, cash equivalents and unfunded lines of credit. The commercial property serves as collateral for the loan. The monthly principal and interest payments will be \$34,329. The Trust is guarantor of the loan. (See Note 4 to our condensed consolidated financial statements on page 24 for a summary of contractual cash obligations and other financial commercial commitments).

Equity Transactions

During the twelve months ended December 31, 2011, the following subsidiaries of MOLP, Madison at Melrose, Schoettler Village and Bogey Hills paid cash distributions in aggregate of \$342,000 to their respective non-controlling interests.

Future Capital Needs

We expect to fund any future acquisitions, capital improvements and capital replacements with proceeds from property sales (including tax-free exchange proceeds), short-term borrowings, debt and equity financing and operating cash flows.

Funds From Operations (FFO)

The results of operations for the Trust's properties for the twelve months ended December 31, 2011 and 2010 are detailed below. 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 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 available to shareholders and earnings per share.

The white paper on FFO approved by the board of governors of NAREIT defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus property-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis as calculated for the Trust's other results of operations.

In 1999, NAREIT clarified the definition of FFO to include non-recurring events, except for those that are defined as "extraordinary items" under GAAP and gains and losses from sales of depreciable operating property. In 2002, NAREIT clarified that FFO related to assets held for sale, sold or otherwise transferred and included in results of discontinued operations should continue to be included in consolidated FFO.

The Trust computes FFO in accordance with the guidelines established by the white paper, which may differ from the methodology for calculating FFO utilized by other equity REITs, and accordingly, may not be comparable to such other REITs. FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, distributions, or other commitments and uncertainties. FFO should not be considered as a substitute for net income (determined in accordance with GAAP) as an indication of the Trust's financial performance or cash flows from operating activities (determined in accordance with GAAP) as a measure of the Trust's liquidity, nor is it indicative of funds available to fund the Trust's cash needs including its ability to make distributions. The Trust believes FFO is helpful to investors as a measure of the performance of the Trust. In the table below, revenue, expenses, net income and property related depreciation and amortization were determined in accordance with GAAP. The addition of property related depreciation and amortization to, and the elimination of the (gain) loss on sale of property from net income results in FFO, which is not determined in accordance with GAAP.

Reconciliation of Funds From Operations to Net Loss Available to Shareholders

	Year Ended Dec. 31, <u>2011</u>	Year Ended Dec. 31, <u>2010</u>
Net loss	\$ (727,000)	\$ (1,392,000)
Plus:		
Property related depreciation and amortization	<u>6,449,000</u>	<u>5,266,000</u>
Funds from operations	\$ <u>5,722,000</u>	\$ <u>3,874,000</u>

Real Property Owned by Company

In August 2000, the Trust purchased the Forest Park Apartments (“Forest Park” formerly North Winn Apartments). Forest Park is located in Kansas City, Missouri. Forest Park consists of 110 multi-family apartment units. In August 2000, \$1,986,000 of debt was incurred relative to the acquisition of Forest Park. On August 31, 2005, the Trust refinanced the loan on Forest Park with NorthMarq Capital, LLC and Freddie Mac. The Forest Park Apartments are subject to a mortgage deed of trust securing a loan balance owing of \$2,170,000 at December 31, 2011 with monthly principal and interest payments of \$13,000 at a fixed interest rate of 5.29%. The mortgage note matures on September 1, 2015. The apartments are 88% occupied at December 31, 2011.

In August 2001, the Trust purchased the King’s Court Apartments (“King’s Court”), an 82 unit multi-family apartment complex in Olathe, Kansas. On June 26, 2008, the Trust refinanced the loan on King’s Court and The Terrace Apartments with NorthMarq Capital, LLC and Freddie Mac. The note is secured by a mortgage on King’s Court and The Terrace Apartments, an assignment of rents, and a security agreement. The King’s Court and The Terrace Apartments are operated as one entity. The apartments are 96% occupied at December 31, 2011. The mortgage note had an outstanding balance of \$4,784,000 at December 31, 2011 with monthly principal and interest payments of \$29,000 at a fixed interest rate of 5.66%. The mortgage note matures on July 1, 2015.

In September 2001, the Trust purchased the Chalet Apartments Phase I and II (“Chalet”), a 234 unit multi-family apartment complex in Topeka, Kansas. On September 14, 2007, the Chalet mortgage note was refinanced with NorthMarq Capital, LLC and Freddie Mac secured by a mortgage on Chalet Apartments, an assignment of rents, and a security agreement. The mortgage note has an outstanding balance of \$7,630,000 at December 31, 2011 with monthly principal and interest payments of \$47,000 at a fixed interest rate of 5.79%. The mortgage note matures on October 1, 2017 with an extension period of 12 months at a variable interest rate. Chalet I and Chalet II were merged into one subsidiary on December 27, 2007. The apartments are 91% occupied at December 31, 2011.

In September 2001, the Trust purchased The Landings, at Rock Creek Apartments (“The Landings”), a 154 unit multi-family apartment complex in Little Rock, Arkansas. On August 31, 2006, The Landings’ mortgage note was refinanced by NorthMarq Capital, LLC and Freddie Mac secured by a mortgage on The Landings, an assignment of rents, and a security agreement. The mortgage note had an outstanding balance of \$5,838,000 on December 31, 2011, with monthly principal and interest payments of \$38,000 at a fixed interest rate of 6.19%. The mortgage note matures on September 1, 2016. The apartments are 95% occupied at December 31, 2011.

In November 2001, the Trust purchased Barrington Hills Apartments (“Barrington Hills”), a 232 unit, multi-family apartment complex in Little Rock, Arkansas. In connection with the purchase of Barrington Hills, the Trust assumed existing bonds and related mortgage and security instruments in favor of Berkshire Mortgage Finance Limited Partnership with an outstanding balance of approximately \$5,919,000 at the time of assumption, at a fixed rate of 6.035%, which were due and payable on July 1, 2029. On November 30, 2011, the Trust refinanced the mortgage indebtedness on the Barrington Hills Apartments with a new loan of \$5,200,000 from NorthMarq Capital, LLC under a Freddie Mac variable rate program. The loan is for seven years at an adjustable interest rate of 351 basis points over LIBOR not to exceed 6.25%. The mortgage note had an outstanding balance of \$5,107,000 at December 31, 2011 with monthly principal and interest payments of \$24,000 at an adjustable mortgage interest rate of 3.77%. The maturity date of this note is December 1, 2017. The apartments are 91% occupied at December 31, 2011.

On April 30, 2004, the Trust purchased The Terrace Apartments, an 84-unit apartment complex located in Olathe,

Kansas. As indicated above, The Terrace Apartments and King's Court are operated as one entity ("King's Court/Terrace"). As also mentioned above, on June 26, 2008, the Trust refinanced the loan on King's Court/Terrace with NorthMarq Capital, LLC and Freddie Mac and is secured by a mortgage on King's Court/Terrace Apartments, an assignment of rents, and a security agreement. The mortgage note had an outstanding balance of \$4,784,000 at December 31, 2011 with monthly principal and interest payments of \$29,000 at a fixed interest rate of 5.66%. The apartments are 96% occupied at December 31, 2011.

On July 1, 2005, the Trust purchased Bicycle Club Apartments ("Bicycle Club"), a 312-unit apartment complex located in Kansas City, Missouri. The Bicycle Club mortgage note was refinanced by NorthMarq Capital, LLC and Freddie Mac on August 25, 2006 and is secured by a mortgage on Bicycle Club, an assignment of rents, and a security agreement. The mortgage note had an outstanding balance of \$10,508,000 at December 31, 2011 with monthly principal and interest payments of \$69,000 at a fixed interest rate of 6.19%. The mortgage note matures on September 1, 2016. The apartments are 89% occupied as of December 31, 2011.

On August 30, 2006, a wholly-owned subsidiary of MOLP, Northtown Business Center, L.L.C., ("Northtown"), purchased approximately 12.44 acres of land and a multi-tenant industrial building containing approximately 240,000 rentable square feet of industrial and related office and mezzanine space located in North Kansas City, Missouri. The Trust funded the acquisition of the property with cash and escrow of \$2,169,000 and a mortgage loan of \$3,150,000. The Trust refinanced the loan on August 1, 2011. The new loan is with First Missouri National Bank. Northtown Business Center's monthly principal and interest payments are \$34,000 with a fixed interest rate of 5.50% until August 1, 2014. The mortgage note had an outstanding balance of \$4,147,000 at December 31, 2011. The mortgage note matures on August 1, 2016.

The building is 100% leased to three tenants whose leases expire in years 2011-2016. On June 30, 2011, the Trust negotiated a 5 year lease extension to 2016 with Inteva, who is Northtown's largest tenant that leases 52% of the rentable square feet.

On November 17, 2006, a wholly-owned subsidiary of MOLP, North Winn Acquisition, L.L.C., acquired the Valley Forge Apartments ("Valley Forge"), a 7-building, 88-unit apartment complex, on a 7.06 acre tract located in Kansas City, Missouri. Valley Forge's monthly interest only payments are \$8,000 with a fixed interest rate of 5.69%. The debt obligation matures on December 1, 2015. The mortgage note had an outstanding balance of \$1,715,000 at December 31, 2011. The apartments are 88% occupied at December 31, 2011. Valley Forge and Forest Park Apartments are operated as one entity.

On January 11, 2007, a wholly-owned subsidiary of MOLP, Highland Pointe Acquisition, L.L.C., acquired all of the preferred and common membership interests in West OKC Highland Pointe Association, L.L.C. ("OKC"). OKC owned a 20-building, 232-unit apartment community on 13.63 acres in Yukon, Oklahoma, located approximately 15 miles west of Oklahoma City, Oklahoma. This property was built in 2004. On February 2, 2007, the Trust refinanced the property and paid off the construction loan, with a mortgage loan of \$13.0 million from NorthMarq Capital, LLC and Freddie Mac secured by a mortgage on OKC, an assignment of rents, and a security agreement. The new loan bears interest at a fixed rate of 5.67% and matures on February 28, 2017. The mortgage note has an outstanding balance of \$12,542,000 at December 31, 2011. Beginning April 1, 2009 monthly principal and interest payments are \$75,205. The apartments are 90% occupied at December 31, 2011.

On November 30, 2007, a wholly-owned subsidiary of MOLP, Regency North Acquisition, LLC ("Regency LLC"), acquired Regency North Apartments ("Regency North"), a 16-building, 180-unit apartment complex located on 23.71 acres in Kansas City, Missouri. This property was built in 1970. Regency LLC paid approximately \$6,300,000, including the assumption of certain liabilities and the assumption of a \$5,250,000 mortgage loan with an outstanding principal balance of \$4,724,000. The mortgage note payable included a debt premium balance of \$351,000. The mortgage loan, which matures on December 1, 2020, bears interest at a fixed rate of 5.13% and requires monthly payments of approximately \$28,000. The mortgage note has an outstanding balance of \$5,010,000 at December 31, 2011. The apartments are 84% occupied at December 31, 2011.

On June 1, 2008, a wholly-owned subsidiary of MOLP, Fountainhead Refunding, L.L.C., acquired Fountainhead Apartments ("Fountainhead"), an 8-building, 112-unit apartment complex located on 5.77 acres in Kansas City, Missouri. This property was built in 1986. On June 17, 2008, the Trust refinanced Fountainhead's debt with NorthMarq Capital, LLC and Freddie Mac secured by a mortgage on Fountainhead, an assignment of rents, and a security agreement. Fountainhead's monthly mortgage payments of principal and interest are \$26,000, with a fixed interest rate of 5.98%. The mortgage note had an outstanding balance of \$4,215,000 at December 31, 2011. The debt

obligation matures on July 1, 2015. The apartments are 94% occupied at December 31, 2011.

On June 22, 2009, a wholly owned subsidiary of MOLP, Melrose Acquisition, L.L.C. (“Madison”), purchased approximately 11.25 acres of land and a 200-unit multifamily apartment housing complex in Richardson, Texas. The complex was built in 1995. On June 22, 2009, the Trust financed Madison’s loan with NorthMarq Capital, LLC. Madison’s monthly mortgage payment of principal and interest is \$73,307, with a fixed interest rate of 5.99%. The mortgage note had an outstanding balance of \$11,888,000 at December 31, 2011. The debt obligation matures on July 1, 2019. The apartments are 96% occupied at December 31, 2011.

On October 30, 2009, a wholly owned subsidiary of MOLP, Berkshire Renovation, L.L.C. (“Berkshire”), purchased approximately 18.65 acres of land and a 252-unit multifamily apartment housing complex in Wichita, Kansas. The complex was built in three phases in 1989, 1990 and 1993. On October 30, 2009 the Trust financed Berkshire’s loan with NorthMarq Capital, LLC. Berkshire’s monthly mortgage payment of principal and interest is \$45,775, with a fixed interest rate of 5.57%. The mortgage note had an outstanding balance of \$7,784,000 at December 31, 2011. The debt obligation matures on November 1, 2019. The apartments are 90% occupied at December 31, 2011.

On March 22, 2010, MLake 5, L.L.C. (“MLake”), a wholly-owned subsidiary of MOLP, purchased Schoettler Village Apartments, a 300 unit residential apartment community located in Chesterfield, Missouri in the greater St. Louis area (“Schoettler Village Apartments”). The complex was built in 1979 and was renovated in 1997. The Trust financed Schoettler Village Apartments with a mortgage loan from NorthMarq Capital, LLC in the amount of \$19,560,000. On June 30, 2010, MLake sold 48% of its membership interest in exchange for \$2,700,000. Schoettler’s monthly mortgage payment of principal and interest is \$112,000, with a fixed interest rate of 5.58% maturing on April 1, 2020. The mortgage note had an outstanding balance of \$19,147,000 on December 31, 2011. The apartments are 90% occupied at December 31, 2011.

On July 15, 2010, a wholly owned subsidiary of MOLP, Kirkwood Station Acquisition, L.L.C. (“KSA”), purchased a mortgage note and first deed of trust secured by the Kirkwood Station Apartments and retail development in Kirkwood, Missouri (the “Kirkwood Property”), for a purchase price of \$22,800,000 plus closing costs and deposits. KSA purchased the note from Reliance Bank. The Trust funded 87% of the purchase with a short-term loan to KSA from Reliance Bank, which obligation is fully guaranteed by the Trust and MOLP, and the balance from operating cash and the sale of a minority interest in KSA to investors, including affiliates of the Trust. Prior to the closing, KSA sold 48% of its membership interests in exchange for \$1,700,000. The Kirkwood Property consists of 155 apartment units and 40,412 square feet of retail/office space. The mortgage note was in default and KSA purchased the foreclosed note with the related investment assets on August 4, 2011. (See Legal Proceedings on page 12) Initially, the court appointed a receiver who engaged Maxus Properties, Inc., primarily owned by David L. Johnson, to manage the Kirkwood Property. On November 12, 2010, the initial receiver appointed was substituted with Maxus Properties, Inc. The apartments are 94% occupied and the retail development is 92% occupied at December 31, 2011.

On June 24, 2011, Bogey Hills Acquisition, L.L.C. (“BOGEY”), a wholly-owned subsidiary of MOLP, the operating limited partnership of the Trust, acquired The Villages of Bogey Hills Apartments, (“Bogey Hills”), a 486 unit residential apartment community that overlooks the Bogey Hills Golf & Country Club in St. Charles, Missouri for a purchase price of approximately \$30,110,000. The Seller was an unrelated third party. The Trust funded approximately 83% of the purchase price through a \$25,000,000 mortgage loan from Northmarq Capital, Inc. secured by Bogey Hills with a fixed interest rate of 5.13% that matures in ten years with monthly payments based on a thirty (30) year amortization. The mortgage note had an outstanding balance of \$24,863,000 at December 31, 2011. Bogey Hills' monthly payments of principal and interest are \$136,000. The debt obligation matures on July 1, 2021. The Trust funded the remaining portion of the purchase price, together with the closing costs and acquisition fee, of approximately \$6,229,000 in three parts with (i) a private offering in the aggregate amount of \$3,225,000, (ii) approximately \$3,000,000 in the form of a short-term loan with Pony Express Bank and (iii) available cash on hand. The short term loan with Pony Express Bank matures December 16, 2012 and accrues interest at 5.5%. As of December 31, 2011, principal and interest payments of \$972,694 have been made towards this loan with available cash on hand and the balance of the note as of December 31, 2011 was \$2,027,000. As of December 31, 2011 Bogey Hills was 95% occupied.

**PRINCIPAL REAL ESTATE OWNED AS OF DECEMBER 31, 2011 BY
MAXUS REALTY TRUST, INC.**

PROPERTY	# UNITS	TYPE	LOCATION	PURCHASE DATE
Barrington Hills Apartments ("Barrington Hills")	232	Apartments	Little Rock, AR	November, 2001
Berkshire Apartments ("Berkshire")	252	Apartments	Wichita, KS	October, 2009
Bicycle Club Apartments ("Bicycle Club")	312	Apartments	Kansas City, MO	July, 2005
Chalet Apartments ("Chalet")	234	Apartments	Topeka, KS	September, 2001
Forest Park/Valley Forge Apartments ("Forest Park/Valley Forge")	198	Apartments	Kansas City, MO	August, 2000/ November, 2006
Fountainhead Apartments ("Fountainhead")	112	Apartments	Kansas City, MO	June, 2008
Highland Pointe Apartments ("Highland Pointe")	232	Apartments	Yukon, OK	January, 2007
King's Court/Terrace Apartments ("King's Court/Terrace")	166	Apartments	Olathe, KS	August, 2001/ April, 2004
Kirkwood Station Plaza Apartments/Retail ("Kirkwood Station")	155 units & 40,412 sq. ft. retail space	Apartments and retail	St. Louis, MO	August, 2011
The Landings Apartments (the "Landings")	154	Apartments	Little Rock, AR	September, 2001
Madison at Melrose Apartments ("Madison")	200	Apartments	Richardson, TX	June, 2009
Northtown Business Center ("Northtown")	240,000 sq. ft. & 12.44 acres	Industrial and related office and mezzanine space	North Kansas City, MO	August, 2006
Regency North Apartments ("Regency North")	180	Apartments	Kansas City, MO	November, 2007
Schoettler Village Apartments ("Schoettler Village")	300	Apartments	Chesterfield, MO	March, 2010
Villages of Bogey Hills ("Bogey Hills")	486	Apartments	St. Charles, MO	June, 2011
Total Number Of Apartment Units:	3,213			
Total Square Feet Industrial:	240,000			
Total Square Feet Retail:	40,412			

Legal Proceedings

On July 19, 2010, Kirkwood Station Acquisition LLC ("KSA"), a subsidiary of MOLP, filed a lawsuit against various owners of certain real property for breach of a promissory note held by KSA (the "Note") in the amount of \$22,800,000. The defendants are various entities that executed the Note as tenants in common (the "TICs"), each of which owns a portion of the real property which secures the Note. KSA sued to collect on the Note, which was secured by a Deed of Trust on the real property, a 155 unit apartment community and 40,412 square feet of retail/office space in Kirkwood, Missouri. On November 30, 2010, the TICs filed counterclaims against KSA and certain of its affiliates alleging tortious interference, declaratory judgment, fraud and successor liability all designed to eliminate KSA's lien on the real property. The counterclaims and third party claims against KSA and its affiliates were dismissed without prejudice on February 28, 2011. KSA also sued the manager of the real property to enjoin it from operating the property, which was being operated by a receiver appointed on KSA's motion at the commencement of the litigation. The receiver had engaged Maxus Properties, Inc., the Trust's management company primarily owned by David L. Johnson, to manage the property. On November 12, 2010, the initial receiver appointed was substituted with Maxus Properties, Inc. On August 4, 2011, KSA foreclosed on the real property and was the successful bidder and now owns the real property subject to the lien of Reliance Bank. KSA then filed a motion to dismiss the lawsuit and terminate the Maxus Properties, Inc. receivership, which was set for hearing and granted on September 29, 2011. KSA is also tangentially involved in a related dispute whereby a Master Condominium Association (a KSA affiliate that has appointed several members through the Master Declaration) has sued a subassociation consisting of condominium owners (for condominiums located on the common area property subject to KSA's lien) for unpaid assessments of approximately \$280,000. This case was set for trial on January 3, 2012, but was removed from the trial docket and the claims for unpaid assessments for the years 2007-2009 were settled. The Master Condominium Association received as settlement for the years 2007-2009 the sum of \$85,000, dismissed its claims for the years 2007-2009, and the subassociation's counterclaims for 2007-2009 were dismissed. The issues regarding assessments for 2010 and forward will then be mediated on April 4, 2012 and if not resolved by May 14, 2012, the case will be filed again. There is also a consolidated mechanic's lien lawsuit and another mechanics lien lawsuit in the aggregate amount of less than \$200,000 filed by various subcontractors alleging unpaid amounts for work performed on the real property now owned by KSA. The subcontractors claim a priority over KSA's Deed of Trust which was foreclosed, and these cases are set for trial on June 4, 2012. In several of the cases, Reliance Bank is named as a defendant and Maxus Realty Trust, Inc., as required under an Indemnity Agreement with Reliance Bank in conjunction with KSA's acquisition of the Note and Deed of Trust, has entered its appearance for Reliance Bank.

Quantitative And Qualitative Disclosure About Market Risk

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. However, since the refinancing of King's Court and The Terrace, the Trust has one variable interest rate loan, Barrington Hills. See Note 4 on page 24 for the interest rate on the mortgage loan securing each property and the maturity date of each mortgage loan. The Trust has a significant amount of fixed rate debt and believes that the fair value risk is best quantified by considering prepayment penalties associated with the 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 is the greater of 1% of the amount of principal being prepaid or the difference between the debt's fixed rate and the Treasury note rate that most closely corresponds with the remaining life of the mortgage.

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Cautionary Note Regarding Forward-Looking Statements

This annual report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All 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 may constitute forward-looking statements. 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: (i) the ability to retain tenants, (ii) general economic, business, market and social conditions, (iii) trends in the real estate investment market, (iv) projected leasing and sales, (v) competition, (vi) inflation and (vii) future prospects for the Trust. 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 annual 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.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2011 and 2010, and the related consolidated statements of operations, shareholders' 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 audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audits included consideration of internal control over financial reporting as a basis for designating audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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, 2011 and 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Mayer Hoffman McCann P.C.".

Leawood, Kansas
March 9, 2012

MAXUS REALTY TRUST, INC.
Consolidated Balance Sheets
December 31, 2011 and 2010
(In thousands, except share data)

	Assets	<u>2011</u>	<u>2010</u>
Investment property:			
Land	\$	16,592	9,576
Buildings and improvements		161,399	116,120
Personal property		<u>13,012</u>	<u>9,713</u>
		191,003	135,409
Less accumulated depreciation		<u>(27,522)</u>	<u>(21,770)</u>
Total investment property, net		163,481	113,639
Cash and cash equivalents		824	761
Escrows and reserves		2,063	1,236
Accounts receivable, net		129	167
Prepaid expenses and other assets		645	676
Intangible assets, net		674	145
Kirkwood note receivable		--	23,299
Deferred expenses		1,289	1,260
Investment in unconsolidated real estate companies		<u>572</u>	<u>--</u>
Total assets	\$	<u>169,677</u>	<u>141,183</u>
	Liabilities and Shareholders' Equity		
Liabilities:			
Mortgage notes payable	\$	147,400	123,094
Line of credit		497	--
Accounts payable, prepaid rent and accrued expenses		1,394	1,861
Real estate taxes payable		540	446
Refundable tenant deposits		910	697
Note payable-short term		2,027	230
Other accrued liabilities		<u>264</u>	<u>221</u>
Total liabilities		<u>153,032</u>	<u>126,549</u>
Equity:			
Maxus Realty Trust, Inc. 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 2011 and 2010, respectively outstanding 1,234,000 in 2011 and 2010, respectively		1,419	1,419
Treasury Stock, at cost 185,371 shares in 2011 and 2010, respectively		(1,846)	(1,846)
Additional paid-in capital		19,310	19,310
Distributions in excess of accumulated earnings		<u>(11,635)</u>	<u>(10,908)</u>
Total Maxus Realty Trust, Inc. equity		<u>7,248</u>	<u>7,975</u>
Noncontrolling interest		9,397	6,659
Total equity		<u>16,645</u>	<u>14,634</u>
Total liabilities and equity	\$	<u>169,677</u>	<u>141,183</u>
See accompanying notes to consolidated financial statements.			

MAXUS REALTY TRUST, INC.
Consolidated Statements of Operations
Years ended December 31, 2011 and 2010
(In thousands, except per share data)

	<u>2011</u>	<u>2010</u>
Revenues:		
Rental	\$ 22,767	18,708
Other	<u>2,842</u>	<u>2,145</u>
Total revenues	<u>25,609</u>	<u>20,853</u>
Expenses:		
Depreciation and amortization	6,449	5,266
Repairs and maintenance	2,816	2,516
Turn costs and leasing	1,007	897
Utilities	1,743	1,585
Real estate taxes	1,958	1,888
Insurance	768	641
Legal Fees	187	314
Related party management fee	1,049	888
Other operating expenses	3,248	2,592
General and administrative	<u>281</u>	<u>116</u>
Total operating expenses	<u>19,506</u>	<u>16,703</u>
Net operating income	<u>6,103</u>	<u>4,150</u>
Other income (expense):		
Interest income	832	496
Interest expense	<u>(7,807)</u>	<u>(6,436)</u>
Total other expense, net	<u>(6,975)</u>	<u>(5,940)</u>
Net loss	(872)	(1,790)
Less: loss attributable to noncontrolling interest	<u>145</u>	<u>398</u>
Net loss available to common stockholders	<u>(727)</u>	<u>(1,392)</u>
Per share data (basic and diluted):		
Loss from operations	\$ <u>(0.59)</u>	<u>(1.12)</u>
Weighted average shares outstanding, basic and diluted	<u>1,234</u>	<u>1,247</u>

See accompanying notes to consolidated financial statements.

MAXUS REALTY TRUST, INC.
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2011 and 2010
(In thousands)

	<u>Common Stock</u>		<u>Treasury</u>	<u>Additional</u>	<u>Distributions</u>	<u>Total</u>	<u>Non-Controlling</u>	<u>Total</u>
	<u># of Shares</u>	<u>Amount</u>	<u>Stock(s)</u>	<u>paid in</u>	<u>in excess of</u>	<u>Maxus Realty</u>	<u>Interests</u>	<u>Equity</u>
				<u>capital</u>	<u>Accumulated</u>	<u>Trust, Inc.</u>		
					<u>Earnings</u>	<u>Equity</u>		
Balance December 31, 2009	<u>1,419</u>	\$ <u>1,419</u>	<u>(261)</u>	<u>19,310</u>	<u>(9,516)</u>	<u>10,952</u>	<u>2,812</u>	<u>13,764</u>
Treasury shares repurchased	--	--	(1,585)	--	--	(1,585)	--	(1,585)
Net loss	--	--	--	--	(1,392)	(1,392)	(398)	(1,790)
Sale of Subsidiary to non-controlling interest - Schoettler	--	--	--	--	--	--	2,700	2,700
Sale of Subsidiary to non-controlling interest - Kirkwood	--	--	--	--	--	--	1,700	1,700
Distributions to non-controlling interest	--	--	--	--	--	--	(155)	(155)
Balance December 31, 2010	<u>1,419</u>	\$ <u>1,419</u>	<u>(1,846)</u>	<u>19,310</u>	<u>(10,908)</u>	<u>7,975</u>	<u>6,659</u>	<u>14,634</u>
Net income loss	--	--	--	--	(727)	(727)	(145)	(872)
Sale of Subsidiary to non-controlling interest - Bogey Hills	--	--	--	--	--	--	3,225	3,225
Distributions to non-controlling interest	--	--	--	--	--	--	(342)	(342)
Balance December 31, 2011	<u>1,419</u>	\$ <u>1,419</u>	<u>(1,846)</u>	<u>(19,310)</u>	<u>(11,635)</u>	<u>7,248</u>	<u>9,397</u>	<u>16,645</u>

See accompanying notes to consolidated financial statements.

MAXUS REALTY TRUST, INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010
(In thousands)

Cash flows from operating activities:		<u>2011</u>	<u>2010</u>
Net loss	\$	(872)	(1,790)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		6,449	5,266
Amortization of deferred loan costs		211	208
Amortization of loan premium		--	(114)
Asset retirement obligation		43	43
Net expenses paid out of purchase of Bogey Hills/Schoettler Village & various refinancings		(43)	(22)
Changes in accounts affecting operations:			
Accounts receivable		83	(117)
Prepaid expenses and other assets		(212)	124
Escrows and reserves, net		710	698
Accounts payable and other liabilities		<u>(673)</u>	<u>845</u>
Net cash provided by operating activities		5,696	5,141
Cash flows from investing activities:			
Capital expenditures on investment properties		(3,323)	(2,291)
Investment in unconsolidated real estate companies, net		(572)	--
Acquisition of Bogey Hills		(6,229)	--
Acquisition of Kirkwood note receivable		--	(3,049)
Kirkwood note foreclosure (converted to investment property & related assets/liabilities)		110	--
Acquisition of Schoettler Village		<u>--</u>	<u>(1,729)</u>
Net cash used in investing activities		(10,014)	(7,069)
Cash flows from financing activities:			
Principal payments on mortgage notes payable		(1,923)	(1,333)
Schoettler sale of non-controlling interest		--	2,700
Kirkwood sale of non-controlling interest		--	1,700
Bogey Hills sale of non-controlling interest		3,225	--
Short-term loan borrowings		1,797	--
Line of credit		497	--
Refinance of Northtown		180	--
Refinance of Barrington Hills		--	286
Refinance of Regency North		--	9
Northtown proceeds from line of credit borrowing		1,000	--
Loan fees paid		(53)	(115)
Purchase of treasury stock		--	(1,585)
Distributions paid to non-controlling interest		<u>(342)</u>	<u>(155)</u>
Net cash provided by financing activities		4,381	1,507
Net increase (decrease) in cash		63	(421)
Cash and cash equivalents, beginning of period		<u>761</u>	<u>1,182</u>
Cash and cash equivalents, end of period	\$	<u>824</u>	<u>761</u>
Supplemental disclosure of cash flow information -			
Cash paid during the year for interest	\$	7,910	6,466
Supplemental disclosure of non-cash investing and financing activities:			
Bogey Hills mortgage notes and other liabilities assumed	\$	25,278	--
Kirkwood Station foreclosure of Note Receivable in exchange for investment property	\$	23,432	--
Schoettler Village mortgage notes and other liabilities assumed	\$	--	19,560
Schoettler Village purchase financed from 1031 escrow funds	\$	--	3,953
Schoettler Village assets acquired	\$	--	24,182
Kirkwood mortgage notes payable	\$	--	20,500

See accompanying notes to consolidated financial statements.

MAXUS REALTY TRUST, INC.
Notes to Consolidated Financial Statements
Years ended December 31, 2011 and 2010

(1) ORGANIZATION AND BUSINESS

ORGANIZATION

Maxus Realty Trust, Inc. (the "Trust") is structured as what is commonly referred to as an umbrella partnership REIT, or UPREIT, structure. To effect the UPREIT restructuring, 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 that is wholly owned by 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 redeem the units (and corresponding limited partnership interests) in return for the issuance of the Trust's common stock or cash, at the Trust's election, after a one (1) year holding period. The Trust anticipates that the UPREIT structure will enable it to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust believes that MOLP will be able to issue limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, thereby enabling 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, 2011, non-controlling interest of MOLP owned 89,405 limited partnership operating units, or approximately 6.757% of the partnership interest in MOLP. The Trust's common stock trades on the Pink Sheets, an over-the-counter, inter-dealer electronic quotation trading system at www.pinksheets.com (symbol: MRTI.PK).

Except for Madison Apartments, Schoettler Village, Bogey Hills, and Kirkwood Station, each of the real estate properties are owned by single member limited liability companies that are directly and wholly owned by MOLP. MOLP owns a 52% interest in each of the limited liability companies that own Madison Apartments; Schoettler Village Apartments, Bogey Hills and the Kirkwood Station.

BUSINESS

The Trust is primarily engaged in the business of investing, owning, developing and leasing real property located in Missouri, Arkansas, Oklahoma, Texas and Kansas. The Trust operates rental real estate in three key segments; apartments, commercial and retail buildings. The Trust currently operates fourteen apartment communities, a multi-tenant warehouse/manufacturing facility and 40,412 square feet of retail space.

(2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Maxus Realty Trust, Inc. and its subsidiaries, all of which, except for Madison Apartments, Schoettler Village, Bogey Hills, and Kirkwood Station, are owned by single member limited liability companies that are directly and wholly owned by MOLP. MOLP owns a 52% interest in each of the limited liability companies that own Madison Apartments; Schoettler Village Apartments, Bogey Hills and the Kirkwood Station. The consolidated financial statements have been prepared by the Trust, and in our opinion, all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and changes in cash flows have been made. In the opinion of management the consolidated financial statements present a fair statement of the results as of and for the years ended December 31, 2011 and December 31, 2010 respectively.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Acquisition of Investment Property and Related Depreciation and Amortization

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805 on Business Combinations, we record the fair value of all of the 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 the physical property acquired on an "as-if-vacant basis and assign that value to the valuation techniques that consider comparable market transactions, discounted cash flow techniques, replacement costs and other available information. We determine the fair value of identified intangible assets (which typically relate to in-place leases), using valuation techniques that consider market participation perspectives on the terms of the in-place leases, current market data for comparable leases, and our experience in leasing similar properties. Apartment complex properties include leases that are short-term in nature and are at market rates. Therefore, an intangible asset for above/below market leases is generally not recorded.

Intangible assets related to the in-place leases are amortized to operating expenses over the expected remaining term of the associated lease. Amortization expense was \$696,408 and \$532,390 for the years ended December 31, 2011 and 2010, respectively. Estimated aggregate amortization expense for each of the next five fiscal years is as follows: 2012, \$499,202; 2013, \$78,596; 2014, \$42,098; 2015, \$42,098; and 2016, \$11,904.

Depreciation for all tangible investment property is calculated using the straight-line method over the estimated useful lives. Acquired buildings are depreciated over their estimated useful life of 40 years. As discussed under *Impairment of Long-Lived Assets* of this note, we may adjust depreciation of properties that are expected to be disposed of or demolished prior to the end of their useful lives. 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 costs, including certain indirect costs, incurred in connection with our capital expenditure activities, including rehabilitation and construction projects, other tangible property improvements, and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital expenditure activities at the property level. We charge to expense as incurred costs that do not relate to capital expenditure activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses.

(b) Cash and Cash Equivalents

Cash and cash equivalents include all cash and 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.

(c) Deferred Expenses

Deferred expenses consist of financing costs which are amortized over the term of the respective debt. Deferred charges are presented on the balance sheet net of accumulated amortization of \$568,000 and \$429,000 at December 31, 2011 and 2010, respectively. Unamortized financing costs are written off when debt is retired or otherwise terminated before the maturity date.

(d) Revenues

Lease agreements are accounted for as operating leases, and total expected rentals from such leases are reported as revenues ratably over the lease term. Included in other revenues are non-rental income items such as application fees and late fees, which are recognized as revenue as received. Other revenues as presented in the consolidated statements of operations were \$2,842,000 and \$2,145,000 at December 31, 2011 and December 31, 2010, respectively. Bad debt expenses are charged against rental revenues and are generally written off after thirty days if not collected.

MAXUS REALTY TRUST, INC.
Notes to Consolidated Financial Statements
Years ended December 31, 2011 and 2010

(e) Taxes

The Trust has elected to be taxed as a real estate investment trust (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 which 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. The Trust had a taxable net loss in 2011 and 2010. There is no provision for income taxes reflected in the consolidated financial statements. The Trust has estimated federal net operating loss carryover of \$4,842,000 at December 31, 2011 for tax purposes which will expire in various amounts from 2013 through 2025.

ASC 740-10 Topic on Income Taxes prescribes a comprehensive model for how a company should measure, recognize, present, and disclose in its consolidated financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Trust has adopted ASC 740-10 as of January 1, 2010. The Trust has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. Management believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Trusts's consolidated financial condition, results of operations or cash flows. Accordingly, the Trust has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2011 and 2010, respectively. The Trust is no longer subject to US federal, state and local examinations by tax authorities for years before 2009.

(f) Advertising Expense

Advertising costs are expensed as incurred. Total advertising costs were \$251,000 and \$257,000 for the years ended December 31, 2011 and 2010, respectively. Advertising expenses are included in turn costs and leasing expenses in the consolidated statements of operations.

(g) Earnings Per Share and Distributions Per Share

Basic loss per share is computed based upon the weighted average number of shares of common stock outstanding during each year. Basic and diluted income/loss per share are the same as the Trust has no dilutive securities. Distributions per share are stated at the amount per share declared by the Trust's Board of Directors. The taxability of all distributions paid to the Trust's shareholders is based upon earnings and profits, as defined by the Internal Revenue Code.

(h) 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 our judgment of a tenant's creditworthiness, ability to pay and probability of collection. The Trust regularly evaluates the adequacy of its allowance for doubtful accounts. As of December 31, 2011 and 2010, the allowance for doubtful accounts was \$3,925,000 and \$3,039,000, respectively.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue recognition, depreciable lives of investment property, capital expenditures, real estate held for sale, and the valuation of investment property. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

(j) Reclassifications

Certain 2010 amounts have been reclassified to conform with the current year presentation.

(k) Real Estate Held for Sale

The Trust is required to make subjective assessments as to whether a property should be classified as “Held for Sale” under the provisions of ASC Topic 360 on Property, Plant and Equipment (“ASC 360”). ASC 360 contains certain criteria that must be met in order for a property to be classified as held for sale, including: management commits to a plan to sell the asset; the asset is available for immediate sale in its present condition; an active program to locate a buyer has been initiated; the sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a sale within one year; the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Management believes that the sale of an operating property is not probable until a contract for the sale of a property has been executed, all inspection periods have passed and any earnest deposit becomes non-refundable and the only pending item to complete the sale is the passage of time. Until this point, management believes that there may be actions required to complete the plan that may result in changes to or termination of the plan, and therefore the property should not be classified as “Held for Sale” under ASC 360.

(l) Impairment of Long-Lived Assets

The Trust applies ASC 360, for the recognition and measurement of impairment of long-lived assets to be held and used. Management reviews a property for impairment whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. The review of recoverability is based on an estimate of undiscounted future cash flows expected to result from its use and eventual disposition. If impairment exists due to the inability to recover the carrying value of the property, an impairment loss is recorded to the extent that the carrying value of the property exceeds its estimated fair value. A property classified as held for sale is carried at the lower of carrying costs or estimated fair value, less costs to sell.

(m) Fair Value Measurement

ASC 820 defines fair value as 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 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. FASB has created 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 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*.

The Trust measures fair value using a set of standardized procedures that are outlined herein for all financial assets and liabilities that are required to be measured at fair value. When available, the Trust utilizes quoted market prices from an independent third party source to determine fair value and classifies such items in Level 1. In some instances where a market price is available, but in an inactive or over-the-counter market where significant fluctuations in

pricing can occur, the Trust consistently applies the dealer (market maker) pricing estimate and classifies the financial asset or liability in Level 2 or Level 3.

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, credit spreads, etc. 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.

(n) Adopted and Recently Issued Accounting Standards

In January 2011, the FASB issued ASU 2011-10 in order to provide amendments and related guidance to clarify the scope of the decrease in ownership provisions of ASC Topic 810 and how it applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity.
2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture.
3. An exchange of a group of assets that constitutes a business or nonprofit activity for a non-controlling interest in an entity (including an equity method investee or joint venture).

The amendments in the update also clarify that the decrease in ownership guidance in ASC Topic 810-10 does not apply to the following transactions even if they involve businesses:

1. Sales of in-substance real estate. Entities should apply the sale of real estate guidance in Subtopics 360-20 (Property, Plant and Equipment) and 976-605 (Retail Land) to such transactions.
2. Conveyances of oil and gas mineral rights. Entities should apply the mineral property conveyance and related transactions guidance in Subtopic 932-360 (Oil and Gas – Property, Plant and Equipment).

The amendments in this update also expand the disclosures about the deconsolidation of a subsidiary. Management has reviewed the applicability of FASB ASC Topic 810 to our operations and has adopted the amendments in our consolidated financial statements.

The Trust adopted Accounting Standards Update (ASU) 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIE) (ASU 2009-17) on January 1, 2011. ASU 2009-17 (included in FASB ASC Topic 810 on Consolidation) requires the consolidation of VIEs in which an enterprise has a controlling financial interest. A controlling financial interest will have both of the following characteristics: the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This statement requires an ongoing reassessment of and eliminates the quantitative approach previously required for determining whether a company is the primary beneficiary and requires enhanced disclosures on variable interest entities. Upon adoption of ASU 2009-17 on January 1, 2011, the Trust did not consolidate any additional VIEs and no VIEs were deconsolidated.

Effective January 1, 2010, companies were required to separately disclose the amounts of significant transfers of assets and liabilities into and out of Level 2 and Level 3 of the fair value hierarchy and the reasons for those transfers under ASU 2011-06, Fair Value Measurement and Disclosures. Companies must also develop and disclose their policy for determining when transfers between levels are recognized. In addition, companies are required to provide fair value disclosures for each class rather than each major category of assets and liabilities. For fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3), companies are required to disclose the valuation technique and the inputs used in determining fair value for each class of assets and liabilities. This does not have a material effect on the Trust's consolidated financial statements.

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Effective December 1, 2011, the FASB issued an update to FASB ASU Topic 360, “Property, Plant and Equipment,” 2011-10. The objective of this update is to resolve the diversity in practice about whether the guidance in Subtopic 360-20 applies to a parent that ceases to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate as a result of default on the subsidiary’s nonrecourse debt. The update does not address whether the guidance in Subtopic 360-20 would apply to other circumstances when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate. For the Trust, the amendments are effective for fiscal years ending after December 15, 2013, and interim and annual periods thereafter. The Trust does not expect this will have a material effect on its consolidated results of operations or balance sheet.

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(4) MORTGAGE NOTES PAYABLE

Mortgage notes consist of the following:	<u>2011</u>	<u>2010</u>
Forest Park mortgage note, monthly principal and interest payments of \$13,000, with interest fixed at 5.29%, maturing on September 1, 2015.	\$ 2,170,000	2,213,000
Valley Forge mortgage note, monthly interest only payments of \$8,000, with interest fixed at 5.69%, maturing December 1, 2015.	1,715,000	1,715,000
King's Court/Terrace mortgage note, monthly principal and interest payments of \$29,000, with a fixed interest at 5.66%, maturing July 1, 2015.	4,784,000	4,855,000
Northtown Business Center note was refinanced on August 1, 2011, monthly principal and interest payments of \$34,000, with interest fixed at 5.50% until August 1, 2014, variable thereafter, maturing August 1, 2016.	4,147,000	2,993,000
Chalet mortgage note, monthly principal and interest payments of \$47,000, with interest fixed at 5.79%, maturing October 1, 2017.	7,630,000	7,746,000
The Landings mortgage note, monthly principal and interest payments of \$38,000, with a fixed interest rate of 6.19%, maturing September 1, 2016.	5,838,000	5,927,000
Barrington Hills mortgage note, monthly principal and interest payments of \$24,000, with an adjustable mortgage interest rate, 3.81% at December 31, 2011, maturing December 1, 2017.	5,107,000	5,200,000
Bicycle Club mortgage note, monthly principal and interest payments of \$69,000, with interest fixed at 6.19%, maturing on September 1, 2016.	10,508,000	10,669,000
Highland Pointe mortgage note, monthly principal and interest payments of \$75,000, with interest fixed at 5.67%, maturing March 1, 2017, with the right to extend an additional 1 year.	12,542,000	12,718,000
Fountainhead mortgage note, monthly principal and interest payments of \$26,000, with interest fixed at 5.98%, maturing July 1, 2015.	4,215,000	4,273,000
Regency North mortgage note, monthly principal and interest payments of \$28,000, with interest fixed at 5.13%, maturing December 1, 2020.	5,010,000	5,080,000
Madison mortgage note, monthly principal and interest payments of \$73,306, with interest fixed at 5.99%, maturing July 1, 2019.	11,888,000	12,041,000
Berkshire mortgage note, monthly principal and interest payments of \$45,775, with interest fixed at 5.57%, maturing November 1, 2019.	7,784,000	7,891,000
Schoettler mortgage note, monthly principal and interest of \$112,000, with interest fixed rate at 5.58%, maturing April 1, 2020.	19,147,000	19,401,000
Kirkwood Note A, monthly principal and interest payments of \$97,000, with interest fixed rate at 5.25%, maturing July 1, 2013.	15,552,000	15,872,000
Kirkwood Note B, monthly interest only payments with interest fixed at 5.50%, of \$21,000 maturing July 1, 2013, with the right to extend an additional 2 years.	4,500,000	4,500,000
Bogey Hills, monthly principal and interest payments of \$136,000, with interest fixed at 5.13%, maturing July 1, 2021.	<u>24,863,000</u>	--
TOTALS:	\$ <u>147,400,000</u>	<u>123,094,000</u>

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On August 1, 2011, the Trust refinanced the mortgage indebtedness on the Northtown Business Center with a variable rate loan of \$4,200,000 from First Missouri National Bank. The loan matures August 1, 2016 and will accrue interest at the rate of 5.5% per year until August 1, 2014. The rate thereafter will be a variable rate equal to 1.00% above the Wall Street Journal U.S. Prime rate. The rate on this loan may change as often as every 12th month beginning August 1, 2014. During the term of this loan, the applicable annual interest rate will not be less than 5.5%. Under the commercial loan agreement with First Missouri National Bank, Northtown Business Center must maintain a debt coverage ratio of 1.2 to 1.0 and the Trust must maintain a net worth of \$10,000,000 or more and \$1,000,000 in cash, cash equivalents and unfunded lines of credit. The monthly principal and interest payments are \$34,000. The Trust is a guarantor on the loan.

Barrington Hills, The Landings, Berkshire, Regency North, Madison, Schoettler and Bogey Hills mortgage notes, secured by the respective properties, require either a capital improvement reserve or a replacement reserve. The balance of the replacement reserves on December 31, 2011 were \$143,268 for these notes.

Each mortgage loan is secured solely by the property held by the MOLP subsidiary that obtained the loan.

The following is a summary of scheduled debt maturities:

<u>Year</u>	<u>Amount</u>
2012	2,356,000
2013	21,868,000
2014	2,279,000
2015	14,372,000
2016	20,192,000
Thereafter	<u>86,333,000</u>
Total	\$ <u>147,400,000</u>

Management intends to refinance the mortgage notes prior to maturity. As of December 31, 2011, the note payable in the amount of \$2,027,000 represents the balance of the original \$3,000,000 short-term note that was obtained in connection with the acquisition of the Bogey Hills Apartments, see Note 8 on page 30. This note is with Pony Express Bank, matures December 16, 2012 and accrues interest at 5.5%. On February 24, 2012 the note was amended to increase the loan amount to \$3,500,000, maturing on February 24, 2014, see Note 14, Subsequent Events. On October 11, 2011 MOLP received a variable rate line of credit from Missouri Bank and Trust of \$500,000 maturing on October 10, 2012. The interest rate on this note is subject to change from time to time based on changes to the New York Prime Rate. Missouri Bank & Trust placed a 5% floor on the interest rate per annum.

(5) RENTAL REVENUES UNDER OPERATING LEASES

Minimum future rental revenues under non-cancelable operating leases greater than one year in effect as of December 31, 2011 are as follows:

<u>Year</u>	<u>Total</u>
2012	1,631,000
2013	1,580,000
2014	1,521,000
2015	1,410,000
2016	<u>1,018,000</u>
Total	\$ <u>7,160,000</u>

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In addition, certain lease agreements require tenant participation in certain operating expenses. Tenant participation in expenses included in other revenues approximated \$526,000 and \$501,000 for the years ended December 31, 2011 and December 31, 2010, respectively.

(6) RELATED PARTY TRANSACTIONS

Maxus Properties, Inc. (“Maxus”), manages the Trust’s properties. David L. Johnson, the Trust’s Chairman, Chief Executive Officer and President and the beneficial owner of more than 10% of the Trust’s issued and outstanding common stock, is the Chairman and majority shareholder of Maxus. The Trust paid Maxus property management fees of \$1,049,000 and \$888,000 for the years ended December 31, 2011 and 2010, respectively. Management fees are determined pursuant to management agreements between the Trust and Maxus that provide for fees calculated as a percentage of monthly gross receipts (as defined) from the properties’ operations and reimbursement of payroll related costs. At December 31, 2011 and 2010, the properties pay a management fee between 3% and 5% of receipts. At December 31, 2011, and 2010, \$40,000 and \$187,000, respectively, was payable to Maxus for accrued payroll and direct expense reimbursement; \$95,000 and \$78,000 respectively, was payable for accrued management fees.

Certain Maxus employees are located at the Trust’s properties and perform leasing, maintenance, office management, and other related services for these properties. The Trust recognized \$3,226,000 and \$2,895,000 of payroll costs in 2011 and 2010, respectively, that have been reimbursed to Maxus.

For the twelve months ended December 31, 2011 and 2010 respectively, the Trust’s Board of Trustees approved \$85,000 and \$200,000 in total fees for administrative services provided by Maxus employees in regards to the acquisition, disposition and refinancing of certain properties and notes held by the Trust. The Trust, in accordance with ASC Topic 805, will expense the acquisition-related costs in the period in which the costs were incurred. For the twelve months ended December 31, 2010, administrative fees and costs of \$125,000 associated with the purchase and refinancing of the Trust’s loans were incurred from the purchase of the Kirkwood Station Loan, and the refinancing of the Barrington and Regency North loans. These fees have been deferred and are being amortized over the term of the loan. On February 16, 2012 the Board of Trustees approved the acquisition of Forest Place Apartments and Rosehill Pointe Apartments. Subsequently, the Board approved a \$75,000 acquisition fee to be paid to Maxus Properties, Inc. with respect to each of Forest Place and Rosehill Pointe.

The Trust (i) has operating cash of approximately \$641,000 as of December 31, 2011 with First Missouri National Bank (“First Missouri”); (ii) holds a certificate of deposit in the approximate amount of \$89,000 with First Missouri, and (iii) has cash in a money market account in the amount of \$2,000 with First Missouri. The bank deposit insurance in connection with these deposits is provided by the Federal Deposit Insurance Corporation (“FDIC”). The FDIC has a \$250,000 limit on deposit insurance for interest-bearing accounts. On August 1, 2011, Northtown Business Center, L.L.C., a subsidiary of the Trust, borrowed \$4,200,000 from First Missouri to refinance the Northtown Business Center loan, which included a \$15,000 loan origination fee to First Missouri. The Trust is a guarantor on the loan. David L. Johnson, the Trust’s 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, owns approximately 14% 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 purchased approximately 10% of First Missouri’s outstanding common stock. An affiliate of Bob Kohorst, a Trustee of the Trust, also holds 3.8% of First Missouri’s outstanding common stock. The Trust’s operating cash is held in a non-interest bearing account. The interest on the money market account is a variable rate equal to 2.75% below the prime rate (3.25% as of December 31, 2011) and the August 2012 certificate of deposit is a variable rate equal to .8% per annum. The balance of monies at First Missouri at December 31, 2011 was \$732,000.

On May 2, 2011, the Trust’s Board approved the purchase of a 3.36% noncontrolling equity interest in a 348 unit residential apartment community located in Kansas City, Missouri (“WildOak Acquisition, L.L.C.”) for \$150,000. MLake 44, LLC owns a majority interest in WildOak Acquisition, LLC. David L. Johnson, the Trust’s 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 a 50% owner of MLake 44, LLC.

On May 2, 2011, the Board approved the purchase of a 5% equity interest in MLake 11, LLC for \$50,000. This limited liability company is the managing member and 0.1% equity owner of Centennial Park Kansas, LLC, which owns the Centennial Park Apartments in South Overland Park, Kansas. David L. Johnson, the Trust's 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, owns 47.5% of MLake 11, LLC.

On May 2, 2011, the Trust's Board approved the purchase of a 13.402% equity interest in a 356 unit residential apartment community located in Bentonville, Arkansas ("Glen at Polo Park Apartments") for \$390,000. David L. Johnson, the Trust's 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 holds a 34.364% interest in Glen Acquisition, LLC.

(7) FAIR VALUE

Fair Value of Financial Instruments

ASC Topic 820 requires the Trust to disclose fair value information of all financial instruments, whether or not recognized 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, 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.

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, 2011 and 2010 are summarized as follows:

	2011		2010	
<u>Long-Term</u>	<u>Carrying Amount</u>	<u>Estimated Fair value</u>	<u>Carrying Amount</u>	<u>Estimated Fair value</u>
Fixed rate notes	\$ 142,900,000	153,341,000	118,594,000	117,527,000
Floating rate notes	4,500,000	4,582,000	4,500,000	3,700,000
<u>Short-Term</u>				
Fixed rate note	2,027,000	2,192,000	---	---
Floating rate note	497,000	497,642	---	---

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.

(8) SALE OF PROPERTY AND ACQUISITIONS OF REAL ESTATE AND MORTGAGE NOTE

On March 22, 2010, MLake 5, LLC ("MLake"), a wholly-owned subsidiary of MOLP acquired Schoettler Village Apartments, a 300 unit residential apartment community located in Chesterfield, Missouri in the greater St. Louis area ("Schoettler Village Apartments"), for a purchase price of approximately \$24,182,000. In connection with the acquisition of Schoettler Village Apartments, the Board approved an acquisition fee payable to Maxus of \$75,000.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets	\$	53,000
Land		1,900,000
Land improvements		100,000
In-place leases		273,000
Building		<u>21,856,000</u>
Total assets acquired	\$	<u>24,182,000</u>
Total liabilities	\$	<u>205,000</u>
Net assets acquired	\$	<u>23,977,000</u>

The Trust funded approximately 80% of the purchase price through a \$19,560,000 mortgage loan from NorthMarq Capital, LLC secured by Schoettler Village Apartments with a fixed interest rate of 5.58% that matures in ten years with monthly payments based on a thirty (30) year amortization. The Trust funded the remaining portion of the purchase price, together with the closing costs and Acquisition Fee, of approximately \$5,286,000 with (i) approximately \$3,557,000 in proceeds from the Trust's prior sale of Crestwood Apartments, which funds were held by an intermediary in accordance with Section 1031 of the Internal Revenue Code to allow the Trust to defer gain on the sale of Crestwood Apartments as a like kind exchange, and (ii) approximately \$1,729,000 which was funded in two parts; a) a short term loan in the amount of \$750,000 from David L. Johnson, the Trust's Chairman, President and Chief Executive Officer and b) a short term loan in the amount of \$1,000,000 from an affiliate of certain executive officers and trustees of the Trust.

On February 16, 2010, MLake, a wholly-owned subsidiary of MOLP, offered to sell up to 48% of the membership interests in Schoettler Village Apartments in a private offering to accredited investors in exchange for an investment which funds were used to repay the aforementioned short term loans and advances. In 2010, MLake, raised \$2,700,000. The Trust, through the MOLP, owns 52% of the membership interests in Schoettler Village Apartments and retains voting and management control with respect to Schoettler Village Apartments.

On July 15, 2010, a wholly owned subsidiary of MOLP, Kirkwood Station Acquisition, L.L.C. ("KSA"), purchased a mortgage note and first deed of trust secured by the Kirkwood Station Apartments and retail development in Kirkwood, Missouri, (the "Kirkwood Property"), for a purchase price of \$22,800,000 plus closing costs and deposits in the amount of \$530,000. KSA purchased the note from Reliance Bank. The Kirkwood property consists of 155 apartment units and 40,412 square feet of retail/office space. The Trust funded \$20,500,000 of the purchase with a short-term loan from Reliance Bank to KSA, which obligation was fully guaranteed by the Trust and MOLP, and the balance of \$2,830,000 was from operating cash and the sale of a non-controlling interest in KSA to investors, including affiliates of the Trust in the amount of \$1,700,000. The purchased note was in default and the property was acquired through foreclosure on August 4, 2011. The following table summarizes the fair values of the KSA assets acquired and liabilities assumed at the date of the foreclosed sale:

Current assets	\$	45,000
Land		4,655,000
Land improvements		245,000
In-place leases		899,000
Building		<u>17,588,000</u>
Total assets acquired	\$	<u>23,432,000</u>
Total liabilities	\$	<u>243,000</u>
Net assets acquired	\$	<u>23,189,000</u>

On June 24, 2011, Bogey Hills Acquisition, L.L.C. (“BOGEY”), a wholly-owned subsidiary of MOLP, acquired The Villages of Bogey Hills Apartments, a 486 unit residential apartment community that overlooks the Bogey Hills Golf & Country Club in St. Charles, Missouri (“Bogey Hills”), from Reef Villages of Bogey Hills (the “Seller”) for a purchase price of approximately \$30,110,000 plus closing costs and deposits of \$1,119,000. The Seller is an unrelated third party.

In connection with the acquisition of Bogey Hills, the Board approved an acquisition fee payable to Maxus of \$75,000. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets	\$	7,000
In-place leases		326,000
Land		2,361,000
Land improvements		124,000
Building		<u>27,296,000</u>
Total assets acquired	\$	<u>30,110,000</u>
Current liabilities	\$	<u>278,000</u>
Total liabilities assumed		<u>278,000</u>
Net assets acquired	\$	<u>29,838,000</u>

The Trust funded approximately 83% of the purchase price through a \$25,000,000 mortgage loan from Northmarq Capital, Inc. secured by Bogey Hills with a fixed interest rate of 5.13% that matures in ten years with monthly payments based on a thirty (30) year amortization. The Trust funded the remaining portion of the purchase price, together with the closing costs and acquisition fee, of approximately \$6,229,000 in three parts with (i) a private offering in the aggregate amount of \$3,225,000, (ii) approximately \$3,000,000 in the form of a short-term loan with Pony Express Bank and (iii) available cash on hand.

In 2011, BOGEY completed a private offering to sell a 48% equity interest in BOGEY to accredited investors for \$3,225,000.

The short term loan with Pony Express Bank matures December 16, 2012 and accrues interest at 5.5%. As of December 31, 2011, principal and interest payments of \$973,000 have been made towards this loan with available cash on hand and the balance of the note as of December 31, 2011 was \$2,027,000.

Upon acquisitions of real estate properties, management makes subjective estimates of the fair value of acquired tangible assets (consisting of land, land improvements, building, improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) in accordance with ASC Topic 805, “*Business Combinations*”(See also note 3). Management utilizes methods similar to those used by independent appraisers in making these estimates. Based on these estimates, management records the acquired assets and liabilities at fair value. These estimates have a direct impact on net income.

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(9) ACQUISITION OF MINORITY INTEREST IN UNCONSOLIDATED REAL ESTATE COMPANIES

As discussed in note 6, on May 2, 2011, the Trust's Board approved three minority equity purchases of rental real estate. MOLP purchased a 3.36% minority equity interest for a purchase price of \$150,000 in WildOak Acquisition, LLC, ("WildOak"). WildOak refinanced its mortgage in the amount of \$16,500,000 with Freddie Mac and, with Board approval, the Trust is a key principal/carve-out guarantor on the note. MLake 44, LLC owns a majority interest in WildOak Acquisition, LLC. David L. Johnson, the Trust's 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, owns 50% of MLake 44, LLC.

MOLP purchased a 5% 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 \$50,000. Centennial refinanced its loan with Freddie Mac in the amount of \$10,250,000 and, with Board approval, the Trust is a key principal/carve-out guarantor on the note. David L. Johnson, the Trust's 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, owns 47.5% of MLake 11, LLC.

MOLP purchased a 13.402% equity interest in Glen Acquisition, LLC, ("Glen"). MOLP's purchase price for this investment was \$390,000. David L. Johnson, the Trust's 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 holds a 34.364% interest in Glen Acquisition, LLC. The Trust did not execute a guarantee in connection with the Glen non-recourse loan.

The mortgage financing in which MRTI is a carve-out guarantor as described above is non-recourse because the borrowers, WildOak, 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 guarantor's (MRTI) liability is limited to the losses and damages suffered by the lender as a result of the event.

(10) CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Trust records asset retirement obligations in accordance with ASC Topic 410, "*Asset Retirement and Environmental Obligations*." At December 31, 2011 and December 31, 2010, the Trust had a liability for \$263,000 and \$221,000, respectively, recorded for conditional asset retirement obligations associated with the Chalet I and Valley Forge Apartments. Upon the acquisition of Valley Forge Apartments and Chalet I, the Phase I Environmental Reports dated October 24, 2006, and July 28, 1998, respectively, cited asbestos-containing ceiling materials. In accordance with regulatory standards, on October 26, 2006 and September 11, 1998 an Operations and Maintenance Program was completed and implemented on both Valley Forge and Chalet I. Management is aware that the asbestos-containing materials must be removed before Valley Forge and Chalet I can be "retired" due to sale, abandonment, recycling, or disposal 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.

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(11) TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY

Treasury Stock

On October 15, 2007, the Board of Trustees of the Trust approved a stock repurchase program authorizing the Trust to purchase up to 100,000 shares of the Trust's common stock, par value \$1.00. Pursuant to the repurchase program, the Trust has authorized a broker to make purchases on the open market from time to time based on market conditions, subject to the broker complying with the safe harbor rules under SEC Rule 10b-18, which place restrictions on the timing of purchases and the number of shares that can be purchased each day to avoid market manipulation. The repurchase program does not require the Trust to repurchase any specific number of shares and may be modified, suspended, or terminated by the Board of Trustees at any time without prior notice. The Trust intends to finance repurchases under the program through available cash. As of December 31, 2009, the Trust purchased 26,966 shares totaling \$261,000. The Trust suspended the repurchase program until the Trust's pending tender offer (described below) expired on February 8, 2010. As of December 31, 2011 the Trust has continued to suspend the program.

Tender Offer

On December 23, 2009, the Board approved a self-tender offer to acquire up to 100,000 shares of the Trust's common stock at an offer price of \$10.00 per share. Management mailed this offer to the registered holders on January 8, 2010 and the expiration date of the offer was February 8, 2010. On January 29, 2010, the Board increased the maximum number of shares that may be acquired pursuant to the offer from 100,000 to 158,405 shares. At February 8, 2010, 158,405 shares were tendered. On March 3rd, 2010 The Trust funded the tender offer in the amount of \$1,584,055.

(12) SEGMENT REPORTING

The Trust has adopted ASC Topic 280-10-50, "*Disclosure About Segments of an Enterprise and Related Information*," which establishes standards for the way that public business enterprises disclose information about operating segments in financial statements, as well as related disclosures about products and services, geographic areas, and major customers.

With the acquisition of Northtown Business Center, a multi-tenant warehouse/manufacturing facility located in North Kansas City, Missouri, and the Kirkwood Station Plaza Retail the Trust has three reportable operating segments—apartments, commercial buildings and retail. The Trust's management evaluates the performance of each segment based on profit or loss from continuing operations. The accounting policies of the segments are the same as those of the Trust. Following is information for each segment for the years ended December 31, 2011 and December 31, 2010:

December 31, 2011:

		Income (Loss)		Depreciation	Interest	Investment
	Total	Continuing	Capital	and	Interest	Investment
	Revenue	Operations	Expenditures	Amortization	Expense	Property
Apartments	\$ 24,398,000	(766,000)	3,323,000	6,220,000	7,490,000	180,855,000
Commercial Bldg.	925,000	292,000	---	164,000	282,000	5,245,000
Retail ¹	286,000	(93,000)	---	65,000	35,000	4,903,000
Parent & Other	--	<u>(305,000)</u>	---	---	---	---
Subtotal	25,609,000	(872,000)	3,323,000	6,449,000	7,807,000	191,003,000
Noncontrolling interest	--	<u>145,000</u>	---	---	---	---
Total	\$ <u>25,609,000</u>	<u>(727,000)</u>	<u>3,323,000</u>	<u>6,449,000</u>	<u>7,807,000</u>	<u>191,003,000</u>

¹ Kirkwood Station Plaza Retail was merged into the Trust on August 4, 2011

MAXUS REALTY TRUST, INC.
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(12) SEGMENT REPORTING Continued

December 31, 2010:

		Income (Loss)		Depreciation			
	Total	Continuing	Capital	and	Interest	Investment	
	<u>Revenue</u>	<u>Operations</u>	<u>Expenditures</u>	<u>Amortization</u>	<u>Expense</u>	<u>Property</u>	
Apartments	\$ 20,017,000	(1,886,000)	2,291,000	5,057,000	6,224,000	130,328,000	
Commercial Bldg.	836,000	373,000	---	209,000	212,000	5,081,000	
Parent & Other	---	<u>(277,000)</u>	---	---	---	---	
Subtotal	20,853,000	(1,790,000)	2,291,000	5,266,000	6,436,000	135,409,000	
Noncontrolling interest	---	<u>398,000</u>	---	---	---	---	
Total	\$ <u>20,853,000</u>	<u>(1,392,000)</u>	<u>2,291,000</u>	<u>5,266,000</u>	<u>6,436,000</u>	<u>135,409,000</u>	

(13) CONTINGENCIES

Legal Proceedings

On July 19, 2010, Kirkwood Station Acquisition LLC ("KSA"), a subsidiary of MOLP, filed a lawsuit against various owners of certain real property for breach of a promissory note held by KSA (the "Note") in the amount of \$22,800,000. The defendants are various entities that executed the Note as tenants in common (the "TICs"), each of which owns a portion of the real property which secures the Note. KSA sued to collect on the Note, which was secured by a Deed of Trust on the real property, a 155 unit apartment community and 40,412 square feet of retail/office space in Kirkwood, Missouri. On November 30, 2010, the TICs filed counterclaims against KSA and certain of its affiliates alleging tortious interference, declaratory judgment, fraud and successor liability all designed to eliminate KSA's lien on the real property. The counterclaims and third party claims against KSA and its affiliates were dismissed without prejudice on February 28, 2011. KSA also sued the manager of the real property to enjoin it from operating the property, which was being operated by a receiver appointed on KSA's motion at the commencement of the litigation. The receiver had engaged Maxus Properties, Inc., the Trust's management company primarily owned by David L. Johnson, to manage the property. On November 12, 2010, the initial receiver appointed was substituted with Maxus Properties, Inc. On August 4, 2011, KSA foreclosed on the real property and was the successful bidder and now owns the real property subject to the lien of Reliance Bank. KSA then filed a motion to dismiss the lawsuit and terminate the Maxus Properties, Inc. receivership, which was set for hearing and granted on September 29, 2011. KSA is also tangentially involved in a related dispute whereby a Master Condominium Association (a KSA affiliate that has appointed several members through the Master Declaration) has sued a subassociation consisting of condominium owners (for condominiums located on the common area property subject to KSA's lien) for unpaid assessments of approximately \$280,000. This case was set for trial on January 3, 2012, but was removed from the trial docket and the claims for unpaid assessments for the years 2007-2009 were settled. The Master Condominium Association received as settlement for the years 2007-2009 the sum of \$85,000, dismissed its claims for the years 2007-2009, and the subassociation's counterclaims for 2007-2009 were dismissed. The issues regarding assessments for 2010 and forward will then be mediated on April 4, 2012 and if not resolved by May 14, 2012, the case will be filed again. There is also a consolidated mechanic's lien lawsuit and another mechanics lien lawsuit in the aggregate amount of less than \$200,000 filed by various subcontractors alleging unpaid amounts for work performed on the real property now owned by KSA. The subcontractors claim a priority over KSA's Deed of Trust which was foreclosed, and these cases are set for trial on June 4, 2012. In several of the cases, Reliance Bank is named as a defendant and Maxus Realty Trust, Inc., as required under an Indemnity Agreement with Reliance Bank in conjunction with KSA's acquisition of the Note and Deed of Trust, has entered its appearance for Reliance Bank.

MAXUS REALTY TRUST, INC.
Notes to Consolidated Financial Statements
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(14) SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through March 12, 2012, which is the date the financial statements were available to be issued.

On February 16, 2012, the Board approved the contract to acquire Forest Place Apartments, a 256 unit residential apartment community located in Little Rock, Arkansas (“Forest Place Apartments”), for a purchase price of \$17,600,000. On March 2, 2012, a wholly owned subsidiary of MOLP, Forest Place TIC I, L.L.C. (“Forest TIC I”) and Forest Place TIC II, L.L.C. (“Forest TIC II”) jointly purchased the Forest Place Apartments as tenants-in-common, with Forest Place I, L.L.C. owning a 52% ownership interest. The Board approved an acquisition fee payable to Maxus of \$75,000. Approximately 80% of the purchase price was funded through a \$14,120,000 mortgage loan from NorthMarq Capital, LLC secured by Forest Place Apartments with a fixed interest rate of 4.13% that matures in ten years with monthly payments based on a thirty (30) year amortization. The Trust and MOLP are guarantors of the note. The remaining portion of the purchase price, together with the estimated closing costs and acquisition fee, of approximately \$4,230,000 was funded by Forest TIC I, with short term financing, and by Forest TIC II. The Trust, through Forest TIC I, will retain voting and management control with respect to Forest Place Apartments. Forest Place TIC II is owned by affiliates of David L. Johnson and Monte McDowell.

On February 16, 2012 the Board approved the contract to acquire Rosehill Pointe Apartments, a 498 unit residential apartment community located in Lenexa, Kansas (“Rosehill”), for a purchase price of \$28,750,000. The Board approved an acquisition fee of \$75,000 payable to Maxus Properties, Inc. The Trust will fund approximately 81% of the purchase price through a \$23,400,000 mortgage loan from NorthMarq Capital, LLC secured by Rosehill Apartments with a fixed interest rate of 4.04% which matures in ten years with monthly payments based on a thirty (30) year amortization. The Trust will fund the remaining portion of the purchase price, together with the estimated closing costs and acquisition fee, of approximately \$6,570,000 with short term financing and proceeds from the sale of 48% of the membership interests in Rosehill in a private offering to accredited investors. The Trust, through the MOLP, will own at least 52% of the membership interests in Rosehill and will retain voting and management control with respect to Rosehill Pointe Apartments. The Trust is anticipating closing on the purchase of Rosehill on or before March 22, 2012.

On February 24, 2012, the Trust borrowed additional funds with Pony Express Bank in the amount of \$1,600,000. The balance of the short term note on February 1, 2012 was \$1,900,000. With the additional borrowed monies the balance of this loan is \$3,500,000 as of March 8, 2012. The note matures on February 24, 2014 and accrues interest at 5.5% per year.

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CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this Annual Report for period ended December 31, 2011 of Maxus Realty Trust, Inc. (the "Trust");
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the 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 periods presented in this disclosure statement.

Date: 03/21/2012

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

CERTIFICATION

I, John W. Alvey, certify that:

1. I have reviewed this Annual Report for period ended December 31, 2011 of Maxus Realty Trust, Inc. (the "Trust");
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the 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 periods presented in this disclosure statement.

Date: 03/21/2012

By: /s/ John W. Alvey
John W. Alvey
Vice President,
Treasurer and Principal Financial Officer

CERTIFICATION

I, DeAnn M. Totta, certify that:

1. I have reviewed this Annual Report for period ended December 31, 2011 of Maxus Realty Trust, Inc. (the "Trust");
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the 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 periods presented in this disclosure statement.

Date: 03/21/2012

By: /s/ DeAnn M. Totta
DeAnn M. Totta
Principal Accounting Officer,
Corporate Secretary