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 15, 2026: 90,879

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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 various assumptions involving judgment 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 15, 2026

To our Stockholders:

Attached are Merchants' National Properties, Inc.'s ("MNP" or the "Company") consolidated financial statements for the three months ended March 31, 2026 and 2025. These statements have been filed with OTC Markets.

Financial Highlights:

For the three months ended March 31, 2026, the Company reported grossed-up rental and other income of $16.4 million, vs. $15.6 million for the three months ended March 31, 2025. For the three months ended March 31, 2026, the Company reported grossed-up operating income of $7.4 million, vs. $6.8 million for the three months ended March 31, 2025. The Company reported investment income, consisting of interest and dividends from loans receivables and investments in securities, for the three months ended March 31, 2026 of $1.6 million vs. $1.1 million for the three months ended March 31, 2025. For the three months ended March 31, 2026, the Company reported grossed-up earnings before interest, taxes, depreciation and amortization for real estate ("EBITDAre") of $9.0 million, vs. $7.8 million for the three months ended March 31, 2025. For the three months ended March 31, 2026, the Company reported net income attributable to Merchant's National Properties, Inc. of $1.4 million, as compared to net income of $355 thousand for the three months ended March 31, 2025.

Including non-recurring gains and losses, net of taxes, the reportable earnings per share for the three months ended March 31, 2026 was $15.12, vs. $3.91 for the three months ended March 31, 2025. Excluding non-recurring gains and losses, the grossed-up earnings per share from operations for the three months ended March 31, 2026 was $81.78 vs. $74.50 for the three months ended March 31, 2025.

For the three months ended March 31, 2026, stockholders' equity increased by $1.4 million with a corresponding increase in book value per share to $2,347 at March 31, 2026 from $2,332 at December 31, 2025. The Company paid $85.00 per share in dividends in 2025 vs. $80.00 per share in 2024. The Board approved an interim 2026 dividend of $25.00 per share, which was paid May 13, 2026.

MNP purchased 93 of its shares during the three months ended March 31, 2025 at an average cost of $1,715 per share. As of March 31, 2026 and December 31, 2025, 90,879 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 metrics for assessing our performance are "Operating Income As Grossed-Up and EBITDAre."

The following table provides a side-by-side comparison of MNP's March 31, 2026 vs. March 31, 2025 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.

Additionally, the table includes EBITDAre, a non-GAAP supplemental performance measure defined by the National Association of Real Estate Investment Trusts defines EBITDAre as net income (loss) (computed in accordance with GAAP), plus interest expense, plus income tax expense, plus depreciation and amortization, plus (minus) losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property and investments in unconsolidated joint ventures, plus adjustments to reflect the entity's share of EBITDAre of unconsolidated joint ventures. The Company presents EBITDAre because the Company believes that EBITDAre provides investors with an additional indicator of the Company's ability to incur and service debt. EBITDAre should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of the Company's liquidity.

INCOME STATEMENT OVERVIEW
GAAP vs. As Grossed-Up

	Three Months Ended March 31, 2026		Three Months Ended March 31, 2025		
	As Unaudited	As Grossed-Up	As Unaudited	As Grossed-Up	
Rental and other income	$ 4,975,953	$ 16,428,318	$ 5,056,422	$ 15,592,250	
Equity in earnings of real estate ventures	2,410,702	-	1,593,404	-	
Operating expenses	(3,761,216)	(8,996,009)	(4,145,221)	(8,831,202)	
Operating income	**3,625,439**	**7,432,309**	**2,504,605**	**6,761,048**	
Investment income	1,270,358	1,610,791	904,334	1,092,194	
EBITDAre	**4,895,797**	**9,043,100**	**3,408,939**	**7,853,242**	
Write off of unused tenant improvements	-	(1,454)	-	-	
Unrealized loss on marketable securities	(1,597,858)	(1,573,605)	(1,616,956)	(1,605,705)	(A)
Unrealized gain on swap contracts	12,167	12,167	40,403	34,306	(B)
Financing expense	(512,093)	(2,149,533)	(361,495)	(2,020,444)	
Depreciation and amortization expense	(819,175)	(3,233,638)	(897,092)	(3,520,154)	
Net income before income taxes	**1,978,838**	**2,097,037**	**573,799**	**741,245**	
Income taxes	(590,360)	(708,559)	(272,979)	(440,516)	
Net income	**1,388,478**	**1,388,478**	**300,820**	**300,729**	
Noncontrolling interests in (income)/loss of consolidated subsidiaries	(14,093)	(14,093)	54,195	54,286	
Net income attributable to Merchants' National Properties, Inc.	**$ 1,374,385**	**$ 1,374,385**	**$ 355,015**	**$ 355,015**	

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, 2026 and 2025, respectively.

(A) Including the unrealized gains in marketable securities, as required under GAAP, the grossed-up net income before income taxes was $2.1 million for the three months ended March 31, 2026, as compared to $741 thousand for the three months ended March 31, 2025.

(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, 2026, this change in fair value has resulted in a $12 thousand increase in grossed-up income before taxes, compared to a $34 thousand increase for the three months ended March 31, 2025.

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, 2026 AND 2025

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

	March 31, 2026	December 31, 2025
ASSETS		
Rental properties, net	$ 68,855,656	$ 69,672,967
Marketable securities	71,467,483	73,065,341
Investments in unconsolidated real estate ventures	114,653,186	114,656,461
Cash and cash equivalents	5,559,210	4,380,991
Restricted cash	2,439	401,689
Tenant security deposits in escrow	950,312	550,120
Receivables:		
Loans, unconsolidated real estate ventures	32,142,723	29,862,852
Employees	3,219,314	3,173,570
Related parties	9,327,103	7,120,649
Tax refund	10,000	10,000
Deferred rent	3,081,123	3,079,870
Tenants	469,614	374,837
Other	354,364	833,910
Interest rate swaps	425,214	413,047
Prepaid expenses and other assets, net of accumulated amortization of $1,596,208 and $1,548,432 in 2026 and 2025, respectively	1,637,821	1,669,184
In-place leases, net of accumulated amortization of $2,848,001 and $2,722,259 in 2026 and 2025, respectively	3,875,529	4,001,271
Operating lease right-of-use asset	614,408	665,661
Deferred tax assets	5,628,835	5,333,236
Total assets	**$ 322,207,989**	**$ 319,265,656**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 5,574,975	$ 3,794,663
Below-market leases, net of accumulated amortization of $704,311 and $670,211 in 2026 and 2025, respectively	1,628,592	1,662,692
Operating lease liability	625,985	678,260
Income taxes payable	1,303,913	523,203
Security deposits	591,732	627,174
Due to related parties	1,177,843	191,777
Mortgages payable, less unamortized debt issuance costs of $438,319 and $456,441 in 2026 and 2025, respectively	35,981,368	36,173,477
Line of credit	10,737,114	11,916,787
Deferred tax liabilities	39,101,987	39,422,123
Total liabilities	**96,723,509**	**94,990,156**
Stockholders' Equity		
Common stock, $1 par value; 187,000 shares authorized, 105,199 shares issued (shares outstanding, 90,879 in 2026 and 2025)	105,199	105,199
Additional paid-in capital	1,320,017	1,320,017
Retained earnings	228,623,935	227,249,550
Treasury stock, at cost (14,320 shares in 2026 and 2025)	(16,723,026)	(16,723,026)
Total stockholders' equity	**213,326,125**	**211,951,740**
Noncontrolling interests	12,158,355	12,323,760
	225,484,480	**224,275,500**
Total liabilities and stockholders' equity	**$ 322,207,989**	**$ 319,265,656**

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2026	**2025**
Revenues		
Rental revenues	$ 2,158,287	$ 1,953,424
Management fees	1,046,630	1,007,982
Leasing commissions	370,253	1,079,707
Development and buildout fees	206,190	149,307
Property personnel fees	728,134	568,493
Other revenues	466,459	297,509
Total revenues	**4,975,953**	**5,056,422**
Operating expenses		
Real estate taxes	320,950	291,405
Depreciation and amortization	819,175	897,092
Other operating expenses	526,827	637,517
Financing expenses	512,093	361,495
Total operating expenses	**2,179,045**	**2,187,509**
Net revenues from rentals and other income	**2,796,908**	**2,868,913**
Equity in earnings from unconsolidated real estate ventures, net	2,410,702	1,593,404
Investment income	1,270,358	904,334
Unrealized loss on marketable securities	(1,597,858)	(1,616,956)
Unrealized gain on interest rate swaps	12,167	40,403
Net income before general and administrative expenses and other costs and income tax expense	**4,892,277**	**3,790,098**
General and administrative expenses and other costs		
Professional fees	97,099	254,566
Salaries and other general expenses	2,816,340	2,961,733
Total general and administrative expenses and other costs	**2,913,439**	**3,216,299**
Net income before income tax expense	**1,978,838**	**573,799**
Income tax expense	590,360	272,979
Net income	**1,388,478**	**300,820**
Noncontrolling interests in net (income)/loss of consolidated subsidiaries	(14,093)	54,195
Net income attributable to Merchants' National Properties, Inc.	**$ 1,374,385**	**$ 355,015**
Basic and diluted earnings per share	$ 15.12	$ 3.91
Weighted average number of common shares outstanding		
Basic and diluted	90,879	90,751

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2026 AND 2025
(unaudited)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Non-Controlling	Total
	Shares	Amount	Capital	Earnings	Shares	Amount	Interests	Equity
Balance, January 1, 2025	**105,199**	**$ 105,199**	**$ 1,320,017**	**$ 225,720,388**	**(14,224)**	**$ (16,558,350)**	**$ 12,271,404**	**$ 222,858,658**
Acquisition of treasury stock	-	-	-	-	(93)	(159,510)	-	(159,510)
Net income/(loss)	-	-	-	355,015	-	-	(54,195)	300,820
Capital contributions	-	-	-	-	-	-	18,750	18,750
Capital distributions	-	-	-	-	-	-	(19,033)	(19,033)
Balance, March 31, 2025	**105,199**	**$ 105,199**	**$ 1,320,017**	**$ 226,075,403**	**(14,317)**	**$ (16,717,860)**	**$ 12,216,926**	**$ 222,999,685**
Balance, January 1, 2026	**105,199**	**$ 105,199**	**$ 1,320,017**	**$ 227,249,550**	**(14,320)**	**$ (16,723,026)**	**$ 12,323,760**	**$ 224,275,500**
Net income	-	-	-	1,374,385	-	-	14,093	1,388,478
Capital distributions	-	-	-	-	-	-	(179,498)	(179,498)
Balance, March 31, 2026	**105,199**	**$ 105,199**	**$ 1,320,017**	**$ 228,623,935**	**(14,320)**	**$ (16,723,026)**	**$ 12,158,355**	**$ 225,484,480**

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

	Three Months Ended March 31,	
	2026	**2025**
Cash flows from operating activities		
Net income	$ 1,393,419	$ 300,820
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	645,657	681,669
Amortization of deferred leasing costs	47,776	79,969
Amortization of debt issuance costs included in financing expenses	18,122	14,252
Amortization of below-market leases	(34,100)	(36,855)
Amortization of in-place leases	125,742	135,454
Amortization of operating leases	51,253	49,433
Provision for deferred taxes	(615,735)	(608,439)
Accrued interest on loans receivable, unconsolidated real estate ventures	(716,529)	(498,976)
Equity in earnings of investments in unconsolidated real estate ventures, net	(2,410,702)	(1,593,404)
Unrealized gain on interest rate swaps	(12,167)	(40,403)
Stock compensation	58,250	-
Unrealized loss on marketable securities	1,597,858	1,616,956
Changes in assets and liabilities		
Receivables - affiliated real estate ventures	-	324,217
Receivables - employees	(45,744)	(45,463)
Receivables - related parties	(1,906,454)	(531,421)
Receivables - tax refund	-	94,943
Receivables - deferred rent	(1,253)	(47,189)
Receivables - tenants	(94,777)	(3,104)
Receivables - other	474,606	(829,651)
Prepaid expenses and other assets	(16,413)	(41,184)
Prepaid income taxes	66,345	866,579
Accounts payable and accrued expenses	1,722,062	1,241,299
Income taxes payable	780,710	80,849
Operating lease liability	(52,275)	(50,454)
Security deposits	(35,442)	(9,778)
Due to related parties	14,398	505,756
Net cash provided by operating activities	**1,054,607**	**1,655,875**
Cash flows from investing activities		
Contributions to investments in unconsolidated real estate ventures	(691,665)	-
Distributions from investments in unconsolidated real estate ventures	3,105,642	2,093,138
Loans - affiliated real estate ventures, net	(591,674)	(829,421)
Additions to building and improvements	(128,346)	(27,646)
Net cash provided by investing activities	**1,693,957**	**1,236,071**
Cash flows from financing activities		
Purchase of treasury stock	-	(159,510)
Principal payments of mortgages payable	(210,231)	(267,604)
Payoff of line of credit, net	(1,179,673)	(55,865)
Capital contributions from noncontrolling interests	-	18,750
Capital distributions to noncontrolling interests	(179,498)	(19,033)
Net cash used in financing activities	**(1,569,403)**	**(483,262)**
Net increase in cash and cash equivalents, restricted cash and tenant security deposits in escrow	**1,179,161**	**2,408,684**
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period	5,332,800	8,387,621
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period	**$ 6,511,961**	**$ 10,796,305**

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2026	**2025**
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period		
Cash and cash equivalents	$ 4,380,991	$ 7,296,897
Restricted cash	401,689	546,126
Tenant security deposits in escrow	550,120	544,598
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of period	**$ 5,332,800**	**$ 8,387,621**
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period		
Cash and cash equivalents	$ 5,559,210	$ 9,755,253
Restricted cash	2,439	496,454
Tenant security deposits in escrow	950,312	544,598
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of period	**$ 6,511,961**	**$ 10,796,305**
Supplemental cash flow disclosures		
Interest paid	$ 327,435	$ 345,402
Income taxes paid - net of refunds of $0, and $94,943, respectively	876,973	807,603
Supplemental non-cash investing and financing activities		
Write-off of fully amortized debt issuance costs	137,088	219,585
Write-off of fully depreciated furniture, fixtures, and equipment	107,061	-
Reclassification of reimbursable assets previously capitalized	300,000	-
Transfer of loan payable due to related parties	(971,668)	-
Transfer of loan receivable from real estate ventures	971,668	-

See notes to consolidated financial statements.

1 – ORGANIZATION

Merchants' National Properties, Inc. ("Merchants"), a Delaware corporation, was formed in December 1928 for the purpose of acquiring, managing, developing, operating and leasing real estate. Merchants, together with its wholly owned and controlled subsidiaries, is referred to as the Company.

On November 21, 2006, Merchants acquired certain shares of stock and partnership interests in Guest Realty Company ("Guest"), Marx Realty & Improvement Co. Inc. ("Marx"), Maryland Stores Corporation ("Maryland"), Rier Realty Co., Inc. ("Rier") and other joint venture interests from the estate of a former Merchants stockholder.

On July 16, 2013, The M&B Building Owners II, LLC ("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 Realty Associates, LLC ("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 Plaza Joint Venture LLC ("University"), which resulted in a 57.88% interest in the members' equity of University.

During 2020, Merchants consolidated its investment in Athens Joint Venture LLC ("Athens") pursuant to a Plan of Redemption and Partition whereby Merchants' ownership interest increased from 45.3332% to 90.6667%, 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 Blvd. Partners ("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 Syndicate ("Orange") with an 82% TIC interest and MNP 2121 Wisconsin Ave LLC ("MNP 2121") with an 18% TIC interest. 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 68.84% of Wisconsin (59.43% 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 wholly owned and controlled subsidiaries; Guest, a wholly owned subsidiary; Maryland, an 80% owned subsidiary; Marx, a wholly owned subsidiary; Rier, a 94.64% owned subsidiary; Madison Syndicate ("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, Orange, a 72.48% owned LLC and MNP 2121, a 52.25% owned LLC. All significant intercompany balances and transactions have been eliminated.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 periods presented.

Use of Estimates
The preparation of consolidated financial statements and accompanying notes in conformity GAAP requires the use of management estimates. 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.

Real Estate Properties, Net
Real estate is presented at cost, net of accumulated depreciation. Costs related to the development or redevelopment of properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; whereas, major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. 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.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	7 – 40 years
Equipment and furnishings	5 years

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

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, 2026 and 2025 was $125,742 and $135,454, respectively, and is included as a component of depreciation and amortization on the accompanying consolidated statements of operations. As of March 31, 2026, future amortization expense is as follows:

Year Ending December 31,	
2026	$ 370,944
2027	476,107
2028	449,243
2029	313,533
2030	275,343
Thereafter	1,990,359
	$ 3,875,529

Below-Market Leases
Amortization of acquired below-market leases for the three months ended March 31, 2026 and 2025 was $34,100 and $36,855, respectively, and is included as a component of rental revenues in the accompanying consolidated statements of operations. As of March 31, 2026, future amortization of below-market leases is as follows:

Year Ending December 31,	
2026	$ 98,169
2027	130,892
2028	129,272
2029	123,460
2030	122,059
Thereafter	1,024,740
	$ 1,628,592

The weighted average amortization period for in-place lease costs and below market leases was 9.20 years for the three months ended March 31, 2026 and 2025.

Investments in Unconsolidated 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

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Real Estate Ventures (continued)
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 various 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, 2026 or March 31, 2025.

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 relating 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, 2026 or March 31, 2025.

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 tenant security deposits and funds held in escrow for tenant and capital improvements and leasing commissions as required by the Company's lenders.

Debt Issuance Costs
Debt issuance costs represent amounts incurred in connection with obtaining debt financing and are recorded as a direct reduction of the related debt obligation. These costs are amortized on a straight-line basis over the term of the related loans, which approximates the effective interest method. For the three months ended March 31, 2026 and 2025, amortization of deferred financing costs was $18,122 and $14,252, 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, 2026 and 2025.

Income Taxes
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.

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 files combined income tax returns for New Jersey, New York State and New York City except for Bethpage, Brahmin, Madison, University, Athens, Bell, Orange and MNP 2121.

The Company does not have any uncertain tax positions. As a result, there are no unrecognized tax benefits in the consolidated balance sheets.

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 represents 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.

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, 2026 or 2025.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)
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
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 including employee loan receivables discussed in Note 12 and 14.

Stock Compensation
The Company recognizes stock compensation expense on a straight-line basis for its estimate of stock grant awards that will ultimately vest.

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.

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.

Risk 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.

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.

3 – FAIR VALUE MEASUREMENTS (Continued)

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 measured at fair value on a recurring basis are summarized below:

March 31, 2026				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 71,467,483	$ -	$ -	$ 71,467,483
Interest rate swaps	-	425,214	-	425,214
Total assets measured at fair value	$ 71,467,483	$ 425,214	$ -	$ 71,892,697

December 31, 2025				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 73,065,341	$ -	$ -	$ 73,065,341
Interest rate swaps	-	413,047	-	413,047
Total assets measured at fair value	$ 73,065,341	$ 413,047	$ -	$ 73,478,388

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 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 – REAL ESTATE PROPERTIES, NET

Real estate properties consist of the following:

	March 31, 2026	December 31, 2025
Land	$ 25,128,115	$ 25,128,115
Buildings and improvements	57,559,556	57,523,749
Furniture and fixtures	479,876	794,398
Equipment	2,706,768	2,706,768
Total real estate properties	85,874,315	86,153,030
Less: accumulated depreciation	17,018,659	16,480,063
Real estate property, net	$ 68,855,656	$ 69,672,967

Depreciation expense for the three months ended March 31, 2026 and 2025 was $645,657 and $681,669, respectively, and is included in depreciation and amortization on the consolidated statements of operations.

5 – MARKETABLE SECURITIES

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

	March 31, 2026	December 31, 2025
Cost	$ 819,453	$ 819,453
Fair value	71,467,483	73,065,341
Net unrealized gain	$ 70,648,030	$ 72,245,888

At March 31, 2026 and December 31, 2025, four individual marketable securities represented approximately 54% and 55%, respectively, of the total fair value of marketable securities. There were no sales of marketable securities during the three months ended March 31, 2026 and 2025.

6 – INVESTMENTS IN UNCONSOLIDATED REAL ESTATE VENTURES

The Company holds investments in various unconsolidated real estate ventures. Changes in the Company's investments in unconsolidated real estate ventures for the three months ended March 31, 2026 and the year ended December 31, 2025, respectively, are as follows:

	March 31, 2026	December 31, 2025
Balance, beginning of period	$ 114,656,461	$ 115,886,585
Contributions	691,665	911,739
Distributions	(3,105,642)	(10,039,362)
Equity in earnings, net	2,410,702	7,897,499
Net investments, end of period	$ 114,653,186	$ 114,656,461

6 – INVESTMENTS IN UNCONSOLIDATED 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, 2026	December 31, 2025
Assets, net of accumulated depreciation and amortization of $333,855,975 and $327,723,004	$ 606,756,677	$ 608,375,090
Liabilities	367,662,251	367,582,415
Equity	$ 239,094,426	$ 240,792,675

	Three Months Ended March 31, 2026	2025
Rental and other revenues	$ 37,385,721	$ 33,627,078
Unrealized gain on marketable securities	103,943	47,087
Total income	37,489,664	33,674,165
Direct operating expenses	16,756,442	15,158,592
Financing expenses	4,668,885	4,883,335
Depreciation and amortization expense	7,419,535	7,638,070
Income taxes	656,510	819,674
Total expenses	29,501,372	28,499,671
Net income	$ 7,988,292	$ 5,174,494

The investments in unconsolidated real estate ventures on the accompanying consolidated balance sheets are accounted for by the Company using the equity method. The above amounts 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.

6 – INVESTMENTS IN REAL ESTATE VENTURES (Continued)

Investments in unconsolidated real estate ventures consist of the following:

	% of Ownership (a)	
Investee	March 31, 2026	December 31, 2025
135 Bowery (b)	9.0000%	9.0000%
430 Park Avenue Syndicate (c)	7.0828	7.0828
532 Madison Syndicate	11.0000	11.0000
708 Third Avenue Holdings, LLC	36.2500	36.2500
Avon Joint Venture LLC	40.5938	40.5938
BSC Empire LLC	37.6214	37.6214
Belle Haven Realty LLC	42.5700	42.5700
Bellflower Joint Venture	17.4167	17.4167
Boston Syndicate LLC	31.4393	31.4393
Dollar Land Associates, LLC	38.0570	38.0570
Farmingville Associates LLC (c)	10.9375	10.9375
Fort Lee Joint Venture	30.0000	30.0000
Hastings Drive I, LLC	48.8289	48.8289
Herald Owners, LLC ("Herald")	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 (c)	11.4044	11.4044
Louisville Syndicate LLC	49.6316	49.6316
Marlton Joint Venture	34.9167	34.9167
Newbury Street Partners (c)	19.2084	19.2084
Ocean County Venturers (c)	30.2088	30.2088
Pequannock Joint Venture LLC	23.4000	23.4000
Peters Land Realty, LLC	26.7644	26.7644
Queens Boulevard Joint Venture LLC	13.2500	13.2500
Seaford Joint Venture	23.0000	23.0000

(a) % of Company's beneficial interest in the underlying investment
(b) Excludes indirect interest through Louisville Syndicate LLC.
(c) Excludes indirect interest through JEM.

7 – LOANS RECEIVABLE, REAL ESTATE VENTURE

Loan receivable from one real estate venture affiliate in the amount of $1,623,750 and $1,680,000 as of March 31, 2026 and December 31, 2025, respectively, is unsecured, due on demand and bears interest at 5.0%. As of March 31, 2026 and December 31, 2025, accrued interest of $105,000 and $180,000, respectively, was included in the loan receivable balance. For the three months ended March 31, 2026 and 2025, interest income was $18,750 and is included in investment income on the consolidated statements of operations.

As part of the one-year extension of the Herald mortgage in April of 2024 (see Note 14), Merchants loaned Herald Owners Holding, LLC ("Herald Holding"), the sole member of Herald, $9,815,461, which consisted of $3.9M to cover interest, carry costs, and loan extension costs, $3M for tenant improvement and leasing

7 – LOANS RECEIVABLE, REAL ESTATE VENTURE (Continued)

costs related to future leases and $2.9M to cover capital expenditures. Additional loans from Merchants to Herald Holding were made through 2025 to fund leasing costs and reserves, totaling $401,405 and $5,808,360, respectively. These loans are included in loan receivables, real estate ventures on the consolidated balance sheets and cover 30% for Herald DC Ventures, LLC ("Funding Member"), an affiliate of Merchants and 70% for Herald Member, LLC ("Non-Funding Member"), an affiliate of Iowa Public Employee's Retirement System, managed by Invesco Advisors, Inc. The loans are repayable by Herald Holding prior to distributions to Funding Member and Non-Funding Member and carry an interest rate of 14%, fully payable by Non-Funding Member to Merchants and are due on demand. For the three months ended March 31, 2026 and 2025, interest income was $677,391 and $454,228, respectively, and is included in investment income on the consolidated statements of operations. As of March 31, 2026 and December 31, 2025, accrued interest of $4,051,177 and $3,373,786, respectively, and was included in the loan receivable balance. The total loan balance was $20,076,402 and $19,399,011 as of March 31, 2026 and December 31, 2025, respectively.

Loans receivable from other real estate venture affiliates totaled $10,442,571 and $8,783,840 as of March 31, 2026 and December 31, 2025, respectively. These loans are unsecured, due on demand and bear interest at 6.0%. As of March 31, 2026 and December 31, 2025, accrued interest on these loans was $1,146,165 and $776,936, respectively, and was included in the loan receivable balance. For the three months ended March 31, 2026 and 2025, interest income was $185,912 and $39,523, respectively, and is included in investment income on the consolidated statements of operations.

Management believes that these loans are fully collectible, and no allowance for credit loss is required at March 31, 2026 and 2025.

8 – LINE OF CREDIT

In March 2024, Merchants obtained a credit facility from JPMorgan Chase (the "Margin Credit Facility"), under which Merchants can borrow up to 50% of the market value of the publicly traded securities held in its brokerage account. The Margin Credit Facility has no expiration date and carries an interest rate of SOFR plus 1.2% (4.88% at March 31, 2026). The loan balance at March 31, 2026 and December 31, 2025, was $10,737,114 and $11,916,787, respectively. For the three months ended March 31, 2026 and 2025, interest expense was $134,370 and $81,263, respectively.

9 – MORTGAGES PAYABLE

In August 2019, Merchants obtained a $8,625,000 mortgage loan, secured by a first mortgage lien on the property located at 605-609 West 181st Street, New York, NY. The mortgage requires principal and interest payment based on a 24-year amortization term, beginning October 1, 2020. 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, 2026 and 2025, interest expense was $60,657 and $68,464, respectively. The mortgage payable balance at March 31, 2026 and December 31, 2025 was $7,218,306 and $7,288,106, respectively.

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 matures on September 4, 2029, and had an original notional amount of $8,625,000 with a notional amount of $7,218,306

9 – MORTGAGES PAYABLE (Continued)

and $7,288,106 at March 31, 2026 and December 31, 2025, respectively. The notional amount is reduced based on the terms of the agreement. The interest rate swap agreement is intended to economically hedge the Company's exposure to possible increases in interest rates and the resulting increase in cash outflows.

The Company has three mortgages, 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 (collectively the "Brahmin Properties") and allow for borrowings up to $4,750,000. The 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, 2026 and 2025, interest expense was $51,049 and $55,442, respectively. The mortgage payable balance at March 31, 2026 and December 31, 2025 was $3,930,696 and $3,977,944, respectively. The loan is subject to a debt service coverage ratio ("DSCR") of 1.20, which shall be tested annually. The Brahmin Properties are currently not in compliance with the DSCR, and in May 2024, as per the terms of the loan agreement, The Brahmin Properties 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 $341,000. Brahmin is current in its debt service payments.

On September 11, 2015, University obtained a loan in the amount of $9,000,000, secured by a first mortgage assignment of leases and rents. The loan required monthly payments in the aggregate of $47,291 and had a maturity date of September 11, 2025. The interest rate during the term of the note was 6.24%. Merchants was the guarantor of this loan. There was no prepayment penalty associated with this loan.

On August 15, 2025, University secured a new five-year, interest only, term loan extension of $7,000,000 (the "Extension Loan"), from which it paid off the outstanding balance of the previous loan. The Extension Loan matures on September 1, 2030 and the interest rate during the term of the note is 6.02%. Merchants is the guarantor of this loan. The loan can be prepaid in whole or in part from time to time without penalty.

For the three months ended March 31, 2026 and 2025, interest expense on the University Loans was $105,350 and $64,582, respectively. The mortgage payable balance at March 31, 2026 and December 31, 2025 was $7,000,000 and $7,000,000, respectively.

The Company had 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, with a maturity date of October 1, 2025 and an original notional amount of $9,000,000. The swap agreement was cancelled on August 15, 2025.

In February 2022, Wisconsin obtained a mortgage loan 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, 2026. 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 $83,012, based on a 35-year amortization period. For the three months ended March 31, 2026 and 2025, interest expense was $128,103 and $158,755, respectively. The mortgage payable balance at March 31, 2026 and December 31, 2025 was $18,270,685 and $18,363,868, respectively.

9 – MORTGAGES PAYABLE (Continued)

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

Year Ending December 31,		
2026	$	595,236
2027		810,021
2028		851,950
2029		6,980,637
2030		7,592,127
Thereafter		19,589,716
		36,419,687
Less: unamortized debt issuance costs		438,319
	$	35,981,368

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, 2026 are approximately as follows:

Year Ending December 31,		
2026	$	5,205,000
2027		6,598,000
2028		5,887,000
2029		4,487,000
2030		3,892,000
Thereafter		26,656,000
	$	52,725,000

For the three months ended March 31, 2026 and 2025, one tenant represented approximately 18% and 17% of rental revenue, respectively.

10 – LEASE ARRANGEMENTS (AS LESSOR) (Continued)

The components of rental revenue are as follows:

	Three Months Ended March 31,	
	2026	2025
Fixed lease payments	$ 1,875,885	$ 1,820,373
Variable lease payments	282,402	133,051
	$ 2,158,287	$ 1,953,424

11 – INCOME TAXES

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

	Three Months Ended March 31,	
	2026	2025
Current		
Federal	$ 664,250	$ 402,043
State	541,845	479,375
	1,206,095	881,418
Deferred		
Federal	(518,099)	(504,567)
State	(97,636)	(103,872)
	(615,735)	(608,439)
Income tax provision per consolidated statements of operations	$ 590,360	$ 272,979

11 – INCOME TAXES (Continued)

Components of deferred tax assets and liabilities are as follows:

	March 31, 2026		December 31, 2025	
	Components	Tax Effect	Components	Tax Effect
Deferred tax assets				
Bad debt expense	$ 434,664	$ 129,189	$ 349,795	$ 103,964
Depreciation - federal	8,970,386	1,883,781	7,810,768	1,640,262
Depreciation - state	26,087,150	2,880,021	25,254,926	2,788,143
Interest expense deduction limitation	1,720,963	511,497	1,720,963	511,499
Prepaid rent	754,835	224,347	973,590	289,368
	37,967,998	5,628,835	36,110,042	5,333,236
Deferred tax liabilities				
Amortization	1,846,229	548,728	1,846,229	548,728
Depreciation - federal	24,028,498	6,890,960	23,873,289	6,845,779
Deferred gain on disposal of rental property	32,847,128	9,762,692	32,847,128	9,762,692
Interest expense deduction limitation	-	-	459,937	136,701
Deferred revenue	12,483,655	3,710,342	12,402,153	3,686,118
Other	8,577,123	2,549,258	8,022,427	2,384,392
Unrealized gain on interest rate swap	380,808	113,182	368,641	109,566
Unrealized gain on marketable securities	70,576,479	15,526,825	72,491,577	15,948,147
	150,739,920	39,101,987	152,311,381	39,422,123
Net deferred tax liability	$ 112,771,922	$ 33,473,152	$ 116,201,339	$ 34,088,887

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, 2026 and 2025 were $2,660,557 and $3,237,315, respectively.

As of March 31, 2026 and December 31, 2025, the amount due from related parties for management fees, leasing commissions, supervisory fees and other charges was $9,319,833 and $7,206,559, respectively. These amounts are non-interest bearing and are due on demand.

12 – RELATED PARTY TRANSACTIONS (Continued)

Loans to employees for the purchase of membership interests in certain real estate ventures totaling $3,219,314 and $3,173,570 at March 31, 2026 and December 31, 2025, 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. For the three months ended March 31, 2026, bad debt expense related to employee loans was $9,775. As of March 31, 2026 and December 31, 2025 the credit loss for employee loans was $84,792 and $75,017.

As of March 31, 2026 and December 31, 2025, the amount due to related parties was $1,177,843 and $191,777, respectively. Due to related parties consist of loans payable to real estate venture related parties in the amount of $986,066 as of March 31, 2026. These loans are unsecured, due on demand, and bear interest at 6.0%. For the three months ended March 31, 2026, interest expense was $14,398. Also included in due to related parties is an amount due to tenancy-in-common partners to cover operating cash shortfalls in the amount of $191,777. These amounts are non-interest bearing and are due on demand.

13 – RETIREMENT PLAN

In 2025, the Company made matching contributions to a retirement plan equivalent to 100% of participants' contributions, not to exceed 4% of such employees' base compensation. Base compensation amounts used for the purpose of determining the Company's matching contributions are subject to annual maximum limits under the Internal Revenue Code of $14,400 for 2026 and $14,000 for 2025. The Company's matching contributions for the three months ended March 31, 2026 and 2025 were $56,599 and $57,241, respectively.

14 – COMMITMENTS AND CONTINGENCIES

Guarantees and Indemnification
In April 2020, Herald Owners LLC ("Herald") obtained a mortgage loan of up to $49,844,000, with a mortgage balance outstanding at March 31, 2026 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, 2026 and December 31, 2025. The mortgage payable was set to mature in April 2023, required 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 extension options extending the maturity date to April 5, 2025. On April 4, 2025, the loan was modified to extend the maturity date to April 5, 2027 and modify the interest rate to be equal to Term SOFR plus three hundred sixty basis points.

The Company has signed limited suretyship and guarantee agreements with the mortgagees of one investee as of March 31, 2026 and December 31, 2025, respectively, which own rental real properties with mortgages outstanding of approximately $16,000,000 as of March 31, 2026 and December 31, 2025. In addition, the Company has provided indemnification for any environmental issues to the lenders of this investee.

14 – COMMITMENTS AND CONTINGENCIES (Continued)

Guarantees and Indemnification (continued)

Management believes that there is no liability under this guarantee as of March 31, 2026 and December 31, 2025.

In February 2026, Park 430 Operating Company LLC ("430 Park") obtained a project loan of $17,500,000, where as Merchants is a limited guarantor on this loan, specifying the Merchants completion of work requirements, as defined in the loan agreement. Management believes there is no liability under the guarantee as of March 31, 2026.

In January 2026, Brooks entered into a supplemental loan application for an additional mortgage loan with a principal amount of $75,000,000. Merchants guaranteed performance under the supplemental loan. Management believes there is no liability under the guarantee as of March 31, 2026.

Employment Agreement

In October 2024, the Company amended and restated its employment agreement with the CEO, extending the expiration date to August 10, 2028 with automatic extensions for successive one year periods, pursuant to which the Company agreed to pay a base annual salary of $750,000, 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 not less than 75% of the current base salary. The Company also granted the CEO a new long-term cash incentive of $1,200,000, which shall vest on the fourth anniversary of the August 11, 2024 Award Date, subject to the CEO's continued employment through the vesting date. The Company also agreed to grant the CEO a restricted stock award covering 100 shares per year, totaling 400 shares of the Company's common stock (the "LT Stock Incentive"), which shall vest on the fourth anniversary of the August 11, 2024 Award Date, subject to the CEO's continued employment through the vesting date.

For the year ended December 31, 2025, 100 shares of restricted stock were granted and are included in accounts payable, accrued expenses and other liabilities on the consolidated balance sheets. The weighted-average grant-date fair value of restricted stock granted as of March 31, 2026 and December 31, 2025 was $1,800. The grant-date fair value is determined based on the fair market value of the Company's common stock on the grant date.

For the three months ended March 31, 2026, the CEO's total cash and accrued compensation was $569,374, which consisted of $193,125 for base salary, a $173,813 bonus accrual, a $58,250 stock grant accrual and a $144,186 long-term cash incentive accrual. For the three months ended March 31, 2025, the CEO's total compensation was $495,000, which consisted of $187,500 for base salary, a $187,500 bonus accrual, a $45,000 stock grant accrual and a $75,000 long-term cash incentive accrual.

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 such personal investments are loaned by the Company on a non-recourse basis, with interest at 6% a year, using the acquired equity as collateral. Any unpaid balance, including accrued interest, is due within 12 months of termination of employment with the Company. At March 31, 2026 and December 31, 2025, the loan balance, including accrued interest, was $2,598,750 and $2,553,514, respectively. This loan balance is included in receivables from employees on the accompanying consolidated balance sheets.

14 – COMMITMENTS AND CONTINGENCIES (Continued)

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. At March 31, 2026 and December 31, 2025, the balance of capital calls received not fully funded was $191,777. The balance of these obligations is included in due to related parties on the accompanying consolidated balance sheets.

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.

Share Repurchase Program
For the three months ended March 31, 2025, under a share repurchase program then in effect, the Company repurchased 48 shares of its common stock for $75,375.

In March 2026, a new share repurchase program (the "2026 Repurchase Program") came into effect, replacing the prior program. Under the 2026 Repurchase Program, the Company is authorized to repurchase its outstanding common stock from time to time, in accordance therewith and applicable law.

Tax Examinations
Merchants, Marx, Guest, Rier and Maryland file combined income tax returns for New York State and underwent an audit for the years 2020, 2021 and 2022. The audit concluded in 2026 and resulted in additional tax expense of $18,600, paid in January 2026. The imposed tax liability is reflected in accounts payable and accrued expenses on the balance sheet as of December 31, 2025.

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. For the three months ended March 31, 2026 and 2025, the operating lease cost was $64,229 and $53,780, respectively, and is included in the consolidated statements of operations.

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

15 – LEASES (AS LESSEE) (Continued)

	March 31, 2026	December 31, 2025
Operating right-of-use asset	$ 614,408	$ 665,661
Current maturities of operating lease liability	$ 159,633	$ 211,908
Operating lease liability, less current maturities	466,352	466,352
Total operating lease liability	$ 625,985	$ 678,260

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

	Three Months Ended March 31, 2026	2025
Cash paid for amounts included in the measurement of lease liability	$ 58,140	$ 58,140
Weighted average remaining lease term	2.8 years	3.8 years
Weighted average discount rate	3.55%	3.55%

The minimum operating lease obligations as of March 31, 2026 were as follows:

Year Ending December 31,	
2026	$ 174,420
2027	232,560
2028	232,560
2029	19,380
Total lease payments	658,920
Less: interest	32,935
Present value of lease liability	$ 625,985

16 – SUBSEQUENT EVENTS

These consolidated financial statements were approved by management and available for issuance on May 15, 2026. Management has evaluated subsequent events through this date.