

MAXUS REALTY TRUST, INC.



REPORT FOR QUARTER ENDED SEPTEMBER 30, 2024

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

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MAXUS REALTY TRUST, INC.

104 Armour Road
P.O. Box 34729
North Kansas City, MO 64116
Telephone Number: 816-303-4500
Fax Number: 816-221-1829

Financial reports can be downloaded using website address:

www.otcmarkets.com (symbol: "MRTI")

Company's website address: www.mrti.com

Transfer Agent:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
Phone: (800) 937-5449
www.amstock.com

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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 (the "Notes") 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, 2023 (the "2023 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 2023 Annual Report. Historical results and trends that 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 our previously concluded strategic review process, including our ability to operate as a smaller entity;
- 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 and investments;
- Unfavorable changes in market and economic conditions, such as risks associated with rising interest rates and the current uncertain economic environment;
- Risks associated with inflation;
- Our acquisition and investment strategies may not produce the cash flows expected;
- Competition could adversely affect our ability to acquire or investment in 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 Missouri corporation formed on June 14, 1984. Historically, the purpose of the Trust has been to acquire equity investments in income-producing real properties, primarily multifamily apartment communities. However, as discussed below, in 2022, the Trust initiated a strategic review of its property portfolio and the Trust’s Board of Trustees (the “Board”) adopted a partial plan of liquidation. The Trust concluded this process in 2023. 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. 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.otcmarkets.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, 2024, we had 197 employees, all of whom are employed by the Manager.

Pursuant to MOLP’s limited partnership agreement, MOLP may issue limited partnership operating units (“MOLP Units”) (and corresponding limited partnership interests) in return for cash or other property that is contributed to MOLP. Holders of MOLP 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 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 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 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 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, 2024, 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 Units own approximately 42.1% of the outstanding limited partnership interests in MOLP, which is represented by 865,560 MOLP 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 MOLP Units outstanding).

Historically, the Trust has been 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 ten properties with 2,396 apartment homes as of September 30, 2024 (including Landmark at Grandview, which is held by a VIE, but excluding properties held by Maxus Opportunity Fund I, LLC (“MOF I”), as discussed below). Multifamily apartment communities account for 87.0% of the Trust’s total revenues for the nine months ended September 30, 2024. 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 Manager provides property management services for each of the properties that the Trust holds an interest in, as well as for certain properties owned by third parties.

The Trust also owns a limited number of commercial properties. The commercial real estate operations consist of four properties with approximately 390,000 square feet consisting of 68 retail and office tenants as of September 30, 2024. The commercial operations account for 13.0% of the Trust’s total revenues for the nine months ended September 30, 2024.

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. In addition, as of September 30, 2024, MOLP directly or indirectly owns the following interests in the other limited liability companies or partnerships that are not wholly owned that hold real property assets and other property interests (excluding properties held by MOF I, as discussed below):

<u>Property Name</u>	<u>Interest Percentage</u>
Frisco Square	52%
Kirkwood Station	63%
Leawood at Stateline	80%

Additionally, as of September 30, 2024, MOLP consolidates the following apartment communities owned by MOF I, an opportunity zone fund, which is a VIE for which the Trust is the primary beneficiary.

<u>Property Name</u>	<u>Ownership Percentage</u>
Metropolitan	37%
Town Park	37%

In March 2022, the Trust announced that it was undertaking a strategic review of its portfolio of properties to enhance shareholder value by taking advantage of the then current market environment for multifamily housing. In furtherance of this process, the Board adopted a partial plan of liquidation in the second quarter of 2022. During the year ended December 31, 2022, the Trust sold 17 properties for aggregate net proceeds of approximately \$326.1 million, and during the year ended December 31, 2023, the Trust sold six additional properties for net proceeds of approximately \$155.4 million. See Note 5 (Property Acquisitions and Dispositions) for further discussion. As previously disclosed, the Trust concluded its strategic review process in the fourth quarter of 2023. As a result, the Trust is no longer actively pursuing sales of assets or other strategic alternatives, and the Trust has returned to normal operations with a smaller asset base.

The Trust is continuing to assess various considerations relating to the conclusion of its strategic review process and capital allocation strategy for the near term. The Trust’s regular monthly dividend payment will remain suspended while the Trust continues this assessment. Future dividend payments will depend on the ultimate results of this assessment. The Trust currently expects to reinstate regular monthly dividends at some point in the future. However, there can be no assurance as to the timing of any future reinstatement of regular monthly dividends or the levels of any such dividends. If the Trust elects to reinstate regular monthly dividends in the future, such dividends will be at reduced levels compared to historical periods as a result of the number of properties sold pursuant to the strategic review process. In addition, future dividend payments will be subject to: contractual, legal and other restrictions; Board discretion; our future capital and liquidity needs; and REIT-related and other tax rules and regulations.

Real Property Interests Owned by Company

Property Table

The following table sets forth information with respect to our ten apartment community properties (including the Landmark property, which is held by a VIE) and four commercial properties at September 30, 2024:

OPERATING PROPERTIES

Property and Location	Year of Construction	Year of Purchase	Average Unit Size (Sq. Ft.)	Number of Apartments	2024 Average Occupancy	2024 Average Monthly Rental Rate Per Unit
APARTMENTS						
FLORIDA						
Jacksonville						
Elements of Belle Rive	1989	2013	1,103	201	95.74%	\$ 1,589
Viera at Mandarin	1984	2016	883	188	94.33%	1,352
Palm Coast						
Pine Lake	2005	2017	1,180	184	95.35%	1,569
KANSAS						
Leawood						
Leawood at Stateline	1989	2017	993	254	96.11%	1,303
Overland Park						
Village at Lionsgate	2000	2018	1,071	360	94.91%	1,574
MISSOURI						
Kirkwood						
Kirkwood Station	2005	2011	965	159	95.8%	1,854
TEXAS						
Frisco						
Frisco Square	2007	2017	953	114	94.93%	1,643
Isaac Apartments	2021	2021	823	266	94.70%	1,772
Pearland						
Tranquility	2003	2014	1,040	314	93.17%	1,469
San Antonio						
Landmark at Grandview	2014	2020	832	356	94.16%	1,320
Total				2,396		

OPERATING PROPERTIES

Property and Location	Year of Construction	Year of Purchase	Total Square Feet	2024 Average Occupancy	2024 Average Annual Rent Per Sq. Ft.
COMMERCIAL					
MISSOURI					
Kirkwood					
Kirkwood Station Retail	2005	2011	40,412	91.13%	\$ 26.04
TEXAS					
Frisco					
Frisco Square	2005	2017	171,298	85.30%	31.50
Frisco Tower	2015	2020	171,426	81.81%	27.18
Isaac Retail	2021	2021	4,709	N/A	N/A

Opportunity Zone Properties

MOF I is a qualified opportunity zone fund for which a wholly owned subsidiary of MOLP is the manager. The Trust has determined that MOF I is a VIE and that the Trust is the primary beneficiary. As such, MOF I and its assets are included in the Trust's consolidated financial statements.

The following table sets forth information with respect the assets held within MOF I at September 30, 2024:

OPPORTUNITY ZONE PROPERTIES

Property and Location	Fund	Year of Construction	Year of Purchase	Average Unit Size (Sq. Ft.)	Number of Apartments
APARTMENTS					
ALABAMA					
Birmingham					
Metropolitan	MOF I	2018	2018	907	262
TENNESSEE					
Kingsport					
Town Park	MOF I	2019	2019	957	264

As of September 30, 2024, the Metropolitan property was 93.5% occupied and the Town Park property was 97.7% occupied.

Debt Obligations

Note Payable:

In December 2023, the Trust entered into a note payable of \$37.5 million. The note carries a fixed interest rate of 9.5% and has a maturity date of December 15, 2025, which can be extended for up to an additional year. The note is secured by all of the Trust's debt securities and notes receivable. In addition, the Trust granted a security interest in the insurance judgment related to the Metropolitan fire. All of the proceeds from this loan were utilized to pay the January 12, 2024 dividend discussed in Note 9.

Mortgage Loans Payable:

At September 30, 2024 and December 31, 2023, we had \$321.1 million and \$326.0 million, respectively, in consolidated mortgage loans outstanding.

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, 2024 (including our VIEs):

Year	Amount (in thousands)
2024	\$ 1,341
2025	5,405
2026	72,724
2027	75,632
2028	84,514
Thereafter	81,528
Total mortgage loans payable	\$ 321,144

At September 30, 2024, our mortgage loans payable consisted of the following (inclusive of our VIEs):

Property Name ^(a)	Balance at September 30, 2024 (amounts in thousands)	Interest Rate	Fixed or Variable	Maturity Date
Isaac	29,000	6.17%	Fixed	February 6, 2026
Viera	12,866	7.49%	Variable	May 8, 2026
Kirkwood Station 1 st	23,985	4.04%	Fixed	October 1, 2026
Kirkwood Station 2 nd	2,828	5.58%	Fixed	October 1, 2026
Pine Lake	18,512	4.23%	Fixed	May 1, 2027
Leawood at Stateline	19,490	4.07%	Fixed	November 1, 2027
Lionsgate	37,867	4.02%	Fixed	December 1, 2027
Elements of Belle Rive	20,331	4.38%	Fixed	June 1, 2028
Frisco Square	35,370	4.63%	Fixed	November 1, 2028
Landmark at Grandview (VIE)	33,089	3.23%	Fixed	November 1, 2028
Town Park (VIE - owned by MOF I)	26,396	2.88%	Fixed	September 1, 2030
Town Park 2 nd (VIE - owned by MOF I)	4,500	4.80%	Fixed	September 1, 2030
Tower at Frisco	32,000	3.62%	Fixed	December 1, 2030
Reserve at Tranquility 1 st	24,910	5.48%	Fixed	October 1, 2024
Debt issuance costs	(2,054)			
Total	\$ 319,090			

^(a) Mortgage loans are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust, cash deposits with lender and a corporate guaranty from the Trust and MOLP. Certain 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.

The weighted-average interest rate of all outstanding fixed-rate mortgage loans was 4.25% at September 30, 2024.

We intend to continue to refinance property debt primarily as a means of extending current and near-term maturities and financing certain capital projects. The terms and availability of any such refinancing will depend upon market and other conditions. 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 current challenging economic and financial conditions.

Part II

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

	September 30, 2024	December 31, 2023
ASSETS		
Operating real estate		
Land	\$ 49,075	\$ 49,075
Buildings and improvements	460,706	455,548
Personal property	16,630	15,704
Total real estate	526,411	520,327
Less accumulated depreciation	(79,716)	(68,682)
Net operating real estate	446,695	451,645
Cash and cash equivalents	6,186	50,785
Certificates of deposit	677	872
Restricted cash	18,381	10,833
Prepaid expenses and other assets	577	4,239
Debt securities, net	43,943	46,272
Accounts receivable, net	8,825	6,915
Intangible assets and goodwill, net	16,364	17,885
Total assets	\$ 541,648	\$ 589,446
LIABILITIES		
Mortgage loans payable, net	\$ 319,090	\$ 323,772
Notes payable and notes payable – related parties	31,684	37,497
Accounts payable, prepaid rent and other accrued expenses	7,603	44,314
Accounts payable – related parties	72	110
Real estate taxes payable	7,135	4,041
Lease liability	208	317
Refundable tenant deposits	1,430	1,335
Total liabilities	367,222	411,386
EQUITY		
Shareholders' equity		
Preferred stock; \$0.001 par value, authorized 1,000,000 shares, no shares issued and outstanding at September 30, 2024 and December 31, 2023.	–	–
Common stock; \$0.001 par value, authorized 10,000,000 shares, issued 1,479,000 shares at September 30, 2024 and December 31, 2023; outstanding 1,190,000 shares at September 30, 2024 and December 31, 2023.	1,464	1,464
Treasury stock, at cost 289,000 shares at September 30, 2024 and December 31, 2023.	(4,293)	(4,293)
Additional paid-in-capital	43,967	43,708
Retained earnings	50,623	52,260
Equity attributable to common shareholders	91,761	93,139
Preferred equity	35,000	35,000
Non-controlling interests	47,665	49,921
Total shareholders' equity	174,426	178,060
Total liabilities and shareholders' equity	\$ 541,648	\$ 589,446

See accompanying notes to unaudited condensed consolidated financial statements.

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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, 2024	September 30, 2023	September 30, 2024	September 30, 2023
REVENUES				
Property revenue	\$ 15,144	\$ 15,183	\$ 44,690	\$ 44,298
Related party management fees	514	454	1,381	1,510
Other	2,187	2,044	7,225	6,542
Total revenues	17,845	17,681	53,296	52,350
OPERATING EXPENSES				
Depreciation and amortization	4,246	4,076	12,654	12,216
Payroll expense	2,713	3,053	8,022	8,882
Real estate taxes	2,349	2,145	6,944	6,455
Utilities	1,203	1,102	3,399	3,253
Repairs and maintenance	857	846	2,339	2,648
Casualty related costs	--	11	--	1,030
Other operating expenses	1,614	3,409	4,896	5,860
Turn costs and leasing	542	448	1,467	1,333
Insurance	1,467	993	4,224	2,983
Legal fees	1,463	1,161	3,070	3,329
Total operating expenses	16,454	17,244	47,015	47,989
Operating income (loss)	1,391	437	6,281	4,361
OTHER INCOME (EXPENSE)				
Interest income	735	1,200	2,810	3,087
Interest expense	(4,550)	(4,307)	(13,572)	(12,476)
Equity in gain of unconsolidated joint ventures	--	--	--	683
Loss on debt securities	(2,767)	--	(2,767)	--
Gain from insurance recovery	--	--	5,810	912
Total other income (expense), net	(6,582)	(3,107)	(7,719)	(7,794)
Income (loss) from continuing operations	--	(2,670)	--	(3,433)
Discontinued operations	--	32,196	--	175,394
Net income	(5,191)	29,526	(1,438)	171,961
Net income (loss) attributable to non-controlling interests	2,546	(11,398)	(1,002)	(79,475)
Net income attributable to common shareholders	\$ (2,645)	\$ 18,128	\$ (2,440)	\$ 92,486
 Earnings per common share				
Income (loss) from continuing operations	\$ (4.36)	\$ (2.24)	\$ (1.21)	\$ (2.88)
Discontinued operations	--	27.05	--	147.39
Non-controlling interests	2.14	(9.58)	(0.84)	(66.79)
Net Income attributable to common shareholders	(2.22)	15.23	(2.05)	77.72
 Earnings per common share-diluted:				
Income (loss) from continuing operations	\$ (4.36)	\$ (1.30)	\$ (1.21)	\$ (1.67)
Discontinued operations	--	15.67	--	85.35
Non-controlling interests	2.14	(5.55)	(0.84)	(38.67)
Net Income attributable to common shareholders	(2.22)	8.82	(2.05)	45.01
Weighted average common shares outstanding, basic	1,190	1,190	1,190	1,190
Weighted average common shares outstanding, diluted	2,057	2,055	2,057	2,055

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

	Common Stock		Treasury Stock	Additional Paid-in-Capital		Retained Earnings	Equity Attributable to Common Shareholders		Preferred Equity	Non-Controlling Interests	Total Shareholders' Equity
	# of Shares	Amount									
Balance December 31, 2023	1,479	\$ 1,464	\$ (4,293)	\$ 43,708	\$ 52,260	\$ 93,139	\$ 35,000	\$ 49,921	\$ 178,060		
Net income (loss)	--	--	--	--	945	945	--	3,809	4,754		
Dividends paid	--	--	--	--	803	803	--	(1,152)	(349)		
Share based compensation	--	--	--	133	--	133	--	--	133		
Distributions to non-controlling members	--	--	--	--	--	--	--	(627)	(627)		
Balance March 31, 2024	1,479	\$ 1,464	\$ (4,293)	\$ 43,841	\$ 54,008	\$ 95,020	\$ 35,000	\$ 51,951	\$ 181,971		
Net income (loss)	--	--	--	--	(740)	(740)	--	(261)	(1,001)		
Dividends paid	--	--	--	--	--	--	--	--	--		
Share based compensation	--	--	--	74	--	74	--	--	74		
Distributions to non-controlling members	--	--	--	--	--	--	--	(587)	(587)		
Balance June 30, 2024	1,479	\$ 1,464	\$ (4,293)	\$ 43,915	\$ 53,268	\$ 94,354	\$ 35,000	\$ 51,103	\$ 180,457		
Net income (loss)	--	--	--	--	(2,645)	(2,645)	--	(2,546)	(5,191)		
Dividends paid	--	--	--	--	--	--	--	--	--		
Share based compensation	--	--	--	52	--	52	--	--	52		
Distributions to non-controlling members	--	--	--	--	--	--	--	(892)	(892)		
Balance September 30, 2024	1,479	\$ 1,464	\$ (4,293)	\$ 43,967	\$ 50,623	\$ 91,761	\$ 35,000	\$ 47,665	\$ 174,426		

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Common Stock		Treasury Stock	Additional Paid-in-Capital	Retained Earnings	Equity Attributable to Common Shareholders	Non-Controlling Interests	Total Shareholders' Equity
	# of Shares	Amount						
Balance December 31, 2022	<u>1,479</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 43,249</u>	<u>\$ 52,715</u>	<u>\$ 93,135</u>	<u>\$ 59,057</u>	<u>\$ 152,192</u>
Net income	--	--	--	--	40,359	40,359	33,600	73,959
Dividends accrued	--	--	--	--	622	622	237	859
Changes in non-controlling interest	--	--	--	--	--	--	(4,164)	(4,164)
Share based compensation	--	--	--	166	--	166	--	166
Distributions to non-controlling members	--	--	--	--	--	--	(317)	(317)
Balance March 31, 2023	<u>1,479</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 43,415</u>	<u>\$ 93,696</u>	<u>\$ 134,282</u>	<u>\$ 88,413</u>	<u>\$ 222,695</u>
Net income	--	--	--	--	34,102	34,102	35,654	69,756
Dividends accrued	--	--	--	--	(29,918)	(29,918)	(21,639)	(51,557)
Share based compensation	--	--	--	167	--	167	--	167
Distributions to non-controlling members	--	--	--	--	--	--	(15)	(15)
Balance June 30, 2023	<u>1,479</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 43,582</u>	<u>\$ 97,880</u>	<u>\$ 138,633</u>	<u>\$ 102,413</u>	<u>\$ 241,046</u>
Net income	--	--	--	--	18,128	18,128	11,398	29,526
Dividends paid and accrued	--	--	--	--	(16,514)	(16,514)	(12,118)	(28,632)
Changes in non-controlling interest	--	--	--	--	--	--	19,969	19,969
Share based compensation	--	--	--	166	--	166	--	166
Distributions to non-controlling members	--	--	--	--	--	--	(235)	(235)
Balance September 30, 2023	<u>1,479</u>	<u>\$ 1,464</u>	<u>\$ (4,293)</u>	<u>\$ 43,748</u>	<u>\$ 99,494</u>	<u>\$ 140,413</u>	<u>\$ 121,427</u>	<u>\$ 261,840</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	For The Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net income	\$ (1,438)	\$ 171,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,654	12,412
Amortization of deferred loan costs and debt discount	362	2,597
Stock compensation expense	259	499
Gain on sale	--	(177,448)
Equity in gain of unconsolidated joint ventures	--	(683)
Loss on debt securities	2,767	--
Changes in accounts affecting operations:		
Accounts receivable, net	(1,910)	(380)
Prepaid expenses and other assets	4,049	2,557
Accounts payable and other liabilities	3,335	(8,233)
Net cash flows provided by operating activities	20,078	3,282
Cash flows from investing activities:		
Capital expenditures on investment properties	(6,084)	(5,568)
Net proceeds from sale of real estate	--	155,397
Investment in certificates of deposit	195	865
Proceeds from unconsolidated real estate companies, net	--	9,800
Net cash provided by investing activities	(5,889)	160,494
Cash flows from financing activities:		
Principal payments on mortgage loans payable	(4,336)	(4,084)
Principal payments on notes payable	(5,813)	--
Mortgage loan repayments	(25,617)	(61,120)
Mortgage loan proceeds	24,909	42,060
Dividends paid to shareholders	(21,112)	(108,425)
Distributions and dividends paid to non-controlling interest	(19,271)	(79,815)
Changes in non-controlling interest	--	15,805
Net cash flows used by financing activities	(51,240)	(195,579)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(37,051)	(31,803)
Cash, cash equivalents and restricted cash, beginning of period	61,618	95,488
Cash, cash equivalents and restricted cash, end of period	\$ 24,567	\$ 63,685
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest on continuing operations	\$ 13,065	\$ 14,047
Supplemental disclosure of non-cash investing and financing activities:		
Net capital expenditures recorded in accounts payable	\$ 239	\$ 1,359
Mortgage loan repayments in conjunction with asset sales	--	169,790

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 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 partnership agreement to manage and conduct the business of MOLP, subject to certain limited approval and voting rights of MOLP's 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 ("MOLP Units") (and corresponding limited partnership interests) in return for cash or other property that is contributed to MOLP. Holders of MOLP 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 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 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 Units are not entitled to rights as shareholders of the Trust prior to conversion of their MOLP 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 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, 2024, 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 Units own approximately 42.1% of the outstanding limited partnership interests in MOLP, which is represented by 865,560 MOLP 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 non-controlling MOLP Units outstanding).

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. In addition, as of September 30, 2024, 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 and other property interests (excluding properties held by MOF I, as discussed below):

<u>Property Name</u>	<u>Interest Percentage</u>
Frisco Square	52%
Kirkwood Station	63%
Leawood at Stateline	80%

Additionally, as of September 30, 2024, MOLP consolidates the following apartment communities owned by MOF I, an opportunity zone fund, which is a VIE for which the Trust is the primary beneficiary.

<u>Property Name</u>	<u>Ownership Percentage</u>
Metropolitan	37%
Town Park	37%

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 Florida, Kansas, Missouri, and Texas. The Trust, through its subsidiary and related entities, primarily owns and operates multifamily apartment communities. The Trust also owns a limited number of commercial properties. As of September 30, 2024, the Trust holds an interest in ten apartment communities (excluding properties owned by MOF I) consisting of 2,396 apartment homes and approximately 390,000 square feet of commercial space.

In March 2022, the Trust announced that it was undertaking a strategic review of its portfolio of properties to enhance shareholder value by taking advantage of the current market environment for multifamily housing. In furtherance of this process, the Trusts' Board of Trustees (the "Board") adopted a partial plan of liquidation in the second quarter of 2022. During the year ended December 31, 2022, the Trust sold 17 properties for aggregate net proceeds of approximately \$326.1 million. During the nine months ended September 30, 2023, the Trust sold six additional properties for net proceeds of approximately \$155.4 million. The Trust concluded its strategic review process in the fourth quarter of 2023. As a result, the Trust is no longer actively pursuing sales of assets or other strategic alternatives, and the Trust has returned to normal operations with a smaller asset base.

The Trust is continuing to assess various considerations relating to the conclusion of its strategic review process and capital allocation strategy for the near term. The Trust's regular monthly dividend payment will remain suspended while the Trust continues this assessment. Future dividend payments will depend on the ultimate results of this assessment. The Trust currently expects to reinstate regular monthly dividends at some point in the future. However, the reinstatement of regular monthly dividends will be subject to the ultimate results of this assessment and other considerations, and there can be no assurance as to the timing of any future reinstatement of regular monthly dividends or the levels of any such dividends. If the Trust elects to reinstate regular monthly dividends in the future, such dividends will be at reduced levels compared to historical periods as a result of the number of properties sold pursuant to the strategic review process. In addition, future dividend payments will be subject to: contractual, legal and other restrictions; Board discretion; our future capital and liquidity needs; and REIT-related and other tax rules and regulations.

(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 right 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 considered VIEs because 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.

MOLP holds a 36.5% interest in the limited liability companies that own the assets in MOF I. MOF I is a VIE and the Trust is the primary beneficiary. As a result, the consolidated financial statements of the Trust include MOF I.

MOLP 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 became the primary beneficiary during the third quarter of 2020. As a result, the 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 consolidated financial statements. The most significant assumptions and estimates relate to the accounting for the fair value of debt securities and notes receivable. 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 nine months or less. Cash and cash equivalents consist of the Trust’s bank-demand deposits and investments in a money market mutual fund. We have a total of \$3.2 million in depository accounts in excess of Federal Deposit Insurance Corporation (“FDIC”) insured limits, including \$2.6 million in excess of FDIC insured limits held by a bank affiliated with a related party as discussed in Note 4 (Related Party Transactions).

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, 2024	December 31, 2023
Real estate tax and insurance escrow	\$ 12,095	\$ 4,932
Capital improvements reserve	5,126	4,257
Other	1,160	1,644
Total Restricted Cash	<u>\$ 18,381</u>	<u>\$ 10,833</u>

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, 2024 and December 31, 2023 in the amounts 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 combination or an acquisition of assets. The majority of our acquisitions are accounted for as asset acquisitions in accordance with *ASC Topic 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, but in an asset acquisition, such costs are included in the cost of the acquired asset. 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, such 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, 2024 and December 31, 2023:

(amounts in thousands)	September 30, 2024	December 31, 2023
In-place leases, net of accumulated amortization of \$11.5 million and \$10.1 million, respectively	\$ 2,025	\$ 3,393
Contract assets, net of accumulated amortization of \$547 thousand and \$476 thousand, respectively	452	523
Goodwill	4,710	4,710
Tax abatement, net of accumulated amortization of \$1.3 million and \$1.2 million, respectively	3,776	3,968
Right of use asset, net of accumulated amortization of \$460 thousand and \$350 thousand, respectively	207	317
Other, net of accumulated amortization of \$1.6 million and \$1.3 million, respectively	5,194	4,974
Total	<u>\$ 16,364</u>	<u>\$ 17,885</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 \$1.4 million and \$1.0 million the nine months ended September 30, 2024 and 2023, respectively.

At both September 30, 2024 and December 31, 2023, 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 *ASC Topic 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 \$3.8 million of net tax abatement related to MOF I's purchase of Town Park as of September 30, 2024, which was recorded as an intangible asset on our condensed consolidated balance sheet. The initial 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 also 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.

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.

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. 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. The Trust had six properties meeting these criteria as of September 30, 2023, and therefore, discontinued operations are reported for all periods presented in these financial statements.

A property is classified as held for sale when (i) the Board commits to a plan to sell the property 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 that significant changes to the plan will be made or the plan will be withdrawn. Assets held for sale are measured at the lesser of the asset's carrying value or fair value less costs to sell in accordance with *ASC Topic 360-10*. There were no properties classified as held for sale as of September 30, 2024.

g. 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 limited liability companies ("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. 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, 2024.

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.

h. Non-controlling Interests in Maxus Operating Limited Partnership

Non-controlling interests in MOLP consist of MOLP 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 MOLP Units based on the proportionate number of MOLP Units outstanding during the period. As of September 30, 2024, the non-controlling holders of MOLP Units had an ownership interest in MOLP of approximately 42.1%.

i. Revenue Recognition

Management accounts for property revenue in accordance with *ASC Topic 842, "Leases."* We primarily lease apartment units under operating leases with terms typically 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 because (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.

j. 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, 2024 and December 31, 2023, 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 and notes payable to related parties fall within Level 3 of the fair value hierarchy. The carrying amount and estimated fair value of the Trust's debt at September 30, 2024 and December 31, 2023 are summarized as follows (including debt of VIEs):

(in thousands):	September 30, 2024				December 31, 2023			
	<u>Carrying</u>		<u>Estimated</u>		<u>Carrying</u>		<u>Estimated</u>	
	<u>Amount</u>		<u>Fair value</u>		<u>Amount</u>		<u>Fair value</u>	
<u>Mortgage Loans Payable</u>								
Fixed rate notes, net	\$	306,224	\$	287,793	\$	313,003	\$	286,855
Floating rate notes	\$	12,866	\$	12,866	\$	12,965	\$	12,965
 <u>Notes Payable</u>								
Fixed rate notes	\$	31,684	\$	31,684	\$	37,497	\$	37,497
Variable rate note	\$	--	\$	--	\$	--	\$	--

k. 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.

l. 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 that 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 had no federal net operating loss carryovers at September 30, 2024.

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 IRC and all state jurisdictions where it operates would require the establishment of reserves or related accruals for interest and penalties. 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 2020.

m. Share Based Compensation

The Trust grants restricted shares to employees pursuant to the Maxus Realty Trust, Inc. 2020 Equity Incentive Plan (the "Plan"). The Trust amortizes the expense related to the restricted shares awarded to employees under the Plan on a straight-line basis over the future vesting period. Expense recognized related to restricted share awards is included in general and administrative expense in the accompanying consolidated statements of income in the amount of \$259 thousand and \$499 thousand for the nine months ended September 30, 2024 and September 30, 2023, respectively.

(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, 2024	
	September 30, 2024	December 31, 2023	Weighted Average Rate	Weighted Average Maturity (in years)
Fixed rate mortgages	\$ 308,278	\$ 313,003	4.25%	4.2
Variable rate mortgages	12,866	12,965	7.49%	1.6
Total mortgage loans payable	321,144	352,968		
Debt issuance costs	(2,054)	(2,196)		
Net mortgage loans payable	\$ 319,090	\$ 323,772		

Substantially all of our mortgages are originated through Fannie Mae, Freddie Mac, or the U.S. Department of Housing and Urban Development. Mortgages related to Fannie Mae and Freddie Mac are non-recourse and secured by the subject properties. These loans are also subject to provisions of a limited carve-out guarantee from MOLP if certain provisions in the loan agreement are breached. 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, 2024:

Year	Amount (in thousands)
2024	\$ 1,341
2025	5,405
2026	72,724
2027	75,632
2028	84,514
Thereafter	81,528
Total mortgage loans payable	321,144
Debt issuance cost	(2,054)
Total	\$ 319,090

In December 2023, the Trust entered into a note payable of \$37.5 million. The note carries a fixed interest rate of 9.5% and has a maturity date of December 15, 2025, which can be extended for up to an additional year. The note is secured by all of the Trust's debt securities and notes receivable. In addition, the Trust granted a security interest in the insurance judgment related to the Metropolitan fire. All of the proceeds from this loan were utilized to pay the January 12, 2024 dividend discussed in Note 9.

Certain of our mortgage loans payable and notes payable are subject to restrictive financial covenants. Those covenants include minimum debt service coverage requirements ("DSCR"). The mortgage loan related to Viera requires a minimum DSCR of 1.25. As of December 31, 2023, the DSCR for Viera was 1.15. As a result, the Trust obtained a waiver of this requirement from the lender on March 4, 2024. As a condition of receiving the waiver, the Trust deposited an amount in escrow totaling \$277 thousand with the lender. That amount will remain in escrow until such time as the minimum DSCR is met. We anticipate that we will meet the minimum DSCR requirement for the required testing date at December 31, 2024.

As of September 30, 2024, the Trust was in compliance with all other covenants related to its mortgage loans and notes payable.

(4) RELATED PARTY TRANSACTIONS

For the nine-month periods ended September 30, 2024 and 2023, the Trust was paid fees totaling \$1.4 million and \$1.5 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. As of September 30, 2024, the properties pay a management fee of between 3% and 5% of receipts.

As of September 30, 2024, the Trust (i) has operating cash of approximately \$3.2 million on deposit with Verimore Bank, (ii) holds certificates of deposit of approximately \$677 thousand with Verimore Bank, and (iii) has cash in money market accounts in the amount of \$1.6 million with Verimore Bank. 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. David L. Johnson, Chairman of the Board, President and Chief Executive Officer of the Trust, owns approximately 24.0% of Verimore Bank's outstanding common stock. Mr. Johnson is also a member of Verimore Bank's Board of Directors. Jose L. Evans, a trustee of the Trust ("Trustee"), also holds approximately 4.1% of Verimore Bank's outstanding common stock. Christopher J. Garlich, a Trustee, individually and through an affiliate, holds approximately 8.6% of Verimore Bank's outstanding common stock. Gregory J. Orman, a Trustee, owns less than 1.0% of Verimore Bank'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 0.7% to 5.91% per annum as of September 30, 2024 and December 31, 2023. As of September 30, 2024, \$2.6 million is held in excess of FDIC insurance limits from certain operating accounts.

For certain of our acquisitions, dispositions and mortgage loan refinancings, the Trust has used Assured Quality Title ("AQT") as the title company. AQT is wholly owned by Mr. Evans, a shareholder and Trustee. The Trust incurred fees of \$0 and \$114 thousand for services provided by AQT for the nine months ended September 30, 2024 and 2023, respectively.

The Manager leases office space from an affiliate of Mr. Johnson and Monte G. McDowell, a Trustee. The lease term is five years and requires monthly rent payments of approximately \$15 thousand. The Trust accounts for this lease as an operating lease in accordance with *ASC Topic 842*. The Trust recorded a right-of-use asset and lease liability of \$667 thousand at lease commencement and recognized lease expense of approximately \$109 thousand and \$97 thousand during the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the Trust had a remaining right-of-use asset and corresponding lease liability of \$207 thousand.

The Trust advanced \$685,000 to Maxus Vue Opportunity Fund ("Vue OF") during the nine months ended September 30, 2024. The Trust is the managing member of Vue OF, but the Trust does not have any economic ownership interest in Vue OF. The advance carries an annual interest rate of 9.0%, which is paid monthly.

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, 2024:

<u>Name of Subsidiary</u>	<u>Amount of Capital Contributed by Affiliates (amounts in thousands)</u>	<u>Affiliate Ownership</u>	<u>Percent of Affiliate Ownership</u>
Kirkwood Station	\$ 1,235	(1)	34.87 %
Leawood at Stateline	1,233	(2)	19.80
Frisco Square	2,336	(3)	17.29
MOLP	39,739	(4)	61.86

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

⁽²⁾ Affiliates of Christopher J. Garlich and Jose L. Evans

⁽³⁾ Affiliates of Jose L. Evans, Christopher J. Garlich, Monte G. McDowell, and David L. Johnson

⁽⁴⁾ Affiliates of Jose L. Evans, Christopher J. Garlich, Monte G. 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 \$19.3 million and \$79.8 million for the nine months ended September 30, 2024 and 2023, respectively, including distributions to holders of MOLP Units.

(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 Trust had no asset acquisitions for the nine months ended September 30, 2024.

Dispositions

The Trust had no dispositions during the nine months ended September 30, 2024. The following table summarizes the Trust's dispositions during the nine months ended September 30, 2023, in thousands:

<u>Property Name</u>	<u>Transaction Date</u>	<u>Sales Price</u>	<u>Gain on Sale</u>	<u>Net Proceeds</u>
Olde Oak	January 19, 2023	\$ 41,100	\$ 22,887	\$ 16,309
Rosehill Pointe	February 1, 2023	80,250	50,867	37,479
River Vista	April 19, 2023	41,000	11,712	17,653
Madison at Melrose	May 25, 2023	44,000	30,071	20,813
Astoria	June 30, 2023	53,500	29,136	30,699
Foothills	September 7, 2023	68,000	32,775	32,444
Total		\$ 327,850	\$ 177,448	\$ 155,397

(6) INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

On January 27, 2023, the Trust was repaid \$10.1 million related to its joint venture membership interest in the limited liability company owning the 23rd and Swift apartment development project. This repayment resulted in a gain recognized by the Trust of \$0.3 million.

On September 11, 2023, an entity controlled by Mr. Johnson completed a \$35.0 million preferred equity investment in MOF I. The investment earns a cumulative preferred return of 7.0%. The proceeds from the investment were used by MOF I to repay in full the mortgage loan for the Metropolitan totaling \$30.7 million and to partially repay advances from the Trust. The total preferred return paid during the nine months ended September 30, 2024 was \$1.8 million.

(7) DEBT SECURITIES AND NOTES RECEIVABLE AT FAIR VALUE

On October 2, 2024, a property in North Carolina that the Trust had provided mezzanine financing was sold. The sales proceeds were not sufficient to repay the Trust. As a result, the Trust recognized a loss of \$2.7 million during the three and nine months ended September 30, 2024. The Trust has initiated proceedings to recover approximately \$6.7 million from certain guarantors. It is not possible at this time to determine the likelihood or amount of recovery.

(8) MAXUS OPPORTUNITY FUND I

During the first quarter of 2023, the Trust completed the construction repairs on all phases of the Metropolitan apartment community, including the rebuild of the phase destroyed by the fire. The total insurable cost of the repairs was in excess of \$29.0 million, excluding lost business income. The insurance company had estimated the cost to complete the repairs to be an amount materially less than our estimate. To date, Metropolitan has received approximately \$13.0 million in insurance proceeds. As a result, Metropolitan initiated litigation against the insurance carrier to enforce its rights under the policy. On August 3, 2023, a jury in the United States District Court for the Western District of Missouri found that the insurance carrier breached its obligations under the insurance policy and awarded all compensatory damages sought by Metropolitan. The damages award totaled \$23.1 million related to fire damage and remediation and \$4.2 million for lost business income. The jury also determined that Metropolitan is entitled to an award for the insurance company's vexatious refusal to pay the claim in excess of \$500,000 and recovery of attorney fees, which total approximately \$3.1 million. Finally, as a result of the jury's award, Metropolitan is entitled to prejudgment interest, which is approximately \$6.4 million.

In January 2024, the insurance carrier filed notice of appeal. Concurrent with that filing, the carrier made a payment to Metropolitan totaling \$5.8 million, which included \$5.6 million for partial payment of the damages award and \$0.2 million for post-judgement interest. All remaining amounts due under the judgement remain subject to appeal.

The Trust has advanced \$41.2 million to MOF I as of September 30, 2024, and has accrued interest receivable of approximately \$7.9 million. This amount is eliminated in the consolidated financial statements. The amount received from the insurance carrier in January 2024 was used to pay down the advances by \$5.8 million. Virtually all of the remaining amount resulting from the jury's award will be used to pay down the advance when received.

In June 2022, Metropolitan initiated litigation in Alabama against 12 subcontractors involved in the initial construction of the Metropolitan, alleging various construction defects. In October 2024, the Metropolitan reached a settlement agreement with all subcontractor defendants, which resulted in a recovery for damages of \$6.2 million. We anticipate that the majority of the settlement will be used to pay back advances from the Trust.

(9) 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 10-day trading period on the OTC market preceding the redemption.

Dividends

The Board of Trustees declared a monthly dividend of \$0.60 per share for each month between January 2021 and December 2022. On December 2, 2022, the Board of Trustees declared a special dividend of \$100 per share, which was paid on December 22, 2022 to shareholders of record on December 12, 2022. In conjunction with the announcement of the first special dividend, the Board of Trustees announced the suspension of the regular monthly dividend following the payment of December's regular monthly dividend. On December 22, 2022, the Board of Trustees declared a second special dividend of \$53 per share, which was paid on January 31, 2023 to shareholders of record on December 30, 2022.

On June 7, 2023, the Board of Trustees declared a third special dividend of \$25 per share, which was paid on June 22, 2023 to shareholders of record on June 9, 2023. On August 17, 2023, the Board of Trustees declared a fourth special dividend of \$14 per share, which is paid on September 8, 2023 to shareholders of record on August 28, 2023. On November 16, 2023, the board declared a fifth special dividend of \$17 per share, which was paid on December 11, 2023 to shareholders of record on November 30, 2023. On December 15, 2023, the Board of Trustees declared a sixth special dividend of \$18.50 per share, which was paid on January 12, 2024 to shareholders of record on December 28, 2023.

(10) EARNINGS PER SHARE (EPS)

The Trust calculates earnings per share ("EPS") based on the weighted-average number of shares of common stock and dilutive convertible securities outstanding during the period. The exchange of MOLP Units into common shares of the Trust 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

(11) INCENTIVE COMPENSATION PLAN

On February 27, 2020, the Trust adopted the Plan, which allows the 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 20,000 shares of common stock are available to be awarded. In total, since adoption of the Plan, the Board has awarded 16,050 shares of restricted stock to certain employees of the Trust. The awards are subject to service requirements and vest ratably over four years.

A summary of the Company's share-based compensation activity and related information is as follows:

	Number of Shares	Weighted Avg. Grant Date Fair Value (in thousands)	Weighted Avg. Life Remaining
Outstanding at December 31, 2023	4,058	\$2,680	0.7
Granted	--	--	
Vested	(3,429)	--	
Forfeited	(255)	--	
Outstanding at September 30, 2024	374	\$2,680	0.6

The holders of restricted share 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, 2024. At September 30, 2024, unamortized share-based compensation expense related to restricted stock awards was \$0.3 million.

(12) DISCONTINUED OPERATIONS

During the nine-month period ended September 30, 2023, the Trust determined that six of its assets met the criteria to be classified as discontinued operations. There were no properties included in discontinued operations for the six-month period ended September 30, 2024.

The operating results related to discontinued operations are as follows (amounts in thousands):

	For the Three Months Ended September 30, 2023	For The Nine Months Ended September 30, 2023
Property revenue	\$ 725	\$ 7,605
Other	287	942
Total revenues	1,012	8,547
Depreciation and amortization	--	196
Payroll expense	330	1,481
Real estate taxes	114	1,495
Utilities	106	969
Repairs and maintenance	159	824
Other property operating expenses	349	2,660
Income (loss) from discontinued operations before other items	(46)	922
Interest expense	(533)	(2,976)
Gain from insurance recovery	--	--
Gain on sale	32,775	177,448
Income from discontinued operations	\$ 32,196	\$ 175,394

The cash flow results related to discontinued operations are as follows (amounts in thousands):

	For The Nine Months Ended September 30, 2023
Depreciation and amortization	\$ 196
Capital expenditures	(419)
Proceeds from sales	155,397
Principal payments on mortgage loans payable	(721)
Mortgage loans payable repayments	--

(13) 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 are likely to have a material adverse effect on the Trust's financial position, results of operations or cash flows.

(14) SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through November 14, 2024, which is the date the condensed consolidated financial statements were available to be issued. The Trust is not aware of any additional subsequent events.

CERTIFICATION

I, David L. Johnson, certify that:

1. I have reviewed this quarterly report for the nine months ended September 30, 2024 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: November 15, 2024

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, 2024 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: November 15, 2024

By: /s/ Ryan G. Snyder

Ryan G. Snyder
Chief Financial Officer, Principal Accounting Officer,
Vice President