

**MAXUS REALTY TRUST, INC.**



***REPORT FOR QUARTER ENDED SEPTEMBER 30, 2021***

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

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

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## PART I

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this quarterly report, and the audited consolidated financial statements and notes thereto included in our Annual Report for the year ended December 31, 2020 (the "2020 Annual Report"). This discussion may contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to vary from those projected, including but not limited to, those discussed below under "Forward-Looking Statements" and elsewhere in this quarterly report, as well as the "Risk Factors" section in the 2020 Annual Report. Historical results and trends which might appear in the unaudited condensed consolidated financial statements should not be interpreted as being indicative of future operations.

#### **Forward-Looking Statements**

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

- Risks associated with the novel strain of coronavirus ("COVID-19") pandemic, including any resurgence thereof;
- Risks associated with real estate assets and the real estate industry, which could decrease revenues or increase costs and adversely affect the economic performance and value of our properties;
- Unfavorable changes in market and economic conditions;
- Our acquisition strategy may not produce the cash flows expected;
- Competition could adversely affect our ability to acquire properties;
- Development, redevelopment, construction and operating risks could affect our profitability;
- Changes in rent control or rent stabilization laws and regulations, eviction laws and regulations and other laws and regulations could have an adverse effect on our operations and property values;
- Losses from catastrophes may exceed our insurance coverage;
- The illiquidity of our real estate interests;
- Tax matters, including a failure to qualify as a Real Estate Investment Trust, and reform of the Internal Revenue Code (the "IRC") could have adverse consequences;
- Our reliance on information technology in our operations, and a potential breach, interruption or security failure of such technology;
- Our dependence on key personnel;
- Litigation risks;
- Our compliance, or failure to comply, with the American Disabilities Act of 1990 or other safety regulations and requirements;
- Our need to make significant capital improvements and incur deferred maintenance costs with respect to our properties;
- Our transactions with affiliated entities and related conflicts of interest;
- Liability relating to environmental matters;
- Moisture infiltration and resulting mold remediation involving our properties;
- The limited public trading market for shares of our common stock and the lack of a requirement for us to effectuate a liquidity event;
- Our significant debt;
- Risks associated with our formation and management of opportunity zone funds, including raising capital for such funds;
- Increases in interest rates and our interest expense;
- Our ability to generate sufficient cash flows to make required payments for debt obligations or pay distributions to shareholders;
- Our ability to renew, repay or refinance our outstanding debt;
- Volatility in the financial markets;
- Issuances of additional debt;
- The financial condition of Fannie Mae or Freddie Mac and other federal agencies;

- Global geopolitical and economic uncertainty; and
- Such other factors as discussed throughout this quarterly report.

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

## **General**

Maxus Realty Trust, Inc. (the “Trust”) is a corporation formed on June 14, 1984. The Trust’s purpose is to acquire equity investments in income-producing real properties, primarily multifamily apartment communities. Unless the context requires otherwise, “we,” “our,” “us,” the “Company,” and the “Trust” refer to the Trust, its consolidated subsidiaries and variable interest entities (“VIEs”) for which the Trust is the primary beneficiary.

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

## **Description of the Company’s Business**

We are a self-administered and self-managed real estate investment trust (“REIT”). Since 2004, the Trust has been structured as what is commonly referred to as an umbrella partnership real estate investment trust (“UPREIT”) in which the Trust conducts and intends to continue to conduct all of its activities through its subsidiary Maxus Operating Limited Partnership, a Delaware limited partnership (“MOLP”). Maxus Realty GP, Inc., a Delaware corporation and wholly owned subsidiary of the Trust (the “General Partner”), is the sole general partner of MOLP and has a 0.001% interest in MOLP. As the sole general partner of MOLP, the General Partner generally has the exclusive power under MOLP’s limited partnership agreement to manage and conduct the business of MOLP, subject to certain limited approval and voting rights of the limited partners. Maxus Properties, LLC (the “Manager”), a wholly owned subsidiary of MOLP, provides property management services for all of MOLP’s properties and certain third-party properties. As of September 30, 2021, we had 352 employees, all of whom are employed by the Manager.

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

The Trust believes the UPREIT structure enables the Trust to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue MOLP limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, which allows those sellers to realize certain tax benefits that would be unavailable to them if the Trust purchased those properties directly for cash or common stock. As of September 30, 2021, the Trust owns approximately 57.9% of the outstanding limited partnership interests in MOLP as well as the general partnership interest. Non-controlling holders of MOLP limited partnership operating units own approximately 42.1% of the outstanding limited partnership interests in MOLP, which is represented by 865,560 MOLP operating units. A fractional interest is owned by the General Partner. Of the 42.1% non-controlling limited partnership interests in MOLP, related parties of the Trust own 61.5% (or 532,478 of the 865,560 MOLP non-controlling limited partnership operating units outstanding).

The Trust is primarily engaged in the ownership and acquisition of ownership interests in multifamily apartment communities with investments in a limited number of commercial properties. Although located in different geographic locations, each of our current multifamily apartment communities has similar economic characteristics, residents, amenities, and services. Our multifamily apartment communities consist primarily of market-rate apartments with rents paid by the residents and include 33 properties with 8,418 apartment homes as of September 30, 2021 (including Landmark, which is held by a VIE, but excluding three properties held by opportunity zone funds, as discussed below). Multifamily apartment communities account for 93.9% of the Trust's total revenues for the nine months ended September 30, 2021. Substantially all of our assets are comprised of multifamily apartment communities. Therefore, we aggregate our real estate assets for reporting purposes and operate in one reportable segment.

The Trust also owns a limited number of commercial properties. The commercial real estate operations consist of five properties with approximately 417,000 square feet consisting of 74 retail and office tenants as of September 30, 2021. The commercial operations account for 6.1% of the Trust's total revenues for the nine months ended September 30, 2021.

Twenty-seven of the properties in which the Trust holds an interest are owned by single-member limited liability companies that are directly and wholly owned by MOLP (including Landmark, which is held by a VIE for which the Trust is the primary beneficiary. In addition, as of September 30, 2021, MOLP directly or indirectly owns the following interest in the other limited liability companies or partnerships that are not wholly owned that hold real property assets as well as other property interests (excluding the properties held by opportunity zone funds, as discussed below):

| <u>Property Name</u> | <u>Ownership Percentage</u> |
|----------------------|-----------------------------|
| Astoria              | 50%                         |
| Frisco Square        | 52%                         |
| Kirkwood Station     | 63%                         |
| Leawood at Stateline | 80%                         |
| Rosehill Pointe      | 90%                         |
| Park Edge            | 94%                         |

Additionally, as of September 30, 2021, MOLP consolidates the following apartment communities owned by opportunity zone funds, which are VIE's for which the Trust is the primary beneficiary.

| <u>Property Name</u> | <u>Ownership Percentage</u> |
|----------------------|-----------------------------|
| Metropolitan         | 37%                         |
| Town Park            | 37%                         |
| Vue                  | 0%                          |

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## Real Property Interests Owned by Company

### Property Table

The following table sets forth information with respect to our 33 apartment community properties (including Landmark, which is held by a VIE) and five commercial properties at September 30, 2021:

| OPERATING PROPERTIES    |                      |                  |                             |                      |                        |                                           |
|-------------------------|----------------------|------------------|-----------------------------|----------------------|------------------------|-------------------------------------------|
| Property and Location   | Year of Construction | Year of Purchase | Average Unit Size (Sq. Ft.) | Number of Apartments | 2021 Average Occupancy | 2021 Average Monthly Rental Rate Per Unit |
| <b>APARTMENTS</b>       |                      |                  |                             |                      |                        |                                           |
| <b>ALABAMA</b>          |                      |                  |                             |                      |                        |                                           |
| <b>Saraland</b>         |                      |                  |                             |                      |                        |                                           |
| Olde Oak Apartments     | 2009                 | 2016             | 902                         | 240                  | 96.80%                 | \$ 971                                    |
| <b>ARKANSAS</b>         |                      |                  |                             |                      |                        |                                           |
| <b>Little Rock</b>      |                      |                  |                             |                      |                        |                                           |
| Foothills               | 1988/2006            | 2014             | 981                         | 540                  | 94.30%                 | 841                                       |
| Wellington at Chenal    | 1997                 | 2018             | 988                         | 178                  | 95.76%                 | 916                                       |
| <b>FLORIDA</b>          |                      |                  |                             |                      |                        |                                           |
| <b>Jacksonville</b>     |                      |                  |                             |                      |                        |                                           |
| Elements of Belle Rive  | 1989                 | 2013             | 1,103                       | 201                  | 97.90%                 | 1,257                                     |
| Viera at Mandarin       | 1984                 | 2016             | 883                         | 188                  | 98.52%                 | 1,058                                     |
| <b>Lady Lake</b>        |                      |                  |                             |                      |                        |                                           |
| Carmendy Square         | 2006                 | 2017             | 1,212                       | 152                  | 96.64%                 | 1,203                                     |
| <b>Palm Coast</b>       |                      |                  |                             |                      |                        |                                           |
| Pine Lake               | 2005                 | 2017             | 1,180                       | 184                  | 98.85%                 | 1,261                                     |
| <b>GEORGIA</b>          |                      |                  |                             |                      |                        |                                           |
| <b>Macon</b>            |                      |                  |                             |                      |                        |                                           |
| Thomaston               | 2014                 | 2016             | 1,060                       | 250                  | 96.04%                 | 1,093                                     |
| <b>KANSAS</b>           |                      |                  |                             |                      |                        |                                           |
| <b>Leawood</b>          |                      |                  |                             |                      |                        |                                           |
| Leawood at Stateline    | 1989                 | 2017             | 993                         | 254                  | 95.49%                 | 1,039                                     |
| <b>Lenexa</b>           |                      |                  |                             |                      |                        |                                           |
| Park Edge               | 1999                 | 2012             | 1,132                       | 260                  | 95.43%                 | 1,132                                     |
| Pinnacle Pointe         | 1999                 | 2018             | 936                         | 160                  | 97.78%                 | 1,116                                     |
| Rosehill Pointe         | 1985                 | 2012             | 922                         | 498                  | 95.60%                 | 930                                       |
| <b>Overland Park</b>    |                      |                  |                             |                      |                        |                                           |
| Centennial Park         | 1996                 | 2017             | 1,205                       | 170                  | 96.80%                 | 1,268                                     |
| Village at Lionsgate    | 2000                 | 2018             | 1,071                       | 360                  | 96.14%                 | 1,246                                     |
| <b>Wichita</b>          |                      |                  |                             |                      |                        |                                           |
| Berkshire               | 1991                 | 2009             | 917                         | 252                  | 96.47%                 | 800                                       |
| Cross Creek             | 1990                 | 2015             | 952                         | 256                  | 98.66%                 | 761                                       |
| River Vista             | 2018                 | 2020             | 912                         | 202                  | 96.42%                 | 1,254                                     |
| <b>KENTUCKY</b>         |                      |                  |                             |                      |                        |                                           |
| <b>Lexington</b>        |                      |                  |                             |                      |                        |                                           |
| Bridle Creek            | 2002                 | 2017             | 957                         | 384                  | 95.72%                 | 967                                       |
| <b>LOUISIANA</b>        |                      |                  |                             |                      |                        |                                           |
| <b>Bossier City</b>     |                      |                  |                             |                      |                        |                                           |
| Villaggio               | 2009                 | 2015             | 977                         | 252                  | 96.25%                 | 1,028                                     |
| <b>Shreveport</b>       |                      |                  |                             |                      |                        |                                           |
| Reflections             | 2007                 | 2019             | 1,353                       | 168                  | 95.83%                 | 1,386                                     |
| <b>MISSISSIPPI</b>      |                      |                  |                             |                      |                        |                                           |
| <b>Pearl</b>            |                      |                  |                             |                      |                        |                                           |
| Grand at Pearl          | 1999                 | 2015             | 1,151                       | 280                  | 94.92%                 | 934                                       |
| <b>Ridgeland</b>        |                      |                  |                             |                      |                        |                                           |
| Arbors at Natchez Trace | 1995                 | 2015             | 1,045                       | 328                  | 95.67%                 | 1,031                                     |
| <b>MISSOURI</b>         |                      |                  |                             |                      |                        |                                           |
| <b>Kansas City</b>      |                      |                  |                             |                      |                        |                                           |
| WildOak                 | 2001                 | 2017             | 935                         | 348                  | 96.87%                 | 949                                       |
| <b>Liberty</b>          |                      |                  |                             |                      |                        |                                           |
| Jefferson Park          | 1987/2008            | 2012             | 677                         | 208                  | 96.26%                 | 760                                       |
| <b>Kirkwood</b>         |                      |                  |                             |                      |                        |                                           |
| Kirkwood Station        | 2005                 | 2011             | 965                         | 159                  | 93.36%                 | 1,533                                     |
| <b>NORTH CAROLINA</b>   |                      |                  |                             |                      |                        |                                           |
| <b>Hope Mills</b>       |                      |                  |                             |                      |                        |                                           |
| Astoria Apartments      | 2011                 | 2015             | 1,100                       | 272                  | 97.30%                 | 1,125                                     |
| <b>Raeford</b>          |                      |                  |                             |                      |                        |                                           |
| Stone Gables            | 2013                 | 2017             | 1,074                       | 192                  | 94.50%                 | 1,232                                     |
| <b>OKLAHOMA</b>         |                      |                  |                             |                      |                        |                                           |
| <b>Yukon</b>            |                      |                  |                             |                      |                        |                                           |
| Highland Pointe         | 2004                 | 2007             | 920                         | 232                  | 95.26%                 | 943                                       |
| <b>TEXAS</b>            |                      |                  |                             |                      |                        |                                           |
| <b>Frisco</b>           |                      |                  |                             |                      |                        |                                           |
| Frisco Square           | 2007                 | 2017             | 953                         | 114                  | 97.56%                 | 1,357                                     |
| Isaac Apartments        | 2021                 | 2021             | 823                         | 266                  | 63.07%                 | 1,699                                     |
| <b>Pearland</b>         |                      |                  |                             |                      |                        |                                           |
| Tranquility             | 2003                 | 2014             | 1,040                       | 314                  | 94.62%                 | 1,227                                     |
| <b>Richardson</b>       |                      |                  |                             |                      |                        |                                           |
| Madison at Melrose      | 1995                 | 2009             | 947                         | 200                  | 96.22%                 | 1,379                                     |
| <b>San Antonio</b>      |                      |                  |                             |                      |                        |                                           |
| Landmark Grandview      | 2014                 | 2020             | 832                         | 356                  | 96.25%                 | 1,161                                     |
| <b>Total</b>            |                      |                  |                             | <u>8,418</u>         |                        |                                           |

(Continued from previous page)

#### OPERATING PROPERTIES

| Property and Location   | Year of Construction | Year of Purchase | Total Square Feet | 2021 Average Occupancy | 2021 Average Annual Rent Per Sq. Ft. |
|-------------------------|----------------------|------------------|-------------------|------------------------|--------------------------------------|
| <b>COMMERCIAL</b>       |                      |                  |                   |                        |                                      |
| <b>LOUISIANA</b>        |                      |                  |                   |                        |                                      |
| <b>Bossier City</b>     |                      |                  |                   |                        |                                      |
| Villaggio Retail        | 2009                 | 2015             | 29,060            | 19.78%                 | \$ 11.79                             |
| <b>MISSOURI</b>         |                      |                  |                   |                        |                                      |
| <b>Kirkwood</b>         |                      |                  |                   |                        |                                      |
| Kirkwood Station Retail | 2005                 | 2011             | 40,273            | 95.69%                 | 21.09                                |
| <b>TEXAS</b>            |                      |                  |                   |                        |                                      |
| <b>Frisco</b>           |                      |                  |                   |                        |                                      |
| Frisco Square           | 2005                 | 2017             | 171,590           | 87.91%                 | 29.81                                |
| Frisco Tower            | 2015                 | 2020             | 171,080           | 94.24%                 | 27.02                                |
| Isaac Retail            | 2021                 | 2021             | 4,709             | 0.00%                  | 0.00                                 |

### Opportunity Zone Properties

A wholly owned subsidiary of MOLP acts a manager of two qualified opportunity zone funds: Maxus Opportunity Fund I, LLC (“MOF I”) and Maxus NoDa Opportunity Fund, LLC (“NoDa”). We have determined that these funds are VIE’s and that the Trust is the primary beneficiary. Therefore, we include the following properties listed below in our consolidated financial statements. MOF I holds the Metropolitan and Town Park properties. The Metropolitan property is still under construction and the Town Park property is 98.5% occupied as of September 30, 2021. NoDa holds the Vue property. Construction on the Vue property was completed in August 2021 and is 93.7% occupied as of September 30, 2021.

The following table sets forth information with respect the assets held within MOF I and NoDa at September 30, 2021:

#### OPPORTUNITY ZONE PROPERTIES

| Property and Location | Fund  | Initial Year of Construction | Year of Purchase | Average Unit Size (Sq. Ft.) | Number of Apartments |
|-----------------------|-------|------------------------------|------------------|-----------------------------|----------------------|
| <b>APARTMENTS</b>     |       |                              |                  |                             |                      |
| <b>ALABAMA</b>        |       |                              |                  |                             |                      |
| <b>Birmingham</b>     |       |                              |                  |                             |                      |
| Metropolitan          | MOF I | 2018                         | 2018             | 907                         | 262                  |
| <b>TENNESSEE</b>      |       |                              |                  |                             |                      |
| <b>Kingsport</b>      |       |                              |                  |                             |                      |
| Town Park             | MOF I | 2019                         | 2019             | 957                         | 264                  |
| <b>ARKANSAS</b>       |       |                              |                  |                             |                      |
| <b>Little Rock</b>    |       |                              |                  |                             |                      |
| Vue                   | NoDa  | 2020                         | 2020             | 871                         | 244                  |

### Operating and Business Strategy

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

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

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



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

We strive to upgrade the quality of our portfolio through the sale of our interests in apartment communities with lower projected returns, lower operating margins, and lower expected future rent growth, and we generally reinvest the sale proceeds in the acquisition of higher-quality apartment communities or in capital improvements to apartment communities already in our portfolio.

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

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

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

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

*Experienced Property Management:* The Manager provides property management services for each of the properties the Trust holds an interest in, as well as certain third-party properties. The Trust believes that the Manager’s property management depth enables the Trust to deliver quality services, promote resident satisfaction, and retain residents, thereby reducing operating expenses. The Manager utilizes a staff of professionals and support personnel, including certified property managers, experienced apartment managers and leasing agents, and trained apartment maintenance technicians. The Trust believes the Manager’s on-site personnel are trained to deliver high quality services to the residents, and the Manager strives to motivate its on-site employees through incentive compensation arrangements based upon operational results, rental rate increases, occupancy levels, and levels of lease renewals achieved.

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The outbreak of COVID-19 disrupted businesses and slowed economic activity. We have been impacted by the COVID-19 pandemic and, in response, have made numerous operational and policy changes to: (1) comply with governmental mandates on a jurisdiction-by-jurisdiction basis; (2) protect our employees, residents, and prospective residents; and (3) minimize the financial impact to us. While we have not incurred any significant impact on our performance to-date from the COVID-19 pandemic, going forward we cannot predict the ultimate impact that the COVID-19 pandemic will have on our financial condition, results of operations and cash flows due to numerous uncertainties. The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that are out of management’s control and that we are not able to predict at this time, including but not limited to: (1) the duration and scope of the COVID-19 outbreak or any resurgence thereof (including COVID-19 variants); (2) the pandemic’s impact on current and future economic activity; and (3) the actions of governments, businesses and individuals in response to the COVID-19 pandemic (including the efficacy and distribution of any vaccines).

Some of the specific operational and policy changes we have made in response to the COVID-19 pandemic include: (1) delaying or canceling capital spending, including pausing or otherwise delaying spending under our value-add program; and (2) working to support residents and lessees impacted by COVID-19 through lease deferral or other accommodations, while maximizing occupancy and rent collections. The Trust collected over 99.0% of rent billed to apartment community residents and over 95.0% of rent billed to commercial tenants for the nine-month period ended September 30, 2021.

## **Results of Operations**

*Operations:* Our results for the nine months ended September 30, 2021 reflect an increase in rental revenue as compared to the same period in 2020, which was primarily due to the Company stabilizing the properties acquired in 2020 and increasing average occupancy by approximately 2.1% compared to the nine months ended September 30, 2020. Excluding the effect of properties acquired and disposed of in 2021 and 2020, total revenues increased 5.9% in the nine months ended September 30, 2021, compared to the same period in 2020. For the nine months ended September 30, 2021, we had total revenue of \$6.1 million generated from properties we acquired in 2020.

Our results for the three and nine months ended September 30, 2021 and 2020 are summarized as follows:

| (amounts in thousands)                                      | For The Three Months Ended |                       | For The Nine Months Ended |                       |
|-------------------------------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
|                                                             | September 30,<br>2021      | September 30,<br>2020 | September 30,<br>2021     | September 30,<br>2020 |
| Operating income                                            | \$ 4,621                   | \$ 2,903              | \$ 11,346                 | \$ 6,204              |
| Interest income                                             | 697                        | 38                    | 3,408                     | 1,092                 |
| Interest expense                                            | (8,720)                    | (10,247)              | (25,946)                  | (24,490)              |
| Loss on debt modification costs                             | (765)                      | (784)                 | (1,330)                   | (3,806)               |
| Equity in loss of unconsolidated joint ventures             | (780)                      | --                    | (780)                     | --                    |
| Gain on sale                                                | --                         | --                    | 28,331                    | 38,333                |
| Gain from insurance recovery, net                           | 3,446                      | 54                    | 4,821                     | 228                   |
| Gain on debt forgiveness                                    | --                         | --                    | 3,554                     | --                    |
| Net income (loss)                                           | (1,501)                    | (8,036)               | 23,404                    | 17,561                |
| Net loss (income) attributable to non-controlling interests | 1,025                      | 4,446                 | (7,594)                   | (3,756)               |
| Net income (loss) attributable to common shareholders       | \$ (476)                   | \$ (3,590)            | \$ 15,810                 | \$ 13,805             |

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

## **Funds From Operations ("FFO") and Core FFO**

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

Consistent with the definition adopted by the Board of Governors of NAREIT, we calculate FFO as net income (loss) computed in accordance with GAAP, adjusted for:

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

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

- costs related to casualty events;
- loan cost amortization;
- debt modification costs;
- debt premium/discount write-offs;
- mortgage loan prepayment penalties;
- accrued interest and deferred income on debt securities; and
- amounts attributable to non-controlling interest.

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

FFO and Core FFO are non-GAAP financial measures and therefore these measures should not be considered as alternatives to net income (loss), which remains the primary measure of performance. FFO and Core FFO should also not be used as an indication of the Trust's financial performance or cash flows from operating activities (determined in accordance with GAAP) or as a measure of the Trust's liquidity. In addition, FFO and Core FFO as calculated by other REITs may not be comparable to our calculations of FFO and Core FFO. A reconciliation of FFO and Core FFO to net income (loss), the most directly comparable GAAP measure, is provided below.

(dollars and shares in thousands, except per share amounts)

|                                                                                        | For The Three Months Ended |                       | For The Nine Months Ended |                      |
|----------------------------------------------------------------------------------------|----------------------------|-----------------------|---------------------------|----------------------|
|                                                                                        | September 30,<br>2021      | September 30,<br>2020 | September 30,<br>2021     | September 30<br>2020 |
| <b><u>Funds From Operations</u></b>                                                    |                            |                       |                           |                      |
| Net income (loss)                                                                      | \$ (1,501)                 | \$ (8,036)            | \$ 23,404                 | \$ 17,561            |
| Plus:                                                                                  |                            |                       |                           |                      |
| Depreciation and amortization                                                          | 8,408                      | 7,365                 | 24,409                    | 20,515               |
| Gain from insurance recovery                                                           | (3,446)                    | (54)                  | (4,821)                   | (228)                |
| Gain from debt forgiveness                                                             | --                         | --                    | (3,554)                   | --                   |
| Gain on sale                                                                           | --                         | --                    | (28,331)                  | (38,333)             |
| Amounts attributable to non-controlling interest                                       | 1,152                      | 1,207                 | 4,344                     | 11,028               |
| Funds from operations                                                                  | <u>\$ 4,613</u>            | <u>\$ 482</u>         | <u>\$ 15,451</u>          | <u>\$ 10,543</u>     |
| <b><u>Core Funds From Operations Adjustments</u></b>                                   |                            |                       |                           |                      |
| Casualty related costs                                                                 | \$ 1,915                   | \$ 2,459              | \$ 5,310                  | \$ 4,093             |
| Loan cost amortization                                                                 | 513                        | 248                   | 1,585                     | 1,006                |
| Debt modification costs                                                                | 729                        | 784                   | 1,294                     | 3,524                |
| Debt premium/discount write-off                                                        | --                         | 2,401                 | --                        | 520                  |
| Equity in loss of unconsolidated joint ventures                                        | 780                        | --                    | 780                       | --                   |
| Transaction costs                                                                      | --                         | --                    | --                        | 364                  |
| Accrued interest & deferred income on debt securities                                  | 78                         | 189                   | (287)                     | (275)                |
| Core funds from operations                                                             | <u>\$ 8,628</u>            | <u>\$ 6,563</u>       | <u>\$ 24,133</u>          | <u>\$ 19,775</u>     |
| <b><u>Funds from Operations and Core Funds From Operations per Share – Diluted</u></b> |                            |                       |                           |                      |
| Weighted average common shares outstanding, diluted                                    | 2,048                      | 1,869                 | 2,048                     | 1,869                |
| Diluted net income (loss), per share                                                   | \$ (0.40)                  | \$ (3.03)             | \$ 7.72                   | \$ 7.39              |
| Diluted funds from operations, per share                                               | \$ 2.25                    | \$ 0.26               | \$ 7.54                   | \$ 5.64              |
| Diluted core funds from operations, per share                                          | \$ 4.21                    | \$ 3.51               | \$ 11.78                  | \$ 10.58             |

## **Liquidity and Capital Resources**

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

At September 30, 2021, we had \$45.7 million in cash, cash equivalents and restricted cash, including \$6.1 million held by VIEs. Our credit facility with KeyBank N.A. (the "KeyBank Facility") provides borrowing availability of \$30.0 million and matures on November 2, 2023. As of September 30, 2021, we had a \$13.8 million outstanding balance under the KeyBank Facility and borrowing availability of \$16.2 million. The KeyBank Facility, including the debt covenants thereunder, is described in Note 3 (Debt Obligations) to the unaudited condensed consolidated financial statements. As of September 30, 2021, we were in compliance with all debt covenants under the KeyBank Facility.

During April 2020, the Manager applied for and received a loan from the U.S. Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”) in the amount of \$4.4 million. The loan was approved and funded on April 14, 2020 and the Manager received forgiveness on the loan in the amount of \$3.6 million on June 8, 2021. Properties managed by the Manager, but not owned by the Trust received \$0.8 million of the debt forgiveness. The Trust accounted for the PPP loan as debt in accordance with ASC 470.

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

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

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

### **Cash Flow Analysis**

At September 30, 2021 and December 31, 2020, we had \$45.7 million and \$49.3 million in cash, cash equivalents and restricted cash, respectively. In addition, at September 30, 2021, we had approximately \$2.4 million of certificates of deposit. Restricted cash primarily consists of reserves and escrows held by lenders for capital additions, property taxes, and insurance. The following discussion relates to changes in cash, cash equivalents and restricted cash due to operating, investing and financing activities, which are presented in our unaudited condensed consolidated statements of cash flows.

(amounts in thousands)

|                                                        | For the Nine Months Ended |                       |
|--------------------------------------------------------|---------------------------|-----------------------|
|                                                        | September 30,<br>2021     | September 30,<br>2020 |
| Net cash flows provided by operating activities        | \$ 24,530                 | \$ 7,391              |
| Net cash flows used by investing activities            | \$ (3,173)                | \$ (21,388)           |
| Net cash flows provided (used) by financing activities | \$ (25,008)               | \$ 19,523             |

Our cash inflows from operating activities for the nine-month periods ended September 30, 2021 and 2020 were the result of ongoing operations of our properties.

Our cash outflows from investing activities for the nine-month period ended September 30, 2021 were primarily driven by the acquisition of one property, contributions to equity method investments, and capital expenditures, partially offset by proceeds received from the sale of two properties and the partial repayment of the GFI debt security. Our cash outflows from investing activities for the nine-month period ended September 30, 2020 were primarily driven by the acquisition of two properties, acquisition of non-controlling interests, investments in certificates of deposit, and capital expenditures, partially offset by the proceeds received from the sale of two properties.

Our cash outflows from financing activities for the nine-month period ended September 30, 2021 were primarily driven by principal payments on mortgage loans payable, credit facility repayments, dividends, and distributions, partially offset by mortgage loan payable refinancings, construction loan borrowings, and non-controlling equity contributions into NoDa. Our cash inflows from financing activities for the nine-month period ended September 30, 2020 were primarily driven by proceeds received from mortgage loans payable refinancings, credit facility borrowings, and the non-controlling acquisition of one property, partially offset by principal payments on mortgage loans, repayments of related party loans, dividends, and distributions.

## **Debt Obligations**

### *Mortgage Loans Payable:*

At September 30, 2021 and December 31, 2020, we had \$859.5 million and \$858.8 million, respectively, in consolidated mortgage loans outstanding (in each case, exclusive of borrowings under our credit facility). Included within these amounts were \$118.7 million and \$105.2 million in mortgage loans payable by our VIEs at September 30, 2021 and December 31, 2020, respectively.

Each mortgage loan is secured solely by the property held by the MOLP subsidiary or the VIE that obtained the loan. The following is a summary of scheduled mortgage loans payable maturities at September 30, 2021 (inclusive of our VIEs):

| Year                 | Amount<br>(in thousands) |
|----------------------|--------------------------|
| 2021                 | \$ 2,235                 |
| 2022                 | 138,949                  |
| 2023                 | 30,294                   |
| 2024                 | 84,296                   |
| 2025                 | 61,100                   |
| Thereafter           | 549,563                  |
| Total mortgage loans | 866,437                  |
| Debt issuance costs  | (6,973)                  |
| Total                | \$ 859,464               |

The following table summarizes the Trust's activity related to mortgage loans payable transactions during the nine months ended September 30, 2021, in thousands (inclusive of our VIEs):

| Property Name | Transaction Type | Transaction Date   | Initial Balance | Interest Rate | Rate Type | Maturity Date     |
|---------------|------------------|--------------------|-----------------|---------------|-----------|-------------------|
| Landmark      | Refinance        | January 15, 2021   | \$ 35,000       | 3.00%         | Variable  | January 15, 2022  |
| The Isaac     | Acquisition      | June 29, 2021      | 38,500          | 2.10%         | Variable  | March 29, 2022    |
| Town Park     | Supplemental     | September 2, 2021  | 4,567           | 4.80%         | Fixed     | September 1, 2030 |
| Olde Oak      | Refinance        | September 21, 2021 | 24,578          | 2.75%         | Fixed     | October 1, 2028   |

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At September 30, 2021, our mortgage loans payable consists of the following (inclusive of our VIEs):

| Property Name <sup>(a)</sup>                          | Balance at<br>September 30, 2021<br>(amounts in thousands) | Interest Rate | Fixed<br>or<br>Variable | Maturity Date     |
|-------------------------------------------------------|------------------------------------------------------------|---------------|-------------------------|-------------------|
| Landmark at Grandview (VIE)                           | \$ 35,000                                                  | 3.00%         | Variable                | January 15, 2022  |
| Viera at Mandarin                                     | 11,385                                                     | 3.51%         | Fixed                   | March 1, 2022     |
| The Isaac                                             | 38,500                                                     | 1.50%         | Variable                | March 29, 2022    |
| Villaggio Apartments                                  | 17,198                                                     | 4.20%         | Fixed                   | May 1, 2022       |
| Metropolitan (VIE - owned by MOF I)                   | 27,400                                                     | 5.00%         | Fixed                   | December 1, 2022  |
| Park Edge Apartments 1 <sup>st</sup>                  | 16,065                                                     | 3.63%         | Fixed                   | January 1, 2023   |
| Park Edge Apartments 2 <sup>nd</sup>                  | 3,607                                                      | 5.32%         | Fixed                   | January 1, 2023   |
| Highland Pointe Apartments                            | 15,465                                                     | 4.51%         | Fixed                   | January 1, 2024   |
| Vue Apartments (VIE - owned by NoDa) <sup>(d)</sup>   | 24,796                                                     | 4.61%         | Fixed                   | July 19, 2024     |
| Carmendy <sup>(c)</sup>                               | 10,411                                                     | 4.43%         | Fixed                   | October 1, 2024   |
| Reserve at Tranquility 1 <sup>st</sup> <sup>(b)</sup> | 24,707                                                     | 3.97%         | Fixed                   | October 1, 2024   |
| Reserve at Tranquility 2 <sup>nd</sup> <sup>(b)</sup> | 3,065                                                      | 5.45%         | Fixed                   | October 1, 2024   |
| Jefferson Park Apartments 1 <sup>st</sup>             | 9,591                                                      | 3.54%         | Fixed                   | April 1, 2025     |
| Jefferson Park Apartments 2 <sup>nd</sup>             | 2,122                                                      | 5.40%         | Fixed                   | April 1, 2025     |
| Arbors Apartments 1 <sup>st</sup>                     | 22,005                                                     | 4.45%         | Fixed                   | November 1, 2025  |
| Arbors Apartments 2 <sup>nd</sup>                     | 4,562                                                      | 5.57%         | Fixed                   | November 1, 2025  |
| Stone Gables                                          | 16,572                                                     | 4.87%         | Fixed                   | November 6, 2025  |
| Thomaston                                             | 16,339                                                     | 4.41%         | Fixed                   | June 1, 2026      |
| Cross Creek Apartments                                | 12,256                                                     | 3.60%         | Fixed                   | September 1, 2026 |
| Kirkwood Station 1 <sup>st</sup>                      | 25,818                                                     | 4.04%         | Fixed                   | October 1, 2026   |
| Kirkwood Station 2 <sup>nd</sup>                      | 2,961                                                      | 5.58%         | Fixed                   | October 1, 2026   |
| Pine Lake                                             | 19,523                                                     | 4.23%         | Fixed                   | May 1, 2027       |
| Leawood at Stateline                                  | 20,869                                                     | 4.07%         | Fixed                   | November 1, 2027  |
| Lionsgate                                             | 40,086                                                     | 4.02%         | Fixed                   | December 1, 2027  |
| Elements of Belle Rive <sup>(c)</sup>                 | 20,740                                                     | 4.38%         | Fixed                   | June 1, 2028      |
| Madison at Melrose Apartments                         | 21,411                                                     | 4.38%         | Fixed                   | June 1, 2028      |
| Wellington                                            | 12,861                                                     | 4.54%         | Fixed                   | July 1, 2028      |
| Olde Oak Apartments                                   | 24,578                                                     | 2.75%         | Fixed                   | October 1, 2028   |
| Frisco Square                                         | 37,100                                                     | 4.63%         | Fixed                   | November 1, 2028  |
| Grand at Pearl Apartments                             | 17,100                                                     | 4.83%         | Fixed                   | January 1, 2029   |
| Reflections at Island Park                            | 20,210                                                     | 4.47%         | Fixed                   | March 1, 2029     |
| Berkshire Apartments 1 <sup>st</sup> <sup>(b)</sup>   | 14,814                                                     | 3.95%         | Fixed                   | August 1, 2029    |
| Tower at Frisco                                       | 32,000                                                     | 3.62%         | Fixed                   | December 1, 2030  |
| Centennial                                            | 19,629                                                     | 3.19%         | Fixed                   | May 1, 2030       |
| WildOak                                               | 34,466                                                     | 3.19%         | Fixed                   | May 1, 2030       |
| Town Park (VIE - owned by MOF I)                      | 26,958                                                     | 2.88%         | Fixed                   | September 1, 2030 |
| Town Park 2 <sup>nd</sup> (VIE - owned by MOF I)      | 4,567                                                      | 4.80%         | Fixed                   | September 1, 2030 |
| River Vista                                           | 23,475                                                     | 2.99%         | Fixed                   | November 1, 2030  |
| Rosehill Pointe Apartments                            | 41,732                                                     | 2.79%         | Fixed                   | January 1, 2031   |
| Pinnacle Pointe <sup>(c)</sup>                        | 7,486                                                      | 2.50%         | Fixed                   | March 1, 2048     |
| Bridle Creek                                          | 26,260                                                     | 3.23%         | Fixed                   | June 1, 2051      |
| Astoria Apartments                                    | 23,567                                                     | 3.05%         | Fixed                   | March 1, 2055     |
| Foothills Acquisition I, LLC                          | 37,178                                                     | 2.52%         | Fixed                   | August 1, 2055    |
| Debt issuance costs                                   | (6,973)                                                    |               |                         |                   |
| Total                                                 | \$ 859,464                                                 |               |                         |                   |

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

<sup>(b)</sup> Mortgage loans are also secured by a limited carve-out guaranty from a principal individual owner if certain provisions in the loan agreement are breached.

<sup>(c)</sup> Loan balances have premiums/discounts.

<sup>(d)</sup> The mortgage loan for the Vue is a construction loan.

The weighted average interest rate of all outstanding fixed rate mortgage loans is 3.88% at September 30, 2021.

We intend to continue to refinance property debt primarily as a means of extending current and near-term maturities and to finance certain capital projects. The terms and availability of any such refinancing will depend upon market and other conditions, and there can be no assurance that any such refinancing will be available, or that terms will be acceptable or advantageous to us, particularly in light of the impacts of the COVID-19 pandemic.

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### *Notes Payable, Notes Payable – Related Parties and Credit Facility:*

The following is a summary of the notes payable, notes payable, related parties and credit facility, at September 30, 2021 and December 31, 2020:

|                                |    | Balance Outstanding (in thousands) |                      |
|--------------------------------|----|------------------------------------|----------------------|
|                                |    | September 30,<br>2021              | December 31,<br>2020 |
| Credit facility                | \$ | 13,770                             | \$ 29,770            |
| Notes payable, related parties |    | 18,000                             | 20,294               |
| Notes payable                  |    | 3,798                              | 14,440               |
| Total                          | \$ | 35,568                             | \$ 64,504            |

On November 2, 2020, the Trust amended and restated the KeyBank Facility. The KeyBank Facility provides total borrowing availability of \$30.0 million, bears interest at a variable rate of 4.5% plus the 30-day LIBOR rate and has a stated maturity of November 2, 2023. The KeyBank Facility requires the Trust to comply with certain customary debt covenants including a fixed charge coverage ratio, minimum tangible net worth, maximum leverage ratio and minimum liquidity. Additionally, the KeyBank Facility provides for a reduction in the variable rate to 2.25% plus the 30-day LIBOR rate if certain covenants are met including providing approved borrowing base properties as collateral, maintaining a leverage ratio of 65% and a debt service coverage ratio of 1.45 times net operating income (the “Borrowing Base Covenants”). If the Trust does not meet the Borrowing Base Covenants, the amount of borrowing availability under the KeyBank Facility will reduce to \$28.0 million on December 31, 2021, and subsequently reduce by \$2.0 million per quarter through September 30, 2022 and by \$4.0 million per quarter thereafter through the maturity date. As of September 30, 2021, the Trust was in compliance with all of the debt covenants under the KeyBank Facility, and the Trust had an outstanding balance of \$13.8 million and borrowing availability of \$16.2 million under the KeyBank Facility. None of our debt obligations contain cross default provisions.

As of September 30, 2021, MOF I had \$18.0 million of related party loans outstanding, which were issued to affiliates of David Johnson, the Trust’s Chairman, President, and Chief Executive Officer. These loans have a weighted-average fixed interest rate of 5.25%, require interest only payments, and mature on August 31, 2022.

We have determined that MOF I is a VIE and, therefore, we include this debt in our condensed consolidated financial statements; however, the Trust is not responsible for MOF I’s obligations under these notes.

### **Equity Transactions**

#### *Distributions to Non-Controlling Holders of MOLP Limited Partnership Units:*

The following non-wholly owned subsidiaries of MOLP made distributions from operating cash flow during the nine months ended September 30, 2021: Astoria, Frisco Square, Kirkwood Station, Leawood at State Line, Olde Oak and Rosehill. For the nine months ended September 30, 2021 and 2020, the limited liability companies collectively paid cash distributions of \$9.1 million and \$5.1 million, respectively, to their respective non-controlling members.

#### *Dividends:*

While we intend to continue paying regular dividends, future dividend declarations will be at the discretion of the Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors the Board of Trustees deems relevant. See Note 7 (Transactions Involving Shareholders’ Equity) to the unaudited condensed consolidated financial statements for a summary of dividends declared during 2021.

### **Legal Proceedings**

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

## Part II

### Quantitative and Qualitative Disclosure about Market Risk

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

The table below provides information about our liabilities' sensitivity to changes in interest rates as of September 30, 2021 and December 31, 2020:

| (dollars in thousands)    |    | <i>September 30, 2021</i> |                                    |                                       |                          | <i>December 31, 2020</i> |                                    |                                       |                          |
|---------------------------|----|---------------------------|------------------------------------|---------------------------------------|--------------------------|--------------------------|------------------------------------|---------------------------------------|--------------------------|
|                           |    | <i>Amount</i>             | <i>Average Maturity (in years)</i> | <i>Weighted Average Interest Rate</i> | <i>% Of Total Amount</i> | <i>Amount</i>            | <i>Average Maturity (in years)</i> | <i>Weighted Average Interest Rate</i> | <i>% Of Total Amount</i> |
| <i>Fixed rate debt</i>    | \$ | 807,762                   | 7                                  | 3.88%                                 | 90%                      | \$ 848,473               | 8                                  | 3.87%                                 | 95%                      |
| <i>Variable rate debt</i> |    | 87,270                    | 1                                  | 2.21%                                 | 10%                      | 67,270                   | 2                                  | 5.50%                                 | 5%                       |
| <i>Total</i>              | \$ | <u>895,032</u>            |                                    |                                       |                          | <u>\$ 915,743</u>        |                                    |                                       |                          |

The Trust's results of operations are highly dependent on fluctuations in interest rates to the extent its properties are financed through variable interest rate loans or fixed interest rates loans nearing maturity. As of September 30, 2021, outstanding indebtedness under the KeyBank Facility and the mortgage loans for Landmark, which is a VIE, and The Isaac are the Trust's only outstanding variable interest rate indebtedness. The Trust may enter into future interest rate swaps and caps to protect against fluctuations in the rates of any additional variable rate debt. However, no interest rate swaps or caps exist as of September 30, 2021. See Note 3 (Debt Obligations) to the unaudited condensed consolidated financial statements for interest rates on the mortgage loan for each property and the maturity date of each mortgage loan.

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

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

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

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### Part III

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

|                                                                                                                                                                                                                                                       | September 30,<br>2021 | December 31,<br>2020 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                                                                                         |                       |                      |
| Operating real estate                                                                                                                                                                                                                                 |                       |                      |
| Land                                                                                                                                                                                                                                                  | \$ 100,280            | \$ 94,581            |
| Buildings and improvements                                                                                                                                                                                                                            | 923,006               | 823,144              |
| Personal property                                                                                                                                                                                                                                     | 35,698                | 30,772               |
| Construction in progress                                                                                                                                                                                                                              | 57,338                | 84,438               |
| Total real estate                                                                                                                                                                                                                                     | 1,116,322             | 1,032,935            |
| Less accumulated depreciation                                                                                                                                                                                                                         | (131,645)             | (110,449)            |
| Net operating real estate                                                                                                                                                                                                                             | 984,677               | 922,486              |
| Cash and cash equivalents                                                                                                                                                                                                                             | 19,696                | 24,525               |
| Certificates of deposit                                                                                                                                                                                                                               | 2,455                 | 2,448                |
| Restricted cash                                                                                                                                                                                                                                       | 25,956                | 24,778               |
| Prepaid expenses and other assets                                                                                                                                                                                                                     | 2,850                 | 5,103                |
| Debt securities, net                                                                                                                                                                                                                                  | 13,530                | 33,966               |
| Accounts receivable, net                                                                                                                                                                                                                              | 4,802                 | 4,994                |
| Intangible assets and goodwill, net                                                                                                                                                                                                                   | 20,738                | 22,887               |
| Investment in unconsolidated joint ventures                                                                                                                                                                                                           | 9,987                 | 415                  |
| Assets held for sale                                                                                                                                                                                                                                  | --                    | 52,432               |
| Total assets                                                                                                                                                                                                                                          | \$ 1,084,691          | \$ 1,094,034         |
| <b>LIABILITIES</b>                                                                                                                                                                                                                                    |                       |                      |
| Mortgage loans payable, net                                                                                                                                                                                                                           | \$ 859,464            | \$ 807,887           |
| Credit facility                                                                                                                                                                                                                                       | 13,770                | 29,770               |
| Notes payable                                                                                                                                                                                                                                         | 3,798                 | 10,000               |
| Notes payable, related parties                                                                                                                                                                                                                        | 18,000                | 20,294               |
| Notes payable, payroll protection program                                                                                                                                                                                                             | --                    | 4,440                |
| Accounts payable, prepaid rent and other accrued expenses                                                                                                                                                                                             | 22,371                | 26,394               |
| Accounts payable – related parties                                                                                                                                                                                                                    | 332                   | 332                  |
| Real estate taxes payable                                                                                                                                                                                                                             | 11,301                | 6,681                |
| Refundable tenant deposits                                                                                                                                                                                                                            | 2,904                 | 2,671                |
| Liabilities related to assets held for sale                                                                                                                                                                                                           | --                    | 44,409               |
| Total liabilities                                                                                                                                                                                                                                     | 931,940               | 952,878              |
| <b>EQUITY</b>                                                                                                                                                                                                                                         |                       |                      |
| Shareholders' equity                                                                                                                                                                                                                                  |                       |                      |
| Preferred stock; \$0.001 par value, authorized 1,000,000 shares, no shares issued and outstanding at September 30, 2021 and December 31, 2020.                                                                                                        | --                    | --                   |
| Common stock; \$0.001 par value, authorized 10,000,000 shares, issued 1,479,000 shares at September 30, 2021 and 1,476,000 shares at December 31, 2020; outstanding 1,190,000 shares at September 30, 2021 and 1,175,000 shares at December 31, 2020. | 1,464                 | 1,464                |
| Treasury stock, at cost 289,000 shares at September 30, 2021 and December 31, 2020.                                                                                                                                                                   | (4,293)               | (4,293)              |
| Additional paid-in-capital                                                                                                                                                                                                                            | 42,241                | 41,916               |
| Retained earnings                                                                                                                                                                                                                                     | 38,882                | 29,456               |
| Equity attributable to common shareholders                                                                                                                                                                                                            | 78,294                | 68,543               |
| Non-controlling interests                                                                                                                                                                                                                             | 74,457                | 72,613               |
| Total shareholders' equity                                                                                                                                                                                                                            | 152,751               | 141,156              |
| Total liabilities and shareholders' equity                                                                                                                                                                                                            | \$ 1,084,691          | \$ 1,094,034         |

See accompanying notes to unaudited condensed consolidated financial statements.

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

|                                                              | For The Three Months Ended |                       | For The Nine Months Ended |                       |
|--------------------------------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
|                                                              | September 30,<br>2021      | September 30,<br>2020 | September 30,<br>2021     | September 30,<br>2020 |
| <b>REVENUES</b>                                              |                            |                       |                           |                       |
| Property revenue                                             | \$ 30,224                  | \$ 26,174             | \$ 85,852                 | \$ 75,807             |
| Related party management fees                                | 574                        | 483                   | 1,221                     | 1,328                 |
| Other                                                        | 4,028                      | 3,578                 | 12,023                    | 10,097                |
| Total revenues                                               | <u>34,826</u>              | <u>30,235</u>         | <u>99,096</u>             | <u>87,232</u>         |
| <b>OPERATING EXPENSES</b>                                    |                            |                       |                           |                       |
| Depreciation and amortization                                | 8,408                      | 7,365                 | 24,409                    | 20,515                |
| Payroll expense                                              | 5,384                      | 4,692                 | 14,777                    | 13,264                |
| Real estate taxes                                            | 3,833                      | 3,791                 | 11,317                    | 10,397                |
| Utilities                                                    | 2,261                      | 2,054                 | 6,561                     | 5,987                 |
| Repairs and maintenance                                      | 1,576                      | 1,476                 | 5,003                     | 4,239                 |
| Casualty related costs                                       | 3,260                      | 3,356                 | 10,212                    | 12,649                |
| Other operating expenses                                     | 2,637                      | 2,051                 | 7,144                     | 6,518                 |
| Turn costs and leasing                                       | 1,072                      | 1,008                 | 3,043                     | 2,761                 |
| Insurance                                                    | 1,260                      | 1,065                 | 3,824                     | 3,376                 |
| Legal fees                                                   | 514                        | 474                   | 1,460                     | 1,322                 |
| Total operating expenses                                     | <u>30,205</u>              | <u>27,332</u>         | <u>87,750</u>             | <u>81,028</u>         |
| Operating income                                             | <u>4,621</u>               | <u>2,903</u>          | <u>11,346</u>             | <u>6,204</u>          |
| <b>OTHER INCOME (EXPENSE)</b>                                |                            |                       |                           |                       |
| Interest income                                              | 697                        | 38                    | 3,408                     | 1,092                 |
| Interest expense                                             | (8,720)                    | (10,247)              | (25,946)                  | (24,490)              |
| Loss on debt modification costs                              | (765)                      | (784)                 | (1,330)                   | (3,806)               |
| Equity in loss of unconsolidated joint ventures              | (780)                      | --                    | (780)                     | --                    |
| Gain from insurance recovery                                 | 3,446                      | 54                    | 4,821                     | 228                   |
| Gain on debt forgiveness                                     | --                         | --                    | 3,554                     | --                    |
| Gain on sale                                                 | --                         | --                    | 28,331                    | 38,333                |
| Total other income (expense), net                            | <u>(6,122)</u>             | <u>(10,939)</u>       | <u>12,058</u>             | <u>11,357</u>         |
| <b>Net income (loss)</b>                                     | <u>(1,501)</u>             | <u>(8,036)</u>        | <u>23,404</u>             | <u>17,561</u>         |
| Net loss (income) attributable to non-controlling interests  | 1,025                      | 4,446                 | (7,594)                   | (3,756)               |
| <b>Net income (loss) attributable to common shareholders</b> | <u>\$ (476)</u>            | <u>\$ (3,590)</u>     | <u>\$ 15,810</u>          | <u>\$ 13,805</u>      |
| <b>Earnings per common share</b>                             |                            |                       |                           |                       |
| Basic earnings (loss) per share                              | \$ (0.40)                  | \$ (3.03)             | \$ 13.31                  | \$ 11.66              |
| Diluted earnings (loss) per share                            | \$ (0.40)                  | \$ (3.03)             | \$ 7.72                   | \$ 7.39               |
| Weighted average common shares outstanding, basic            | 1,188                      | 1,184                 | 1,188                     | 1,184                 |
| Weighted average common shares outstanding, diluted          | 1,188                      | 1,184                 | 2,048                     | 1,869                 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

|                                          | Common Stock |                 |                   | Additional       |                  | Equity Attributable |                  | Total             |
|------------------------------------------|--------------|-----------------|-------------------|------------------|------------------|---------------------|------------------|-------------------|
|                                          | # of         | Amount          | Treasury          | Paid-in-         | Retained         | to Common           | Non-Controlling  | Shareholders'     |
|                                          | Shares       |                 | Stock             | Capital          | Earnings         | Shareholders        | Interests        | Equity            |
| <b>Balance December 31, 2020</b>         | <u>1,476</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 41,916</u> | <u>\$ 29,456</u> | <u>\$ 68,543</u>    | <u>\$ 72,613</u> | <u>\$ 141,156</u> |
| Net income                               | --           | --              | --                | --               | 14,229           | 14,229              | 8,096            | 22,325            |
| Dividends paid (\$0.60 per share)        | --           | --              | --                | --               | (2,126)          | (2,126)             | (1,549)          | (3,675)           |
| Capital Contribution - NoDa / Vue        | --           | --              | --                | --               | --               | --                  | 1,290            | 1,290             |
| Share based compensation                 | --           | --              | --                | 76               | --               | 76                  | --               | 76                |
| Distributions to non-controlling members | --           | --              | --                | --               | --               | --                  | (501)            | (501)             |
| <b>Balance March 31, 2021</b>            | <u>1,476</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 41,992</u> | <u>\$ 41,559</u> | <u>\$ 80,722</u>    | <u>\$ 79,949</u> | <u>\$ 160,671</u> |
| Net income                               | --           | --              | --                | --               | 2,057            | 2,057               | 523              | 2,580             |
| Dividends paid (\$0.60 per share)        | --           | --              | --                | --               | (2,129)          | (2,129)             | (1,550)          | (3,679)           |
| Capital Contribution - NoDa / Vue        | --           | --              | --                | --               | --               | --                  | 4,070            | 4,070             |
| Share based compensation                 | --           | --              | --                | 111              | --               | 111                 | --               | 111               |
| Distributions to non-controlling members | --           | --              | --                | --               | --               | --                  | (5,266)          | (5,266)           |
| <b>Balance June 30, 2021</b>             | <u>1,476</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 42,103</u> | <u>\$ 41,487</u> | <u>\$ 80,761</u>    | <u>\$ 77,726</u> | <u>\$ 158,487</u> |
| Net loss                                 | --           | --              | --                | --               | (476)            | (476)               | (1,025)          | (1,501)           |
| Dividends paid (\$0.60 per share)        | --           | --              | --                | --               | (2,129)          | (2,129)             | (1,555)          | (3,684)           |
| Changes in non-controlling interest, net | --           | --              | --                | (29)             | --               | (29)                | 350              | 321               |
| Capital Contribution - NoDa / Vue        | --           | --              | --                | --               | --               | --                  | 2,447            | 2,447             |
| Share based compensation                 | 3            | --              | --                | 167              | --               | 167                 | --               | 167               |
| Distributions to non-controlling members | --           | --              | --                | --               | --               | --                  | (3,486)          | (3,486)           |
| <b>Balance September 30, 2021</b>        | <u>1,479</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 42,241</u> | <u>\$ 38,882</u> | <u>\$ 78,294</u>    | <u>\$ 74,457</u> | <u>\$ 152,751</u> |

See accompanying notes to the unaudited condensed consolidated financial statements.

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

|                                               | Common Stock |                 |                   | Additional       |                  | Equity           |                  | Total             |
|-----------------------------------------------|--------------|-----------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
|                                               | # of         | Amount          | Treasury          | Paid-in-         | Retained         | Attributable     | Non-Controlling  | Shareholders'     |
|                                               | Shares       |                 | Stock             | Capital          | Earnings         | to Common        | Interests        | Equity            |
|                                               |              |                 |                   |                  |                  | Shareholders     |                  |                   |
| <b>Balance December 31, 2019</b>              | <u>1,464</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 40,899</u> | <u>\$ 26,538</u> | <u>\$ 64,608</u> | <u>\$ 71,579</u> | <u>\$ 136,187</u> |
| Net income                                    | --           | --              | --                | --               | 17,881           | 17,881           | 12,237           | 30,118            |
| Dividends paid (\$0.60 per share)             | --           | --              | --                | --               | (2,067)          | (2,067)          | (1,579)          | (3,646)           |
| Disposition of Bogey Hills                    | --           | --              | --                | --               | --               | --               | (7,049)          | (7,049)           |
| Changes in non-controlling interests, net     | --           | --              | --                | 3,665            | --               | 3,665            | (2,000)          | 1,665             |
| Issuance of MOLP units, net of redemptions    | --           | --              | --                | --               | --               | --               | 9,139            | 9,139             |
| Share based compensation                      | 10           | --              | --                | 30               | --               | 30               | --               | 30                |
| Distributions to non-controlling members      | --           | --              | --                | --               | --               | --               | (636)            | (636)             |
| <b>Balance March 31, 2020</b>                 | <u>1,474</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 44,594</u> | <u>\$ 42,352</u> | <u>\$ 84,117</u> | <u>\$ 81,691</u> | <u>\$ 165,808</u> |
| Net loss                                      | --           | --              | --                | --               | (486)            | (486)            | (4,034)          | (4,520)           |
| Dividends paid (\$0.60 per share)             | --           | --              | --                | --               | (2,162)          | (2,162)          | (1,366)          | (3,528)           |
| Dividends accrued                             | --           | --              | --                | --               | (717)            | (717)            | (469)            | (1,186)           |
| Acquisition of non-controlling interests, net | --           | --              | --                | (3,017)          | --               | (3,017)          | (946)            | (3,963)           |
| Share based compensation                      | 2            | --              | --                | 90               | --               | 90               | --               | 90                |
| Distributions to non-controlling members      | --           | --              | --                | --               | --               | --               | (4,184)          | (4,184)           |
| <b>Balance June 30, 2020</b>                  | <u>1,476</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 41,667</u> | <u>\$ 38,987</u> | <u>\$ 77,825</u> | <u>\$ 70,692</u> | <u>\$ 148,517</u> |
| Net loss                                      | --           | --              | --                | --               | (3,590)          | (3,590)          | (4,446)          | (8,036)           |
| Dividends paid (\$0.60 per share)             | --           | --              | --                | --               | (2,115)          | (2,115)          | (1,568)          | (3,683)           |
| Dividends accrued                             | --           | --              | --                | --               | 728              | 728              | 461              | 1,189             |
| Acquisition of non-controlling interests, net | --           | --              | --                | --               | --               | --               | (1,295)          | (1,295)           |
| Share based compensation                      | --           | --              | --                | 110              | --               | 110              | --               | 110               |
| Distributions to non-controlling members      | --           | --              | --                | --               | --               | --               | (262)            | (262)             |
| <b>Balance September 30, 2020</b>             | <u>1,476</u> | <u>\$ 1,464</u> | <u>\$ (4,293)</u> | <u>\$ 41,777</u> | <u>\$ 34,010</u> | <u>\$ 72,958</u> | <u>\$ 63,582</u> | <u>\$ 136,540</u> |

See accompanying notes to the unaudited condensed consolidated financial statements.

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

|                                                                                   | For The Nine Months Ended |                       |
|-----------------------------------------------------------------------------------|---------------------------|-----------------------|
|                                                                                   | September 30,<br>2021     | September 30,<br>2020 |
| Cash flows from operating activities:                                             |                           |                       |
| Net income                                                                        | \$ 23,404                 | \$ 17,561             |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                       |
| Depreciation and amortization                                                     | 24,409                    | 20,515                |
| Amortization of deferred loan costs and debt discount                             | 1,355                     | 868                   |
| Stock compensation expense                                                        | 354                       | 230                   |
| Gain from insurance recovery                                                      | (4,821)                   | (228)                 |
| PPP loan forgiveness                                                              | (3,554)                   | --                    |
| Equity in loss of unconsolidated joint ventures                                   | 780                       | --                    |
| Gain on sale                                                                      | (28,331)                  | (38,333)              |
| Changes in accounts affecting operations:                                         |                           |                       |
| Accounts receivable, net                                                          | (693)                     | (1,342)               |
| Prepaid expenses and other assets                                                 | 2,392                     | 4,186                 |
| Accounts payable and other liabilities                                            | 9,235                     | 3,934                 |
| Net cash flows provided by operating activities                                   | <u>24,530</u>             | <u>7,391</u>          |
| Cash flows from investing activities:                                             |                           |                       |
| Capital expenditures on investment properties                                     | (14,624)                  | (19,512)              |
| Investment in certificates of deposit, net                                        | (7)                       | (2,551)               |
| Proceeds from sale of Waterford                                                   | 23,932                    | --                    |
| Proceeds from sale of Lexington                                                   | 12,422                    | --                    |
| Investment in unconsolidated joint ventures                                       | (10,372)                  | (3)                   |
| Proceeds from debt security paydown                                               | 20,556                    | --                    |
| Acquisition of the Isaac                                                          | (22,941)                  | --                    |
| Acquisition of the Vue, net                                                       | (12,139)                  | --                    |
| Acquisition of Tower at Frisco                                                    | --                        | (22,781)              |
| Acquisition of River Vista                                                        | --                        | (10,424)              |
| Consolidation of Landmark                                                         | --                        | 1,419                 |
| Investment in debt security                                                       | --                        | (1,100)               |
| Proceeds from sale of Bogey Hills                                                 | --                        | 28,285                |
| Proceeds from sale of Forest Place                                                | --                        | 9,034                 |
| Acquisition of non-controlling interests                                          | --                        | (2,241)               |
| Tranquility additional acquisition                                                | --                        | (1,514)               |
| Net cash flows used by investing activities                                       | <u>(3,173)</u>            | <u>(21,388)</u>       |
| Cash flows from financing activities:                                             |                           |                       |
| Principal payments on mortgage loans payable                                      | (6,376)                   | (6,254)               |
| Credit facility borrowings                                                        | 14,500                    | 14,700                |
| Credit facility repayments                                                        | (30,500)                  | (18,500)              |
| Construction loan borrowings                                                      | 6,483                     | --                    |
| Mortgage loan repayments                                                          | (51,408)                  | (107,171)             |
| Mortgage loan proceeds                                                            | 64,591                    | 145,339               |
| Debt modification costs                                                           | (1,330)                   | (3,806)               |
| Notes payable repayments                                                          | (6,203)                   | --                    |
| Notes payable, related parties repayments                                         | (2,281)                   | --                    |
| NoDa / VUE non-controlling equity contribution                                    | 7,807                     | --                    |
| Dividends paid to shareholders                                                    | (6,384)                   | (6,322)               |
| Distributions and dividends paid to non-controlling interest                      | (13,907)                  | (9,611)               |
| PPP loan proceeds                                                                 | --                        | 4,439                 |
| Related party note payable repayments                                             | --                        | (2,430)               |
| Camino non-controlling acquisition                                                | --                        | 9,152                 |
| Redemption of MOLP units                                                          | --                        | (13)                  |
| Net cash flows provided (used) by financing activities                            | <u>(25,008)</u>           | <u>19,523</u>         |
| Net increase (decrease) in cash, cash equivalents, and restricted cash            | (3,651)                   | 5,526                 |
| Cash, cash equivalents and restricted cash, beginning of period                   | 49,303                    | 36,961                |
| Cash, cash equivalents and restricted cash, end of period                         | <u>\$ 45,652</u>          | <u>\$ 42,487</u>      |

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

|                                                                         | For The Nine Months Ended |                       |
|-------------------------------------------------------------------------|---------------------------|-----------------------|
|                                                                         | September 30,<br>2021     | September 30,<br>2020 |
| Supplemental disclosure of cash flow information:                       |                           |                       |
| Cash paid during the period for interest                                | \$ <u>24,137</u>          | \$ <u>22,902</u>      |
| Supplemental disclosure of non-cash investing and financing activities: |                           |                       |
| Net capital expenditures recorded in accounts payable                   | \$ 1,487                  | \$ 1,095              |
| Accrued dividends                                                       | \$ 2,452                  | \$ 2,444              |
| Mortgage loan assumed for acquisition of River Vista                    | \$ --                     | \$ 20,601             |
| Mortgage loan assumed for acquisition of Landmark                       | \$ --                     | \$ 37,500             |
| Issuance of MOLP units                                                  | \$ --                     | \$ 13,839             |
| Acquisition of non-controlling interest                                 | \$ --                     | \$ (2,946)            |

See accompanying notes to unaudited condensed consolidated financial statements.

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

**(1) ORGANIZATION AND BUSINESS**

*Organization:*

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

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

The Trust believes the UPREIT structure enables the Trust to make additional acquisitions of properties from tax-motivated sellers. As an UPREIT, the Trust may issue MOLP limited partnership operating units to tax-motivated sellers who contribute properties to MOLP, which allows those sellers to realize certain tax benefits that would be unavailable to them if the Trust purchased those properties directly for cash or common stock. As of September 30, 2021, the Trust owns approximately 57.9% of the outstanding limited partnership interests in MOLP as well as the general partnership interest. Non-controlling holders of MOLP limited partnership operating units own approximately 42.1% of the outstanding limited partnership interests in MOLP, which is represented by 865,560 MOLP operating units. A fractional interest is owned by the General Partner. Of the 42.1% non-controlling limited partnership interests in MOLP, related parties of the Trust own 61.5% (or 532,478 of the 865,560 MOLP non-controlling limited partnership operating units outstanding).

Twenty-seven of the properties in which the Trust holds an interest are owned by single-member limited liability companies that are directly and wholly owned by MOLP (including Landmark, which is held by a VIE for which the Trust is the primary beneficiary. In addition, as of September 30, 2021, MOLP directly or indirectly owns the following interest in the other limited liability companies or partnerships that are not wholly owned that hold real property assets as well as other property interests (excluding the properties held by MOF I and NoDa, which are VIEs, as discussed below):

| <u>Property Name</u> | <u>Ownership Percentage</u> |
|----------------------|-----------------------------|
| Astoria              | 50%                         |
| Frisco Square        | 52%                         |
| Kirkwood Station     | 63%                         |
| Leawood at Stateline | 80%                         |
| Rosehill Pointe      | 90%                         |
| Park Edge            | 94%                         |

In addition, the Trust consolidates three apartment communities: Metropolitan, Town Park, and Vue, which are owned by VIEs for which the Trust is the primary beneficiary.

Except as the context otherwise requires, “we,” “our,” “us,” the “Company” and the “Trust,” refer to the Trust, MOLP and their consolidated subsidiaries and VIEs for which the Trust is the primary beneficiary, collectively.

*Business:*

The Trust is primarily engaged in the business of investing, owning, developing and leasing real property located in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and Texas. The Trust, through its subsidiaries and related entities, primarily owns and operates multifamily apartment communities. The Trust also owns a limited number of commercial properties. As of September 30, 2021, the Trust holds an interest in 33 apartment communities consisting of 8,418 apartment homes and approximately 417,000 square feet of commercial space (including Landmark, which is held by a VIE, but excluding properties held by Maxus Opportunity Fund I, LLC (“MOF I”) or Maxus NoDa Opportunity Fund, LLC (“NoDa”), as discussed below).

## **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***a. Principles of Consolidation***

The consolidated financial statements include the accounts of the Trust, MOLP, the General Partner and all of MOLP’s subsidiaries and VIEs, which it controls through voting or similar rights or by means other than voting rights if the Company is the primary beneficiary of a VIE. All significant intercompany transactions have been eliminated upon consolidation.

An entity is considered a VIE when any of the following applies: (1) the equity investors (if any) lack one or more essential characteristics of a controlling financial interest; (2) the equity investment at risk is not sufficient to finance that entity’s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined as the entity having both of the following characteristics: (1) the power to direct activities that, when taken together, most significantly impact the VIE’s performance; and (2) the obligation to absorb losses and the rights to receive returns from the VIE that would be significant to the VIE.

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

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

A wholly owned subsidiary of MOLP acts a manager of two qualified opportunity zone funds: MOF I and NoDa. MOLP also holds a 36.5% interest in MOF I. MOF I and NoDa are VIEs and the Trust is the primary beneficiary of each of these VIEs. As a result, the condensed consolidated financial statements of the Trust include MOF I and NoDa. MOLP also holds investments in preferred equity in each of the entities that own the Landmark at Grandview (“Landmark”) apartment community located in San Antonio, Texas. Landmark is a VIE and the Trust is the primary beneficiary. As a result, the condensed consolidated financial statements of the Trust include Landmark.



### ***b. Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect amounts reported in the accompanying condensed consolidated financial statements. The most significant assumptions and estimates relate to the accounting for asset acquisitions including the valuation of investment property acquired, the fair value attributable to MOLP units, and the allocation of investment property acquired among the appropriate fixed asset classifications. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

### ***c. Cash, Cash Equivalents and Restricted Cash***

Cash equivalents include all highly liquid investments purchased with maturities of six months or less. Cash and cash equivalents consist of the Trust’s bank demand deposits and investments in a money market mutual fund. We have a total of \$12.2 million in depository accounts in excess of Federal Deposit Insurance Corporation (“FDIC”) insured limits, including \$11.9 million in excess of FDIC insured limits held by a bank affiliated with a related party as discussed in Note 4 to the unaudited condensed consolidated financial statements.

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

|                                      | September 30,<br>2021 | December 31,<br>2020 |
|--------------------------------------|-----------------------|----------------------|
| Real estate tax and insurance escrow | \$ 13,650             | \$ 7,564             |
| Capital improvements reserve         | 6,126                 | 7,082                |
| Collateral – Metropolitan            | 4,045                 | 4,000                |
| Principal and interest reserve       | --                    | 5,344                |
| Other                                | 2,135                 | 788                  |
| Total Restricted Cash                | \$ 25,956             | \$ 24,778            |

### ***d. Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Trust’s accounts receivable balance is comprised primarily of rents and operating cost recoveries due from tenants. The Trust records a provision for credit losses based on management’s judgment of a tenant’s creditworthiness, ability to pay and probability of collection. Accounts receivable is reflected in the consolidated balance sheets, net of allowance for doubtful accounts at September 30, 2021 and December 31, 2020 of \$2.6 million and \$3.4 million, respectively. The Trust regularly evaluates the adequacy of its allowance for doubtful accounts.

### ***e. Operating Real Estate***

#### ***Accounting for Acquisitions:***

The Trust evaluates each acquisition to determine if it is an acquisition of a business or an acquisition of assets. The majority of our acquisitions are accounted for as asset acquisitions in accordance with *ASC 805-50-25, “Acquisition of Assets Rather than a Business.”* The primary difference between accounting for acquisitions as a business combination or acquisition of assets is the accounting for acquisition costs. In a business combination, acquisition costs are expensed while they are included in the cost of the acquired asset for an asset acquisition. In an asset acquisition, there is no goodwill or bargain purchase gain.

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

### *Intangible Assets, Goodwill, and Tax Abatement:*

The following is a summary of intangible assets as of September 30, 2021 and December 31, 2020:

| (amounts in thousands)                                                                              | September 30,<br>2021 | December 31,<br>2020 |
|-----------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| In-place leases, net of accumulated amortization of \$21.4 million and \$19.6 million, respectively | \$ 9,135              | \$ 11,174            |
| Contract assets, net of accumulated amortization of \$262 thousand and \$190 thousand, respectively | 738                   | 809                  |
| Goodwill                                                                                            | 4,710                 | 4,710                |
| Tax abatement, net of accumulated amortization of \$576 thousand and \$384 thousand, respectively   | 4,544                 | 4,736                |
| Other, net of accumulated amortization of \$348 thousand and \$126 thousand, respectively           | 1,611                 | 1,458                |
| Total                                                                                               | <u>\$ 20,738</u>      | <u>\$ 22,887</u>     |

In regards to the above-market and below-market lease values for acquired properties, we review the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimates of fair market lease rates for the comparable in-place leases, based on factors such as market surveys, historical experience, recently executed transactions and specific property issues, measured over a period equal to the remaining non-cancelable term of the leases. Due to the short-term nature of residential leases and the variances within the market regarding the unit's square footage, the existing lease rates generally approximate market rates. Amortization expense for in-place leases totaled \$2.9 million and \$0.6 million for the nine months ended September 30, 2021 and 2020, respectively.

At both September 30, 2021 and December 31, 2020, we had goodwill of \$4.7 million. Rather than evaluating goodwill based on qualitative factors, we have elected the unconditional option to bypass the qualitative assessment as outlined in *FASB ASC 350-20-35-3B*. We perform an annual goodwill impairment test in accordance with the first step of the goodwill impairment test by comparing the carrying amount of the corresponding reporting unit to its fair value. As a result of this test, we do not believe our goodwill to be impaired as of the date of our latest annual test.

We had \$4.5 million of net tax abatement related to MOF I's purchase of Town Park as of September 30, 2021, which was recorded as an intangible asset on our condensed consolidated balance sheet. The developer of the property entered into an agreement with the local development authority to secure a 20-year property tax abatement for the property in the form of a PILOT (payment in lieu of taxes) agreement. We obtained the fair value of the abatement through a third-party appraisal. The abatement began on July 1, 2019, which was the first business day following MOF I's receipt of the occupancy certificate for the property.

### *Impairment of Long-Lived Assets:*

Management evaluates the recoverability of its investment in operating real estate and other long-lived assets, including related identifiable intangible assets, in accordance with *ASC Topic 360, "Property, Plant and Equipment."* This Topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that recoverability of the assets is not assured. Management evaluates the long-lived assets on an ongoing basis and whenever there is an indicator of potential impairment. The estimated undiscounted cash flows for the impairment analysis are based on our plans for the respective assets and our views of market and economic conditions. In the event that recovery is determined to be probable, the Trust records the expense associated with the remediation of operating real estate as casualty related costs.

### *Recognition of Insurance Proceeds:*

Insurance proceeds are recognized once the insurance company releases funds or when the receipt of proceeds becomes probable, whichever occurs first. Insurance proceeds are included in gain from insurance recovery on the consolidated statements of income.

### *Stone Gables:*

In September 2018, the Stone Gables apartment community suffered damage as a result of Hurricane Florence. Specifically, approximately 90 apartment units were damaged as a result of water intrusion. In January 2019, we received \$250 thousand in insurance proceeds related to the damage sustained due to the hurricane.

During the completion of the repairs of the hurricane damage, engineers discovered a construction defect which required extensive repairs to be done throughout the property. Approximately 70% of the property was unable to be occupied temporarily due to the extent of the repairs. The repairs were completed in February 2021 for a total cost of approximately \$5.9 million. In September of 2021, the Trust entered into a confidential settlement with the subcontractor defendants pursuant to which we received a material payment as part of the settlement consideration. The Trust is still pursuing its legal rights under North Carolina law against the general contractor.

#### *Depreciation and Amortization:*

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

#### *f. Investments in Unconsolidated Real Estate Companies*

We own a membership interest in a limited liability company (“LLC”) that directly owns an apartment property. Because we do not own a controlling ownership interest in the LLC, it is accounted for under the cost method. This membership interest was bought in anticipation of cash distributions and appreciation of its fair value. This membership interest is further discussed in Note 4 to the unaudited condensed consolidated financial statements.

#### *g. Discontinued Operations and Assets Held for Sale*

A property is classified as a discontinued operation when a property or properties to be sold are a component of an entity that represents a strategic shift that has, or will have, a major effect on the Trust’s operations and financial results. Significant judgments are involved in determining whether a property meets the criteria for discontinued operations reporting and the period in which these criteria are met. We did not have any properties meeting these criteria during the nine months ended September 30, 2021 or 2020.

A property is classified as held for sale when (i) the Board commits to a plan to sell and it is actively marketed; (ii) it is available for immediate sale in its present condition and the sale is expected to be completed within one year; and (iii) it is unlikely significant changes to the plan will be made or the plan will be withdrawn. Held for sale assets are measured at the lesser of the asset’s carrying value or fair value less costs to sell in accordance with ASC 360-10. As of September 30, 2021, no assets or liabilities were classified as held for sale. At December 31, 2020, we classified the assets and liabilities of the Waterford and Lexington on the Green apartment communities as held for sale. The Trust completed the sales of Waterford and Lexington on the Green on January 27, 2021 and February 26, 2021, respectively.

#### *h. Non-controlling Interests in Consolidated Real Estate Limited Liability Companies*

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

Upon receipt of the approval of a majority interest of the members or partners, the terms of the applicable operating agreements or partnership agreements generally require the respective LLC or partnership to be liquidated following the sale of the company’s real estate. The aggregate carrying amount of non-controlling interests in consolidated real estate companies is approximately \$18 million and \$22 million at September 30, 2021 and December 31, 2020, respectively. The aggregate fair value of these interests varies based on the fair value of the real estate owned by the respective LLC or partnership. Based on the complexities in determining the fair market value of the properties and the allocation of liquidation proceeds among partners, we believe it is impracticable to determine the fair market value of non-controlling interests in an assumed liquidation at September 30, 2021.

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

***i. Non-controlling Interests in Maxus Operating Limited Partnership***

Non-controlling interests in MOLP consist of limited partnership operating units held by persons other than the Trust. Within the Trust's consolidated financial statements, MOLP's income or loss is allocated to the holders of partnership units based on the proportionate number of partnership units outstanding during the period. As of September 30, 2021, the non-controlling holders of operating units had an ownership interest in MOLP of approximately 42.1%. The aggregate carrying amount of non-controlling interests in MOLP is approximately \$56 million and \$51 million at September 30, 2021 and December 31, 2020, respectively.

***j. Revenue Recognition***

Management accounts for property revenue accordance with *ASC Topic 842, "Leases."* We primarily lease apartment units under operating leases generally with terms of one year or less. Rental payments are generally due monthly and rental revenues are recognized on an accrual basis when earned. We have elected to account for lease (i.e. fixed payments including base rent) and non-lease components (i.e. tenant reimbursements and other certain service fees) as a single combined operating lease component since (1) the timing and pattern of transfer of the lease and non-lease components is the same; (2) the lease component is the predominant element; and (3) the combined single lease component would be classified as an operating lease.

We make ongoing estimates of the collectability of our base rents, tenant reimbursements, and other service fees included within rental and other property revenue. If collectability is not probable, we adjust rental and other property income for the amount of uncollectible revenue.

***k. Fair Value of Financial Instruments***

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

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

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

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

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

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

**Financial Instrument Fair Value Disclosures:** As of September 30, 2021 and December 31, 2020, the carrying values of cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable represent fair value because of the short-term nature of these instruments. The carrying value of cash restricted in escrows and reserves approximates its fair value based on the nature of our assessment of the ability to recover these amounts. These financial instruments utilize Level 2 inputs.

The Trust does not carry its mortgage loans payable, notes payable to related parties, or borrowings under its credit facility at fair value. However, the Trust estimates the fair value of these loans payable using a discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the instrument, including the period of maturity, and uses observable market-based inputs, including current market interest rates. The Company has concluded that the value of its notes payable, notes payable to related parties, and borrowings under its credit facility fall within Level 3 of the fair value hierarchy. The carrying amount and estimated fair value of the Trust's debt at September 30, 2021 and December 31, 2020 are summarized as follows (including debt of VIEs):

| (in thousands):                            |    | September 30, 2021 |                         | December 31, 2020  |                         |
|--------------------------------------------|----|--------------------|-------------------------|--------------------|-------------------------|
|                                            |    | Carrying<br>Amount | Estimated<br>Fair value | Carrying<br>Amount | Estimated<br>Fair value |
| <b><u>Mortgage Loans Payable</u></b>       |    |                    |                         |                    |                         |
| Fixed rate notes, net                      | \$ | 785,964            | \$ 812,670              | \$ 813,658         | \$ 852,219              |
| Floating rate notes                        | \$ | 73,500             | \$ 73,500               | \$ 37,500          | \$ 37,500               |
| <b><u>Notes Payable</u></b> <sup>(a)</sup> |    |                    |                         |                    |                         |
| Fixed rate notes                           | \$ | 21,798             | \$ 22,728               | \$ 34,734          | \$ 34,734               |
| Variable rate note                         | \$ | 13,770             | \$ 13,770               | \$ 29,770          | \$ 29,770               |

<sup>(a)</sup> Includes line of credit and borrowings under the Trust's credit facility and related party notes.

## ***l. Deferred Costs***

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

## ***m. Income Taxes***

The Trust has elected to be taxed as a REIT under the Internal Revenue Code ("IRC"), Sections 856-860. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income that is distributed to shareholders. The Trust intends to continue to qualify as a REIT and, to the extent it generates taxable income, will distribute substantially all of its taxable income to its shareholders. There is no provision for income taxes reflected in the condensed consolidated financial statements. The Trust has federal net operating loss carryovers of \$35.4 million at September 30, 2021 for tax purposes, which will expire in various amounts from 2023 through 2039.

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

The Trust is no longer subject to U.S. federal, state or local examination by tax authorities for years prior to 2017.

The Trust's Manager conducts operations related to fees received from assets that are not wholly owned through a taxable REIT subsidiary ("TRS"). The income associated with these operations is subject to the United States federal corporate income tax. As of September 30, 2021, we have recorded a tax liability on our financial statements under accounts payable, prepaid rent, and other accrued expenses, of \$87 thousand related to the income generated through our TRS.

## *n. Stock-Based Compensation*

The Trust grants restricted stock to employees pursuant to the Maxus Realty Trust, Inc. 2020 Equity Incentive Plan (the “Plan”). The Trust amortizes the expense related to the restricted stock awarded to employees under the Plan on a straight-line basis over the future vesting period (four years). Expense recognized related to restricted stock awards is included in general and administrative expense in the accompanying unaudited condensed consolidated statements of income was \$384 thousand and \$230 thousand for the nine months ended September 30, 2021 and September 30, 2020, respectively.

## *o. Recent Accounting Pronouncements*

On April 10, 2020, the FASB issued a Staff Q&A on Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic. The purpose of this Staff Q&A was to respond to frequently asked questions about accounting for lease concessions related to the effects of the COVID-19 pandemic. In response to the Staff Q&A, the Trust intends to not treat deferrals or rent concessions during the period effected by the COVID-19 pandemic as lease modifications. The Trust will continue to evaluate the impacts of COVID-19 and its impact on the Trust's lease accounting and related processes.

## **(3) DEBT OBLIGATIONS**

### *Mortgage Loans Payable:*

The following table summarizes the Trust's outstanding mortgage loans:

| Mortgage loans                 | Principal Outstanding (in thousands) |                   | As of September 30, 2021 |                                      |
|--------------------------------|--------------------------------------|-------------------|--------------------------|--------------------------------------|
|                                | September 30, 2021                   | December 31, 2020 | Weighted Average Rate    | Weighted Average Maturity (in years) |
| Fixed rate mortgages           | \$ 792,937                           | \$ 821,311        | 3.88%                    | 9.0                                  |
| Variable rate mortgages        | 73,500                               | 37,500            | 2.21%                    | 0.3                                  |
| Total mortgage loans payable   | 866,437                              | 858,811           |                          |                                      |
| Debt issuance costs            | (6,973)                              | (7,491)           |                          |                                      |
| Less: Mortgage loans:          |                                      |                   |                          |                                      |
| liabilities held for sale, net | --                                   | (43,433)          |                          |                                      |
| Net mortgage loans payable     | \$ 859,464                           | \$ 807,887        |                          |                                      |

Substantially all of our mortgages are originated through Fannie Mae, Freddie Mac, or the United States Department of Housing and Urban Development (“HUD”). Mortgages related to Fannie Mae and Freddie Mac are non-recourse and secured by the subject properties. These loans are also subject to provisions of a limited carve-out guarantee from MOLP if certain provisions in the loan agreement are breached. MOLP provides a guarantee related to the Landmark mortgage loan and the Vue construction loan, which is owned by NoDa. MOLP is not named as a guarantor on any other mortgage or construction loans. Each mortgage or construction loan is secured solely by the property held by the MOLP subsidiary or the VIE that obtained the loan.

The following is a summary of scheduled mortgage loans payable maturities at September 30, 2021:

| Year                 | Amount (in thousands) |
|----------------------|-----------------------|
| 2021                 | \$ 2,235              |
| 2022                 | 138,949               |
| 2023                 | 30,294                |
| 2024                 | 84,296                |
| 2025                 | 61,100                |
| Thereafter           | 549,563               |
| Total mortgage loans | 866,437               |
| Debt issuance costs  | (6,973)               |
| Total                | \$ 859,464            |

The following table summarizes the Trust's activity related to mortgage loans payable transactions during the nine months ended September 30, 2021, in thousands (inclusive of our VIEs):

| Property Name | Transaction Type | Transaction Date   | Initial Balance | Interest Rate | Rate Type | Maturity Date     |
|---------------|------------------|--------------------|-----------------|---------------|-----------|-------------------|
| Landmark      | Refinance        | January 15, 2021   | \$ 35,000       | 3.00%         | Variable  | January 15, 2022  |
| The Isaac     | Acquisition      | June 29, 2021      | 38,500          | 2.10%         | Variable  | March 29, 2022    |
| Town Park     | Supplemental     | September 2, 2021  | 4,567           | 4.80%         | Fixed     | September 1, 2030 |
| Olde Oak      | Refinance        | September 21, 2021 | 24,578          | 2.75%         | Fixed     | October 1, 2028   |

*Notes Payable, Notes Payable, Related Parties and Credit Facility:*

The following is a summary of the notes payable, notes payable, related parties and credit facility, at September 30, 2021:

|                                |  |    |        | Balance Outstanding (in thousands) |                      |
|--------------------------------|--|----|--------|------------------------------------|----------------------|
|                                |  |    |        | September 30,<br>2021              | December 31,<br>2020 |
| Credit facility                |  | \$ | 13,770 | \$                                 | 29,770               |
| Notes payable, related parties |  |    | 18,000 |                                    | 20,294               |
| Notes payable                  |  |    | 3,798  |                                    | 14,440               |
| Total                          |  | \$ | 35,568 | \$                                 | 64,504               |

On November 2, 2020, the Trust amended and restated the credit facility with KeyBank N.A. (the "KeyBank Facility"). The KeyBank Facility provides total borrowing availability of \$30.0 million, bears interest at a variable rate of 4.5% plus the 30-day LIBOR rate and has a stated maturity of November 2, 2023. The KeyBank Facility requires the Trust to comply with certain customary debt covenants including a fixed charge coverage ratio, minimum tangible net worth, maximum leverage ratio and minimum liquidity. Additionally, the KeyBank Facility provides for a reduction in the variable rate to 2.25% plus the 30-day LIBOR rate if certain covenants are met including providing approved borrowing base properties as collateral, maintaining a leverage ratio of 65% and a debt service coverage ratio of 1.45 times net operating income (the "Borrowing Base Covenants"). If the Trust does not meet the Borrowing Base Covenants, the amount of borrowing availability under the KeyBank Facility will reduce to \$28.0 million on December 31, 2021, and subsequently reduce by \$2.0 million per quarter through September 30, 2022 and by \$4.0 million per quarter thereafter through the maturity date. As of September 30, 2021, the Trust was in compliance with all of the debt covenants under the KeyBank Facility, and the Trust had an outstanding balance of \$13.8 million and borrowing availability of \$16.2 million under the KeyBank Facility. None of our debt obligations contain cross default provisions.

As of September 30, 2021, MOF I had \$18.0 million of related party loans outstanding, which were issued to affiliates of David Johnson, the Trust's Chairman, President, and Chief Executive Officer. These loans have a weighted-average fixed interest rate of 4.67%, require interest only payments, and mature on August 31, 2022. During the three months ended September 30, 2021, the Trust repaid \$2.3 million of related party loans, which were originally issued to Christopher Garlich, a Trustee of the Trust.

We have determined that MOF I is a variable interest entity and, therefore, we include this debt in our condensed consolidated financial statements; however, the Trust is not responsible for MOF I's obligations under these notes.

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#### (4) RELATED PARTY TRANSACTIONS

For the nine month period ended September 30, 2021 and 2020, the Trust was paid fees totaling \$1.2 million and \$1.3 million, respectively, from entities controlled by related parties. Management fees are determined pursuant to management agreements between the Trust and the Manager that provide for fees calculated as a percentage of monthly gross receipts (as defined in the agreements) from the properties' operations as well as reimbursement of payroll related costs. At September 30, 2021, the properties pay a management fee of between 3% and 5% of receipts.

As of September 30, 2021, the Trust (i) has operating cash of approximately \$18.1 million on deposit with First Missouri National Bank ("First Missouri"), (ii) holds certificates of deposit of approximately \$1.9 million with First Missouri, and (iii) has cash in money market accounts in the amount of \$21 thousand with First Missouri. The bank deposit insurance in connection with these deposits is provided by the FDIC. The FDIC has a \$250 thousand limit per independent entity on deposit insurance for interest-bearing accounts. Mr. Johnson owns approximately 24.2% of First Missouri's outstanding common stock. Mr. Johnson is also a member of First Missouri's Board of Directors. Jose Evans, a Trustee of the Trust, also holds approximately 4.1% of First Missouri's outstanding common stock. Christopher Garlich, a Trustee of the Trust, individually and through an affiliate, holds approximately 6.3% of First Missouri's outstanding common stock. Gregory Orman, a Trustee of the Trust, owns less than 1.0% of First Missouri's outstanding common stock. The Trust's operating cash is held in a non-interest bearing account. The certificates of deposit earn interest at rates ranging from 0.15% to 1.0% per annum as of September 30, 2021 and 0.35% to 1.0% per annum as of December 31, 2020. As of September 30, 2021, \$11.9 million is held in excess of FDIC insurance limits from certain operating accounts.

For certain of our acquisitions, dispositions and mortgage loan refinancings, MRTI has used Assured Quality Title ("AQT") as the title company. AQT is wholly owned by Jose Evans. Mr. Evans is a shareholder and serves on the Board of Trustees of the Trust. The Trust paid less than \$50 thousand for services provided by AQT for both the nine months ended September 30, 2021 and 2020.

The Manager leases office space from an affiliate of Mr. Johnson and Mr. McDowell. The lease is month-to-month and has annual lease payments of approximately \$177 thousand.

Certain executive officers and members of our Board, either directly or through related parties, have an ownership interest in the following subsidiaries of the Trust as set forth below as of September 30, 2021:

| Name of Subsidiary   | Amount of Capital<br>Contributed by Affiliates<br>(amounts in thousands) | Affiliate<br>Ownership | Percent of Affiliate<br>Ownership |
|----------------------|--------------------------------------------------------------------------|------------------------|-----------------------------------|
| Kirkwood Station     | \$ 1,235                                                                 | (1)                    | 34.87 %                           |
| Astoria              | 275                                                                      | (2)                    | 5.72                              |
| Leawood at Stateline | 1,233                                                                    | (3)                    | 19.80                             |
| Frisco Square        | 2,336                                                                    | (4)                    | 17.29                             |
| MOLP                 | 55,164                                                                   | (5)                    | 61.50                             |

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

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

(3) Affiliates of Christopher Garlich and Jose Evans

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

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

Total distributions and dividends paid to all non-controlling interests including interests held by related parties from the Trust were \$13.9 million and \$9.6 million for the nine months ended September 30, 2021 and 2020, respectively, including distributions to MOLP unit holders.

Certain executive officers and members of the Board, either directly or through related parties, have an ownership interest in the non-consolidated cost method investments as set forth below as of September 30, 2021:

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

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



## **(5) PROPERTY ACQUISITIONS AND DISPOSITIONS**

### ***Acquisitions***

Upon acquisitions of real estate properties, management makes subjective estimates of the fair value of acquired tangible assets (consisting of land, land improvements, building, improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) in accordance with *FASB ASC Topic 805, "Business Combinations"* (See also Note 2). Based on these estimates, management records the acquired assets and liabilities at fair value. These estimates have a direct impact on net income. If the purchase price is less than the fair value of assets and liabilities acquired that difference is allocated proportionately to the assets acquired.

#### **The Isaac Acquisition**

On June 29, 2021, a wholly owned subsidiary of MOLP, Isaac Acquisition, LLC, acquired the Isaac apartment community (the "Isaac") located in Frisco, Texas for \$61.6 million. The Isaac is a new construction apartment community and consists of 266 units and approximately 4,500 square feet of retail space. In conjunction with the acquisition, the Trust obtained a mortgage loan for \$38.5 million from KeyBank N.A. with an initial maturity date of March 29, 2022 and a variable interest rate of LIBOR + 2.00%.

Including fees paid related to the acquisition and adjusting for standard prorations at closing, the total net proceeds paid by the Trust, net of adjustments for standard prorations, was approximately \$22.9 million.

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

|                            |    |               |
|----------------------------|----|---------------|
| Operating assets           |    |               |
| Land                       | \$ | 6,219         |
| Land improvements          |    | 334           |
| Buildings                  |    | 52,459        |
| Personal property          |    | 1,999         |
| Intangible assets          |    | 565           |
| Other assets               |    | 306           |
| Total assets acquired      | \$ | <u>61,882</u> |
| Operating liabilities      |    |               |
| Current liabilities        | \$ | <u>441</u>    |
| Total liabilities acquired |    | <u>441</u>    |
| Net assets acquired        | \$ | <u>61,441</u> |

### ***Dispositions***

#### **Waterford Sale**

On January 27, 2021, the Trust completed the sale of the Waterford apartment community for a sales price of \$52.5 million. The sale resulted in a gain on sale of \$19.2 million and net proceeds of approximately \$23.9 million. The Trust utilized \$10.0 million of the net proceeds to pay down the KeyBank Facility and the remaining \$13.9 million was deposited into a third-party intermediary account allowing the Trust to use the proceeds in a tax-free exchange in accordance with IRC Section 1031.

#### **Lexington on the Green Sale**

On February 26, 2021, the Trust completed the sale of the Lexington on the Green apartment community for a sales price of \$31.2 million. The sale resulted in a gain on sale of \$9.1 million and net proceeds of approximately \$12.4 million. The Trust utilized \$6.0 million of the net proceeds to pay down the KeyBank Facility and the remaining \$6.4 million was deposited into a third-party intermediary account allowing the Trust to use the proceeds in a tax-free exchange in accordance with IRC Section 1031.

## **(6) INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES**

On May 21, 2021, an entity controlled by the Trust acquired a 50% joint venture membership interest in 888 Tower, a 148-unit apartment building in Santa Ana, California, for \$10.4 million. The joint venture was determined to be a VIE for which the Trust is not the primary beneficiary. As such, the Trust is accounting for the joint venture membership interest in 888 Tower under the equity method of accounting.

## **(7) MAXUS NODA OPPORTUNITY FUND**

NoDa acquired the Vue, its first qualifying opportunity zone property, in Little Rock, Arkansas, on December 2, 2020, for an initial purchase price of \$40.0 million. Additionally, the developer will be owed approximately \$3.7 million in the fourth quarter of 2021 based on the determined value in the appraisal received upon the completion of the property. As such, NoDa has accrued a payable in the amount of \$3.7 million as of September 30, 2021.

During the three months ended September 30, 2021, NoDa paid construction holdbacks of approximately \$8.4 million in conjunction with the completion of the asset. During the nine months ended September 30, 2021, \$7.8 million of equity contributions were made into NoDa. At December 31, 2020, \$5.0 of equity contributions had been made into NoDa.

## **(8) TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY**

### *Non-controlling Interests: MOLP Operating Units*

In conjunction with the acquisitions of certain operating companies that owned apartment communities, we have issued a total of 865,560 MOLP operating units. If and when the MOLP units are presented for redemption, we have the option to convert the MOLP units for common shares of the Trust based on an exchange ratio that is currently a one-for-one basis, or the cash equivalent amount, determined as the average closing price for our common shares over the ten-day trading period on the OTC market preceding the redemption.

### *Dividends:*

The Board of Trustees has declared a monthly dividend of \$0.60 per share for each month since January 1, 2019 through the date the financial statements were available to be issued.

## **(9) EARNINGS PER SHARE ("EPS")**

The Trust calculates earnings per share based on the weighted average number of shares of common stock, and dilutive convertible securities outstanding during the period. The exchange of MOLP limited partnership operating units into common shares are included in the computation of diluted EPS upon expiration of the one-year holding period that holders must satisfy prior to electing to have their units redeemed. At September 30, 2021, approximately 5 thousand MOLP units were issued but had not surpassed the one-year holding period. The following table illustrates the Trust's calculation of basic and diluted EPS for the nine months ended September 30, 2021 and 2020 (in thousands, except per share data):

|                                                             | For The Three Months Ended |                       | For The Nine Months Ended |                       |
|-------------------------------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
|                                                             | September 30,<br>2021      | September 30,<br>2020 | September 30,<br>2021     | September 30,<br>2020 |
| <b><u>Numerator:</u></b>                                    |                            |                       |                           |                       |
| Net income (loss)                                           | \$ (1,501)                 | \$ (8,036)            | \$ 23,404                 | \$ 17,561             |
| Net (income) loss attributable to non-controlling interests | 1,025                      | 4,446                 | (7,594)                   | (3,756)               |
| Net income (loss) attributable to common shareholders       | <u>\$ (476)</u>            | <u>\$ (3,590)</u>     | <u>\$ 15,810</u>          | <u>\$ 13,805</u>      |
| <b><u>Denominator:</u></b>                                  |                            |                       |                           |                       |
| Weighted average common shares outstanding – basic          | 1,188                      | 1,184                 | 1,188                     | 1,184                 |
| Diluted potential common shares and MOLP units              | --                         | --                    | 860                       | 685                   |
| Weighted average common shares outstanding – diluted        | <u>1,188</u>               | <u>1,184</u>          | <u>2,048</u>              | <u>1,869</u>          |
| <b><u>Earnings per common share – basic:</u></b>            |                            |                       |                           |                       |
| Net income (loss) attributable to common shareholders       | <u>\$ (0.40)</u>           | <u>\$ (3.03)</u>      | <u>\$ 13.31</u>           | <u>\$ 11.66</u>       |
| <b><u>Earnings per common share – diluted:</u></b>          |                            |                       |                           |                       |
| Net income (loss) attributable to common shareholders       | <u>\$ (0.40)</u>           | <u>\$ (3.03)</u>      | <u>\$ 7.72</u>            | <u>\$ 7.39</u>        |

## **(10) INCENTIVE COMPENSATION PLAN**

On February 27, 2020, the Trust adopted the Maxus Realty Trust, Inc. 2020 Equity Incentive Plan (the “Plan”). The Plan allows our Board to make equity incentive awards to employees, consultants and trustees of the Trust. Awards granted under the Plan may include incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash awards, bonus shares and other equity-based awards. A total of 20 thousand shares of common stock are available to be awarded. In conjunction with the adoption of the Plan, the Board awarded 9,900 shares of restricted stock to certain employees of the Trust. On June 16, 2020, the Board awarded an additional 2,250 shares of restricted stock to certain employees of the Trust. On April 19, 2021, the Board awarded an additional 900 shares of restricted stock to an employee of the Trust. The awards are subject to service requirements and vest ratably over four years. On July 13, 2021, the Board awarded an additional 3,000 shares of restricted stock to certain employees of the Trust. The awards are subject to service requirements and vest ratably over three and a half years.

A summary of the Company’s restricted stock activity and related information is as follows:

|                                   | Number of Shares | Weighted Avg.<br>Grant Date Fair<br>Value (in<br>thousands) | Weighted Avg.<br>Life Remaining |
|-----------------------------------|------------------|-------------------------------------------------------------|---------------------------------|
| Outstanding at December 31, 2020  | 12,150           | \$1,927                                                     |                                 |
| Granted                           | 3,900            | \$753                                                       |                                 |
| Vested                            | (3,037)          | --                                                          |                                 |
| Forfeited                         | (625)            | --                                                          |                                 |
| Outstanding at September 30, 2021 | 12,388           | \$2,680                                                     | 2.5                             |

The holders of restricted stock awards have voting rights and receive dividends from the date of grant. The fair value of the restricted stock awards was \$2.7 million for the nine months ended September 30, 2021. At September 30, 2021, unamortized stock-based compensation expense related to restricted stock awards was \$1.8 million.

## **(11) CONTINGENCIES**

### *Legal Proceedings:*

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

## **(12) SUBSEQUENT EVENTS**

The Trust has evaluated subsequent events through November 15, 2021, which is the date the condensed consolidated financial statements were available to be issued. The Trust is not aware of any additional subsequent events.

### *Landmark Refinance*

On October 29, 2021, the Trust completed the refinance of the mortgage loan related to the Landmark apartment community. The loan, in the amount of \$35.1 million, was originated through KeyBank N.A, carries a fixed interest rate of 3.23% and has a maturity date of November 1, 2028.

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## CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this quarterly report for the nine months ended September 30, 2021 of Maxus Realty Trust, Inc. (the “Trust”);
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Trust as of, and for, the period presented in this disclosure statement.

Date: 11/15/2021

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

## CERTIFICATION

I, Ryan Snyder, certify that:

1. I have reviewed this quarterly report for the nine months ended September 30, 2021 of Maxus Realty Trust, Inc. (the “Trust”);
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Trust as of, and for, the period presented in this disclosure statement.

Date: 11/15/2021

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