MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

ISSUER INFORMATION

Title and class of security:	Common Shares ($1 par value)
Transfer Agent:	Merchants' National Properties, Inc. 10 Grand Central 155 East 44th Street New York, NY 10017
President and Chief Executive Officer:	Craig M. Deitelzweig (Director)
Board of Directors:	James M. Better (Chairman) Leonard S. Gruenberg Mark Magowan James Magowan Matthew Maguire Richard Schosberg James Stern John Usdan
Issuer's telephone number:	(212) 557-1400

Number of shares outstanding of common stock as of May 20, 2024: 90,598

FINANCIAL INFORMATION

The information furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, changes in stockholders' equity and cash flows reflect all adjustments, consisting solely of normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned consolidated financial statements.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this letter and the attached report of Merchants' National Properties, Inc., and Subsidiaries ("MNP") may be considered forward-looking statements. Additionally, MNP or the executive officers on MNP's behalf, may from time to time make forward-looking statements in reports and other documents or in connection with written or oral statements made to the press, potential investors, or others.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "continue," "anticipate" or other similar words. However, the absence of these or similar words or expressions do not mean that a statement is not forward-looking. Forward-looking statements are not guarantees of performance and are based on certain assumptions. Forward-looking statements may include the discussion of future expectations or description of plans and strategies and may contain projections of results of operations or of financial condition or other forward-looking information. Expected future net income (loss) depends on many factors including among others expected uses of cash generated from operations, expected sources and adequacy of capital resources and liquidity. Any deviation from these assumptions may lead to fluctuations in future net income (loss).

Any such forward-looking statements are based on a number of assumptions involving judgments and are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from our historical experience and our present expectations. Accordingly, readers are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this report. MNP makes no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and MNP does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

May 20, 2024

To our Stockholders:

Attached are Merchants' National Properties, Inc.'s ("MNP" or the "Company") unaudited consolidated financial statements for the three months ended March 31, 2024 and 2023. These statements have been filed with the OTC Markets.

Financial Highlights:

For the three months ended March 31, 2024, the Company reported grossed-up rental and other income of $14.7 million, as compared to $14.2 million for the three months ended March 31, 2023. For the three months ended March 31, 2024, the Company reported grossed-up operating income of $6.8 million, as compared to $6.5 million for the three months ended March 31, 2023. Combined with the $8.5 million increase in the value of marketable securities in 2024, the Company reported grossed-up earnings before interest, taxes, depreciation and amortization ("EBITDA") of $14.7 million for the three months ended March 31, 2024 as compared to $9.3 million for the three months ended March 31, 2023, caused primarily by the $2.6 million increase in the value of marketable securities in 2023. Finally, for the three months ended March 31, 2024, the Company reported a net income of $7.3 million, as compared to $3.2 million for the three months ended March 31, 2023.

Including non-recurring gains and losses, net of taxes, the reportable earnings per share for the three months ended March 31, 2024 was $80.81 as compared to $34.81 for the three months ended March 31, 2023.

For the three months ended March 31, 2024, stockholders' equity increased by $7.3 million with a corresponding increase in book value per share to $2,369 at March 31, 2024 from $2,259 at March 31, 2023. The Company paid $80.00 per share in dividends in 2023. The Board approved an interim 2024 dividend of $25.00 per share, which was paid on May 8, 2024.

MNP purchased 21 shares during the three months ended March 31, 2024 at an average cost of $1,438 per share. No shares were purchased by MNP during the three months ended March 31, 2023. As of March 31, 2024 and 2023, 90,602 and 90,674 shares of common stock were outstanding, respectively.

Accounting principles generally accepted in the United States of America ("GAAP") require unrealized gains and losses of marketable securities to be included in net income. This standard has driven substantial swings in earnings during the reporting periods. As a result of these influences, we believe the most useful metric for assessing our performance is "Operating Income As Grossed-Up."

The following table provides a side-by-side comparison of MNP's March 31, 2024 vs. March 31, 2023 consolidated statements of operations in accordance with GAAP and "As Grossed-Up", a non-GAAP measure, which provides more transparency to MNP's share of the underlying assets' revenues and expenses which flow up to MNP from various real estate investments.

INCOME STATEMENT OVERVIEW
GAAP vs. As Grossed-Up

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		
	As Unaudited	**As Grossed-Up**	**As Unaudited**	**As Grossed-Up**	
Rental and other income	$ 4,359,808	$ 14,747,446	$ 4,532,801	$ 14,215,874	
Equity in earnings of real estate ventures	1,831,042	-	1,533,399	-	
Operating expenses	(3,510,870)	(7,933,746)	(3,521,731)	(7,705,980)	
Operating income	**2,679,980**	**6,813,700**	**2,544,469**	**6,509,894**	
Investment income	507,417	686,553	414,719	570,108	
Unrealized gain on marketable securities	8,506,815	8,530,494	2,556,412	2,558,494	(A)
Unrealized loss on swap contracts	(1,270,907)	(1,323,986)	(245,714)	(292,887)	(B)
EBITDA	**10,423,305**	**14,706,761**	**5,269,886**	**9,345,609**	
Financing expense	(456,297)	(2,106,802)	(433,071)	(2,038,225)	
Depreciation and amortization expense	(844,349)	(3,386,818)	(947,036)	(3,326,328)	
Income taxes	(886,587)	(977,069)	(859,500)	(950,777)	
Income taxes - deferred	(1,262,575)	(1,262,575)	21,872	21,872	
Net income	**6,973,497**	**6,973,497**	**3,052,151**	**3,052,151**	
Noncontrolling interests in loss of consolidated subsidiaries	349,787	349,787	104,505	104,505	
Net income attributable to Merchants' National Properties, Inc.	**$ 7,323,284**	**$ 7,323,284**	**$ 3,156,656**	**$ 3,156,656**	

The following is a description of some of the factors which impacted the As Unaudited and As Grossed-Up net income for the three months ended March 31, 2024 and 2023, respectively.

(A) Including the unrealized gains in marketable securities, as required under GAAP, the grossed-up income before taxes increased to $14.7 million for the three months ended March 31, 2024, as compared to $9.3 million for the three months ended March 31, 2023.

(B) In accordance with GAAP, the Company recognizes derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. Changes in fair value will affect either accumulated other comprehensive income or loss, which is a component of equity, if the derivative qualifies as a hedge and is effective, or net income or loss, if the derivative does not qualify as a hedge or if the hedge is ineffective. For the three months ended March 31, 2024, this change in fair value has resulted in decreasing grossed-up income before taxes by $1.3 million, compared to $0.3 million for the three months ended March 31, 2023.

Respectfully submitted,

Craig M. Deitelzweig
President, Chief Executive Officer and Director

James M. Better
Chairman of the Board of Directors

MERCHANTS' NATIONAL PROPERTIES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

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MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
ASSETS		
Rental properties, net	$ 73,190,000	$ 73,655,113
Marketable securities	76,884,712	68,377,897
Investments in real estate ventures	114,837,960	114,972,990
Cash and cash equivalents	21,223,992	19,982,366
Restricted cash	204,222	498,854
Tenant security deposits in escrow	508,173	508,173
Receivables:		
Loans, real estate ventures	3,645,131	3,477,475
Affiliated real estate ventures	67,745	544,479
Employees	2,846,534	2,783,520
Related parties	3,077,272	1,447,813
Tax refund	141,138	42,398
Deferred rent	2,824,848	2,731,938
Tenants	194,180	268,825
Other	1,277,204	1,338,294
Interest rate swaps	-	936,437
Prepaid expenses and other assets, net of accumulated amortization of $1,146,013 and $1,105,993 in 2024 and 2023, respectively	1,673,066	1,805,043
In-place leases, net of accumulated amortization of $1,774,077 and $1,638,623 in 2024 and 2023, respectively	4,949,453	5,084,907
Operating lease right-of-use asset	1,011,747	1,059,433
Prepaid income taxes	997,518	1,652,003
Deferred tax assets	4,669,633	3,950,091
Total assets	**$ 314,224,528**	**$ 305,118,049**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 3,510,339	$ 3,210,325
Below-market leases, net of accumulated amortization of $412,232 and $375,377 in 2024 and 2023, respectively	1,920,671	1,957,526
Operating lease liability	1,031,495	1,077,976
Security deposits	595,071	595,071
Interest rate swaps	334,470	-
Due to affiliate	11,054	40,442
Mortgages payable, less unamortized debt issuance costs of $249,211 and $263,479 in 2024 and 2023, respectively	41,129,864	41,307,183
Deferred tax liabilities	38,724,369	36,742,252
Total liabilities	**87,257,333**	**84,930,775**
Stockholders' Equity		
Common stock, $1 par value; 187,000 shares authorized, 105,199 shares issued (shares outstanding, 90,602 and 90,623 in 2024 and 2023, respectively)	105,199	105,199
Additional paid-in capital	1,146,317	1,146,317
Retained earnings	230,379,065	223,055,781
Treasury stock, at cost (14,597 and 14,576 shares in 2024 and 2023, respectively)	(16,931,164)	(16,900,975)
Total stockholders' equity	**214,699,417**	**207,406,322**
Noncontrolling interests	12,267,778	12,780,952
	226,967,195	**220,187,274**
Total liabilities and stockholders' equity	**$ 314,224,528**	**$ 305,118,049**

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
Revenues		
Rental revenues	$ 1,982,749	$ 2,331,022
Management fees	923,544	828,902
Leasing commissions	385,313	427,394
Development and buildout fees	250,004	232,302
Property personnel fees	492,374	442,759
Other revenues	325,824	270,422
Total revenues	**4,359,808**	**4,532,801**
Operating Expenses		
Real estate taxes	339,430	387,590
Depreciation and amortization	844,349	947,036
Other operating expenses	468,501	502,850
Financing expenses	456,297	433,071
Total operating expenses	**2,108,577**	**2,270,547**
Net revenues from rentals and other income	**2,251,231**	**2,262,254**
Equity in earnings from real estate ventures, net	1,831,042	1,533,399
Investment income	507,417	414,719
Unrealized gain on marketable securities	8,506,815	2,556,412
Unrealized loss on interest rate swaps	(1,270,907)	(245,714)
Net income before general and administrative expenses and other costs and income tax expense	**11,825,598**	**6,521,070**
General and administrative expenses and other costs		
Professional fees	96,435	123,128
Salaries and other general expenses	2,606,504	2,508,163
Total general and administrative expenses and other costs	**2,702,939**	**2,631,291**
Net income before income tax expense	**9,122,659**	**3,889,779**
Income tax expense	2,149,162	837,628
Net income	**6,973,497**	**3,052,151**
Noncontrolling interests in loss of consolidated subsidiaries	349,787	104,505
Net income attributable to Merchants' National Properties, Inc.	**$ 7,323,284**	**$ 3,156,656**
Basic and diluted earnings per share	$ 80.81	$ 34.81
Weighted average number of common shares outstanding		
Basic and diluted	90,621	90,674

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Non-Controlling Interests	Total Equity
	Shares	Amount			Shares	Amount		
Balance, January 1, 2023	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ 217,273,778**	**(14,525)**	**$ (16,830,745)**	**$ 13,099,182**	**$ 214,793,731**
Net income (loss)	-	-	-	3,156,656	-	-	(104,505)	3,052,151
Capital distributions	-	-	-	-	-	-	(7,248)	(7,248)
Balance, March 31, 2023 (unaudited)	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ 220,430,434**	**(14,525)**	**$ (16,830,745)**	**$ 12,987,429**	**$ 217,838,634**
Balance, January 1, 2024	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ 223,055,781**	**(14,576)**	**$ (16,900,975)**	**$ 12,780,952**	**$ 220,187,274**
Acquisition of treasury stock	-	-	-	-	(21)	(30,189)	-	(30,189)
Net income (loss)	-	-	-	7,323,284	-	-	(349,787)	6,973,497
Capital distributions	-	-	-	-	-	-	(163,387)	(163,387)
Balance, March 31, 2024 (unaudited)	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ 230,379,065**	**(14,597)**	**(16,931,164)**	**$ 12,267,778**	**$ 226,967,195**

* See Note 1 for description of the transaction

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
Cash flows from operating activities		
Net income (loss)	$ 6,973,497	$ (3,522,794)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	626,296	2,442,877
Amortization of deferred leasing costs	82,598	238,191
Amortization of debt issuance costs included in financing expenses	14,268	117,080
Amortization of below-market leases	(36,855)	(144,333)
Amortization of in-place leases	135,454	556,140
Provision (benefit) for deferred taxes	1,262,575	(1,627,963)
Accrued interest on loans receivable, real estate ventures	(42,654)	(75,000)
Equity in earnings of investments in real estate ventures, net	(1,831,042)	(7,260,691)
Unrealized loss (gain) on interest rate swaps	1,270,907	(1,759,923)
Loss on abandonment of investment in real estate venture	-	527,058
Unrealized (gain) loss on marketable securities	(8,506,815)	13,921,867
Changes in assets and liabilities		
Receivables - affiliated real estate ventures	476,734	176,662
Receivables - employees	(63,014)	(1,242,954)
Receivables - related parties	(1,629,459)	930,789
Receivables - tax refund	(98,740)	(500)
Receivables - deferred rent	(92,910)	(392,499)
Receivables - tenants	74,645	-
Receivables - other	61,090	249,065
Prepaid expenses and other assets	49,379	(241,260)
Change in operating lease right-of-use asset	47,686	180,593
Prepaid income taxes	654,485	(295,355)
Accounts payable and accrued expenses	439,006	1,482,111
Change in operating lease liability	(46,481)	(171,322)
Security deposits	-	116,907
Due to affiliate	(29,388)	405,000
Net cash (used in) provided by operating activities	**(208,738)**	**4,609,746**
Cash flows from investing activities		
Contributions to investments in real estate ventures	-	(4,078,630)
Distributions from investments in real estate ventures	1,966,072	11,523,866
Loans - affiliated real estate ventures	(125,002)	-
Purchase of rental properties	-	(18,020,925)
Additions to buildings and improvements	(300,175)	-
Intangible asset available for sale	-	(25,895)
Net cash provided by (used in) investing activities	**1,540,895**	**(10,601,584)**
Cash flows from financing activities		
Purchase of treasury stock	(30,189)	(1,434,870)
Payment of dividends	-	(6,385,255)
Capital contributions from noncontrolling interests	-	1,098,250
Capital distributions to noncontrolling interests	(163,387)	(275,016)
Principal payments of mortgages payable	(191,587)	(888,426)
Proceeds from mortgage payable	-	16,620,000
Debt issuance costs	-	(158,314)
Net cash (used in) provided by financing activities	**(385,163)**	**8,576,369**
Net increase in cash and cash equivalents, restricted cash and tenant security deposits in escrow	**946,994**	**2,584,531**
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period	20,989,393	22,210,015
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period	**$ 21,936,387**	**$ 24,794,546**

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2024 (unaudited)	2023 (unaudited)
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period		
Cash and cash equivalents	$ 19,982,366	$ 20,983,236
Restricted cash	498,854	749,857
Tenant security deposits in escrow	508,173	476,922
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period	**$ 20,989,393**	**$ 22,210,015**
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period		
Cash and cash equivalents	$ 21,223,992	$ 19,985,725
Restricted cash	204,222	751,442
Tenant security deposits in escrow	508,173	468,776
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period	**$ 21,936,387**	**$ 21,205,943**
Supplemental cash flow disclosures		
Interest paid	$ 440,936	$ 408,802
Income taxes paid - net of refunds of $3,460 and $40,500, respectively	326,831	2,428,516
Supplemental non-cash investing and financing activities		
Capital improvements included in accounts payable and accrued expenses	138,992	191,104
Write-off of fully amortized deferred lease costs	42,578	153,786

See notes to consolidated financial statements.

1 – ORGANIZATION

Merchants' National Properties, Inc. ("Merchants"), Guest Realty Company ("Guest"), Marx Realty & Improvement Co. Inc. ("Marx"), Maryland Stores Corporation ("Maryland"), Rier Realty Co., Inc. ("Rier"), East Putnam Ave. I, LLC ("Putnam"), The M&B Building Owners II, LLC ("Bethpage"), Brahmin Realty Associates, LLC ("Brahmin"), Madison Syndicate ("Madison"), University Plaza Joint Venture LLC ("University"), Athens Joint Venture LLC ("Athens"), Bell Blvd. Partners ("Bell"), Orange Syndicate ("Orange") and MNP 2121 Wisconsin Ave LLC ("MNP 2121") own, manage, develop and lease various commercial real estate properties and invest in real estate ventures in the United States (collectively, these entities are referred to as the "Company"). Guest, Marx, Maryland and Rier (the "Acquired Entities") were acquired in the transaction discussed below.

On November 21, 2006, Merchants acquired certain shares of stock and partnership interests in the Acquired Entities and other joint venture interests from the estate of a Merchants' former stockholder for a total cost of $41,661,149 in cash. There were no significant liabilities assumed upon acquisition. The purchase price was allocated to the real estate and partnership interests based on their fair values. No goodwill or intangible assets were recorded.

On November 8, 2012, Putnam was formed to acquire property, which was developed into a commercial and residential project. Merchants owned 92.75% of Putnam. On August 30, 2023, Putnam sold the East Putnam property in Greenwich, CT for $5.1 million, which resulted in a gain on sale of $295,680.

On July 16, 2013, Bethpage was formed to acquire land for the purpose of net leasing or developing it into a commercial project. Merchants owns 95.70% of Bethpage.

In October 2014, Brahmin was formed to acquire a 50% tenancy-in-common interest in three real properties. Merchants owns 59.40% of Brahmin.

On September 11, 2015, Merchants acquired an additional 8.05% interest in the members' equity of University, which resulted in 57.88% interest in the members' equity of University.

During 2020, Merchants consolidated its investment in Athens pursuant to a Plan of Redemption and Partition whereby Merchants' ownership interest increased from 45.3332% to 90.6664%, when Athens took full ownership of the retail condominium unit at 819 7th Street NW, Washington, D.C. in exchange for its ownership interest in a commercial property in Pittsburgh, PA.

During 2020, Merchants consolidated its investment in Bell to reflect the increase in its ownership interest in Bell from 33.25% to 66.5% after the acquisition of the fifth-floor commercial condominium unit at 819 7th Street NW, Washington, D.C.

On February 2, 2022, Merchants acquired a 4-story office building, located at 2121 Wisconsin Avenue NW in Washington, D.C. ("Wisconsin"), for approximately $27.7 million. This property was acquired through a newly formed tenancy-in-common ("TIC") between Lenox Avenue I, LLC owned by Orange, with an 82% TIC interest and MNP 2121, with an 18% TIC interest. Orange acquired Wisconsin with the proceeds from the sale of its Miami, FL property. In 2022, Merchants ownership interest in Orange increased from 48.5607% to 72.48%. Merchants' ownership interest in MNP 2121 is 52.25%. As a result, Merchants collectively owns 68.62% of Wisconsin (59.21% through Orange and 9.41% through MNP 2121).

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Merchants and its subsidiaries; Guest, a 100% owned subsidiary; Maryland, an 80% owned subsidiary; Marx, a 100% owned subsidiary; Rier, a 94.64% owned subsidiary; Putnam, a 92.75% owned limited liability company (through the sale date of August 30, 2023); Madison, a 52.93% owned partnership; Bethpage, a 95.70% owned limited liability company; Brahmin, a 59.40% owned limited liability company; University, a 57.88% owned limited liability company, Athens, a 90.67% owned limited liability company, Bell, a 66.5% owned partnership and Wisconsin, a 68.62% owned TIC interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Noncontrolling Interests

Accounting principles generally accepted in the United States of America ("GAAP") require that noncontrolling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the net income (loss) of these subsidiaries and affiliates are reported separately in the consolidated statements of operations and changes in stockholders' equity for all years presented.

Use of Estimates

The Company uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The most significant estimates and assumptions relate to asset acquisition allocation, depreciable lives, impairment of long-lived assets and investments in real estate ventures and the recovery of receivables. Actual results could differ from those estimates.

Rental Properties, Net

Real estate is recorded at cost. Maintenance and repairs are charged to operations at the time the expenditures are made, whereas betterments and improvements are capitalized. Upon the sale or other disposition of real estate, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

Purchase Accounting

The Company allocates the purchase price of asset acquisitions to the various components of the acquisition based upon the relative fair value of each component, which may be derived from various observable or unobservable inputs and assumptions.

In allocating the fair value of the identified intangible assets and liabilities of the acquired properties, below-market lease values were recorded based on the discounted difference between the current in-place rent and the Company's estimate of current market rents. Other intangible assets acquired include amounts for in-place lease values that were based on the Company's evaluation of specific characteristics of the tenants' leases. Factors considered included estimates of carrying costs during hypothetical expected lease-up periods, taking into account current market conditions, and costs to execute similar leases. In estimating carrying costs, the Company included real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, based on local market conditions.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchase Accounting (continued)
In estimating costs to execute similar leases, the Company considered tenant improvement allowances, leasing commissions, legal and other related expenses. The below-market leases are amortized as a charge to rental revenues over the term of the leases. Amortization of the in-place lease values is included in amortization.

Marketable Securities
Marketable securities, which consist of equity securities, are carried at fair value in the consolidated financial statements. Realized gains and losses are included in net income based on the specific identification method; unrealized holding gains and losses are included in the accompanying consolidated statements of operations.

In-Place Leases
Amortization of acquired in-place leases for the three months ended March 31, 2024 and 2023 was $135,454 and $151,674, respectively, and is included as a component of amortization in the accompanying consolidated statements of operations. As of March 31, 2024, future amortization expense is as follows:

Year Ending December 31,	
2024	$ 406,363
2025	541,818
2026	496,686
2027	476,107
2028	449,243
Thereafter	2,579,236
	$ 4,949,453

Below-Market Leases
Amortization of acquired below-market leases for the three months ended March 31, 2024 and 2023 was $36,854 and $39,363, respectively, and is included as a component of rental revenues in the accompanying consolidated statements of operations. As of March 31, 2024, future amortization of below-market leases is as follows:

Year Ending December 31,	
2024	$ 110,560
2025	147,416
2026	132,269
2027	130,892
2028	129,272
Thereafter	1,270,262
	$ 1,920,671

The weighted average amortization period for below market leases and in-place lease costs were 9.21 years and 8.15 years, respectively.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Real Estate Ventures
Investments in unconsolidated affiliated companies, in which the Company has a less than 50% interest and significant influence, but not control, are accounted for using the equity method. Distributions declared but not paid are recorded as receivables from affiliated real estate ventures. On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company's investments in real estate ventures may be impaired. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. The Company's estimates of fair value for each investment are based on a number of assumptions that are subject to economic and market uncertainties, including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the fair values estimated by management in its impairment analyses may not be realized. No impairment of the recoverability of the carrying amount of the Company's investments has occurred as of March 31, 2024 or 2023.

Long-Lived Assets
The Company reviews the carrying values of its long-lived assets, such as rental properties, whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to rental rates, costs, holding periods or other factors that may result in changes in the Company's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result. No impairment was noted at March 31, 2024 or 2023.

Cash and Cash Equivalents
The Company considers cash and cash equivalents to include cash on hand, cash in banks, and short-term investments in institutional money market funds with initial maturities of three months or less. Cash balances in banks in the United States of America are insured by the Federal Deposit Insurance Corporation subject to certain limitations. Cash balances in institutional money market funds are insured by the Securities Investor Protection Corporation subject to certain limitations. At times, the balances may exceed federally insured limits; however, no losses have been incurred.

Restricted Cash
Restricted cash represents funds held in escrow for tenant and capital improvements and leasing commissions as required by the lenders.

Debt Issuance Costs
Debt issuance costs represent amounts incurred in connection with obtaining debt financing and are recorded as a direct deduction of the related debt obligation. These costs are being amortized on the straight-line basis over the term of the related loans, which approximates the effective interest method. For the three months ended March 31, 2024 and 2023, amortization of deferred financing costs was $14,268 and $29,600, respectively. These amounts are included in financing expenses on the consolidated statements of operations.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments
In accordance with GAAP, the Company recognizes derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. Changes in fair value will affect either accumulated other comprehensive income or loss, which is a component of equity, if the derivative qualifies as a hedge and is effective, or net income or loss, if the derivative does not qualify as a hedge or if the hedge is ineffective. The Company has not designated the interest rate derivatives as hedges, based on its assessment of market conditions. Therefore, changes in the fair value have been recorded in the results of operations for the three months ended March 31, 2024 and 2023.

As of March 31, 2024 and 2023, the Company recorded losses of $1,270,907 and $245,714, respectively, on the fair value of the interest rate swap agreements

Income Taxes
The Company files a combined income tax return for New Jersey, New York State and New York City except for Putnam, Bethpage, Brahmin, Madison, University, Athens, Bell, Orange and MNP 2121. Merchants and Marx file a consolidated federal income tax return and separate income tax returns for all states except New York. Guest, Maryland and Rier file separate federal income tax returns and for all states except New York. Putnam, Bethpage, Brahmin, Madison, University, Athens, Bell, Orange, and MNP 2121 file separate federal and state income tax returns.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740: Income Taxes ("ASC Topic 740"). The Company files income tax returns in the U.S. federal jurisdiction and in various states.

The Company does not have any uncertain tax positions. As a result, there are no unrecognized tax benefits in the consolidated balance sheets. If the Company were to incur any interest and penalties in connection with income tax deficiencies, the Company would classify interest in the "interest expense" category and classify penalties in the "non-interest expense" category within the consolidated statements of operations.

Deferred Income Taxes
The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

Revenue Recognition
The Company recognizes base rental revenue on a straight-line basis over the terms of the respective leases which are accounted for under Accounting Standards Codification 842, Leases ("ASC 842"). Unbilled rents receivable represent the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Revenue recognition commences from lease agreements at the date the leased premise is ready for its intended use by the tenant and the tenant takes possession or controls the physical use of the leased premise. In addition to base rents, tenants are also charged for their pro rata share of increases in real estate taxes and certain operating expenses for the Property over a base year.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)
The Company provides its tenants with certain customary services for lease contracts such as common area maintenance and general security. The Company has utilized the practical expedient in ASC 842 and has elected to combine the non-lease components with the lease components of operating lease agreements and account for them as a single lease component in accordance with ASC 842. Receivables from tenants are stated at the amount management expects to collect. Account balances are written off after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received. No allowance was considered necessary at March 31, 2024 or 2023. The receivable balance at January 1, 2023 was $226,353.

In accordance with ASC 606, Revenue from Contracts with Customers, management fees, accounting fees and development fees are recognized ratably over the period that the services are performed. Leasing commissions are recognized when the leases are executed. Asset acquisition/dispositions fees and mortgage financing fees are recognized when the transactions are entered into.

Credit Losses on Financial Instruments
In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), the objective of which is to provide financial statements users with more information about the expected credit losses on consolidated financial instruments and other commitments to extend credit held by an entity, except for tenant receivables. Prior U.S. GAAP required an "incurred loss" methodology for recognizing credit losses that delayed recognition until it was probable that a loss had been incurred. Because this methodology restricted the recognition of credit losses that were expected but did not yet meet the "probable" threshold, ASU 2016-13 was issued to require the consideration of a broader range of reasonable and supportable information when determining estimates of credit losses. ASU 2016-13 was required to be adopted in the first interim period of the fiscal year beginning after December 15, 2022. Accordingly, the Company adopted ASU 2016-13 on January 1, 2023. The Company evaluates and determines credit losses based on historical losses, the aging of receivables, the quality and liquidity of collateral that secures receivables and the cash flow generated by the entities that owe receivables. The adoption of ASU 2016-13 did not have a material impact on the Company's results of operations and cash flows.

Sales of Real Estate
Gains on sales of real estate are recognized pursuant to the provisions included in ASC 610-20. Under ASC 610-20, the Company must first determine whether the transaction is a sale to a customer or non-customer. The Company typically sells real estate on a selective basis and not within the ordinary course of its business and therefore expects that its sale transactions will not be contracts with customers. The Company next determines whether it has a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810 "Consolidation" ("ASC 810"). If the Company determines that it does not have a controlling financial interest in the real estate, it evaluates whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. The Company recognizes a full gain on sale of real estate when the derecognition criteria under ASC 610-20 have been met.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation
Properties are stated at cost. Depreciation of rental properties is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	Seven – 39 years
Equipment and furnishings	Five years

Tenant improvements are depreciated over the shorter of the estimated useful life of the assets or the terms of the respective leases.

Earnings Per Share
The Company computes basic earnings per share by dividing the net income attributable to Merchants by the weighted average number of shares outstanding for the year. Diluted earnings per share are calculated utilizing the weighted average number of common shares outstanding adjusted for the effect of any common stock equivalents.

Reference Rate Reform
In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848)". ASU 2020-04 applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-14 is effective for all entities as of March 12, 2020 through December 31, 2022. At December 31, 2022, the Company replaced one of its contracts from LIBOR to SOFR. The other index was replaced in March 2023. The adoption of ASC 848 did not have a material impact on the Company's results of operation and cash flows. See Note 10.

Risks and Uncertainties
The Company is subject to risks incidental to the ownership, development and management of real estate. These include the risks normally associated with the changes in the general economic climate, trends in the real estate industry, availability of land for development, changes in tax laws and interest rates, availability of financing, and the potential liability under environmental and other laws.

The Company's investments include marketable equity securities. Due to the risks associated with equity securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Reclassification
Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported net loss.

Subsequent Events
These consolidated financial statements were approved by management and available for issuance on May 20, 2024. Management has evaluated subsequent events through this date.

3 – FAIR VALUE MEASUREMENTS

The Company follows the provisions of ASC Topic 820, "Fair Value Measurements and Disclosures", which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model-derived valuations whose inputs or significant value drivers are observable.
Level 3: Unobservable inputs are used when little or no market data is available.

Financial assets (liabilities) measured at fair value on a recurring basis are summarized below:

March 31, 2024				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 76,884,712	$ -	$ -	$ 76,884,712
Liabilities				
Interest rate swaps	-	334,470	-	334,470

December 31, 2023				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 68,377,897	$ -	$ -	$ 68,377,897
Interest rate swaps	-	936,437	-	936,437

The Company values investments in marketable securities that are freely tradable and are listed on a national securities exchange at their last quoted sales price as of the valuation date.

The interest rate swap agreements are valued at fair value using a swap valuation model that utilizes an income approach using observable market inputs including interest rates London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate ("SOFR") and credit default swap rates.

The carrying values of cash and cash equivalents, restricted cash, receivables, loans payable and accounts payable and accrued expenses approximate their fair values due to their short-term nature. It was not practicable to reasonably estimate the fair value of the loans receivable from real estate ventures, the line of credit and mortgages payable as there are no quoted market prices of similar products and management has not developed a valuation model necessary to make such estimates.

4 – RENTAL PROPERTIES, NET

Rental properties consist of the following:

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Land	$ 25,128,115	$ 25,128,115
Buildings and improvements	57,140,652	56,979,469
Furniture and fixtures	742,224	742,224
Equipment	3,003,446	3,003,446
	86,014,437	85,853,254
Less: accumulated depreciation	12,824,437	12,198,141
	$ 73,190,000	$ 73,655,113

Depreciation expense for the three months ended March 31, 2024 and 2023 was $626,296 and $735,585, respectively.

5 – MARKETABLE SECURITIES

Cost and fair value information for common stock securities are as follows:

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Cost	$ 897,173	$ 897,173
Fair value	76,884,712	68,377,897
Net unrealized gain	$ 75,987,539	$ 67,480,724

There were no sales of marketable securities during the three months ended March 31, 2024 or the year ended December 31, 2023.

6 – INVESTMENTS IN REAL ESTATE VENTURES

The Company holds investments in various real estate ventures. Changes in the Company's investments in real estate ventures for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively, are as follows:

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Balance, beginning of period	$ 114,972,990	$ 112,466,720
Contributions	-	4,070,995
Distributions	(1,966,072)	(9,843,003)
Equity in earnings, net	1,831,042	8,278,278
Net investments, end of period	$ 114,837,960	$ 114,972,990

6 – INVESTMENTS IN REAL ESTATE VENTURES (Continued)

The following information summarizes the total assets, liabilities, revenues and expenses of the investees in the aggregate prior to allocating the Company's share indicated by the percentages listed on the following page:

	March 31, 2024 (unaudited)	December 31, 2023 (unaudited)
Assets, net of accumulated depreciation and amortization of $293,641,802 and $287,307,032	$ 602,450,872	$ 615,397,640
Liabilities	376,750,978	369,757,284
Equity	$ 225,699,894	$ 245,640,356

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
Rental and other revenues	$ 37,140,304	$ 35,303,465
Unrealized gain on marketable securities	101,480	8,921
Total income	37,241,784	35,312,386
Direct operating expenses	16,751,054	13,970,193
Financing expenses	5,432,511	5,221,022
Depreciation and amortization expense	8,573,246	9,645,159
Income taxes	462,681	472,396
Total expenses	31,219,492	29,308,770
Net income	$ 6,022,292	$ 6,003,616

The investments in real estate ventures on the accompanying consolidated balance sheets are accounted for by the Company using the equity method. The above amounts, which are maintained on the historical cost basis and represent 100% of the assets (net of accumulated amortization and depreciation where applicable), liabilities, equity, revenues and expenses of the real estate joint ventures, have not been audited, except one of the investments as noted in the independent auditors' 2023 report. The assets and liabilities of this investment in real estate venture are approximately 32% and 28%, respectively, of the total assets and liabilities above at March 31, 2024 and 32% and 29%, respectively, at March 31, 2023. The net income of this investment in real estate venture is approximately 104% and 84% of the total net income above for the three months ended March 31, 2024 and 2023, respectively.

6 – INVESTMENTS IN REAL ESTATE VENTURES (Continued)

Investments in real estate ventures consist of the following:

	% Of Ownership (a)	
Investee	March 31, 2024	March 31, 2023
135 Bowery	9.0000%	9.0000%
430 Park Avenue Syndicate (b)	7.0828	7.0828
532 Madison Syndicate	10.4099	10.4099
708 Third Avenue Holdings, LLC	35.7135	35.7135
Avon Joint Venture	40.5938	40.5938
BSC Empire	37.6214	37.6214
Belle Haven Realty LLC	42.5700	42.5700
Bellflower Joint Venture	17.4167	17.4167
Bey Lea Joint Venture (b) (d)	0.0000	9.1366
Boston Syndicate (e)	31.4393	31.4393
Dollar Land Associates, LLC	37.6214	37.6214
Farmingville Associates (b)	10.6223	10.6223
Fort Lee Joint Venture	30.0000	30.0000
Hastings Drive I, LLC	48.8289	48.8289
Herald Owners, LLC	28.5030	28.5030
Ithaca Joint Venture	21.0000	21.0000
Joseph E. Marx Company, Inc. (”JEM”)	23.3330	23.3330
Knights Road Shopping Center LP (b)	11.4044	11.4044
Louisville Syndicate	49.3097	49.3097
Marlton Joint Venture	34.9167	34.9167
Newbury Street Partners (b) (c)	19.2084	18.7084
Ocean County Ventures (b)	30.0981	30.0981
Pequannock Joint Venture LLC	22.5953	22.5953
Peters Land Realty, LLC	26.7644	26.7644
Queens Blvd. Realty, LLC	12.6867	12.6867
Seaford Joint Venture	22.6781	22.6781

(a) % of Company’s beneficial interest in the underlying investment.
(b) Excludes indirect interest through JEM.
(c) Merchants purchased 0.5% interest in Newbury Street Partners on June 8, 2023 for $100,000.
(d) The property was sold on July 28, 2023.
(e) On May 8, 2024, a meeting was held with the Mayor of Boston to discuss the office development plan for the One Bromfield project in Boston. The Mayor stated that she would not be supportive of an office development on our site and preferred a residential development. As a result, we are revisiting the approach to this site.

7 – LOANS RECEIVABLE, REAL ESTATE VENTURE

Loan receivable from one real estate venture affiliate in the amount of $1,968,750 and $1,950,000 as of March 31, 2024 and December 31, 2023, respectively, is unsecured, due on demand and bears interest at 5.0%. As of March 31, 2024 and December 31, 2023, accrued interest of $468,750 and $450,000, respectively, was included in the loan receivable balance.

Loan receivable from one real estate venture affiliate in the amount of $670,462 and $536,066 as of March 31, 2024 and December 31, 2023, respectively, is unsecured, due on demand and bears interest at 6.0%. As of March 31, 2024 and December 31, 2023, accrued interest of $20,462 and $11,066, respectively, was included in the loan receivable balance.

Loan receivable from one real estate venture in the amount of $1,005,919 and $991,409 as of March 31, 2024 and December 31, 2023, respectively, is unsecured, due on demand and bears interest at 6.0%. As of March 31, 2024 and December 31, 2023, accrued interest of $35,919 and $21,409 was included in the loan receivable balance.

Management believes that these loans are fully collectible, and no allowance for credit loss is required at March 31, 2024 and 2023.

8 – LINE OF CREDIT

In March 2021, Merchants obtained a three-year $40 million credit facility (the "Credit Facility") with Valley National Bank, which expired in February 2024 and was not renewed. The Credit Facility is subject to a borrowing base of 75% of the fair value of the Company's marketable securities and 100% of the value of cash and cash equivalents. Initially, the interest rate on the Credit Facility was LIBOR plus 1.25%. The loan agreement was amended on February 1, 2023, changing the interest rate on the Credit Facility to SOFR plus 1.25%. The Credit Facility is subject to certain covenants and allows the Company to request that the bank issue standby letters of credit of up to $10 million on its behalf.

No amounts were outstanding under the Credit Facility as of March 31, 2024 and 2023. There was no interest expense on the Credit Facility during the quarters-ended March 31, 2024 and 2023.

9 – MORTGAGES PAYABLE

In August 2019, Merchants obtained a $8,625,000 mortgage payable, secured by a first mortgage lien on the property located at 605-609 West 181st Street, New York, NY. The mortgage required monthly payments of interest only at 3.39% through September 1, 2020. Beginning October 1, 2020, the mortgage requires principal and interest payment based on a 24-year amortization term. The mortgage matures on September 1, 2029, at which time the outstanding principal balance and any unpaid interest is due. For the three months ended March 31, 2024 and 2023, interest expense was $68,223 and $68,586, respectively. The mortgage payable balance at March 31, 2024 and December 31, 2023 was $7,760,461 and $7,825,678, respectively. The loan is subject to a debt service coverage ratio of 1.10. Beginning January 1, 2020, the debt service ratio requires quarterly testing.

9 – MORTGAGES PAYABLE (Continued)

The Company has a receive-variable (SOFR), pay-fixed (1.64%) interest rate swap agreement related to its variable rate loan on West 181st Street. The interest rate swap agreement was effective as of August 13, 2019, matures on September 4, 2029, and had an original notional amount of $8,625,000 with a notional amount of $7,760,461 and $7,825,678 at March 31, 2024 and December 31, 2023, respectively. The notional amount is reduced based on the terms of the agreement. The interest rate swap agreement is intended to hedge the Company's exposure to possible increases in interest rates and the resulting increase in cash outflows. In March 2023, variable LIBOR was replaced with SOFR.

In October 2014, Brahmin obtained three mortgages totaling $2,790,000, which collectively are secured by a first mortgage lien on the properties located at 10-14 Bosworth Street, 41 Bromfield Street and 45 Bromfield Street, Boston, MA. On June 1, 2019, the three mortgages with an outstanding balance of approximately $2,480,000 were modified to allow for borrowings up to $4,750,000. The modified mortgages require monthly payments in the aggregate of $52,342 with 4.35% of interest to adjust every seven years through November 1, 2039. The initial interest rate during the first seven years is fixed at 4.35% and every seven years the interest will adjust to 185 basis points plus the seven-year US Treasury Index not to exceed 4.35%. Merchants is a limited guarantor of this loan. For the three months ended March 31, 2024 and 2023, interest expense was $46,419 and $47,268, respectively. The mortgage payable balance at March 31, 2024 and December 31, 2023 was $4,210,893 and $4,231,578, respectively. The loan is subject to a debt service coverage ratio ("DSCR") of 1.20, which shall be tested annually. Brahmin is currently not in compliance with the DSCR and in May 2024, as per the terms of the loan agreement, elected to provide Mortgagee with additional cash collateral by Mortgagor's right, title and interest in a non-interest-bearing account in the amount of $682,000. Brahmin is current in its debt service payments.

On April 3, 2015, Putnam obtained a construction loan in the amount of $4,000,000 for the development of its property, with an option to convert it to a permanent facility at the issuance of a certificate of occupancy after closing. On December 29, 2016, the outstanding construction loan in the amount of $3,965,429 was converted into a permanent mortgage of $4,500,000, maturing on January 1, 2024. The mortgage required monthly payments in the aggregate of $21,484, including principal and interest based on a 30-year amortization schedule. The interest rate during the term of the note was 4%. The mortgage was paid off on August 30, 2023 upon the sale of the East Putnam property in Greenwich, CT. The mortgage payable balance at March 31, 2023 was $3,958,639. For the three months ended March 31, 2023, interest expense was $39,671.

On September 11, 2015, University obtained a loan in the amount of $9,000,000. The loan requires monthly payments in the aggregate of $47,291 and has a maturity date of September 11, 2025. Merchants is the guarantor of this loan. The loan can be prepaid in whole or in part from time to time without penalty. The loan is subject to a debt service ratio of 1.30, which shall be tested annually. If the debt service ratio falls below 1.30, University is required to provide cash collateral or an unconditional standby letter of credit. In April 2018, University deposited $300,000 in a debt service reserve at the request of the lender in order to satisfy this covenant due to noncompliance as of December 31, 2017. For the three months ended March 31, 2024 and 2023, interest expense was $68,279 and $70,254, respectively. The mortgage payable balance at March 31, 2024 and December 31, 2023 was $6,893,048 and $6,966,474, respectively.

The Company has a receive-variable (SOFR plus 1.625%), pay-fixed (3.9%) interest rate swap agreement related to its variable rate loan on University. The interest rate swap agreement was effective as of October 1, 2015, matures on October 1, 2025, and had an original notional amount of $9,000,000 with a notional amount of $6,893,048 and $6,966,474 at March 31, 2024 and December 31, 2023, respectively . The notional amount

9 – MORTGAGES PAYABLE (Continued)

is reduced based on the terms of the agreement. The interest rate swap agreement is intended to hedge the Company's exposure to possible increases in interest rates and the resulting increase in cash outflows.

In November 2016, Athens obtained a $5,000,000 mortgage payable, secured by a first mortgage lien on the property located at 819 7th Street NW, Washington DC. Merchants is a limited guarantor of this loan. The mortgage requires monthly payments in the aggregate of $25,199, including principal and interest, based on a 25-year amortization schedule and has a maturity date of December 1, 2023. Athens has exercised its option to extend the maturity date to May 27, 2024 and has requested the lender for another 90-day extension. Management intends to pay the outstanding balance upon the extended maturity date. The interest rate during the initial term of the note was 3.50%. The interest rate during the extended term is SOFR + 300 bps. For the three months ended March 31, 2024 and 2023, interest expense was $99,858 and $36,422, respectively. The mortgage payable balance at March 31, 2024 and December 31, 2023 was $4,017,422. The loan is subject to a debt service ratio of 1.25, which shall be tested annually. Athens is currently not in compliance with the ratio; however, Athens is current in its debt service payments.

In February 2022, Wisconsin obtained a mortgage payable of up to $20,730,000, secured by a first mortgage lien on the property located at 2121 Wisconsin Avenue, NW, Washington, DC. Merchants has provided a Guaranty for payment and performance of this mortgage. In addition, Merchants has provided an environmental indemnity guaranty (the "Guaranty"). Management believes that there is no liability under the Guaranty at March 31, 2024. The mortgage payable matures in February 2032, requires monthly interest only payments at the rate of 3.4% for the first 24 months and then principal and interest payments thereafter of $85,064, based on a 35-year amortization period. For the three months ended March 31, 2024 and 2023, interest expense was $159,250 and $141,270, respectively. The mortgage payable balance at March 31, 2024 and December 31, 2023 was $18,497,251 and $18,529,512, respectively.

Future minimum payments on all of the aforementioned mortgages payable are as follows:

Year Ending December 31,	
2024	$ 4,762,015
2025	7,391,476
2026	748,116
2027	775,597
2028	801,805
Thereafter	26,900,066
	41,379,075
Less: unamortized debt issuance costs	249,211
	$ 41,129,864

10 – LEASE ARRANGEMENTS (AS LESSOR)

Building space is leased under non-cancelable operating leases. Certain tenant leases provide for minimum annual rent, a percentage of tenant sales in excess of stipulated amounts, real estate taxes, utility costs and other expenses. Certain leases also provide for renewal and termination options.

Minimum rental revenues under existing non-cancelable leases as of March 31, 2024 are approximately as follows:

Year Ending December 31,		
2024	$	5,181,000
2025		6,712,000
2026		6,635,000
2027		6,477,000
2028		5,846,000
Thereafter		34,715,000
	$	65,566,000

For the three months ended March 31, 2024 and 2023, one tenant represented approximately 18% and 17% of rental income, respectively.

The components of rental revenue are as follows:

	March 31,			
	2024 (unaudited)		2023 (unaudited)	
Fixed lease payments	$	1,821,003	$	2,025,619
Variable lease payments		161,746		305,403
	$	1,982,749	$	2,331,022

11 – INCOME TAXES

The Company's effective tax rate differs from the statutory tax rate due to state credits, as discussed below. The Company's income tax provision consists of the following:

	Three Months Ended March 31,			
	2024 (unaudited)		2023 (unaudited)	
Current				
Federal	$	588,625	$	427,833
State		297,962		431,667
		886,587		859,500
Deferred				
Federal		1,269,351		(132,353)
State		(6,776)		110,481
		1,262,575		(21,872)
Income tax provision per consolidated statements of operations	$	2,149,162	$	837,628

11 – INCOME TAXES (Continued)

Components of deferred tax assets and liabilities are as follows:

	March 31, 2024 (unaudited)		December 31, 2023 (audited)	
	Components	Tax Effect	Components	Tax Effect
Deferred tax assets				
Bad debt expense	$ 132,474	$ 39,217	$ 52,221	$ 15,459
Depreciation - federal	3,471,064	1,027,543	2,536,341	532,631
Depreciation - state	23,187,673	2,525,139	23,187,673	2,525,139
Interest expense deduction limitation	2,409,577	713,309	2,409,577	582,389
Unrealized loss on interest rate swap	209,884	62,132	-	-
Prepaid rent	1,021,158	302,293	994,736	294,473
	30,431,830	4,669,633	29,180,548	3,950,091
Deferred tax liabilities				
Amortization	1,846,229	546,541	1,846,229	546,541
Bad Debt Expense	-	-	1,724	510
Depreciation - federal	20,022,523	5,927,287	20,340,260	5,738,228
Deferred gain on disposal of rental property	32,847,128	9,723,768	32,847,128	9,723,768
Deferred revenue	10,726,990	3,175,523	10,544,907	3,121,619
Other	8,693,713	2,573,609	8,251,196	2,442,611
Unrealized gain on interest rate swap	-	-	905,456	268,043
Unrealized gain on marketable securities	76,262,002	16,777,641	67,731,509	14,900,932
	150,398,585	38,724,369	142,468,409	36,742,252
Net deferred tax liability	$ 119,966,755	$ 34,054,736	$ 113,287,861	$ 32,792,161

The above components of deferred tax assets and liabilities also include GAAP to tax differences from investments in real estate ventures.

12 – RELATED PARTY TRANSACTIONS

The Company manages various properties and several entities through which investments in real estate ventures are held. Management fees, leasing commissions, supervisory fees and other revenues earned from related parties for the three months ended March 31, 2024 and 2023 were $2,183,668 and $1,988,553, respectively.

As of March 31, 2024 and December 31, 2023, the amount due from related parties for management fees, leasing commissions, supervisory fees and other charges was $3,077,273 and $1,447,813, respectively. These amounts are non-interest bearing and are due on demand.

As of March 31, 2024 and December 31, 2023, the amount due to related parties to cover temporary cash shortfalls was $11,054 and $40,442, respectively. These amounts are non-interest bearing and are due on demand.

Loans to employees for the purchase of membership interests in certain real estate ventures totaling $2,846,534 and $2,783,520 at March 31, 2024 and December 31, 2023, respectively, are included in receivables from employees on the consolidated balance sheets. The loans bear interest at 6%, and any unpaid balance, including accrued interest, is due within 12 months of termination of employment with the Company. The loans to employees are collateralized by the employees' respective ownership interest in these real estate ventures.

13 – RETIREMENT PLAN

The Company makes matching contributions to a retirement plan equivalent to 50% of participants' contributions, not to exceed 2% of such employees' base compensation, or the Internal Revenue Code imposed annual maximum of $6,900 for 2024 and $6,700 for 2023. The Company's matching contributions for the three months ended March 31, 2024 and 2023 were $39,629 and $26,076, respectively.

14 – COMMITMENTS AND CONTINGENCIES

Guarantees and Indemnification

In April 2020, Herald Owners LLC ("Herald") obtained a mortgage payable of up to $49,844,000, with a mortgage balance outstanding at March 31, 2024 in the amount of $45,725,928 secured by a first mortgage lien on the property located at 1307 New York Avenue, NW, Washington, DC. Merchants is a limited guarantor on this loan. In addition, Merchants has provided Deferred Equity and Completion guarantees, an Environmental Indemnity Agreement and an Interest, Carry and Rebalancing Guaranty (the "Guaranty"). Among other requirements, the Guaranty will terminate upon the completion of construction work and achievement of an occupancy rate of 88% of net rentable square footage. In January 2022, the construction was completed. Management believes that there is no liability under the Guaranty at March 31, 2024 and December 31, 2023. The mortgage payable was set to mature in April 2023, requires monthly interest only payments at the rate of 4.5% and contains two 12-month extension options, subject to Merchants meeting certain conditions. Herald exercised its first extension option on February 1, 2023, extending the maturity date to April 5, 2024. Herald exercised its second extension option on April 5, 2024, extending the maturity date to April 5, 2025. As part of the one-year extension of the Herald mortgage, the Merchants controlled member, Herald DC Ventures, LLC ("Funding Member") loaned Herald Member, LLC ("Non-Funding Member"), an affiliate of Iowa Public Employee's Retirement System, managed by Invesco Advisors, Inc., $3.9M to cover

14 – COMMITMENTS AND CONTINGENCIES (Continued)

Guarantees and Indemnification (continued)

interest, carry costs and loan extension costs and $3M for tenant improvement and leasing costs related to future leases. This loan carries an interest rate of 14% charged by Funding Member to Non-Funding Member.

The Company has signed limited suretyship and guarantee agreements with the mortgagees of one and two investees as of March 31, 2024 and December 31, 2023, respectively, which own rental real properties with mortgages outstanding of approximately $16,000,000 and $18,571,000 as of March 31, 2024 and December 31, 2023, respectively. In addition, the Company has provided indemnification for any environmental issues to the lenders of these investees. Management believes that there is no liability under these guarantees as of March 31, 2024 and December 31, 2023.

Employment Agreement

In April 2020, the Company amended and restated the original 2017 employee agreement with its Chief Executive Officer (the "CEO"), ending August 2024, with an automatic extension of one year, pursuant to which the Company agreed to pay a base annual salary of $620,000, with an annual increase of the lesser of the increase in the consumer price index or 3% per year. The CEO also became eligible for an annual performance bonus award providing a target bonus opportunity of 75% of the current base salary. The Company also granted the CEO a long-term incentive award equal to $1,100,000 (the "LT Cash Incentive"). The LT Cash Incentive shall vest on each of the four anniversaries of the August 10, 2020 Award Date in four equal installments, subject to the CEO's continued employment through the respective vesting dates, and payable in full on August 10, 2024. As of March 31, 2024, $962,500 was accrued and included in accounts payable and accrued expenses.

In addition, when the Company enters into new investments, as defined in the CEO's employment agreement, the CEO is required to make a personal investment at the level of 5% of the Company's investment. The funds for the CEO's personal investments would be loaned by the Company on a non-recourse basis, with interest at 6% a year, using the acquired equity as collateral. The unpaid balance, including accrued interest, is due within 12 months of termination of employment with the Company. As of March 31, 2024 and December 31, 2023, the loan balance, including accrued interest, was $2,285,373 and $2,251,901, respectively. These amounts are included in receivables from employees on the accompanying consolidated balance sheets.

For the three months ended March 31, 2024, the CEO's total compensation was $421,148, which consisted of $176,148 for base salary, a $176,250 bonus and a $68,750 LT Cash Incentive. For the three months ended March 31, 2023, the CEO's total compensation was $410,767, which consisted of $171,017 for base salary, a $171,000 bonus and a $68,750 LT Cash Incentive.

In April 2021, the Company entered into a restricted stock agreement pursuant to which the CEO was granted 100 shares of common stock of the Company. The CEO was granted an additional 100 shares of common stock of the Company in December 2021, an additional 100 shares in May 2023 and an additional 100 shares in December 2023. These 400 shares will become fully vested on August 10, 2024, provided the CEO remains employed by the Company at that date. Unless and until this agreement is rescinded, the CEO shall have all voting rights and receive all dividends paid with respect to the 400 shares.

14 – COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreement (continued)
The Company follows the provisions of ASC Topic 718, "Compensation - Stock Compensation", which covers a wide range of share-based compensation arrangements and provides guidance for recognition of compensation cost related to these types of transactions. Compensation will be measured based on the fair value of the equity instrument when it is earned.

For the three months ended March 31, 2024 and 2023, the Company has determined that the stock compensation expense is not material to the financial statements as a whole. Stock compensation expense of $591,700 will be recorded upon 100% vesting.

Capital Calls and Investment Funding
In the normal course of business, the Company may be requested to make additional capital contributions to its real estate investments. As of the date of this report, the Company has not received any capital calls from its real estate investments.

Litigation
In the normal course of business, the Company is a party to various legal claims, actions and complaints relating to its real estate activities. Management does not expect that the results of any of these proceedings will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

15 – LEASES (AS LESSEE)

The Company leases office space from 708 Third Avenue Holdings, LLC, in which it has an investment. The lease expires on January 23, 2029 and falls under ASC 842, as discussed in Note 2. For the three months ended March 31, 2024 and 2023, the operating lease cost was $56,006 and $58,619, respectively, and is included in the consolidated statement of operations.

The following summarizes the line items in the consolidated balance sheets which include amounts for the operating lease:

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Operating right-of-use asset	$ 1,011,747	$ 1,059,433
Current maturities of operting lease liability	$ 199,162	$ 195,188
Operating lease liability, less current maturities	832,333	882,788
Total operating lease liability	$ 1,031,495	$ 1,077,976

15 – LEASES (AS LESSEE) (Continued)

Additional disclosures regarding the Company's lease as lessee are as follows:

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
Cash paid for amounts included in the measurement of lease liability	$ 55,914	$ 54,801
Weighted average remaining lease term	4.8 years	5.8 years
Weighted average discount rate	3.55%	3.55%

The maturities of operating lease liability as of March 31, 2024 were as follows:

Year Ending December 31,	
2024	$ 174,420
2025	232,560
2026	232,560
2027	232,560
2028	232,560
Thereafter	19,380
Total lease payments	1,124,040
Less: interest	92,544
Present value of lease liability	$ 1,031,496

16 – SUBSEQUENT EVENTS

On April 2, 2024, Louisville Syndicate ("Louisville"), one of the Investees referred to in Note 7, entered into a Purchase and Sale Agreement to sell the property in Louisville, KY for $830,000. Merchants owns 49.3097% of Louisville.