

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-55006

MacKenzie Realty Capital, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

45-4355424
(I.R.S. Employer Identification No.)

89 Davis Road, Suite 100, Orinda, CA 94563
(Address of principal executive offices)

(925) 631-9100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Emerging growth company

Accelerated filer

Non-accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The number of the shares of issuer's Common Stock outstanding as of February 13, 2024 was 13,302,775.41.

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Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

MacKenzie Realty Capital, Inc.
Consolidated Balance Sheets
(Unaudited)

	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Assets		
Real estate assets		
Land	\$ 40,024,173	\$ 37,163,127
Building, fixtures and improvements	135,131,900	132,484,670
Intangible lease assets	8,443,475	8,180,089
Less: accumulated depreciation and amortization	(10,290,866)	(7,112,574)
Total real estate assets, net	173,308,682	170,715,312
Cash and cash equivalents	12,173,527	17,242,781
Restricted cash	864,534	898,238
Investments, at fair value	8,747,060	13,432,480
Unconsolidated investment (non-security), at fair value	7,797,303	8,716,500
Investments income, rents and other receivables	1,103,608	1,205,858
Investment acquisition advance	-	100,000
Prepaid expenses and other assets	829,302	846,424
Total assets	<u>\$ 204,824,016</u>	<u>\$ 213,157,593</u>
Liabilities		
Mortgage notes payable, net	\$ 93,360,837	\$ 91,247,384
Notes payable	1,295,394	1,653,937
Deferred rent and other liabilities	1,260,353	1,158,809
Finance lease liabilities	596,951	628,420
Dividend payable	2,118,170	2,016,855
Accounts payable and accrued liabilities	1,092,865	1,387,129
Stock redemption payable	475,990	444,999
Below-market lease liabilities, net	1,160,372	1,410,090
Due to related entities	95,209	156,364
Contingent liability	718,000	1,503,000
Capital pending acceptance	75,000	538,600
Total liabilities	<u>102,249,141</u>	<u>102,145,587</u>
Equity		
Common stock, \$0.0001 par value, 80,000,000 shares authorized; 13,239,849.36 and 13,243,279.96 shares issued and outstanding as of December 31, 2023 and June 30, 2023, respectively.	1,324	1,324
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized:		
Series A Preferred stock, 743,462.31 and 671,340.45 shares issued and outstanding as of December 31, 2023 and June 30, 2023, respectively.	75	67
Series B Preferred stock, 4,444.44 shares issued and outstanding as of December 31, 2023.	-	-
Capital in excess of par value	135,164,330	133,762,999
Accumulated deficit	(44,697,434)	(34,856,258)
Total stockholders' equity	90,468,295	98,908,132
Non-controlling interests	12,106,580	12,103,874
Total equity	<u>102,574,875</u>	<u>111,012,006</u>
Total liabilities and equity	<u>\$ 204,824,016</u>	<u>\$ 213,157,593</u>

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

MacKenzie Realty Capital, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Revenue				
Rental and reimbursements	\$ 3,577,486	\$ 3,674,252	\$ 7,137,467	\$ 6,742,755
Expenses				
Depreciation and amortization	1,559,771	1,163,320	3,119,439	2,075,624
Property operating and maintenance	1,505,063	2,286,997	2,895,067	4,118,971
Interest expense	1,452,780	1,675,445	2,774,731	3,263,408
Asset management fees to related party (Note 8)	790,557	741,519	1,577,634	1,457,786
General and administrative	311,471	180,619	518,747	280,842
Administrative cost reimbursements to related party (Note 8)	189,184	181,500	378,367	363,000
Professional fees	81,781	169,745	401,151	377,549
Directors' fees	28,500	29,500	54,000	55,000
Transfer agent cost reimbursements to related party (Note 8)	16,566	23,000	33,133	46,000
Impairment loss on assets held for sale	-	1,913,346	-	1,913,346
Total operating expenses	<u>5,935,673</u>	<u>8,364,991</u>	<u>11,752,269</u>	<u>13,951,526</u>
Operating loss	(2,358,187)	(4,690,739)	(4,614,802)	(7,208,771)
Other income (loss)				
Dividend and distribution income from equity securities at fair value	162,583	78,921	383,271	205,316
Net unrealized gain (loss) on equity securities at fair value	263,478	(526,484)	(466,315)	(1,074,053)
Net income (loss) from equity method investments at fair value	1,664,519	(74,239)	221,537	3,633,974
Net realized gain (loss) from investments	<u>(1,285,998)</u>	<u>313,517</u>	<u>(1,285,998)</u>	<u>830,964</u>
Net loss	(1,553,605)	(4,899,024)	(5,762,307)	(3,612,570)
Net income attributable to non-controlling interests	(106,273)	(14,863)	(226,609)	(47,088)
Net income attributable to preferred stockholders Series A and B	(278,822)	(155,909)	(547,205)	(243,793)
Net loss attributable to common stockholders	<u>\$ (1,938,700)</u>	<u>\$ (5,069,796)</u>	<u>\$ (6,536,121)</u>	<u>\$ (3,903,451)</u>
Net loss per share attributable to common stockholders	<u>\$ (0.15)</u>	<u>\$ (0.38)</u>	<u>\$ (0.49)</u>	<u>\$ (0.29)</u>
Weighted average common shares outstanding	<u>13,239,849</u>	<u>13,283,330</u>	<u>13,294,159</u>	<u>13,282,200</u>

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

MacKenzie Realty Capital, Inc.
Consolidated Statements of Changes in Equity
(Unaudited)

	Common Stock		Series A Preferred Stock		Series B Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value			
Three Months Ended December 31, 2023									
Balance, September 30, 2023	13,241,516.62	\$1,324	727,506.10	\$ 73	-	\$ -	\$ 135,011,994	\$ (41,106,367)	\$ 93,905,627
Contributions by non-controlling interest holders	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interest holders	-	-	-	-	-	-	-	-	-
Dividends to common stockholders	-	-	-	-	-	-	-	(1,652,367)	(1,652,367)
Dividends to Series A preferred stockholders	-	-	-	-	-	-	-	(276,600)	(276,600)
Dividends to Series B preferred stockholders	-	-	-	-	-	-	-	(2,222)	(2,222)
Net loss	-	-	-	-	-	-	-	(1,659,878)	(1,659,878)
Issuance of common stock through reinvestment of dividends	62,830.04	6	-	-	-	-	463,680	-	463,680
Issuance of Series A preferred stock through reinvestment of dividends	-	-	1,942.10	-\$*	-	-	43,698	-	43,698
Issuance of Series B preferred stock through reinvestment of dividends	-	-	-	-	-	-	-	-	-
Issuance of Series A preferred stock	-	-	14,414.11	2.00	-	-	359,599	-	359,599
Issuance of Series B preferred stock	-	-	-	-	4,444	-\$*	100,000	-	100,000
Increase in liquidation preference - Series B preferred stock	-	-	-	-	-	-	1,667	-	1,667
Issuance Operating Partnership Preferred Units through reinvestment of dividends	-	-	-	-	-	-	-	-	-
Payment of selling commissions and fees	-	-	-	-	-	-	(331,224)	-	(331,224)
Redemptions of common stock	(64,497.30)	(6)	-	-	-	-	(475,984)	-	(475,984)
Redemptions of Series A preferred stock	-	-	(400.00)	-\$*	-	-	(9,100)	-	(9,100)
Balance, December 31, 2023	<u>13,239,849.36</u>	<u>\$1,324</u>	<u>743,462.31</u>	<u>\$ 75</u>	<u>4,444.44</u>	<u>\$ -</u>	<u>\$ 135,164,330</u>	<u>\$ (44,697,434)</u>	<u>\$ 90,466,896</u>

*Amount is less than \$1.

	Common Stock		Series A Preferred Stock		Series B Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value			
Six Months Ended December 31, 2023									
Balance, June 30, 2023	13,243,279.96	\$1,324	671,340.45	\$ 67	-	\$ -	\$ 133,762,999	\$ (34,856,258)	\$ 98,906,741
Contributions by non-controlling interest holders	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interest holders	-	-	-	-	-	-	-	-	-
Dividends to common stockholders	-	-	-	-	-	-	-	(3,305,055)	(3,305,055)
Dividends to Series A preferred stockholders	-	-	-	-	-	-	-	(544,983)	(544,983)
Dividends to Series B preferred stockholders	-	-	-	-	-	-	-	(2,222)	(2,222)
Net loss	-	-	-	-	-	-	-	(5,988,916)	(5,988,916)
Operating Partnership Class A conversion to common stock	2,265.00	-\$*	-	-	-	-	23,216	-	23,216
Issuance of common stock through reinvestment of dividends	122,893.70	12	-	-	-	-	906,945	-	906,945
Issuance of Series A preferred stock through reinvestment of dividends	-	-	3,713.55	-\$*	-	-	83,556	-	83,556
Issuance of Series B preferred stock through reinvestment of dividends	-	-	-	-	-	-	-	-	-
Issuance of Series A preferred stock	-	-	68,808.31	8.00	-	-	1,718,943	-	1,718,943
Issuance of Series B preferred stock	-	-	-	-	4,444.44	-\$*	100,000	-	100,000
Increase in liquidation preference - Series B preferred stock	-	-	-	-	-	-	1,667	-	1,667
Issuance Operating Partnership Preferred Units through reinvestment of dividends	-	-	-	-	-	-	-	-	-
Payment of selling commissions and fees	-	-	-	-	-	-	(474,919)	-	(474,919)
Redemptions of common stock	(128,589.30)	(12)	-	-	-	-	(948,977)	-	(948,977)
Redemptions of Series A preferred stock	-	-	(400.00)	-\$*	-	-	(9,100)	-	(9,100)
Balance, December 31, 2023	<u>13,239,849.36</u>	<u>\$1,324</u>	<u>743,462.31</u>	<u>\$ 75</u>	<u>4,444.44</u>	<u>\$ -</u>	<u>\$ 135,164,330</u>	<u>\$ (44,697,434)</u>	<u>\$ 90,466,896</u>

*Amount is less than \$1.

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

MacKenzie Realty Capital, Inc.
Consolidated Statements of Changes in Equity
(Unaudited)

Three Months Ended December 31, 2022	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Non-controlling Interests	Total E
	Number of Shares	Par Value	Number of Shares	Par Value					
Balance, September 30, 2022	13,254,809.10	\$1,325	321,624.94	\$ 32	\$ 126,493,201	\$ (24,332,668)	\$ 102,161,890	\$ 8,991,827	\$ 111,15
Distributions to non-controlling interest holders	-	-	-	-	-	-	-	(134,207)	(13
Dividends to common stockholders	-	-	-	-	-	(1,456,391)	(1,456,391)	-	(1,45
Dividends to Series A preferred stockholders	-	-	-	-	-	(155,909)	(155,909)	-	(15
Net loss	-	-	-	-	-	(4,913,887)	(4,913,887)	14,863	(4,89
Issuance of Series A preferred stock	-	-	182,969.06	19	4,371,131	-	4,371,150	-	4,37
Issuance of common stock through reinvestment of dividends	43,737.12	4	-	-	403,471	-	403,475	-	40
Issuance of Series A preferred stock through reinvestment of dividends	-	-	521.05	-*	11,723	-	11,723	-	1
Issuance Operating Partnership Preferred Units through reinvestment of dividends	-	-	-	-	-	-	-	11,665	1
Payment of selling commissions and fees	-	-	-	-	(588,796)	-	(588,796)	-	(58
Redemptions of common stock	(44,048.79)	(4)	-	-	(415,964)	-	(415,968)	-	(41
Balance, December 31, 2022	<u>13,254,497.43</u>	<u>\$1,325</u>	<u>505,115.06</u>	<u>\$ 51</u>	<u>\$ 130,274,766</u>	<u>\$ (30,858,855)</u>	<u>\$ 99,417,287</u>	<u>\$ 8,884,148</u>	<u>\$108,30</u>

*Amount is less than \$1.

Six Months Ended December 31, 2022	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Non-controlling Interests	Total E
	Number of Shares	Par Value	Number of Shares	Par Value					
Balance, June 30, 2022	13,253,571.98	\$1,325	119,416.91	\$ 12	\$ 121,961,699	\$ (24,108,723)	\$ 97,854,313	\$ 6,367,904	\$104,22
Distributions to non-controlling interest holders	-	-	-	-	-	-	-	(252,148)	(25
Operating Partnership Preferred Units issued	-	-	-	-	-	-	-	2,711,378	2,71
Dividends to common stockholders	-	-	-	-	-	(2,846,681)	(2,846,681)	-	(2,84
Dividends to Series A preferred stockholders	-	-	-	-	-	(243,793)	(243,793)	-	(24
Net loss	-	-	-	-	-	(3,659,658)	(3,659,658)	47,088	(3,61
Operating Partnership Class A conversion to common stock	169.67	-*	-	-	1,739	-	1,739	(1,739)	-
Issuance of Series A preferred stock	-	-	384,962.48	39	9,402,961	-	9,403,000	-	9,40
Issuance of common stock through reinvestment of dividends	85,621.63	8	-	-	789,852	-	789,860	-	78
Issuance of Series A preferred stock through reinvestment of dividends	-	-	735.66	-*	16,552	-	16,552	-	1
Issuance Operating Partnership Preferred Units through reinvestment of dividends	-	-	-	-	-	-	-	11,665	11,66
Payment of selling commissions and fees	-	-	-	-	(1,095,692)	-	(1,095,692)	-	(1,09
Redemptions of common stock	(84,865.85)	(8)	-	-	(802,345)	-	(802,353)	-	(80
Balance, December 31, 2022	<u>13,254,497.43</u>	<u>\$1,325</u>	<u>505,115.06</u>	<u>\$ 51</u>	<u>\$ 130,274,766</u>	<u>\$ (30,858,855)</u>	<u>\$ 99,417,287</u>	<u>\$ 8,884,148</u>	<u>\$108,30</u>

*Amount is less than \$1.

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

MacKenzie Realty Capital, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (5,762,307)	\$ (3,612,570)
Adjustments to reconcile net loss to net cash from operating activities:		
Net unrealized loss on equity securities at fair value	466,315	1,074,053
Net income from equity method investments at fair value	(21,025)	(3,079,405)
Net realized (gain) loss on investments	1,285,998	(830,964)
Loss on disposal of fixed assets	-	2,904
Impairment loss on assets held for sale	-	1,913,346
Straight-line rent	(30,534)	(24,296)
Depreciation and amortization	3,119,439	2,075,624
Amortization of deferred financing costs and debt mark-to-market	633,437	322,885
Accretion of above (below) market lease, net	(190,867)	(28,692)
Changes in assets and liabilities:		
Investments income, rents and other receivables	132,782	736,936
Due from related entities	17,000	-
Prepaid expenses and other assets	(28,159)	(1,250,721)
Deferred rent and other liabilities	101,544	674,367
Accounts payable and accrued liabilities	(287,055)	(1,322,238)
Due to related entities	(22,289)	(128,949)
Net cash from operating activities	<u>(585,721)</u>	<u>(3,477,720)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,020,482	3,203,368
Investment acquisition advance	-	(193,000)
Investments in real estate assets	(5,664,391)	(8,233,733)
Purchase of investments	(551,340)	(178,301)
Return of capital distributions	404,187	1,021,017
Payment on contingent liability	(785,000)	(858,000)
Net cash from investing activities	<u>(2,576,062)</u>	<u>(5,238,649)</u>
Cash flows from financing activities:		
Proceeds from mortgage notes payable	3,288,715	2,095,088
Payments on mortgage notes payable	(596,467)	(192,348)
Proceeds on notes payable	-	9,632
Payments on notes payable	(358,543)	(7,901)
Payment of loan extension fee	(876,500)	-
Acquisition cost of below market debt	(343,000)	-
Dividend to common stockholders	(2,332,595)	(1,924,319)
Dividend to Series A preferred stockholders	(427,000)	(109,314)
Proceeds from issuance of Series A preferred stock	1,718,951	9,403,000
Proceeds from issuance of Series B preferred stock	100,000	-
Payment on finance lease liabilities	(31,469)	-
Payment of selling commissions and fees	(492,713)	(814,130)
Distributions to non-controlling interests holders	(340,280)	(165,794)
Contributions to non-controlling interest holders	140,423	-
Redemption of common stock, net of stock redemption payable	(917,997)	(734,436)
Redemption of Series A preferred stock, net of stock redemption payable	(9,100)	-
Capital pending acceptance	(463,600)	337,500
Net cash from financing activities	<u>(1,941,175)</u>	<u>7,896,978</u>
Net decrease in cash, cash equivalents and restricted cash	(5,102,958)	(819,391)
Cash, cash equivalents and restricted cash at beginning of the period	18,141,019	8,998,165
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 13,038,061</u>	<u>\$ 8,178,774</u>
Cash and cash equivalents at end of the period		
Cash and cash equivalents at end of the period	\$ 12,173,527	\$ 7,109,368
Restricted cash at end of the period	864,534	587,576
Cash and restricted cash at end of the period classified as assets held for sale	-	481,830
Total cash, cash equivalents, restricted cash and cash classified as held for sale at end of the period	<u>\$ 13,038,061</u>	<u>\$ 8,178,774</u>
Supplemental disclosure of non-cash financing activities and other cash flow information:		
Issuance of common stock through reinvestment of dividends	\$ 906,957	\$ 789,860
Issuance of preferred stock through reinvestment of dividends	\$ 83,556	\$ 16,552
Increase in liquidation preference of Series B preferred stock	\$ 1,667	\$ -
Issuance Operating Partnership Preferred Units through reinvestment of dividends	\$ 41,249	\$ -
Cash paid for interest	\$ 2,082,860	\$ 2,475,868
Issuance of the Operating Partnership Preferred Units for the purchase of First & Main, LP (Note 1)	\$ -	\$ 2,711,378
Fair value of assets acquired from consolidation of First & Main, LP	\$ -	\$ 18,188,301
Fair value of liabilities assumed from consolidation of First & Main, LP	\$ -	\$ 13,239,923
Fair value of assets acquired from consolidation of 1300 Main, LP	\$ -	\$ 10,546,464
Fair value of liabilities assumed from consolidation of 1300 Main, LP	\$ -	\$ 8,753,242

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

MacKenzie Realty Capital, Inc.
Notes to Consolidated Financial Statements
December 31, 2023
(Unaudited)

NOTE 1 – PRINCIPAL BUSINESS AND ORGANIZATION

MacKenzie Realty Capital, Inc. (the “Parent Company” together with its subsidiaries as discussed below, collectively, the “Company,” “we,” “us,” or “our”) was incorporated under the general corporation laws of the State of Maryland on January 27, 2012. We have elected to be treated as a real estate investment trust (“REIT”) as defined under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We are authorized to issue 100,000,000 shares, of which (i) 80,000,000 are designated as common stock, with a \$0.0001 par value per share; and (ii) 20,000,000 are designated as preferred stock, with a \$0.0001 par value per share. We commenced our operations on February 28, 2013, and our fiscal year-end is June 30.

We filed our initial registration statement in June 2012 with the Securities and Exchange Commission (“SEC”) to register the initial public offering of 5,000,000 shares of our common stock. The initial public offering commenced in January 2014 and concluded in October 2016. We filed a second registration statement with the SEC to register a subsequent public offering of 15,000,000 shares of our common stock. The second offering commenced in December 2016 and concluded on October 28, 2019. We filed a third registration statement with the SEC to register a public offering of 15,000,000 shares of our common stock that was declared effective by the SEC on October 31, 2019. The third offering commenced shortly thereafter and expired on October 31, 2020.

Our wholly owned subsidiary, MRC TRS, Inc., (“TRS”) was incorporated under the general corporation laws of the State of California on February 22, 2016 and operated as a taxable REIT subsidiary. MacKenzie NY Real Estate 2 Corp., (“MacKenzie NY 2”), a wholly owned subsidiary of TRS, was formed for the purpose of making certain limited investments in New York companies. We terminated TRS effective December 31, 2022, after the sale of its sole investment and transferred the ownership of MacKenzie NY 2, to the Parent Company. The financial statements of TRS (through its termination date) and MacKenzie NY 2 have been consolidated with the Parent Company. Effective tax year 2023, MacKenzie NY 2 have elected to be treated as a taxable REIT subsidiary.

On May 20, 2020, we formed an operating partnership, MacKenzie Realty Operating Partnership, LP (the “Operating Partnership”) for the purpose of acquiring and operating real estate assets. As of December 31, 2023, we own all limited partnership units of the Operating Partnership except for 82,978.43 Class A Limited Partnership units and 475,404.20 preferred units, which would be entitled to receive, at liquidation of the Operating Partnership, 82,978.43 common shares of the Company (stated value of \$10.25 per share) and \$11,885,105 (based on the stated value of \$25 per share for the preferred units) in liquidation preference, respectively. The Parent Company has contributed \$75,876,918 in capital to the Operating Partnership since inception; thus, the Class A and Series A Preferred Units represent approximately 14.37% of all capital contributions.

In March 2021, we, together with our joint venture partners, formed two operating companies: Madison-PVT Partners LLC (“Madison”) and PVT-Madison Partners LLC (“PVT”), to acquire and operate two residential apartment buildings located in Oakland, California. We own 98.45% and 98.75% of equity units of Madison and PVT, respectively. The joint venture partners own the remaining 1.55% and 1.25% equity units of Madison and PVT, respectively, and also hold a carried interest in both companies. We are the controlling majority owner of both companies; therefore, effective March 31, 2021, we have consolidated the financial statements of these companies.

On April 13, 2021, we filed a preliminary offering circular (the “Offering Circular”) pursuant to Regulation A with the SEC to sell up to \$50 million of shares of our Series A preferred stock at an initial offering price of \$25.00 per share. We filed a post-effective amendment to the Offering Circular on October 14, 2022, and increased the offering to sell up to \$75 million of shares of our Series A preferred stock. The post-effective amendment to this Offering Circular was declared effective on November 13, 2022. We filed a second post-effective amendment to the Offering Circular on November 1, 2023, which amended the offering to sell an aggregate of up to \$75 million of shares of either our Series A preferred stock or our Series B preferred stock. This post-effective amendment to the Offering Circular was qualified by the SEC on November 14, 2023.

On October 4, 2021, through the Operating Partnership, we acquired a 90% economic interest in Hollywood Hillview Owner, LLC (“Hollywood Hillview”), a Delaware limited liability company, to acquire and operate a multifamily building located in Los Angeles, California. The remaining 10% economic interest in Hollywood Hillview is owned by an unaffiliated third party, True USA, LLC. Hollywood Hillview owns 100% of the membership interests in PT Hillview GP, LLC (the “PT Hillview”). We are the controlling majority owner of Hollywood Hillview; therefore, effective December 31, 2021, we have consolidated the financial statements of Hollywood Hillview.

On January 25, 2022, through the Operating Partnership, we acquired a 98% limited liability company interest in MacKenzie BAA IG Shoreline LLC (“MacKenzie Shoreline”), formed to acquire, renovate, and own the 84-unit multifamily building located at 1841 Laguna Street, Concord, CA. The joint venture partners own the remaining 2% of the limited liability company interest as well as a carried interest. We are the controlling majority owner of the MacKenzie Shoreline; therefore, effective June 30, 2022, we have consolidated the financial statements of MacKenzie Shoreline.

On April 1, 2022, we, and our newly formed, wholly owned subsidiary, FSP Merger Sub, Inc. (“Merger Sub”) entered into a reverse triangular merger agreement with FSP Satellite Place Corp. (“FSP Satellite”), pursuant to which the Merger Sub would be merged with and into FSP Satellite with FSP Satellite as the surviving entity, but renamed MacKenzie Satellite Place, Inc. (“MacKenzie Satellite”). On June 1, 2022, the merger closed, and MacKenzie Satellite became our wholly owned subsidiary, which owns the Satellite Place Office Building, a six-story Class “A” suburban office building containing approximately 134,785 rentable square feet of space located on approximately 10 acres of land in Duluth, GA. The former shareholders of FSP Satellite received cash or shares of the Company, based upon their election. All former shareholders of FSP Satellite holders elected to be paid in cash with the exception of two shareholders who elected to receive common and preferred stocks in the amount of \$27,503 and \$13,752, respectively. Subsequent to the completion of the merger, we have consolidated the financial statements of MacKenzie Satellite effective June 30, 2022.

On May 6, 2022, the Operating Partnership purchased 100% of the membership interests in eight limited liability companies (“Management Companies”) and one parcel of entitled land from The Wiseman Company, LLC (“Wiseman”) for \$18,333,000 and \$3,050,000, respectively. The limited liability companies own the general partnership interests in eight limited partnerships, each of which own a Class A or B office property in Napa, Fairfield, Suisun, or Woodland, California (the “Wiseman Properties”). Each Management Company is the sole general partner of each of the limited partnerships. The membership interest purchase price is subject to adjustments and holdbacks as provided in the membership interest purchase agreement. As part of the purchase agreement, \$4,650,000 of the purchase price was paid through the issuance of 206,666.67 Preferred Units of the Operating Partnership and \$750,000 of the land purchase price was paid through the issuance of 77,881.62 Class A units of the Operating Partnership. Further details of this acquisition are discussed in Note 5. We have consolidated the financial statements of the eight limited liability companies, which hold the general partnership interests in the limited partnerships, effective June 30, 2022.

Wiseman is a full-service real estate syndicator, developer, broker, and property manager. It was founded in 1979 and served as the general partner for eight currently active partnerships owning the Wiseman Properties. Concurrently with acquiring the general partnership interests in the Wiseman Properties, the Operating Partnership also negotiated the right to acquire the limited partnership interest in each Wiseman Property at pre-determined prices over the following two years. Management believes this transaction is strategically important as it focuses the portfolio on our desired geographic area (Western United States) and creates a captive pipeline of properties which we can acquire when convenient over the next two years. On July 23, 2022, in addition to the general partnership interest in First & Main, LP (“First & Main”), the Operating Partnership completed the acquisition of 100% of the limited partnership interest in First & Main for total purchase price of \$3,376,322, of which \$2,711,378 was paid through issuance of 120,505.66 Preferred Units of the Operating Partnership. On October 1, 2022, in addition to the general partnership interest in 1300 Main, LP (“1300 Main”), the Operating Partnership completed the acquisition of 100% of the limited partnership interest in 1300 Main for total purchase price of \$6,480,582. On January 3, 2023, the Operating Partnership completed the acquisition of 100% of the limited partnership interest in Woodland Corporate Center Two, LP (“Woodland Corporate Center Two”) for total purchase price of \$5,636,966, of which \$3,242,557 was paid through the issuance of 144,113.63 Preferred Units of the Operating Partnership. On February 1, 2023, the Operating Partnership completed the acquisition of 100% of the limited partnership interest in Main Street West, LP (“Main Street West”) for total purchase price of \$8,277,016. We consolidated the financial statements of First and Main, 1300 Main, Woodland Corporate Center Two and Main Street West after we completed the acquisition of the limited partnership interests in each of these partnerships.

On February 6, 2023, we formed a new entity, MRC Aurora, LLC (the “MRC Aurora”) for the purpose of owning, developing, renovating, leasing, managing, renting, and potentially selling certain real property and building and improvements located at 5000 Wiseman Way, Fairfield, California (the “Aurora Project”). The Parent Company is the manager and the Operating Partnership is the sole common member of MRC Aurora. The Operating Partnership contributed the entitled land located at 5000 Wiseman Way, Fairfield, California in exchange for the common membership interest. MRC Aurora plans to raise \$10 million in preferred capital and also obtain a construction loan to fund the development of the Aurora Project. MRC Aurora commenced selling its preferred units in February 2024 and a construction loan of \$17.15 million is scheduled to close by end of February 2024. As of December 31, 2023, the Operating Partnership is the sole equity holder of MRC Aurora. Therefore, we have consolidated the financial statements of MRC Aurora.

On September 1, 2023, we formed two operating companies: 220 Campus Lane, LLC (“220 Campus Lane”) to acquire, lease and operate a vacant office building located at 220 Campus Lane, Fairfield, CA (“220 Campus Lane Office Building”) and Campus Lane Residential, LLC (“Campus Lane Residential”) with a long-term goal to acquire and develop a parcel of vacant land adjacent to 220 Campus Lane Office Building into a multi-family residential community. The entitlement process for the vacant land is commencing now but the financial resources to realize our goal of commencing construction in late 2025 has not been secured and will be dependent upon the City’s response to our development application to be submitted in April 2024. We own 100% of both of these companies; therefore, we consolidated the financial statements of these companies after the acquisitions were completed on September 8, 2023.

We are externally managed by MacKenzie Capital Management, LP (“MacKenzie”) under the administration agreement dated and effective as of February 28, 2013 (the “Administration Agreement”). MacKenzie manages all of our affairs except for providing investment advice. MCM Advisers, LP (the “Investment Adviser”) advises us in our assessment, acquisition, and divestiture of securities under the advisory agreement amended and restated effective January 1, 2021 (the “Amended and Restated Investment Advisory Agreement”). MacKenzie Real Estate Advisers, LP (the “Real Estate Adviser”; together, the “Investment Adviser” and the “Real Estate Adviser” may be referred to as “Adviser” or “Advisers” as appropriate) advises us in our assessment, acquisition, and divestiture of real estate assets. We pursue a strategy focused on investing primarily in real estate assets, and to a lesser extent (intended to be less than 20% of our portfolio) in illiquid or non-traded debt and equity securities issued by U.S. companies generally owning commercial real estate. These companies are likely to be non-traded REITs, small-capitalization publicly traded REITs, public and private real estate limited partnerships, and limited liability companies.

As of December 31, 2023, we have raised approximately \$119.10 million from our three common stock public offerings, \$18.08 million from our Series A preferred stock offering and \$0.10 million from our Series B preferred stock offering pursuant to the Offering Circular. As of December 31, 2023, we have issued common and Series A preferred shares with gross proceeds of \$15.10 million, and \$0.16 million, respectively, under our dividend reinvestment plan (“DRIP”). Of the total shares issued by us as of December 31, 2023, approximately \$14.28 million and \$0.04 million, respectively, worth of common and Series A preferred shares have been repurchased under our share repurchase program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation Policy

The accompanying consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X. We follow the accounting principles generally accepted in the United States of America (“GAAP”) and includes the accounts of our wholly owned consolidated subsidiaries and majority-owned controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited consolidated financial statements reflect all normal recurring adjustments, which are, in the opinion of management, necessary for the fair presentation of our results for the interim periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

These unaudited consolidated financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2023, included in our annual report on Form 10-K filed with the SEC.

There have been no changes in the significant accounting policies from those disclosed in the audited financial statements for the year ended June 30, 2023.

Certain prior period information has been reclassified to conform to the current year end presentation. The reclassification has no effect on our consolidated balance sheet or the consolidated statement of operations as previously reported.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect reported asset values, liabilities, revenues, expenses and unrealized gains (losses) on investments during the reporting period. Material estimates that are susceptible to change, and actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Our cash and cash equivalents represent current bank accounts and other bank deposits free of encumbrances and having maturity dates of three months or less from the respective dates of deposit. We limit cash investments to financial institutions with high credit standing; therefore, we believe our cash investments are not exposed to any significant credit risk. The restricted cash includes escrow accounts for real property taxes, insurance, capital expenditures and tenant improvements, and debt service and leasing costs held by lenders. These balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to certain limits. At times, the cash balances held in financial institutions by us may exceed these insured limits.

Restricted cash is subject to legal or contractual restrictions as to withdrawal or use, including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used.

Investments Income Receivable

Investment income represents dividends, distributions, and sales proceeds recognized in accordance with our revenue recognition policy but not yet received as of the date of the consolidated financial statements. The amounts are generally fully collectible as they are recognized based on completed transactions. We monitor and adjust our receivables, and those deemed to be uncollectible are written-off only after all reasonable collection efforts are exhausted. We have determined that all investments income receivable balances outstanding as of December 31, 2023 and June 30, 2023, are collectible and do not require recording any uncollectible allowance.

Rents and Other Receivables

We will periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under lease agreements. We exercise judgment in establishing these allowances and consider payment history and current credit status of tenants in developing these estimates. As of December 31, 2023 and June 30, 2023, we recognized an allowance for doubtful accounts of \$212,673 and \$150,786, respectively.

Capital Pending Acceptance

We conduct closings for new purchases of our common stock twice per month and admits new stockholders effective beginning the first of each month. Subscriptions are effective only upon our acceptance. Any gross proceeds received from subscriptions which are not accepted as of the period-end are classified as capital pending acceptance in the consolidated balance sheets. As of December 31, 2023 and June 30, 2023, capital pending acceptance was \$75,000 and \$538,600, respectively.

Income Taxes and Deferred Tax Liability

The Parent Company has elected to be treated as a REIT for tax purposes under the Code and as a REIT, is not subject to federal income taxes on amounts that it distributes to the stockholders, provided that, on an annual basis, it generally distributes at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and excluding any net capital gain) to the stockholders and meets certain other conditions. To the extent it satisfies the annual distribution requirement but distributes less than 100% of its REIT taxable income, it will be subject to U.S. federal corporate income tax on its undistributed taxable income. In addition, it will be subject to a 4% nondeductible excise tax if the actual amount that it pays to its stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

The Parent Company satisfied the annual dividend payment and other REIT requirements for the tax year ended December 31, 2022. Therefore, it did not incur any tax expense or excise tax on its income from operations during the quarterly periods within the tax year 2022. Similarly, for the tax year 2023, the Parent Company paid the requisite amounts of dividends during the year and met other REIT requirements such that the Parent Company will not owe any income taxes. Therefore, the Parent Company did not record any income tax provisions during any fiscal periods within the tax year 2023.

MacKenzie NY 2 is subject to corporate federal and state income tax on its taxable income at regular statutory rates. As of December 31, 2023, it did not have any taxable income for tax year 2023. Therefore, we did not record any tax provisions during any fiscal periods within the tax year 2023. MacKenzie Satellite is a qualified REIT subsidiary of the Parent Company. Therefore, it does not file a separate tax return.

Therefore, we did not record any tax provisions for tax year 2023. MacKenzie Satellite is a qualified REIT subsidiary of the Parent Company. Therefore, it does not file a separate tax return.

The Operating Partnership is a limited partnership. Hollywood Hillview, MacKenzie Shoreline, Madison, PVT, 220 Campus Lane, and Campus Lane Residential are limited liability companies. First & Main, 1300 Main, Woodland Corporate Center Two, and Main Street West are limited partnerships. Accordingly, all income tax liabilities of these entities flow through to their partners, which ultimately is the Company. Therefore, no income tax provisions are recorded for these entities.

We follow ASC 740, *Income Taxes* (“ASC 740”), to account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax liabilities attributable to the net unrealized investment gain (losses) on existing investments. In estimating future tax consequences, we consider all future events, other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period of enactment. In addition, ASC 740 provides guidance for recognizing, measuring, presenting, and disclosing uncertain tax positions in the financial statements. As of December 31, 2023 and June 30, 2023, there were no uncertain tax positions. Management’s determinations regarding ASC 740 are subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated balance sheets but before the date the consolidated financial statements are issued. Subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheets are considered in the preparation of the consolidated financial statements presented herein. Subsequent events that occur after the date of the consolidated balance sheets that do not provide evidence about the conditions that existed as of the date of the consolidated statements of changes in equity are considered for disclosure based upon their significance in relation to our consolidated financial statements taken as a whole.

Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. We believe that the carrying amounts of our financial instruments, consisting of cash, restricted cash, investments income, rent and other receivables, prepaid expenses and other assets, mortgage notes payable, accounts payable and accrued liabilities, below-market lease liabilities, net, deferred rent and other liabilities and due to related entities, approximate the fair values of such items based on their nature, terms, and interest rates.

Equity Securities

We have minority and non-controlling equity investments in various limited partnerships and non-traded entities, which do not have readily determinable fair values. We do not have controlling interests in these entities. Thus, these investments have been recorded as investments in equity securities in accordance with ASC Topic 321, *Investments – Equity Securities*, and measured at fair value. The changes in the fair value of these investments are recorded in the consolidated statements of operations.

Equity Method Investments with Fair Value Option Election

We elected the fair value option of accounting for the investments listed below that would have otherwise been recorded under the equity method of accounting. The primary purpose of electing the fair value option was to enhance the transparency of our financial condition. Changes in the fair value of these investments, which are inclusive of equity in income, are recorded in the consolidated statement of operations during the period such changes occur. The below list of investments would have been accounted for under the equity method if the fair value method had not been elected and have been included in investments in the consolidated balance sheets as of December 31, 2023 and June 30, 2023:

Investee	Legal Form	Asset Type	% Ownership	Fair Value as of December 31, 2023
5210 Fountaingate, LP	Limited Partnership	LP Interest	9.92%	\$ 6,820
Capitol Hill Partners, LLC	Limited Liability Company	LP Interest	25.93%	-
Citrus Park Hotel Holdings, LLC	Limited Liability Company	LP Interest	35.27%	4,100,000
Lakemont Partners, LLC	Limited Liability Company	LP Interest	17.02%	805,210
Green Valley Medical Center, LP	Limited Partnership	GP Interest	1.00% *	1,874,072
Martin Plaza Associates, LP	Limited Partnership	GP Interest	1.00% *	562,546
One Harbor Center, LP	Limited Partnership	GP Interest	1.00% *	3,894,552
Westside Professional Center I, LP	Limited Partnership	GP Interest	1.00% *	1,466,133
Total				\$ 12,709,333

Investee	Legal Form	Asset Type	% Ownership	Fair Value as of June 30, 2023
5210 Fountaingate, LP	Limited Partnership	LP Interest	9.92%	\$ 6,820
Capitol Hill Partners, LLC	Limited Liability Company	LP Interest	23.33%	1,107,795
Citrus Park Hotel Holdings, LLC	Limited Liability Company	LP Interest	35.27%	4,100,000
Lakemont Partners, LLC	Limited Liability Company	LP Interest	17.10%	829,381
Green Valley Medical Center, LP	Limited Partnership	GP Interest	1.00% *	2,363,000
Martin Plaza Associates, LP	Limited Partnership	GP Interest	1.00% *	493,000
One Harbor Center, LP	Limited Partnership	GP Interest	1.00% *	4,076,500
Westside Professional Center I, LP	Limited Partnership	GP Interest	1.00% *	1,784,000
Total				\$ 14,760,496

*The general partner has a 1% partnership interest but is also entitled to profit sharing distributions ranging from 25% to 50% after certain thresholds are met.

Unconsolidated Investments (Non-security) at Fair Value

These are equity method investments that do not meet the consolidation requirements under ASC 810. Under the 1940 Act, these investments are considered “voting securities” as opposed to “investment securities”. Therefore, we listed these equity method investments separately from the rest of the equity method investments at fair value in the consolidated balance sheets. As of December 31, 2023 and June 30, 2023, our investments in Green Valley Medical Center, LP, Martin Plaza Associates, LP, One Harbor Center, LP and Westside Professional Center I, LP are considered to be voting securities under the 1940 Act. Therefore, these investments were shown as unconsolidated investments (non-security), at fair value in the consolidated balance sheets. For GAAP purposes, these investments have been recorded under the equity method investments, for which we have elected the fair value option as discussed above.

Contingent Consideration in an Asset Acquisition

Contingent consideration recognized is included in the initial cost of the assets acquired. Subsequent changes in the recorded amount of contingent consideration will generally be recognized as an adjustment to the cost basis of the acquired assets, in accordance with ASC 323-10-35-14a and ASC 360-10-30-1. The subsequent changes will be allocated to the acquired assets based on their relative fair value at the date of acquisition.

Subsequent change in contingent consideration impacts the cost basis of acquired assets, which may also impact the statements of operations through subsequent accounting for the acquired asset. We are aware of diversity in practice regarding the subsequent treatment of the statement of operations effect of changes to the cost basis of the acquired assets. We generally believe the depreciation or amortization of these assets should be recognized as a cumulative “catch up” adjustment, as if the additional amount of consideration that is no longer contingent had been accrued from the outset of the arrangement.

Leases

The three partnerships that we acquired during the year ended June 30, 2023; 1300 Main, Main Street West and Woodland Corporate Center Two had solar equipment leases in place at the time of our acquisition. Therefore, these existing solar leases were reassessed at the acquisition date and were recorded as finance leases in accordance with ASC 842. We record leases on the consolidated balance sheets in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates that we could obtain for similar loans as of the date of commencement or renewal. We do not record leases on the consolidated balance sheets that are classified as short term (less than one year).

At lease inception, we determine the lease term by considering the minimum lease term and all optional renewal periods that we are reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. Our leases do not contain residual value guarantees or material variable lease payments that will impact our ability to pay dividends or cause us to incur additional expenses.

The amortization of the right-of-use asset arising from finance leases is expensed through depreciation and amortization expense and the interest on the related lease liability is expensed through interest expense on our consolidated statements of operations.

Impairment of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying value of our real estate and related intangible assets may not be recoverable. When indicators of potential impairment emerge, we assess whether we will recover the carrying value of the asset through its undiscounted future cash flows and its eventual disposition. Based on this assessment, if we do not believe that we will recover the carrying value of the real estate and related intangible assets, we will record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the real estate and related intangible assets. No impairment charges on assets held for use were recorded during the six months ended December 31, 2023 and 2022. However, during the period ended December 31, 2022, we had recorded an impairment loss of \$1,913,346 on our held for sale asset (Addison Corporate Center building), which was sold in June 2023.

Reportable Segments

ASC 280, Segment Reporting, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. We have one reportable segment, income-producing real estate properties, which consists of activities related to investing in real estate. The real estate properties are geographically diversified throughout the United States, and we evaluate operating performance on an overall portfolio level.

NOTE 3—INVESTMENTS IN REAL ESTATE

The following tables provide summary information regarding our operating properties, which are owned through our subsidiaries. The ownership interest shown below is the percentage of the property owned by the subsidiary, not the percentage of the subsidiary owned by the Parent Company or the Operating Partnership.

Consolidated Operating Properties

Property Name:	Commodore Apartments	Pon de Leo Apartments	Hollywood Apartments	Shoreline Apartments
Property Owner:	Madison-PVT Partners LLC	PVT-Madison Partners LLC	PT Hillview GP, LLC	MacKenzie BAA IG Shoreline LLC
Location:	Oakland, CA	Oakland, CA	Hollywood, CA	Concord, CA
Number of Tenants:	47	36	43	76
Year Built:	1912	1929	1917	1968
Ownership Interest:	100%	100%	100%	100%
Property Name:	Satellite Place Office Building	First & Main Office Building	1300 Main Office Building	Woodland Corporate Center
Property Owner:	MacKenzie Satellite Place Corp.	First & Main, LP	1300 Main, LP	Woodland Corporate Center, Two, LP
Location:	Duluth, GA	Napa, CA	Napa, CA	Woodland, CA
Number of Tenants:	3	8	7	14
Year Built:	2002	2001	2020	2004
Ownership Interest:	100%	100%	100%	100%
Property Name:	Main Street West Office Building	220 Campus Lane Office Building		
Property Owner:	Main Street West, LP	220 Campus Lane, LLC		
Location:	Napa, CA	Fairfield, CA		
Number of Tenants:	7	1		
Year Built:	2007	1990		
Ownership Interest:	100%	100%		

The following table presents the purchase price allocation of real estate assets acquired during the six months ended December 31, 2023 based on asset acquisition accounting.

Property Name:	220 Campus Lane Office Building
Acquisition Date:	September 8, 2023
<u>Purchase Price Allocation</u>	
Land	\$ 1,357,288
Building	859,594
Parking Lot	410,116
Debt mark-to-market	223,000
<hr/>	
Total assets acquired	<u>\$ 2,849,998</u>
Property Name:	Campus Lane Residential Land
Acquisition Date:	September 8, 2023
<u>Purchase Price Allocation</u>	
Land	\$ 1,503,758
Debt mark-to-market	120,000
<hr/>	
Total assets acquired	<u>\$ 1,623,758</u>

The total depreciation expense of our operating properties for the three and six months ended December 31, 2023 were \$1,146,504 and \$2,276,279, respectively. The total depreciation expense of our operating properties for the three and six months ended December 31, 2022 were \$852,671 and \$1,558,933, respectively.

Operating Leases:

Our real estate assets are leased to tenants under operating leases that contain varying terms and expirations. The leases may have provisions to extend the lease agreements, options for early termination after paying a specified penalty and other terms and conditions as negotiated. We retain substantially all the risks and benefits of ownership of the real estate assets leased to tenants. Generally, upon the execution of a lease, we do not require a security deposit from tenants on our commercial real estate properties, depending upon the terms of the respective leases and the creditworthiness of the tenants. Even when required, security deposits generally are not significant amounts. Therefore, exposure to credit risk exists to the extent that a receivable from a tenant exceeds the amount of the security deposit. Security deposits received in cash related to tenant leases are included in other accrued liabilities in the accompanying consolidated balance sheets and were immaterial as of December 31, 2023 and June 30, 2023.

The following table presents the components of income from real estate operations for the three and six months ended December 31, 2023:

	<u>Three Months Ended</u> <u>December 31, 2023</u>	<u>Six Months Ended</u> <u>December 31, 2023</u>
Lease income - Operating leases	\$ 3,334,728	\$ 6,690,518
Variable lease income ⁽¹⁾	242,758	446,949
	<u>\$ 3,577,486</u>	<u>\$ 7,137,467</u>

(1) Primarily includes tenant reimbursements for utilities and common area maintenance.

The following table presents the components of income from real estate operations for the three and six months ended December 31, 2022:

	Three Months Ended December 31, 2022	Six Months Ended December 31, 2022
Lease income - Operating leases	\$ 3,253,511	\$ 5,997,594
Variable lease income ⁽¹⁾	420,741	745,161
	<u>\$ 3,674,252</u>	<u>\$ 6,742,755</u>

(1) Primarily includes tenant reimbursements for utilities and common area maintenance.

As of December 31, 2023, the future minimum rental income from our real estate properties under non-cancelable operating leases are as follows:

Year ended June 30, :	Rental Income
2024	\$ 4,289,124
2025	6,903,886
2026	5,545,612
2027	3,979,488
2028	3,648,482
Thereafter	9,418,430
Total	<u>\$ 33,785,022</u>

Lease Intangibles, Above-Market Lease Assets and Below-Market Lease Liabilities, Net

As of December 31, 2023, our acquired lease intangibles, above-market lease assets, and below-market lease liabilities were as follows:

	Lease Intangibles	Above-Market Lease Asset	Below-Market Lease Liabilities
Cost	\$ 8,024,309	\$ 419,166	\$ 2,346,666
Accumulated amortization	(2,967,959)	(129,504)	(1,186,294)
Total	<u>\$ 5,056,350</u>	<u>\$ 289,662</u>	<u>\$ 1,160,372</u>
Weighted average amortization period (years)	5.2	5.4	4.9

As of June 30, 2023, our acquired lease intangibles, above-market lease assets and below-market lease liabilities were as follows:

	Lease Intangibles	Above-Market Lease Asset	Below-Market Lease Liabilities
Cost	\$ 7,760,923	\$ 419,166	\$ 2,346,666
Accumulated amortization	(2,124,799)	(70,653)	(936,576)
Total	<u>\$ 5,636,124</u>	<u>\$ 348,513</u>	<u>\$ 1,410,090</u>
Weighted average amortization period (years)	4.9	5.4	5.1

Our amortization of lease intangibles, above-market lease assets and below-market lease liabilities for the three and six months ended December 31, 2023 were as follows:

	Three Months Ended December 31, 2023		
	<u>Lease Intangibles</u>	<u>Above-Market Lease Asset</u>	<u>Below-Market Lease Liabilities</u>
Amortization	\$ 413,267	\$ 29,425	\$ (124,858)

	Six Months Ended December 31, 2023		
	<u>Lease Intangibles</u>	<u>Above-Market Lease Asset</u>	<u>Below-Market Lease Liabilities</u>
Amortization	\$ 843,160	\$ 58,851	\$ (249,718)

Our amortization of lease intangibles, above-market lease assets and below-market lease liabilities for the three and six months ended December 31, 2022, were as follows:

	Three Months Ended December 31, 2022		
	<u>Lease Intangibles</u>	<u>Above-Market Lease Asset</u>	<u>Below-Market Lease Liabilities</u>
Amortization	\$ 300,089	\$ 10,559	\$ (99,830)

	Six Months Ended December 31, 2022		
	<u>Lease Intangibles</u>	<u>Above-Market Lease Asset</u>	<u>Below-Market Lease Liabilities</u>
Amortization	\$ 502,151	\$ 14,540	\$ (197,554)

The following table provides the projected amortization expense and adjustments to revenue from tenants for intangible assets and liabilities for the next five years:

	Year Ended June 30,					
	<u>2024 (remainder)</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>
In-place leases, to be included in amortization	\$ 798,732	\$ 1,328,605	\$ 936,509	\$ 559,555	\$ 494,084	\$ 938,865
Above-market lease intangibles	\$ 56,874	\$ 70,864	\$ 41,731	\$ 30,177	\$ 26,314	\$ 63,702
Below-market lease liabilities	(201,528)	(286,084)	(195,626)	(158,666)	(133,125)	(185,343)
	<u>\$ (144,654)</u>	<u>\$ (215,220)</u>	<u>\$ (153,895)</u>	<u>\$ (128,489)</u>	<u>\$ (106,811)</u>	<u>\$ (121,641)</u>

NOTE 4 – INVESTMENTS

The following table summarizes the composition of our equity method investments with fair value option election and other equity securities at fair value as of December 31, 2023 and June 30, 2023:

Asset Type	Fair Value December 31, 2023	Fair Value June 30, 2023
Non Traded Companies	\$ 3,835,030	\$ 7,388,484
GP Interests (Equity method investment with fair value option election)	7,797,303	8,716,500
LP Interests (Equity method investment with fair value option election)	4,912,030	6,043,996
Total	<u>\$ 16,544,363</u>	<u>\$ 22,148,980</u>

Our above total investments at fair value are disclosed in two separate lines as investments and unconsolidated investments (non-securities) in the consolidated balance sheets as of December 31, 2023 and June 30, 2023.

The following table presents fair value measurements of our investments as of December 31, 2023, according to the fair value hierarchy that is described in our annual report on Form 10-K:

Asset Type	As of December 31, 2023			
	Total	Level I	Level II	Level III
Non Traded Companies	\$ 3,835,030	\$ -	\$ -	\$ 3,835,030
GP Interests	7,797,303	-	-	7,797,303
LP Interests	4,912,030	-	-	4,912,030
Total	\$ 16,544,363	\$ -	\$ -	\$ 16,544,363

The following table presents fair value measurements of our investments as of June 30, 2023, according to the fair value hierarchy that is described in our annual report on Form 10-K:

Asset Type	As of June 30, 2023			
	Total	Level I	Level II	Level III
Non Traded Companies	\$ 7,388,484	\$ -	\$ -	\$ 7,388,484
GP Interests	8,716,500	-	-	8,716,500
LP Interests	6,043,996	-	-	6,043,996
Total	\$ 22,148,980	\$ -	\$ -	\$ 22,148,980

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level III of the fair value hierarchy) for the six months ended December 31, 2023:

Balance at July 1, 2023	\$ 22,148,980
Purchases of investments	551,341
Proceeds from sales, net	(4,020,482)
Return of capital distributions	(404,187)
Net realized loss	(1,285,998)
Net unrealized loss	(445,291)
Ending balance at December 31, 2023	\$ 16,544,363

There were no transfers of investments from Level III to Level I category during the six months ended December 31, 2023.

For the six months ended December 31, 2023, net change in unrealized losses included in earnings relating to Level III investments still held at December 31, 2023 was \$2,113,291.

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level III of the fair value hierarchy) for the six months ended December 31, 2022:

Balance at July 1, 2022	\$ 57,593,244
Purchases of investments	178,301
Transfers to Level I	(30,753)
Transfer to Investments in Real Estate	(3,909,002)
Proceeds from sales, net	(3,163,025)
Return of capital distributions	(1,037,016)
Net realized gains	821,375
Net unrealized gains	1,900,130
Ending balance at December 31, 2022	\$ 52,353,254

The transfer of \$30,753 from Level III to Level I category during the six months ended December 31, 2022 resulted from one of our investments converting from a non-traded REIT to publicly traded REIT. Transfers are assumed to have occurred at the beginning of the period.

For the six months ended December 31, 2022, net change in unrealized gains included in earnings relating to Level III investments still held at December 31, 2022 was \$2,283,491.

The following table shows quantitative information about significant unobservable inputs related to the Level III fair value measurements used at December 31, 2023:

Asset Type	Fair Value	Primary Valuation Techniques	Unobservable Inputs Used	Range	Weighted Average
Non Traded Companies	\$ 3,835,030	Market Activity	Secondary market industry publication		
			Acquisition cost		
			Share repurchase program		
	-	Estimated Liquidation Value	Sponsor provided value		
GP Interests	7,797,303	Direct Capitalization Method	Capitalization rate	6.3% - 6.5%	6.4%
			Discount rate	6.8% - 7.0%	7.0%
LP Interests	805,210	Discounted Cash Flow	Discount rate	6.0%	6.0%
LP Interests	6,820	Estimated Liquidation Value	Sponsor provided value	12.0%	12.0%
LP Interests	4,100,000	Market Activity	Contracted sale of property		
	<u>\$ 16,544,363</u>				

The following table shows quantitative information about significant unobservable inputs related to the Level III fair value measurements used at June 30, 2023:

Asset Type	Fair Value	Primary Valuation Techniques	Unobservable Inputs Used	Range	Weighted Average
Non Traded Companies	\$ 7,388,484	Market Activity	Secondary market industry publication		
GP Interests	8,716,500	Direct Capitalization Method	Capitalization rate	6.3% - 6.5%	6.4%
			Discount rate	6.8% - 7.0%	7.0%
LP Interests	6,037,176	Discounted Cash Flow	Discount rate	0% - 9.0%	7.0%
LP Interests	6,820	Estimated Liquidation Value	Sponsor provided value	12.0%	12.0%
	<u>\$ 22,148,980</u>				

Summarized Financial Statements for Equity Method Investments (Fair Value Option)

Our investments in securities are generally in small and mid-sized companies in a variety of industries. In accordance with the Rule 8-03(b)(3) of Regulation S-X applicable for smaller reporting companies, we must determine which of our equity method investments measured at fair value under the Fair Value Option are considered "significant", if any. Regulation S-X mandates the use of three different tests to determine if any of our investments are considered significant investments: the investment test, the asset test, and the income test. The rule requires summarized financial statements for any significant equity method investments in an annual and interim report if any of the three tests exceed 20%.

In addition to the SEC rules, ASC 323-10-50-3(c) requires summarized financial statements of our equity method investments, including those reported under the fair value option, if they are material individually or in aggregate.

None of our equity method investments accounted under the fair value option were determined to be individually significant under any of the tests as of December 31, 2023. However, they were material in aggregate as of December 31, 2023.

The aggregated summarized financial information of all equity method investees as of December 31, 2023 is as follows:

	All Equity Method Investee Aggregated
Total Assets	\$ 93,516,994
Total Liabilities	\$ 71,974,601
Total Equities	\$ 21,542,393
Total Revenues	\$ 8,108,791
Total Expenses	\$ 6,468,893
Total Net Income	\$ 1,639,899

Unconsolidated Significant Subsidiaries

In accordance with SEC Rules 3-09 and 4-08(g) of Regulation S-X, we must determine which of our investments in securities are considered “significant subsidiaries”, if any. Regulation S-X mandates the use of three different tests to determine if any of our controlled investments are significant subsidiaries: the investment test, the asset test, and the income test. Rule 3-09 of Regulation S-X requires separate audited financial statements for any unconsolidated majority-owned subsidiary in an annual report if any of the three tests exceed 20%. Rule 4-08(g) of Regulation S-X requires summarized financial information in an annual report if any of the three tests exceeds 10%.

As of December 31, 2023 and June 30, 2023, none of our investments in securities was considered an unconsolidated significant subsidiary under the SEC rules described above.

NOTE 5 – ACQUISITIONS

As discussed in Note 1, in September 2023, 220 Campus Lane and Campus Lane Residential acquired a vacant office building and the adjacent vacant parcel of land for a total purchase price of \$4,473,756, of which \$3,300,000 was funded through seller-financed non-recourse loans.

Contingent Consideration

As discussed in Note 1 and in our June 30, 2023 consolidated financial statements, pursuant to the membership interest purchase agreement for the Wiseman partnerships, the purchase price paid at closing for the general partnership interests was reduced by 20% as of the closing date for the property companies that had not received fully executed and in force leases, the annualized scheduled rents of which are equal to or greater than the target scheduled rent as stated in the membership interest purchase agreement. This 20% holdback will be paid upon a property company reaching the stabilization threshold, reduced by stabilization costs, as defined in the membership interest purchase agreement. Management believes that it is probable that the stabilization thresholds will be reached for each of the property companies that did not meet this threshold at the acquisition date. Hence, the 20% holdback in the amount of \$2,715,000 was recorded as a contingent liability as of the acquisition date. As of December 31, 2023 and June 30, 2023, contingent liability amounted to \$718,000 and \$1,503,000, respectively.

Debt Guaranty

The Wiseman partnerships have mortgage loans with various banks and the loans are guaranteed by Wiseman and its owner, Doyle Wiseman and his trust. The mortgage loans of 1300 Main, LP, One Harbor Center, LP, Martin Plaza Associates, LP, and Main Street West, LP are also guaranteed by the partnerships’ general partner as the co-guarantor.

On July 1, 2022, subsequent to Operating Partnership’s acquisition of the management companies, Wiseman’s owner, Doyle Wiseman and the Operating Partnership entered into an indemnity agreement whereby the Operating Partnership will indemnify Doyle Wiseman for any losses suffered by him through the default of a limited partnership on the mortgage secured by the property owned by the limited partnership. Historically, none of the limited partnerships has had any defaults on any mortgages and Doyle Wiseman has not had to satisfy any mortgage default through a guaranty. Furthermore, each of the limited partnerships is adequately capitalized, has sufficient cash flow from operations to service the mortgage notes and has not required Doyle Wiseman to provide any subordinated financial support to the limited partnerships. Therefore, we have not recorded any liability related to the guaranty on the mortgage loans as of December 31, 2023.

NOTE 6 –LEASES

Lessee Arrangements

As discussed in Note 2, we acquired three partnerships which had solar equipment leases in place. We reassessed the leases as of the acquisition date and recorded them as finance leases in accordance with ASC 842. Our leases have remaining terms of 6.83 to 7.25 years. Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows:

	Balance Sheet Classification	December 31, 2023	June 30, 2023
Right-of-use assets:			
Finance leases	Real estate assets, net	\$ 575,654	\$ 644,616
Lease liabilities:			
Finance leases	Finance lease liabilities	\$ 596,951	\$ 628,420

We have included these leases in real estate assets, net as follows:

	December 31, 2023	June 30, 2023
Building, fixtures and improvements	\$ 658,695	\$ 658,695
Accumulated depreciation	(83,041)	(14,079)
Real estate assets, net	<u>\$ 575,654</u>	<u>\$ 644,616</u>

Lease Expense

The components of total lease cost were as follows for the three and six months ended December 31, 2023:

	Three Months Ended December 31, 2023	Six Months Ended December 31, 2023
Finance lease cost		
Right-of-use asset amortization	\$ 20,493	\$ 40,986
Interest expense	4,272	11,355
Total lease cost	<u>\$ 24,765</u>	<u>\$ 52,341</u>

Lease Obligations

Future undiscounted lease payments for finance leases with initial terms of one year or more are as follows:

Fiscal Year Ending June 30, :	Finance Leases
2024 (remainder)	\$ 43,647
2025	89,927
2026	93,526
2027	97,202
2028	101,088
Thereafter	282,746
Total undiscounted lease payments	<u>708,136</u>
Less: Imputed interest	(111,185)
Net lease liabilities	<u>\$ 596,951</u>

Supplemental Lease Information

	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Finance lease weighted average remaining lease term (years)	7 years	7.53 years
Finance lease weighted average discount rate	5.0%	5.0%
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases	\$ 31,469	\$ 30,276
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ -	\$ 658,695

NOTE 7 – VARIABLE INTEREST ENTITIES

A variable interest in a variable interest entity (VIE) is an investment or other interest that will absorb portions of the VIE's expected losses and/or receive portions of the VIE's expected residual returns. Our variable interests in VIEs include limited partnership interests. VIEs sometimes finance the purchase of assets by issuing limited partnership interests that are either collateralized by or indexed to the assets held by the VIE.

The enterprise with a controlling financial interest in a VIE is known as the primary beneficiary and consolidates the VIE. We determine whether we are the primary beneficiary of a VIE by performing an analysis that principally considers: (a) which variable interest holder has the power to direct activities of the VIE that most significantly impact the VIE's economic performance; (b) which variable interest holder has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; (c) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (d) the VIE's capital structure; (e) the terms between the VIE and its variable interest holders and other parties involved with the VIE; and (f) related-party relationships. We reassess our evaluation of whether an entity is a VIE when certain reconsideration events occur. We reassess our determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

Nonconsolidated VIEs

As of December 31, 2023 and June 30, 2023, four of our unconsolidated VIEs, include interests in limited partnerships and limited liability companies. We have determined that the Company is not the primary beneficiary of these entities because the managing partner or member of each of these entities has the power to direct the activities that most significantly affect the VIE's economic performance. Accordingly, these VIEs have not been consolidated with us, and they have been reported as investments at fair value in the December 31, 2023 and June 30, 2023, consolidated balance sheets.

The table below presents a summary of the nonconsolidated VIEs in which we hold variable interests:

<u>Total Nonconsolidated VIEs</u>	<u>As of December 31, 2023</u>	<u>As of June 30, 2023</u>
Fair value of investments in VIEs	\$ 4,912,030	\$ 6,043,996
Carrying value of variable interests - assets	\$ 6,369,475	\$ 8,037,475
Maximum Exposure to Loss:		
Limited Partnership Interest	\$ 6,369,475	\$ 8,037,475

Our exposure to the obligations of VIEs is generally limited to the carrying value of the limited partnership interests in these entities.

NOTE 8 – RELATED PARTY TRANSACTIONS**Advisory Agreements Effective January 1, 2021:**

As discussed in Note 1, on January 26, 2021, our Board of Directors approved, effective January 1, 2021, two advisory agreements, an Advisory Management Agreement with the Real Estate Adviser and the Amended and Restated Investment Advisory Agreement with the Investment Adviser.

The terms of the Advisory Management Agreement with the Real Estate Adviser provide that we will continue to pay an Asset Management Fee on essentially the same terms as we were paying the Investment Adviser prior to 2021, namely based upon a percentage of Invested Capital (3% of the first \$20 million, 2% of the next \$80 million, and 1.5% over \$100 million). Invested Capital is equal to the amount calculated by multiplying the total number of outstanding shares, preferred shares, and the partnership units (units in our operating partnership issued by us and held by persons other than us) issued by us by the price paid for each or the value ascribed to each in connection with their issuance. The Advisory Management Agreement also provides for a 2.5% Acquisition Fee on new (non-security) purchases, subject to certain limitations designed to eliminate incentives to “churn” our assets. The new Advisory Management Agreement also provides for an incentive management fee that is equal to 15% of all distributions once shareholders have received cumulative distributions equal to 6% from the effective date of the Agreement.

The Investment Adviser will receive an annual fee equal to \$100 for providing the investment advice to us as to our securities portfolio under the Amended and Restated Investment Advisory Agreement.

During the three and six months ended December 31, 2023, we incurred asset management fees of \$790,557 and \$1,577,634, respectively. During the three and six months ended December 31, 2022, we incurred asset management fees of \$741,519 and \$1,457,786, respectively.

The asset management fees mentioned above were based on the following quarter ended Invested Capital segregated in three columns based on the annual fee rate:

Asset Management Fee Annual %	<u>3.0%</u>	<u>2.0%</u>	<u>1.5%</u>	<u>Total Invested Capital</u>
Quarter ended:				
September 30, 2023	\$ 20,000,000	\$ 80,000,000	\$ 64,229,944	\$ 164,229,944
December 31, 2023	\$ 20,000,000	\$ 80,000,000	\$ 64,735,338	\$ 164,735,338
Quarter ended:				
September 30, 2022	\$ 20,000,000	\$ 80,000,000	\$ 48,639,649	\$ 148,639,649
December 31, 2022	\$ 20,000,000	\$ 80,000,000	\$ 52,470,792	\$ 152,470,792

During the three and six months ended December 31, 2023 and 2022, we did not incur or accrue any incentive management fee under the new Advisory Management Agreement.

Property Management and Leasing Services:

On May 6, 2022, the Real Estate Adviser’s newly formed wholly owned subsidiary, Wiseman Company Management, LLC (“WCM”), purchased the property management and leasing services rights from Wiseman. Therefore, effective the acquisition date, WCM has been providing property management and leasing services to the eight property limited partnerships in accordance with the pre-existing agreements. There have been no changes to any of the management services agreements terms with the property limited partnerships since the acquisition of the property management service rights.

During the three and six months ended December 31, 2023, the eight limited partnerships paid total property management fees of \$132,220 and \$257,970, respectively, and leasing commissions of \$116,727 and \$181,635, respectively, to WCM. During the three and six months ended December 31, 2022, the eight limited partnerships paid total property management fees of \$127,783 and \$245,008, respectively, and leasing commissions of \$142,321 and \$345,207, respectively, to WCM. In addition, during the three and six months ended December 31, 2023, the eight partnerships also paid \$440,596 and \$840,367, respectively, to WCM for direct operating costs and construction of tenant improvements and during the three and six months ended December 31, 2022, the eight partnerships also paid \$549,110 and \$1,385,914, respectively, to WCM for direct operating costs and construction of tenant improvements.

Organization and Offering Costs Reimbursement:

As detailed in the Offering Circular, offering costs incurred and paid by us in excess of \$825,000 (excluding legal fees) in connection with the offering of preferred stock will be reimbursed by the Advisers except to the extent that 10% in broker fees are not incurred. In such case, the broker savings were available to be paid by us for marketing expenses or other non-cash compensation. As of December 31, 2023, we incurred \$1,296,546 (excluding legal fees) of offering costs, of which \$1,274,311 relates to offering cost paid by Mackenzie on behalf of us in connection with the preferred stock offering. As of June 30, 2023, we incurred \$1,099,189 of offering costs, of which \$1,000,667 relates to offering cost paid by Mackenzie on behalf of us in connection with the preferred stock offering. The total offering cost incurred as of December 31, 2023 were in excess of the total offering cost reimbursement threshold including the broker savings by \$178,355. The total offering cost incurred as of June 30, 2023 were below the offering cost reimbursement threshold including the broker savings. The cumulative offering costs in excess of the reimbursable threshold as of December 31, 2023 will be reimbursed by the Adviser during the quarter ending March 31, 2024. The excess amounts reimbursable from the Adviser as of December 31, 2023 were netted against due to related entities in the consolidated balance sheets.

Administration Agreement:

Under the Administration Agreement, we reimburse MacKenzie for its allocable portion of overhead and other expenses it incurs in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services, subject to the independent directors' approval. In addition, we reimburse MacKenzie for the fees and expenses associated with performing compliance functions, and its allocable portion of the compensation of our Chief Financial Officer, Chief Compliance Officer, Director of Accounting and Financial Reporting, and any administrative support staff.

Effective November 1, 2018, transfer agent services are also provided by MacKenzie and the costs incurred by MacKenzie in providing the services are reimbursed by us. No fee (only cost reimbursement) is being paid by us to MacKenzie for this service.

The administrative cost reimbursements for the three and six months ended December 31, 2023 were \$189,184 and \$378,367, respectively. The administrative cost reimbursements for the three and six months ended December 31, 2022 were \$181,500 and \$363,000, respectively. The transfer agent services cost reimbursement for the three and six months ended December 31, 2023 were \$16,566 and \$33,133, respectively. The transfer agent services cost reimbursement for the three and six months ended December 31, 2022 were \$23,000 and \$46,000, respectively.

The table below outlines the related party expenses incurred for the six months ended December 31, 2023 and 2022, and unpaid as of December 31, 2023, and June 30, 2023.

Types and Recipient	Six Months Ended		Unpaid as of	
	December 31, 2023	December 31, 2022	December 31, 2023	June 30, 2023
Asset management fees- the Real Estate Adviser	\$ 1,577,634	\$ 1,457,786	\$ -	\$ -
Administrative cost reimbursements - MacKenzie	378,367	363,000	-	-
Asset acquisition fees- the Real Estate Adviser ⁽¹⁾	107,500	870,964	-	-
Transfer agent cost reimbursements - MacKenzie	33,133	46,000	-	-
Organization & Offering Cost ⁽²⁾ - MacKenzie	95,295	334,463	95,266	151,132
Other expenses ⁽³⁾ - MacKenzie and Subsidiary's GPs	-	-	(57)	5,232
Due to related entities			<u>\$ 95,209</u>	<u>\$ 156,364</u>

⁽¹⁾ Asset acquisition fees paid to the Real Estate Adviser were capitalized as a part of the real estate basis in accordance with our policy. The acquisition fee paid during the six months ended December 31, 2023 was for the acquisition of 220 Campus Lane and Campus Lane Residential in September 2023.

⁽²⁾ Offering costs paid by MacKenzie - discussed in this Note under organization and offering costs reimbursements.

⁽³⁾ Expenses paid by MacKenzie and General Partner of a subsidiary on behalf of us and subsidiary.

NOTE 9 – MARGIN LOANS

We have a brokerage account through which we buy and sell publicly traded securities. The provisions of the account allow us to borrow on certain securities held in the account and to purchase additional securities based on the account equity (including cash). Amounts borrowed are collateralized by the securities held in the account and bear interest at a negotiated rate payable monthly. Securities pledged to secure margin balances cannot be specifically identified as a portion of all securities held in a brokerage account are used as collateral. As of December 31, 2023 and June 30, 2023, we had no margin credit available for cash withdrawal or the ability to purchase in additional securities. Accordingly, as of December 31, 2023 and June 30, 2023, there was no amount outstanding under this short-term credit line.

NOTE 10 – MORTGAGE NOTES PAYABLE, NOTES PAYABLE AND DEBT GUARANTY

Madison and PVT Notes Payable

On February 26, 2021, Madison and PVT obtained mortgage loans from First Republic Bank in the amounts of \$6,737,500 and \$8,387,500, respectively, both at a fixed interest rate of 3.0% per annum through April 1, 2026. Effective May 1, 2026, interest rates will be the average of the twelve most recently published yields on U.S. Treasury securities adjusted a constant maturity of one year as published by the Federal Reserve System in the Statistical Release H.15 plus 2.75% per annum. The loans were obtained to finance the acquisition of the Commodore Apartments and The Park View (f/k/a as Pon De Leo Apartments), which are located in Oakland, California. The loans mature on April 1, 2031 and are cross-collateralized by both properties owned by Madison and PVT. The loan requires interest only monthly payments through April 1, 2026 and beginning May 1, 2026, monthly payments of principal and interests are due based on 360 months of amortization period. The remaining unpaid principal balance is due at maturity date. Accordingly, the outstanding loan balances as of December 31, 2023 and June 30, 2023, were \$6,737,500 and \$8,387,500, respectively, on the Madison and PVT mortgage loans, respectively. The mortgage notes payable balances are disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

PT Hillview Mortgage Notes Payable

On October 4, 2021, PT Hillview entered into a loan agreement with Ladder Capital Finance in the amount of \$17,500,000. The annual interest rate was equal to the greater of (i) a floating rate of interest equal to 5.5% plus LIBOR, and (ii) 5.75%. The loan was obtained to finance the acquisition of Hollywood Apartments. The loan is secured by Hollywood Apartments and has an initial maturity date of October 6, 2023, which can be extended for two successive 12-month terms (the “Maturity Date”). On August 14, 2023, PT Hillview exercised the first extension option to extend the term of the loan to October 6, 2024. The loan requires interest-only monthly payments with the principal balance due at maturity date. Interest is due based on a 360-day amortization period. The outstanding balances as of December 31, 2023 and June 30, 2023 was \$17,500,000, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets. PT Hillview also entered into an interest rate cap agreement on October 4, 2021, as required by the lender. The interest rate cap agreement was revised on September 29, 2023. We have not recorded the fair value and the changes in the fair value of the contract in our consolidated financial statements as the amounts were insignificant to our consolidated financial statements.

Pursuant to Section 2.4.5 of the loan agreement, the lender determined that a substitute benchmark rate transition event occurred. Accordingly, the loan agreement was amended on March 15, 2023 to update the interest rate on the loan. Pursuant to the amendment, effective April 6, 2023, the annual interest rate shall be equal to the greater of (i) a floating rate of interest equal to 5.61148% plus the secured overnight financing rate (SOFR) published by Federal Reserve Bank of New York, and (ii) 5.75%.

We (along with three other principals of True USA) guaranteed: (1) the “Recourse Obligations” as defined in the loan agreement, which are triggered only if the borrower of the loan engages in “Bad Boy Acts” (such as fraud, intentional misrepresentation, willful misconduct, waste, conversion, intentional failure to pay taxes or maintain insurance, filing for bankruptcy, ADA noncompliance, and environmental contamination, etc.), (2) a “Debt Service and Carry Guaranty” under the loan, which guarantees the payment of interest on the loan and other “Basic Carrying Costs”, and (3) a “Guaranty of Completion” guaranteeing that the redevelopment work contracted to be performed will be completed as agreed. As of December 31, 2023, we have not recorded any guaranty obligations since we have not engaged in any bad boy acts, substantial cash reserves are maintained to cover the basic carrying costs and the redevelopment construction work was completed as agreed.

MacKenzie Shoreline Mortgage Notes Payable

On May 6, 2021, MacKenzie Shoreline entered into a loan agreement with Pacific Premier Bank, in the amount of \$17,650,000. The annual interest rate under the agreement is 3.65% for the first 60 months, and a variable interest rate based on a 6-month CME Term Secured Overnight Financing Rate plus a margin of 3.00 percentage points, for months thereafter until maturity. The loan was obtained to finance the acquisition of Shoreline Apartments. The loan matures on June 1, 2032 and is secured by Shoreline Apartments. The loan requires interest only monthly payments through June 30, 2027, and beginning July 1, 2027, monthly payments of principal and interests are due based on 360 months of amortization period. Accordingly, the outstanding loan balance as of December 31, 2023 and June 30, 2023, was \$17,650,000, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

First & Main Mortgage Notes Payable

On January 4, 2021, First & Main entered into a loan agreement with Exchange Bank, in the amount of \$12,000,000 at a fixed annual interest rate of 3.75%. The loan was obtained to finance the acquisition of First & Main Office Building. The loan matures on February 1, 2026 and is secured by First & Main Office Building. The loan requires monthly payments of principal and interest based on a 25 year amortization period with the remaining principal balance due at maturity. The loan is guaranteed by Wiseman, but Wiseman was subsequently indemnified by the Operating Partnership on July 1, 2022 as discussed in Note 5. The outstanding balance of the loan as of December 31, 2023 and June 30, 2023, was \$11,127,245 and \$11,288,012, respectively, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

The following table provides the projected principal and interest payments on the loan for the next three years:

Fiscal Year Ending June 30, :	Principal	Interest
2024 (remainder)	\$ 164,079	\$ 207,357
2025	337,136	405,363
2026	10,626,030	230,553
Total	\$ 11,127,245	\$ 843,273

First & Main Other Note Payables:**Junior Debt**

In 2018, First & Main voted to issue \$1,000,000 in interest-only junior promissory notes. The notes were issued in 2018 and 2019 with an original maturity date of December 31, 2023 and included no prepayment penalty for early retirement. Of the total promissory notes, notes with a total principal balance of \$350,000 were paid off as of December 31, 2023. The maturity dates of the remaining promissory notes were extended to: December 31, 2025, with a principal balance of \$100,000, December 31, 2026, with a principal balance of \$100,000, and December 31, 2028, with a total principal balance of \$450,000. Interest on the notes is payable on the first day of each month at 7% per annum. The promissory notes are disclosed as a part of the notes payable in the consolidated balance sheets.

First & Main Other Notes Payables:**Small Business Administration (“SBA”) Loan**

In June 2020, First & Main borrowed \$151,000 from the SBA, under the Economic Injury Disaster Loan program. The loan will be paid back over 30 years at an annual interest rate of 3.75% starting in December 2022. Monthly payments will be \$731. The loan is disclosed as a part of the notes payable in the consolidated balance sheets.

Solar System Loan (First & Main)

In August 2020, First & Main borrowed \$220,000 from The Wiseman Family Trust to fund the installation of the solar power system at First & Main Office Building. The loan will be paid back over a period of 10 years at an annual interest rate of 5%. Monthly payments of principal and interest will be \$1,486. As of December 31, 2023 and June 30, 2023, the outstanding balance of the loan amounted to \$172,983 and \$182,393, respectively, and is disclosed as a part of the notes payable in the consolidated balance sheets.

1300 Main Mortgage Notes Payable

On April 12, 2019, 1300 Main entered into a loan agreement with Suncrest Bank, in the amount of \$9,160,000 at a fixed annual interest rate of 4.55% for the first 60 payments. Beginning May 25, 2024, the interest rate will be calculated on the unpaid principal balance at an interest rate based on the Prime Rate as published in the Western Edition Wall Street Journal, plus a margin of 1%. The loan was obtained to consolidate the construction loans obtained during the development and construction of the building. The loan matures on April 25, 2029, and is secured by 1300 Main Office Building. The loan requires monthly payments of principal and interest of \$51,610 for 60 consecutive payments followed by 59 monthly payments of principal and interest of \$60,674 with the remaining principal balance due at maturity. The loan is guaranteed by Wiseman, but Wiseman was subsequently indemnified by the Operating Partnership on July 1, 2022 as discussed in Note 5. The outstanding balance of the loan as of December 31, 2023 and June 30, 2023 was \$8,276,398 and \$8,393,068, respectively, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

In accordance with the asset acquisition accounting, the debt assumed from the acquisition of 1300 Main was measured at fair value. The interest rate on the debt was below the current market rates, as a result, \$338,000 of the acquisition cost was allocated to debt mark-to-market. The debt mark-to-market value is amortized over the remaining loan term. The debt mark-to-market value, net of accumulated amortization as of December 31, 2023 and June 30, 2023 amounted to \$71,158 and \$177,895, respectively, and was netted against the total debt balance in the consolidated balance sheets.

The following table provides the projected principal and interest payments on the loan for the next five years:

Fiscal Year Ending June 30, :	Principal	Interest
2024 (remainder)	\$ 137,598	\$ 190,247
2025	360,159	367,933
2026	377,129	350,963
2027	394,900	333,192
2028	412,646	315,446
Thereafter	6,593,966	247,220
Total	\$ 8,276,398	\$ 1,805,001

1300 Main Other Notes Payable:**SBA Loan**

On January 13, 2021, 1300 Main borrowed \$150,000 from the SBA, under the Economic Injury Disaster Loan program. The loan will be paid back over 30 years at an annual interest rate of 3.75% starting in July 2023. Monthly payments will be \$731. The loan is disclosed as a part of the notes payable in the consolidated balance sheets.

Woodland Corporate Center Two Mortgage Notes Payable

On October 2, 2019, Woodland Corporate Center Two entered into a loan agreement with Western Alliance Bank, in the amount of \$7,500,000 at a fixed annual interest rate of 4.15%. The loan was obtained to finance the acquisition of Woodland Corporate Center Two Office Building. The loan matures on October 7, 2024 and is secured by Woodland Corporate Center Two Office Building. The loan requires monthly payments of principal and interest based on a 25-year amortization period with the remaining principal balance due at maturity. The loan is guaranteed by Wiseman, but Wiseman was subsequently indemnified by the Operating Partnership on July 1, 2022 as discussed in Note 5. The outstanding balance of the loan as of December 31, 2023 and June 30, 2023 was \$6,728,297 and \$6,827,930, respectively, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

The following table provides the projected principal and interest payments on the loan for the next two years:

Fiscal Year Ending June 30, :	Principal	Interest
2024 (remainder)	\$ 101,753	\$ 141,050
2025	6,626,544	92,832
Total	\$ 6,728,297	\$ 233,882

Main Street West Mortgage Notes Payable

On October 22, 2019, Main Street West entered into a loan agreement with First Northern Bank of Dixon, in the amount of \$16,600,000 at a fixed annual interest rate of 4%. The loan was obtained to refinance the prior loan secured by the real property when it matured. The loan matures on November 1, 2024 and is secured by Main Street West Office Building. The loan requires monthly payments of principal and interest based on a 25 year amortization period with the remaining principal balance due at maturity. The loan is guaranteed by Wiseman, but Wiseman was subsequently indemnified by the Operating Partnership on July 1, 2022 as discussed in Note 5. The outstanding balance of the loan as of December 31, 2023 and June 30, 2023 was \$15,117,709 and \$15,337,106, respectively, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

In accordance with the asset acquisition accounting, the debt assumed from the acquisition of Main Street West was measured at fair value. The interest rate on the debt was below the current market rates, as a result, \$717,000 of the acquisition cost was allocated to debt mark-to-market. The debt mark-to-market value is amortized over the remaining loan term. The debt mark-to-market value, net of accumulated amortization as of December 31, 2023 and June 30, 2023 amounted to \$358,500 and \$554,045, respectively, and was netted against the total debt balance in the consolidated balance sheets.

The following table provides the projected principal and interest payments on the loan for the next two years:

Fiscal Year Ending June 30, :	Principal	Interest
2024 (remainder)	\$ 224,084	\$ 305,506
2025	14,893,625	251,898
Total	\$ 15,117,709	\$ 557,404

Main Street West Other Notes Payable:

SBA Loan

On April 7, 2021, Main Street West borrowed \$150,000 from the SBA, under the Economic Injury Disaster Loan program. The loan will be paid back over 30 years at an annual interest rate of 3.75% starting in September 4, 2022. Monthly payments will be \$731. The loan is disclosed as a part of the notes payable in the consolidated balance sheets.

220 Campus Lane Mortgage Notes Payable

On September 8, 2023, 220 Campus Lane borrowed \$2,145,000 from the Northern California Laborers Pension Fund (the seller) at a fixed annual interest rate of 5%. The loan was obtained to finance the acquisition of 220 Campus Lane Office Building and the underlying parcel of land. The loan matures on September 30, 2028, and is secured by the vacant office building and the underlying parcel of land. The loan requires interest only monthly payments of \$8,938 through September 30, 2028. The remaining unpaid principal balance is due at maturity date. Accordingly, the outstanding loan balance as of December 31, 2023 was \$2,145,000, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

In accordance with the asset acquisition accounting, this debt was measured at fair value. The interest rate on the debt was below the current market rates, as a result, \$223,000 of the acquisition cost was allocated to debt mark-to-market as disclosed in Note 3. The debt mark-to-market value is amortized over the remaining loan term. The debt mark-to-market value, net of accumulated amortization as of December 31, 2023 amounted to \$209,496, and was netted against the total debt balance in the consolidated balance sheets.

Campus Lane Residential Mortgage Notes Payable

On September 8, 2023, Campus Residential borrowed \$1,155,000 from the Northern California Laborers Pension Fund (the seller) at a fixed annual interest rate of 5%. The loan was obtained to finance the acquisition of a vacant parcel of land. The loan matures on September 30, 2028, and is secured by the vacant parcel of land. The loan requires interest only monthly payments of \$4,813 through September 30, 2028. The remaining unpaid principal balance is due at maturity date. Accordingly, the outstanding loan balance as of December 31, 2023 was \$1,155,000, which is disclosed as a part of the mortgage notes payable in the consolidated balance sheets.

In accordance with the asset acquisition accounting, the debt acquired from the acquisition of Campus Lane Residential Land was measured at fair value. The interest rate on the debt was below the current market rates, as a result, \$120,000 of the acquisition cost was allocated to debt mark-to-market as disclosed in Note 3. The debt mark-to-market value is amortized over the remaining loan term. The debt mark-to-market value, net of accumulated amortization as of December 31, 2023 amounted to \$112,733, and was netted against the total debt balance in the consolidated balance sheets.

NOTE 11 – EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares outstanding. Diluted earnings per share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to potentially diluted securities. The following table sets forth the computation of basic and diluted earnings per share for six months ended December 31, 2023 and 2022:

	<u>Six Months Ended December 31, 2023</u>	<u>Six Months Ended December 31, 2022</u>
Net income (loss) attributable to common stockholders	\$ (6,536,121)	\$ (3,903,451)
Basic and diluted weighted average common shares outstanding	13,294,159.36	13,282,199.58
Basic and diluted earnings per share	\$ (0.49)	\$ (0.29)

NOTE 12 – SHARE OFFERINGS AND FEES

During the six months ended December 31, 2023, we issued 122,893.70 common shares with total gross proceeds of \$906,957 under the DRIP. Additionally, in July 2023, we issued 2,265 common shares at \$10.25 per share, to the Class A unit holders of the Operating Partnership who exercised their option to convert their Class A units to our common shares.

During the six months ended December 31, 2023, we issued 68,808.31 Series A preferred shares with total gross proceeds of \$1,718,951 and 4,444.44 Series B preferred shares with total gross proceeds of \$100,000 under the Offering Circular and incurred syndication costs of \$474,919 in relation to preferred shares offering. For the six months ended December 31, 2023, we issued 3,713.55 Series A preferred shares with total gross proceeds of 83,556 under the DRIP.

During the six months ended December 31, 2022, we issued 85,621.63 common shares with total gross proceeds of \$789,860 under the DRIP. In addition, in September 2022, we issued 169.67 common shares at \$10.25 per share, to the Class A unit holders of the Operating Partnership who exercised their option to convert their Class A units to our common shares.

During the six months ended December 31, 2022, we issued 384,962.48 Series A preferred shares with total gross proceeds of \$9,403,000 under the Offering Circular and 735.66 Series A preferred shares with total gross proceeds of \$16,552 under the DRIP. For the six months ended December 31, 2022, we incurred selling commissions and fees of \$1,095,692 in relation to preferred shares offering.

NOTE 13 – SHARE REPURCHASE PLAN

During the six months ended December 31, 2023, we repurchased our own shares through our Share Repurchase Program and through third-party auctions as noted in the below table:

Period	Total Number of Shares Repurchased	Average Repurchase Price Per Share	Total Repurchase Consideration
During the six months ended December 31, 2023			
Common stocks			
September 1, 2023 through September 30, 2023	64,092.00	\$ 7.38	\$ 472,999
December 1, 2023 through December 31, 2023	64,497.00	7.38	475,990
	<u>128,589.00</u>		<u>\$ 948,989</u>
Series A Preferred stocks			
September 1, 2023 through December 31, 2023	<u>400.00</u>	\$ 22.75	<u>\$ 9,100</u>

During the six months ended December 31, 2022, we repurchased our own shares as noted in the below table:

Period	Total Number of Shares Repurchased	Average Repurchase Price Per Share	Total Repurchase Consideration
During the six months ended December 31, 2022			
Common stocks			
September 1, 2022 through September 30, 2022	40,817.06	\$ 9.47	\$ 386,385
December 1, 2022 through December 31, 2022	44,048.79	\$ 9.44	\$ 415,968
	<u>84,865.85</u>		<u>\$ 802,353</u>

NOTE 14 – STOCKHOLDER DIVIDENDS

The following table reflects the dividends per share that we have declared on our common stock and preferred stock during the six months ended December 31, 2023:

During the Quarter Ended	Dividends					
	Common Stock		Series A Preferred Stock		Series B Preferred Stock	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
September 30, 2023	\$ 0.125	\$ 1,652,688	\$ 0.375	\$ 268,383	\$ -	\$ -
December 31, 2023	0.125	1,652,367	0.375	276,600	0.500	2,222
	<u>\$ 0.250</u>	<u>\$ 3,305,055</u>	<u>\$ 0.750</u>	<u>\$ 544,983</u>	<u>\$ 0.500</u>	<u>\$ 2,222</u>

During the six months ended December 31, 2023, we paid common dividends of \$3,239,552, of which \$906,957 have been reinvested under our DRIP. Similarly, during the six months ended December 31, 2023, we paid Series A preferred dividends of \$510,556, of which \$83,556 have been reinvested under our DRIP. Of the total dividend accrued for Series B as of December 31, 2023, \$1,667 was an increase in liquidation preference and \$555 was the cash dividend. Preferred (Series A and B), and common dividends declared during the quarter ended December 31, 2023 were paid in January 2024.

On January 12, 2024, we declared the Series A Preferred stock quarterly dividend of \$0.375 per share payable at the rate of \$0.125 per month for holders of record as of January 31, 2024, February 29, 2024 and March 31, 2024. The Series A preferred stock dividend declared on January 12, 2024 will be paid in the month of April 2024.

On January 12, 2024, we declared the Series B Preferred stock quarterly 3% dividend of \$0.1875 per share payable at the rate of \$0.0625 per month for holders of record as of January 31, 2024, February 29, 2024 and March 31, 2024. The Series B preferred stock dividend declared on January 12, 2024, will be paid in the month of April 2024. In addition, the Series B Preferred Stock will accrue dividends at the rate of 9% per annum on the stated value as an increase in liquidation preference.

The following table reflects the distributions declared by the Operating Partnership for the Class A and Preferred unit holders during the six months ended December 31, 2023:

During the Quarter Ended	Distributions			
	Class A Units		Preferred Units	
	Per Share	Amount	Per Share	Amount
September 30, 2023	\$ 0.125	\$ 10,372	\$ 0.375	\$ 177,930
December 31, 2023	0.125	10,372	0.375	178,277
	<u>\$ 0.250</u>	<u>\$ 20,744</u>	<u>\$ 0.750</u>	<u>\$ 356,207</u>

The above common and preferred distributions declared during the quarter ended December 31, 2023, were paid in January 2024.

During the six months ended December 31, 2023, the Operating Partnership paid Class A distributions of \$20,601. Similarly, during the six months ended December 31, 2023, the Operating Partnership paid preferred distributions of \$355,519, of which \$41,248 have been reinvested under our DRIP.

The following table reflects the dividends per share that we have declared on our common stock and preferred stock during the six months ended December 31, 2022:

During the Quarter Ended	Dividends			
	Common Stock		Series A Preferred Stock	
	Per Share	Amount	Per Share	Amount
September 30, 2022	\$ 0.105	\$ 1,390,290	\$ 0.375	\$ 87,884
December 31, 2022	0.110	1,456,391	0.375	155,909
	<u>\$ 0.215</u>	<u>\$ 2,846,681</u>	<u>\$ 0.750</u>	<u>\$ 243,793</u>

Preferred dividends and common dividends declared during the quarter ended December 31, 2022, were paid in January 2023.

During the six months ended December 31, 2022, we paid common dividends of \$2,714,179, of which \$789,860 have been reinvested under our DRIP. During the six months ended December 31, 2022, we paid preferred dividends of \$125,866, of which \$16,552 have been reinvested under our DRIP.

The following table reflects the distributions declared by the Operating Partnership for the Class A and Preferred unit holders during the six months ended December 31, 2022:

During the Quarter Ended	Distributions			
	Class A Units		Preferred Units	
	Per Share	Amount	Per Share	Amount
September 30, 2022	\$ 0.105	\$ 9,403	\$ 0.375	\$ 107,626
December 31, 2022	0.110	9,851	0.375	122,884
	<u>\$ 0.215</u>	<u>\$ 19,254</u>	<u>\$ 0.750</u>	<u>\$ 230,510</u>

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements by MacKenzie Realty Capital, Inc., together with its subsidiaries as discussed in Note 1 of the financial statements included in this report (collectively, the "Company," "we," or "us") contained herein, other than historical facts, may constitute "forward-looking statements." These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, stockholders can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. An economic downturn could impair our ability to continue to operate, which could lead to the loss of some or all of our investments, a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities, and interest rate volatility could adversely affect our results, particularly if we elect to use leverage as a part of our investment strategy. For a discussion of factors that could cause our actual results to differ from forward-looking statements contained herein, please see the discussion under the heading "Risk Factors" in our Annual Report on Form 10-K.

Further, we may experience fluctuations in our operating results due to a number of factors, including the effect of the return on our equity investments, the interest rates payable on our debt investments, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Overview

Historically, we were an externally managed non-diversified closed-end management investment company that elected to be treated as a BDC under the 1940 Act, but we withdrew our election to be treated as a BDC on December 31, 2020. Our objective remains to generate both current income and capital appreciation through real estate-related investments. We have elected to be treated as a REIT under the Code and as a REIT, we are not subject to federal income taxes on amounts that we distribute to the stockholders, provided that, on an annual basis, we generally distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding any net capital gain) to the stockholders and meet certain other conditions. To the extent that we satisfy the annual distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. Our wholly owned subsidiary, MacKenzie NY Real Estate 2 Corp. ("MacKenzie NY 2"), Inc. is subject to corporate federal and state income tax on its taxable income at regular statutory rates.

We are managed by the Advisers, and MacKenzie provides the non-investment management services and administrative services necessary for us to operate.

Investment Plan

We generally seek to invest in real estate assets. We intend to invest at least 80% of our total assets in equity or debt in real estate assets. We can invest up to 20% of our total assets in investment securities of real estate companies. A real estate company is one that (i) derives at least 50% of its revenue from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate and land; or (ii) has at least 50% of its assets invested in such real estate. We will not invest in general partnerships, joint ventures, or other entities that do not afford limited liability to their security holders. However, limited liability entities in which we invest may hold interests in general partnerships, joint ventures, or other non-limited liability entities. When purchasing securities, we generally favor purchasing securities issued by entities that have (i) completed the initial offering of their securities, (ii) operated for a period of at least two years, and typically more than five years, from the completion of their initial offering, and (iii) fully invested their capital in real properties or other real estate related investments.

Our investment objective is to generate current income and capital appreciation through the acquisition of real estate assets and debt and equity real estate-related investments. Our independent directors review our investment policies periodically, at least annually, to confirm that our policies are in the best interests of our stockholders. Each such determination and the basis thereof are contained in the minutes of our Board of Directors meetings.

We seek to accomplish our objective by rigorously analyzing the value of and risks associated with potential acquisitions, and, for up to 20% of our total assets, by acquiring real estate securities at significant discounts to their net asset value.

We intend to expand our investment strategy to include acquisition of distressed real properties. Like our other investments, we would expect to hold distressed properties and infuse funds as necessary to extract unrealized value.

We will engage in various investment strategies to achieve our overall investment objectives. The strategy we select depends upon, among other things, market opportunities, the skills and experience of the Advisers' investment team and our overall portfolio composition. We generally seek to acquire assets that produce ongoing distributable income for investors, yet with a primary focus on purchasing such assets at a discount from what the Advisers estimate to be the actual or potential value of the real estate.

We intend to continue our historical activities related to launching tender offers to purchase shares of non-traded REITs in order to boost our short-term cash flow and to support our distributions, subject to the constraint that such securities will not exceed 20% of our portfolio. We believe this niche strategy will allow us to pay distributions that are supported by cash flow rather than paying back investors' capital, although there can be no assurance that some portion of any distribution is not a return of capital.

Rental and Reimbursement

We generate rental revenue by leasing office space and apartment units to a building's tenants. These tenant leases fall under the scope of Accounting Standards Codification ("ASC") Topic 842, and are classified as operating leases. Revenues from such leases are recognized on a straight-line basis over the terms of the lease agreements.

Investment Income

We generate revenues in the form of operating income, capital gains and dividends on dividend-paying equity securities or other equity interests that we acquire, in addition to interest on any debt investments that we hold. Further, we may generate revenue in the form of commitment, origination, structuring or diligence fees, monitoring fees, fees for providing managerial assistance and possibly consulting fees and performance-based fees. Any such fees are generated in connection with our investments and recognized as earned.

Expenses

Our primary operating expenses include the payment of: (i) advisory fees to our Advisers; (ii) our allocable portion of overhead and other expenses incurred by MacKenzie in performing its obligations under the Administration Agreement; and (iii) other operating expenses as detailed below. Our investment advisory fees compensate our Investment Adviser and Real Estate Adviser for their work in identifying, evaluating, negotiating, closing, monitoring and servicing our investments. Our expenses must be billed to and paid by us, except that MacKenzie may be reimbursed for actual cost of goods and services used by us and certain necessary administrative expenses. We will bear all other expenses of our operations and transactions, including:

- the cost of operating and maintaining real estate properties;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of our shares and other securities;
- interest payable on debt, if any, to finance our investments;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence reviews of prospective investments and third-party advisory fees;
- transfer agent and safekeeping fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees, any stock exchange listing fees in the future;
- federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- fidelity bond, directors and officers errors and omissions liability insurance, and other insurance premiums;
- direct costs and expenses of administration and sub-administration, including printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1934 Act and applicable federal and state securities laws; and

- all other expenses incurred by either MacKenzie or us in connection with administering our business, including payments under the Administration Agreement that are based upon our allocable portion of overhead and other expenses incurred by MacKenzie in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the costs of compensation and related expenses of our chief compliance officer and our chief financial officer and any administrative support staff.

Portfolio Investment Composition

As of December 31, 2023, we owned various real estate limited partnerships and REITs that are listed in the “Investments, at fair value” in the table below. We also owned various investments in entities that own real estate which gave us enough control such that the investments are not securities for 1940 Act purposes, but not enough to consolidate the financial statements of such entities with our own; these are listed below as “Unconsolidated investments (non-securities), at fair value”. The following table summarizes the composition of our investments at fair value as of December 31, 2023, and June 30, 2023:

Investments, at fair value	Fair Value	
	December 31, 2023	June 30, 2023
5210 Fountaingate, LP	6,820	6,820
Blackstone Real Estate Income Trust, Inc. - Class S	15,801	-
Capitol Hill Partners, LLC	-	1,107,795
Citrus Park Hotel Holdings, LLC	4,100,000	4,100,000
Healthcare Trust, Inc.	1,211,815	1,554,693
Highlands REIT, Inc.	53,804	2,794,926
Lakemont Partners, LLC	805,210	829,381
Moody National REIT II, Inc.	20,760	13,853
SmartStop Self Storage REIT, Inc. - Class A	1,726,247	1,878,092
Starwood Real Estate Income Trust, Inc. - Class S	24,289	-
Strategic Realty Trust, Inc.	183,331	216,068
Summit Healthcare REIT, Inc.	598,983	930,852
Total	\$ 8,747,060	\$ 13,432,480

Unconsolidated investments (non-securities), at fair value	Fair Value	
	December 31, 2023	June 30, 2023
Green Valley Medical Center, LP	1,874,072	2,363,000
Martin Plaza Associates, LP	562,546	493,000
One Harbor Center, LP	3,894,552	4,076,500
Westside Professional Center I, LP	1,466,133	1,784,000
Total	\$ 7,797,303	\$ 8,716,500

Properties

In addition to our investment securities, we currently own and manage six commercial real estate properties: Satellite Place located in Duluth, GA, 1300 Main, First & Main and Main Street West located in Napa, CA, Woodland Corporate Center Two located in Woodland, CA, and 220 Campus Lane located in Fairfield, CA and four residential apartments: Commodore Apartments and The Park View (f/k/a as Pon De Leo Apartments), located in Oakland, CA, Hollywood Apartments located in Los Angeles, CA and the Shoreline Apartments located in Concord, CA. 1300 Main, First & Main, Main Street West, Woodland Corporate Center and the Hollywood Apartments are owned through our subsidiary, the Operating Partnership as noted below. The Commodore Apartments are owned through our subsidiary Madison; The Park View is owned through our subsidiary PVT; and the Shoreline Apartments are owned through our subsidiary BAA-Shoreline.

Property:	Property Owners
Commodore Apartments	Madison-PVT Partners LLC
The Park View (fka as Pon De Leo Apartments)	PVT-Madison Partners LLC
Hollywood Apartments	PT Hillview GP, LLC
Shoreline Apartments	MacKenzie BAA IG Shoreline LLC
Satellite Place Office Building	MacKenzie Satellite Place Corp.
First & Main Office Building	First & Main, LP
1300 Main Office Building	1300 Main, LP
Woodland Corporate Center Office Building	Woodland Corporate Center Two, LP
Main Street West Office Building	Main Street West, LP
220 Campus Lane Office Building	220 Campus Lane, LLC

1300 Main Office Building contains 20,145 square feet, of which approximately 13,900 square feet is office space and the remainder is designated as retail space. As of December 31, 2023, the property is 88% occupied by 7 tenants. The following table shows the largest tenants and square footage occupied:

Largest Tenants Business	Business	Square Ft. Occupied	Annual Base Rent	Lease Expiration	Renewal options
Wilson Daniels	Wine Wholesaler	6,712	\$ 426,922	3/15/25	1, 5 years
Norcal Gold	Real Estate	2,896	\$ 174,734	3/31/26	No
Bao Ling Li	Restaurant	3,212	\$ 152,960	11/30/30	No
Whole Health	Medical	2,186	\$ 135,267	7/31/25	No

The following information pertains to lease expirations at 1300 Main Office Building:

Year	Number of Leases Expiring	Total Area	Annual Base Rent	Percentage of Gross Rent
2024	1	1,088	\$ 74,232	7%
2025	2	8,898	\$ 562,189	53%
2026	1	2,896	\$ 174,735	16%
Thereafter	3	4,854	\$ 253,464	24%

First and Main Office Building contains 27,396 square feet, of which approximately 19,000 square feet is office space and the remainder is designated as retail space. As of December 31, 2023, the property is 98% occupied by 8 tenants. The following table shows the largest tenants and square footage occupied:

Largest Tenants Business	Business	Square Ft. Occupied	Annual Base Rent	Lease Expiration	Renewal options
GVM Law	Legal Services	9,470	\$ 495,059	9/20/26	2, 5 years
Brotlemarkle	Accounting Services	4,366	\$ 239,368	7/31/30	2, 5 years
Napa Palisades	Restaurant	3,462	\$ 188,691	8/31/40	No
Moss Adams	Accounting Services	3,428	\$ 164,544	6/30/25	No

The following information pertains to lease expirations at First & Main Office Building:

Year	Number of Leases Expiring	Total Area	Annual Base Rent	Percentage of Gross Rent
2024	1	1,135	\$ 71,280	5%
2025	2	5,648	\$ 308,601	21%
2026	1	9,470	\$ 495,059	34%
Thereafter	4	10,550	\$ 575,060	40%

Main Street West Office Building contains 38,136 square feet, of which approximately 32,700 square feet is office space and the remainder is designated as retail space. As of December 31, 2023, the property is 84% occupied by 7 tenants. The following table shows the largest tenants and square footage occupied:

Largest Tenants Business	Business	Square Ft. Occupied	Annual Base Rent	Lease Expiration	Renewal options
AUL Corporation	Insurance	13,806	\$ 810,319	2/3/26	No
State of California	Medical	4,697	\$ 259,721	4/30/28	No
Strategies To Empower	Medical	4,875	\$ 216,700	12/31/27	No
Azzurro Pizzeria	Restaurant	2,935	\$ 202,380	7/31/24	No

The following information pertains to lease expirations at Main Street West Office Building:

Year	Number of Leases Expiring	Total Area	Annual Base Rent	Percentage of Gross Rent
2024	3	6,613	\$ 371,792	21%
2026	1	13,806	\$ 810,319	45%
2027	2	7,010	\$ 336,494	19%
Thereafter	1	4,697	\$ 259,721	15%

Satellite Place Office Building contains 134,785 square feet, all of which is office space. As of December 31, 2023, the property is approximately 64% occupied by 3 tenants. The following table shows the largest tenants and square footage occupied:

Largest Tenants Business	Business	Square Ft. Occupied	Annual Base Rent	Lease Expiration	Renewal options
OS National, LLC	Title Services	71,085	\$ 1,373,362	12/31/29	2, 5 years
Polytron	Title Services	10,737	\$ 207,898	4/16/31	2, 5 years
Sun Taiyang	Consumer Products	4,383	\$ 93,654	11/30/29	No

The following information pertains to lease expirations at Satellite Place Office Building:

Year	Number of Leases Expiring	Total Area	Annual Base Rent	Percentage of Gross Rent
2029	2	75,468	\$ 1,467,016	88%
2031	1	10,737	\$ 207,898	12%

Woodland Corporate Center Office Building contains 37,034 square feet, of which 7,797 square feet are laboratories and the rest is office space. All of the laboratories space is occupied by Agtech Innovation. As of December 31, 2023, the property is 97% occupied by 14 tenants. The following table shows the largest tenants and square footage occupied:

Largest Tenants Business	Business	Square Ft. Occupied	Annual Base Rent	Lease Expiration	Renewal options
Agtech Innovation	Research and Development	12,940	\$ 421,680	8/31/32	No
Children’s Home Society	Non-Profit Education	4,042	\$ 146,160	6/30/28	No
Johnston, Martin & Montgomery	Accounting	3,388	\$ 133,668	11/2/24	2, 5 years
Burger Rehab	Physical Therapy	4,013	\$ 118,367	9/22/28	No

The following information pertains to lease expirations at Woodland Corporate Center Office Building:

Year	Number of Leases Expiring	Total Area	Annual Base Rent	Percentage of Gross Rent
2024	5	7,303	\$ 272,328	23%
2025	3	4,106	\$ 131,135	11%
2027	2	1,456	\$ 51,729	4%
2028	3	10,161	\$ 331,851	27%
Thereafter	1	12,940	\$ 421,680	35%

Commodore Apartments is a mid-rise apartment building built in 1912 and has 48 units. As of December 31, 2023, Commodore Apartment building is approximately 97.9% occupied. The Park View is also a mid-rise apartment building built in 1929 and has 39 units. As of December 31, 2023, The Park View building is approximately 92.3% occupied. Hollywood Hillview Apartments (“Hollywood Property”), located in Los Angeles, CA, is a mid-rise apartment building built in 1917 and has 53 units. The property contains approximately 37,000 square feet of net rentable apartment area and 8,560 square feet of retail space. All of the retail space is currently occupied by restaurants and nightclubs. The apartment units are 81.5% occupied as of December 31, 2023. Shoreline Apartments is a mid-rise apartment building built in 1967 and renovated in 2015 which has 84 units. As of December 31, 2023, Shoreline Apartments building is approximately 90.5% occupied.

The following table provides information regarding each of the residential properties:

Property Name	Sector	Location	Square Feet	Units	Percentage Leased	Annual Base Rent	Monthly Base Rent/Occupied Unit
The Park View	Multi-Family Residential	Oakland, CA	36,654	39	92.3%	\$ 1,006,753	\$ 2,330
Commodore	Multi-Family Residential	Oakland, CA	31,156	48	97.9%	\$ 894,481	\$ 1,586
Hollywood Property	Multi-Family Residential	Los Angeles, CA	36,991	53	81.5%	\$ 1,180,415	\$ 2,236
Shoreline Apartments	Multi-Family Residential	Concord, CA	67,925	84	90.5%	\$ 1,925,571	\$ 2,111

Property Name	Sector	Location	Square Feet	Units	Percentage Leased	Annual Base Rent	Monthly Base Rent/Occupied Unit
Hollywood Property	Retail	Los Angeles, CA	8,610	1	100%	\$ 323,647	\$ 26,971

Our 220 Campus Lane Office building was purchased in September 2023. The office building was vacant at the time of our purchase. Currently we are in the process of renovating the building and marketing it for lease. As of December 31, 2023, we have one tenant on a month-to-month basis occupying 5,015 sq. feet of space.

In addition to our commercial and residential real estate properties, we also own two parcels of land: a vacant parcel adjacent to our 220 Campus Lane Office Building in Fairfield, California (“Campus Lane Land”), and a vacant parcel located at 5000 Wiseman Way, Fairfield, California (“Aurora Land”). We acquired the Campus Lane Land in September 2023 with the long-term objective of developing it into a multi-family residential community. The entitlement process for the vacant land is commencing now but the financial resources to realize our goal of commencing construction in late 2025 has not been secured and will be dependent upon the City’s response to our development application to be submitted in April 2024. The development of Aurora Land is discussed below. Both parcels of land are owned by the Operating Partnership through its subsidiaries: Campus Lane Residential, LLC, and MRC Aurora, LLC.

Aurora Land Development

We plan to build a multi-family residential community on this land which will include 72 units and a club house. The city’s planning commission approved our development project last September and the building department is currently reviewing our building permit submittals. In order to fund construction of the project, we are closing a \$17.15 million construction loan in February 2024 and will be raising \$10 million in preferred capital. We plan to commence construction in early March 2024.

There are no present plans for any major renovation or development of any property except for our 220 Campus Lane Office Building, Aurora Land and Campus Lane Land as discussed above. Each property is being held for income production and increased occupancy and/or rental rates. We have property and liability insurance policies on all properties which we believe are adequate.

Current Market and Economic Conditions

The markets in which our properties (those consolidated and those that are not yet consolidated) operate are highly competitive, and each property faces unique competitive challenges based upon local economic, political, and legal factors. Our West coast multi-family properties are generally restricted from raising rents significantly by local rent control laws. Two of our unconsolidated investments in apartment properties, Lakemont Partners and Capitol Hill, are also subject to rent control. Rent control can result in average rents that are significantly below market, and this provides some buffer against declining rents in a recession. However, in order to encourage development, rent control usually does not apply to newer properties. Since older properties may be unable to raise rents as needed, they may be unable to make improvements that could allow them to compete with newer properties.

Our consolidated office properties, 1300 Main, First and Main, Main Street West, Satellite Place, Woodland Corporate Center Two, and 220 Campus Lane are all Class A suburban office properties and are located in Napa, California, Napa, California, Napa, California, Duluth, Georgia, Woodland, California, and Fairfield, California, respectively. All properties must compete with every other office property in the market, as well as facing the uncertainty of workers returning to the office after COVID-19.

Our unconsolidated investment in a hotel property, Citrus Park Hotel, is a Courtyard by Marriott located in the Tampa/St. Petersburg market that competes for business and leisure travel.

Recently, the broader economy began experiencing increased levels of inflation, higher interest rates and tightening monetary and fiscal policies. The Federal Reserve increased the federal funds rate multiple times in 2022 and 2023. We currently have fixed and variable interest rates for our loans. The rise in overall interest rates has caused an increase in our variable rate borrowing costs resulting in an increase in interest expense. The higher interest rates imposed by the Federal Reserve to address inflation may also adversely impact real estate asset values. In addition, a prolonged period of high and persistent inflation could cause an increase in our expenses. The current market and economic conditions could have a material impact on our business, cash flow and results of operations. It could also impact our ability to find suitable acquisitions, sell properties, and raise equity and debt capital.

Results of Operations

Three Months Ended December 31, 2023 and 2022

Rental and reimbursements revenues:

Rental and reimbursement revenues are generated from our commercial and residential real estate properties. During the three months ended December 31, 2023, we generated \$3.58 million in rental and reimbursements revenues, of which \$2.10 million was generated from our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Main Street West Office Building, Woodland Corporate Center Office Building and 220 Campus Lane Office Building), and \$1.48 million was generated from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments and Shoreline Apartments). During the three months ended December 31, 2022, we generated \$3.67 million in rental and reimbursements revenues, of which \$2.20 million was generated from our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$1.47 million from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The total decrease of \$0.09 million in rental revenues during the three months ended December 31, 2023 was mainly due to the sale of Addison Corporate Center building in June 2023.

Investment income:

Investment income was made up of dividends, distributions from operations, distributions from sales/capital transactions, interest, and other investment income. Total investment income for the three months ended December 31, 2023 and 2022 was \$0.26 million and \$0.31 million, respectively. During the three months ended December 31, 2023 we received \$0.10 million of distributions from operations, sales, and liquidations as compared to \$0.24 million during the three months ended December 31, 2022. The decrease was mainly due to liquidation of Dimension 28, LP in December 2022. During the three months ended December 31, 2023, we received dividends, interest, and other investment income of \$0.16 million as compared to \$0.07 million received during the three months ended December 31, 2022. This increase was mainly due to increase in interest income from our cash deposits in money market funds during the three months ended December 31, 2023.

Expenses:

Our asset management and incentive management fees are based on the advisory agreements that were effective January 1, 2021.

Asset management fee:

The asset management fees for the three months ended December 31, 2023 and 2022 were \$0.79 million and \$0.74 million, respectively. The slight increase was due to total increase of \$12.27 in total invested capital from \$152.47 million as of December 30, 2022 to \$164.74 million as of December 31, 2023.

Incentive management fee:

Under the Advisory Management Agreement, we pay an incentive management fee that is equal to 15% of all distributions once shareholders have received cumulative distributions equal to 6% from the effective date of the Agreement. We did not incur any incentive management fee for the three months ended December 31, 2023 and 2022.

Administrative cost and transfer agent reimbursements:

Costs reimbursed to MacKenzie for the three months ended December 31, 2023 were \$0.19 million as compared to \$0.18 million for the three months ended December 31, 2022. The slight increase was due to an increase in the allocable portion of overhead and other expenses incurred by MacKenzie in comparison to December 31, 2022, as a result of the increase in number of properties since December 2022.

Transfer agent cost reimbursements paid to MacKenzie for the three months ended December 31, 2023 and 2022 were \$0.02 million and \$0.02 million, respectively.

Property operating and maintenance expenses:

Operating and maintenance expenses mainly consist of real estate taxes, utilities, repair and maintenance, cleaning, landscape, security, property management fees, insurance, and various other administrative expenses incurred in the operation of our commercial and residential real estate assets. During the three months ended December 31, 2023, we incurred operating and maintenance expenses of \$1.51 million, of which \$0.85 million were incurred in the operation of our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Office Building) and \$0.66 million were incurred in the operation of our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). During the three months ended December 31, 2022, we incurred operating and maintenance expenses of \$2.29 million, of which \$1.67 million were incurred in the operation of our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$0.62 million from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The decrease in the operating expenses was mainly due to the sale of Addison Property in June 2023 partly offset by the acquisitions of three new office buildings (Main Street West, Woodland Corporate Center and 220 Campus Lane Office Building) since December 31, 2022.

Depreciation and amortization:

During the three months ended December 31, 2023, we recorded depreciation and amortization of \$1.56 million, of which \$1.02 million was attributable to the depreciation and amortization of real estate and intangible assets of our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Office Building) and \$0.54 million was attributable to our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). During the three months ended December 31, 2022, we recorded depreciation and amortization of \$1.16 million, of which \$0.57 million was attributable to the depreciation and amortization of real estate and intangible assets of our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$0.59 million was attributable to our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The increase in total depreciation and amortization of \$0.40 million during the three months ended December 31, 2023 was due to the acquisitions of three new office buildings (Main Street West, Woodland Corporate Center and 220 Campus Lane Office Building) since December 31, 2022.

Interest expense:

Interest expense for the three months ended December 31, 2023 was \$1.45 million, of which \$0.63 million was incurred on the mortgage notes payable associated with our five commercial properties (First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Building) and \$0.82 million was incurred on the mortgage notes payable associated with our five residential properties (Commodore Apartments, The Park View, Hollywood Apartments, Shoreline Apartments and Campus Lane Residential). Interest expense for the three months ended December 31, 2022 was \$1.68 million, of which \$1.01 million was incurred on the notes payable associated with our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$0.67 million was incurred on the mortgage notes payable associated with our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The total decrease of \$0.23 million in interest expense during the three months ended December 31, 2023, was primarily due to the settlement of the Addison Property Owner debt after the sale of Addison Corporate Center in June 2023.

Other operating expenses:

Other operating expenses include professional fees, directors' fees, printing and mailing expense, and other general and administrative expenses. Other operating expenses for the three months ended December 31, 2023 and 2022, were \$0.42 million and \$0.38 million, respectively. The increase in other operating expenses was mainly due to the acquisition of three commercial properties (Main Street West, Woodland Corporate Center and 220 Campus Lande Office Building) since December 31, 2022 resulting in higher amount of general and administrative operating expenses during the three months ended December 31, 2023.

Net realized gain (loss) on sale of investments:

During the three months ended December 31, 2023, we recorded a net realized loss on investments of \$1.29 million, as compared to a net realized gain on investments of \$0.31 million during the three months ended December 31, 2022. The total net realized loss for the three months ended December 31, 2023, was realized from a limited partnership interest write off (BP 3 affiliates) with a realized loss of \$1.67 million offset by a realized gain from sale of one non-traded REIT securities with total realized gain of \$0.38 million. The total realized gains for the three months ended December 31, 2022, were realized from sale of four non-traded REIT securities with total realized gain of \$0.26 million, and an investment trust with realized gains of \$0.05 million.

Net unrealized gain (loss) on investments:

During the three months ended December 31, 2023, we recorded a net unrealized gain of \$1.83 million, which was net of \$2.31 million of unrealized losses reclassification adjustment. The reclassification adjustments are the accumulated unrealized gains or losses as of the end of prior period that are realized during the current period. Accordingly, the net unrealized losses excluding the reclassification adjustment for the three months ended December 31, 2023 were \$0.48 million, which resulted from fair value depreciations of \$0.02 million from limited partnership interests, \$0.08 million from general partnership interests and \$0.38 million from non-traded REIT securities.

During the three months ended December 31, 2022, we recorded net unrealized loss of \$0.83 million, which were net of \$0.19 million of unrealized gains reclassification adjustment. The reclassification adjustments are the accumulated unrealized gains or losses as of the end of prior period that are realized during the current period. Accordingly, the net unrealized loss excluding the reclassification adjustment for the three months ended December 31, 2022 were \$0.64 million, which resulted from fair value depreciations \$0.18 million from limited partnership interests, \$0.03 million from general partnership interests, \$0.40 million from non-traded REIT securities and \$0.03 million from investment trust.

Income tax provision (benefit):

The Parent Company has elected to be treated as a REIT for tax purposes under the Code and, as a REIT, is not subject to federal income taxes on amounts that it distributes to the stockholders, provided that, on an annual basis, it generally distributes at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and excluding any capital gain) to the stockholders and meets certain other conditions. To the extent that it satisfies the annual distribution requirement but distributes less than 100% of its REIT taxable income, it will be subject to U.S. federal corporate income tax on its undistributed taxable income. In addition, it will be subject to a 4% excise tax if the actual amount that it pays to its stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

The Parent Company satisfied the annual dividend payment and other REIT requirements for the tax year ended December 31, 2022. Therefore, it did not incur any tax expense or excise tax on its income from operations during the quarterly periods within the tax year 2022. Similarly, for the tax year 2023, The Parent Company paid the requisite amounts of dividends during the year and met other REIT requirements such that the Parent Company will not owe any income taxes. Therefore, the Parent Company did not record any income tax provisions during any fiscal periods within the tax year 2023.

MacKenzie NY 2 is subject to corporate federal and state income tax on its taxable income at regular statutory rates. As of December 31, 2023, it did not have any taxable income for tax year 2023. Therefore, we did not record any tax provisions during any fiscal periods within the tax year 2023. MacKenzie Satellite is a qualified REIT subsidiary of the Parent Company. Therefore, it does not file a separate tax return.

The Operating Partnership is a limited partnership. Hollywood Hillview, MacKenzie Shoreline, Madison, PVT, 220 Campus Lane, and Campus Lane Residential are limited liability companies. First & Main, 1300 Main, Woodland Corporate Center Two, and Main Street West are limited partnerships. Accordingly, all income tax liabilities of these entities flow through to their partners, which ultimately is the Company. Therefore, no income tax provisions are recorded for these entities.

Six Months Ended December 31, 2023 and 2022

Rental and reimbursements revenues:

Rental and reimbursement revenues are generated from our commercial and residential real estate properties. During the six months ended December 31, 2023, we generated \$7.14 million in rental and reimbursements revenues, of which \$4.17 million was generated from our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Main Street West Office Building, Woodland Corporate Center Office Building and 220 Campus Lane Office Building), and \$2.97 million from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments and Shoreline Apartments). During the six months ended December 31, 2022, we generated \$6.74 million in rental and reimbursements revenues, of which \$3.90 million was generated from our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building), and \$2.84 million from our four residential apartments (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The total increase of \$0.40 million in rental revenues during the six months ended December 31, 2023 was mainly due to the acquisition of three commercial properties since December 2022 partly offset by the disposal of Addison Corporate Center in June 2023.

Investment income:

Investment income was made up of dividends, distributions from operations, distributions from sales/capital transactions, interest, and other investment income. Total investment income for the six months ended December 31, 2023 and 2022 was \$0.58 million and \$0.76 million, respectively. During the six months ended December 31, 2023, we received \$0.20 million of distributions from operations, sales, and liquidations as compared to \$0.56 million during the six months ended December 31, 2022. The decrease was mainly due to liquidation of Dimension 28, LP in December 2022. During the six months ended December 31, 2023, we received dividends, interest, and other investment income of \$0.38 million as compared to \$0.20 million received during the six months ended December 31, 2022. This increase was mainly due to increase in interest income from our cash deposits in money market funds during the six months ended December 31, 2023.

Expenses:

The Company's asset management and incentive management fees are based on the advisory agreement that was effective January 1, 2021.

Asset management fee:

The asset management fees for the six months ended December 31, 2023 and 2022 were \$1.58 million and \$1.46 million, respectively. The slight increase was due to total increase of \$12.27 in total invested capital from \$152.47 million as of December 30, 2022 to \$164.74 million as of December 31, 2023.

Incentive management fee:

Under the Advisory Management Agreement, we pay an incentive management fee that is equal to 15% of all distributions once shareholders have received cumulative distributions equal to 6% from the effective date of the Agreement. We did not incur any incentive management fee for the six months ended December 31, 2023 and 2022.

Administrative cost reimbursements and Transfer agent reimbursements:

Costs reimbursed to MacKenzie for the six months ended December 31, 2023, were \$0.38 million as compared to \$0.36 million for the six months ended December 31, 2022. The slight increase was due to an increase in the allocable portion of overhead and other expenses incurred by MacKenzie in comparison to December 31, 2022, as a result of the increase in the number of real estate assets owned by us since December 2022.

Transfer agent cost reimbursements paid to MacKenzie for the six months ended December 31, 2023 and 2022 were \$0.03 million and \$0.05 million, respectively.

Property operating and maintenance expenses:

Operating and maintenance expenses mainly consists of real estate taxes, utilities, repair and maintenance, cleaning, landscape, security, property management fees, insurance, and various other administrative expenses incurred in the operation of our commercial and residential real estate assets. During the six months ended December 31, 2023, we incurred operating and maintenance expenses of \$2.90 million, of which \$1.55 million mainly were incurred in the operation of our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Office Building) and \$1.35 million from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). During the six months ended December 31, 2022, we incurred operating and maintenance expenses of \$4.12 million, of which \$2.88 million mainly were incurred in the operation of our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$1.24 million from our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The decrease in the operating expenses was mainly due to the sale of Addison Property in June 2023 partly offset by the acquisitions of three new office buildings (Main Street West, Woodland Corporate Center and 220 Campus Lane Office Building) since December 31, 2022.

Depreciation and amortization:

During the six months ended December 31, 2023, we recorded depreciation and amortization of \$3.12 million, of which \$2.03 million was attributable to the depreciation and amortization of real estate and intangible assets of our six commercial properties (Satellite Place Office Building, First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Office Building) and \$1.09 million was attributable to our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). During the six months ended December 31, 2022, we recorded depreciation and amortization of \$2.08 million, of which \$0.93 million was attributable to the depreciation and amortization of real estate and intangible assets of our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$1.15 million was attributable to our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The increase in total depreciation and amortization of \$0.40 million during the six months ended December 31, 2023 was due to the acquisitions of three new office buildings (Main Street West, Woodland Corporate Center and 220 Campus Lane) since December 31, 2022.

Interest expense:

Interest expense for the six months ended December 31, 2023 was \$2.77 million, of which \$1.27 million was incurred on the notes payable associated with our five commercial properties (First & Main Office Building, 1300 Main Office Building, Woodland Corporate Center Office Building, Main Street West Office Building and 220 Campus Lane Building) and \$1.50 million was incurred on the mortgage notes payable associated our five residential properties (Commodore Apartments, The Park View, Hollywood Apartments, Shoreline Apartments and Campus Lane Residential). Interest expense for the six months ended December 31, 2022 was \$3.26 million, of which \$1.67 million was incurred on the notes payable associated with our four commercial properties (Addison Corporate Center, Satellite Place Office Building, First & Main Office Building and 1300 Main Office Building) and \$1.59 million was incurred on the mortgage notes payable associated our four residential properties (Commodore Apartments, The Park View, Hollywood Apartments, and Shoreline Apartments). The total decrease of \$0.49 million in interest expense during the six months ended December 31, 2023, was primarily due to the settlement of the Addison Property Owner debt after the sale of Addison Corporate Center in June 2023.

Other operating expenses:

Other operating expenses include professional fees, directors' fees, printing and mailing expenses, and other general and administrative expenses. Other operating expenses for the six months ended December 31, 2023 and 2022, were \$0.97 million and \$0.71 million, respectively. The increase in other operating expenses was mainly due to the acquisition of three commercial properties (Main Street West, Woodland Corporate Center and 220 Campus Lane Office Building) since December 31, 2022 resulting in higher amount of general and administrative operating expenses during the six months ended December 31, 2023.

Net realized gain (loss) on sale of investments:

During the six months ended December 31, 2023, we recorded a net realized loss on investments of \$1.29 million as compared to \$0.83 million during the six months ended December 31, 2022. Total net realized loss for the six months ended December 31, 2023, was realized from a limited partnership interest write-off (BP 3 affiliates) with a realized loss of \$1.67 million offset by a realized gain from sale of one non-traded REIT securities with a realized gain of \$0.38 million. The total net realized gain for the six months ended December 31, 2022, was realized from sales of publicly traded REIT securities with realized gains of \$0.01 million, six non-traded REIT securities with a total realized gain of \$0.44 million, a limited partnership interest with realized gains of \$0.33 million and investment trust of \$0.05.

Net unrealized gain (loss) on investments:

During the six months ended December 31, 2023, we recorded a net unrealized loss of \$0.44 million, which was net of a \$2.31 million of unrealized loss reclassification adjustment. The reclassification adjustments are the accumulated unrealized gains or losses as of the end of the prior period that are realized during the current period. Accordingly, the net unrealized loss excluding the reclassification adjustment for the six months ended December 31, 2023 was \$2.75 million, which resulted from fair value depreciations of \$0.51 million from general partnership interests, \$1.11 million from non-traded REIT securities and \$1.13 million from limited partnership interests.

During the six months ended December 31, 2022, we recorded a net unrealized gain of \$2.01 million, which was net of a \$0.68 million of unrealized gains reclassification adjustment. The reclassification adjustments are the accumulated unrealized gains or losses as of the end of the prior period that are realized during the current period. Accordingly, the net unrealized gains excluding the reclassification adjustment for the six months ended December 31, 2022, were \$2.69 million, which resulted from fair value appreciations of \$2.81 million from limited partnership interests, and \$0.62 million from general partnership interests, and fair value depreciations of \$0.74 million from non-traded REIT securities.

Income tax provision (benefit):

Income tax provision for six months ended December 31, 2023, and 2022 are discussed above under the three months ended section.

Liquidity and Capital Resources

Capital Resources:

We offered to sell up to 5 million shares of common stock in our first public offering and up to 15 million shares of common stock in each of our second and third public offerings. We have raised total gross proceeds of \$119.10 million from the issuance of common stock under the three public offerings: \$42.46 million from our first public offering, which concluded in October 2016, \$67.99 million from the second public offering, which concluded in October 2019, and \$8.65 million from our third public offering, which concluded in October 2020. In addition, we have raised \$15.10 million from the issuance of common shares under the DRIP as of December 31, 2023. Out of the total proceeds from DRIP, we have utilized a total of \$14.28 million to repurchase common stocks under the Share Repurchase Program. In November 2021, the SEC qualified our Offering Circular pursuant to Regulation A to sell up to \$50,000,000 of shares of our Series A preferred stock at an initial offering price of \$25.00 per share. On October 14, 2022, we amended our Offering Circular and increased the offering to sell up to \$75 million of shares of our Series A preferred stock. On November 1, 2023, we further amended our Offering Circular to sell an aggregate of up to \$3 million of shares of either our Series A preferred stock or our Series B preferred stock. This post-effective amendment to the Offering Circular was declared effective on November 14, 2023. We had raised \$18.08 million through the sale of our Series A preferred stock and \$0.10 million Series B preferred stock pursuant to the Offering Circular as of December 31, 2023. In addition, we have raised \$0.16 million from the issuance of Series A preferred shares under the DRIP. We plan to fund future investments with the net proceeds raised from our preferred equity offering and any future offerings of securities and cash flows from operations, as well as interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. We also may fund a portion of our investments through borrowings from banks and issuances of senior securities. We also may borrow money within the underlying companies in which we have majority ownership. In addition, from time to time, we may draw on the Company's margin line of credit on a temporary basis to bridge our investment purchases and sales or capital raising. For additional information concerning our margin borrowing activity, please see Note 9 - Margin Loans in the financial statements included in this report.

We intend to utilize leverage to enhance the total returns of our portfolio. Historically, we were only able to access leverage at attractive costs through a credit facility, but the termination of our BDC status effective December 31, 2020 has provided us with greater flexibility in choosing among different alternatives for raising debt capital going forward.

We also have greater flexibility in issuing securities with common equity participation features (such as warrants and convertible notes) and/or additional classes of stock (such as preferred) in order to facilitate capital formation now that we are no longer subject to the restrictions of the 1940 Act.

Our aggregate borrowings (if any), secured and unsecured, are expected to be reasonable in relation to our net assets and will be reviewed by the Board of Directors at least quarterly.

We used the funds raised from our public offerings to invest in portfolio companies and to pay operating expenses.

We finished the three months ended December 31, 2023, with cash and cash equivalents, restricted cash, and receivables of approximately \$14.14 million and \$3.78 million of current liabilities. Because of our strong liquidity and the liquidity preservation measures taken by the board, we are currently capable of meeting all of our obligations and continuing our operations for the foreseeable future. We intend to continue to qualify as a REIT and to meet the associated testing requirements, including paying out at least 90% of our taxable income.

Cash Flows:

Six months ended December 31, 2023:

For the six months ended December 31, 2023, we experienced a net decrease in cash of \$5.10 million. During this period, we used cash of \$2.57 million in our investing activities, \$1.94 million in our financing activities and \$0.59 million in our operating activities.

The net cash outflow of \$0.59 million from operating activities resulted from \$7.15 million of rental revenues and \$0.58 million of investment income offset by cash outflows of \$8.32 million used in operating expenses.

The net cash outflow of \$2.57 million from investing activities resulted from real estate acquisitions through our subsidiaries of \$5.65 million, \$0.55 million purchases of equity investments and \$0.79 million payment of contingent liability, offset by cash inflows of \$4.02 from sale of investments and \$0.40 million from distributions received from our investments that are considered return of capital.

The net cash outflow of \$1.94 million from financing activities resulted from: payment of dividends to common stockholders of \$2.34 million, payment of dividends to Series A preferred stockholders of \$0.42 million, payments on finance lease liabilities of \$0.03 million, distributions to non-controlling interests holders of \$0.34 million, acquisition of below market debt of \$0.34 million, payment on notes payables of \$0.36 million, payment of mortgage payables of \$0.60 million, payments of selling commissions and fees of \$0.49 million, payment of loan extension fee of \$0.88 million, redemption of common stocks of \$0.92 million and redemption of Series A preferred stock of \$0.01 million. The cash outflows were partly offset by cash inflows of: \$3.29 million proceeds from mortgage notes payable, \$1.26 million proceeds from the issuance of Series A preferred stock, \$0.10 million proceeds from the issuance of Series B preferred stock and \$0.14 million of capital contributions from non-controlling interests holders.

Six months ended December 31, 2022:

For the six months ended December 31, 2022, we experienced a net decrease in cash of \$0.82 million. During this period, we generated cash of \$7.90 million from our financing activities and used \$3.48 million in our operating activities and \$5.24 million from our investing activities.

The net cash outflow of \$3.48 million from operating activities resulted from \$8.13 million of rental revenues and \$0.76 million of investment income offset by \$12.37 million of cash used in operating expenses.

The net cash outflow of \$5.24 million from investing activities resulted from real estate acquisitions through our subsidiaries of \$8.23 million, investment acquisition deposit of \$0.19 million, payment of contingent liability of \$0.86 million and purchases of equity investments of \$0.18 million offset by cash inflows of \$3.20 million from sale of investments, and \$1.02 million from distributions received from our investments that are considered return of capital.

The net cash inflow of \$7.90 million from financing activities resulted from payment of dividends of \$2.03 million, \$0.73 million redemption of common stocks, payments of syndication cost amounting to \$0.81 million, capital distributions to non-controlling interests holders amounting to \$0.17 million, \$0.01 million payment of notes payables, and \$0.20 million payment of mortgage payables offset by \$9.40 million proceeds from the issuance of Series A preferred stock, \$0.01 million proceeds from notes payables, \$2.10 million proceeds from mortgage payables and \$0.34 million from capital pending acceptance.

Material Cash Obligations

We have entered into two contracts under which we have material future commitments: (i) the Advisory Management Agreement, under which the Real Estate Adviser serves as our adviser, and (ii) the Administration Agreement, under which MacKenzie furnishes us with certain non-investment management services and administrative services necessary to conduct our day-to-day operations. Each of these agreements is terminable by either party upon proper notice. Payments under the Advisory Management Agreement in future periods will be (i) a percentage of the value of our Invested Capital; (ii) Acquisition Fees, and (iii) incentive fees based on our performance above specified hurdles. Payments under the Administration Agreement will occur on an ongoing basis as expenses are incurred on our behalf by MacKenzie. However, if MacKenzie withdraws as our administrator, it will be liable for any expenses we incur as a result of such withdrawal. For additional information concerning the terms of these agreements and related fees paid, see Note 8 – Related Party Transactions in the consolidated financial statements included in this report.

Borrowings

We do not have any current plans to borrow money at the Parent Company level. In the event that we do so borrow, we would expect to be subject to various customary covenants and restrictions on our operations, such as covenants which would (i) require us to maintain certain financial ratios, including asset coverage, debt to equity and interest coverage, and a minimum net worth, and/or (ii) restrict our ability to incur liens, additional debt, merge or sell assets, make certain investments and/or distributions or engage in transactions with affiliates. While we do not have any plans to borrow money at the Parent Company level, we borrow money within the underlying companies in which we have majority ownership. The below table presents the total loans outstanding at the underlying companies as of December 31, 2023 and the fiscal years those loans mature:

Fiscal Year Ending June 30, :	Debt Maturing
2024 (remainder)	\$ 637,162
2025	39,737,498
2026	11,124,219
Thereafter	44,621,164
Total	\$ 96,120,043

Distributions to Stockholders

We pay quarterly distributions to stockholders to the extent that we have income from operations available. Our quarterly distributions, if any, will be determined by our Board of Directors after a review and distributed pro-rata to holders of our shares; we declare distributions on a monthly basis, but pay each quarter. Any distributions to our stockholders will be declared out of assets legally available for distribution. In no event are we permitted to borrow money to make distributions if the amount of such distributions would exceed our annual accrued and received revenues, less operating costs. Distributions in kind are not permitted, except as provided in our Charter.

We have elected to be treated as a REIT under the Code. As a REIT, we are not subject to federal income taxes on amounts that we distribute to the stockholders, provided that, on an annual basis, we generally distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding any net capital gain) to the stockholders and meet certain other conditions. To the extent that we satisfy the annual distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

We have a DRIP that provides for reinvestment of our dividends and other distributions on behalf of stockholders for any individual stockholder who elects to participate in the DRIP, provided that the DRIP is permitted by the state in which the stockholders reside. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions.

During the three months ended December 31, 2023, the Board approved the following quarterly dividends:

During the Quarter Ended	Dividends					
	Common Stock		Series A Preferred Stock		Series B Preferred Stock	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
September 30, 2023	\$ 0.125	\$ 1,652,688	\$ 0.375	\$ 268,383	\$ -	\$ -
December 31, 2023	0.125	1,652,367	0.375	276,600	0.500	2,222
	<u>\$ 0.250</u>	<u>\$ 3,305,055</u>	<u>\$ 0.750</u>	<u>\$ 544,983</u>	<u>\$ 0.500</u>	<u>\$ 2,222</u>

Of the total dividend accrued for Series B as of December 31, 2023, \$1,667 was an increase in liquidation preference and \$555 was the cash dividend.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our portfolio primarily consists of equity and debt investments in smaller U.S. companies that primarily own commercial real estate that are either illiquid or not listed on any exchange, and our investments are considered speculative in nature. As a result, we are subject to risk of loss which may prevent our stockholders from achieving price appreciation, dividend distributions and a return of their capital.

At December 31, 2023, financial instruments that subjected us to concentrations of market risk consisted principally of equity investments, which represented approximately 10% of our total assets as of that date. As discussed in Note 4 – Investments, to our consolidated financial statements, these investments primarily consist of securities in companies with no readily determinable market values and as such are valued in accordance with our fair value policies and procedures. Our investment portfolio sometimes also includes shares of publicly traded REITs, which are valued at recently quoted trading prices. Our investment strategy represents a high degree of business and financial risk due primarily to the general illiquidity of our investments. We may make short-term investments in cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less, pending investments in portfolio companies made according to our principal investment strategy.

In addition, we are exposed to interest rate risk with respect to our variable-rate indebtedness, generally an increase in interest rates would directly result in higher interest expense. We seek to manage our exposure to interest rate risk by utilizing a mix of fixed and floating rate financing, and through interest rate hedging agreements to fix or cap our variable rate debt. As of December 31, 2023, the outstanding principal balance of our variable rate indebtedness was \$17.5 million, which is the mortgage debt on Hollywood Property. The debt is indexed to Secured Overnight Financing Rate (“SOFR”). In order to mitigate the raising interest rate risk, we have executed an interest rate cap. For the year ended December 31, 2023, a 10% increase in SOFR would have resulted in no change in interest expense, net of the impact of our interest rate cap.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the 1934 Act) as of the end of the period covered by this report as required by paragraph (b) of Rule 13a-15 or 15d-15 of the 1934 Act. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date and provided reasonable assurance that information required to be disclosed by us in the reports we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the 1934 Act) during the fiscal quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. LEGAL PROCEEDINGS**

None.

Item 1A. RISK FACTORS

There have been no material changes to our risk factors discussed in “Risk Factors” in our annual report on Form 10-K for the fiscal year ended June 30, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In July 2023, we issued 2,265 common shares at \$10.25 per share, to the Class A unit holders of the Operating Partnership who exercised their option to convert their Class A units to our common shares.

During the six months ended December 31, 2023, we issued 68,808.31 of Series A preferred shares with total gross proceeds of \$1,718,951, 4,444.44 of Series B preferred shares with total gross proceeds of \$100,000, and 3,713.55 Series A preferred shares with total gross proceeds of \$83,556 under the DRIP related to the Series A preferred, pursuant to our Regulation A Series A and Series B preferred stock offering.

These private placements of our common and preferred shares were exempt from registration under Section 4(a)(2) and Section 3(b) of the Securities Act of 1933, as amended (the “Securities Act”), and Regulation D and A thereunder.

Issuer Purchases of Equity Securities

The following table presents information with respect to our purchases of our common stock during the period covered by this report:

Execution Date	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans
During the quarter ended December 31, 2023				
Common stocks				
September 1, 2023 through September 30, 2023	64,092.00	\$ 7.38	64,092.00	-
December 1, 2023 through December 31, 2023	64,497.00	\$ 7.38	64,497.00	-
	<u>128,589.00</u>		<u>128,589.00</u>	<u>-</u>
Series A Preferred stocks				
December 1, 2023 through December 31, 2023	400.00	\$ 22.8	9,100.00	-

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit	Description
31.1	Section 302 Certification of Robert Dixon (President and Chief Executive Officer)
31.2	Section 302 Certification of Angche Sherpa (Treasurer and Chief Financial Officer)
32.1	Section 1350 Certification of Robert Dixon (President and Chief Executive Officer)
32.2	Section 1350 Certification of Angche Sherpa (Treasurer and Chief Financial Officer)
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Documents.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MACKENZIE REALTY CAPITAL, INC.

Date: February 13, 2024

By: /s/ Robert Dixon
President and Chief Executive Officer

Date: February 13, 2024

By: /s/ Angche Sherpa
Treasurer and Chief Financial Officer

CERTIFICATION

I, Robert Dixon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MacKenzie Realty Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2024

By: /s/ Robert Dixon
Robert Dixon
President and Chief Executive Officer

CERTIFICATION

I, Angche Sherpa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MacKenzie Realty Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2024

By: /s/ Angche Sherpa
Angche Sherpa
Treasurer and Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MacKenzie Realty Capital, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Dixon, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2024

By: /s/ Robert Dixon
Robert Dixon
President and Chief Executive Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MacKenzie Realty Capital, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), I, Angche Sherpa, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2024

By: /s/ Angche Sherpa
Angche Sherpa
Treasurer and Chief Financial Officer
